

**Report of:** Mayor of Middlesbrough - Andy Preston  
Executive Director of Growth and Place - Kevin Parkes

**Submitted to:** Executive - 17 March 2020

**Subject:** Boho Next Generation: Creating the DigitalCity

### Summary

1. An ambitious vision and plans for the delivery of Boho X, part of the DigitalCity as part of a purpose-built digital campus; to service Middlesbrough's burgeoning Digital Cluster and growing high value business sectors.
2. £20m of Tees Valley Combined Authority (TVCA) funding has already been allocated and a further allocation of £10m is proposed to deliver the first phase of the ambitious digital campus. This funding is comprised of £6.2m TVCA Indigenous Growth Funding (IGF) and a Council capital contribution of £3.8m.
3. The Digital Campus proposals encompass iconic design for the flagship Boho X building, creating additional high value floorspace, performance space and enabling further residential and commercial investment to regenerate the area in the long term.
4. This forms the first phase of a wider vision / master plan for the DigitalCity campus encompassing a much wider opportunity that could provide up to £250m of business and residential development over the next decade or so. The first phase represents £30m of public sector investment.

### Proposed decision(s)

It is proposed that the Executive:

- a) endorses the project proposals, as set out in this report;
- b) approves the overall project delivery budget of £30m;
- c) confirms the acceptance of the Tees Valley Combined Authority (TVCA) grant funding offer of £20m;
- d) approves the allocation of £6.2m Indigenous Growth Fund (IGF) for the delivery of the project;
- e) approves an allocation of £3.8m of Middlesbrough Council capital expenditure, vired from previously outlined capital allocations, within the existing capital programme;
- f) approves additional enhancements to the project budget and estate masterplan where eligible funding support is secured from the Town's Fund / Town Investment Plan;
- g) approves project progression to the appointment of all construction contractors and associated design team; and,
- h) that any changes to:
  - i) the substantive project business case (only where this has a positive net effect on costs of the development);
  - ii) all operational decisions and contractual arrangements;

iii) the eligibility criteria for tenant businesses; and,  
 iv) all arrangements for marketing and site management.  
 be delegated to the Executive Director for Growth and Place, and Director of Finance, Governance and Support in consultation with the Executive Member for Regeneration and the Executive Member for Finance and Governance.

Report for:	Key decision:	Confidential:	Is the report urgent?
Decision	Yes	No	No

Contribution to delivery of the 2020-23 Strategic Plan		
People	Place	Business
<p><b>Ensuring our town is an absolute leader on environmental issues</b>            Through creating additional employment and GVA into the Middlesbrough Economy. The DigitalCity scheme overall will create a sustainable development blending business and residential development in a town centre location. It is also proposed to develop an urban farm as part of the initiative.</p>	<p><b>Making Middlesbrough look and feel amazing.</b> Through growing and stabilising the digital cluster to embed existing, and new, high-value employment opportunities in the area. The development will generate a major new iconic building in Middlesbrough / Tees Valley which will symbolise the optimism and growth of Middlesbrough as a major digital centre.</p>	<p><b>Winning Investment and Creating Jobs.</b> Through consulting to understand the needs of the digital cluster and delivering targeted interventions to affect positive change. The development of the Boho Zone also contributes to the objective of growing the business base and associated business rates income. The development is primarily grant funded and the income generated from commercial rent will be more than sufficient to cover the capital borrowing required to service the Council's own contribution.</p>

Ward(s) affected
The Boho DigitalCity Campus is located in (TS1 / TS2) Central ward of Middlesbrough. The wider employment and regeneration benefits will reach across all wards of Middlesbrough.

**What is the purpose of this report?**

5. The Executive approval of 12 March 2019 outlined investment in Middlesbrough's burgeoning Digital Cluster; approving the £20m allocation of TVCA Investment Programme funds, to deliver:
  - I. a vision for the future growth of the sector, around which indigenous businesses and new investors can commit, with increased confidence;
  - II. hosting an additional 500 digital and creative jobs within Middlesbrough (up to 2,000 with future phasing);
  - III. the creation of an additional C. 60,000 sq. ft. of prime accommodation in the Boho Zone – to meet short term and medium term demands;

- IV. lever around £20m of new investment into the Boho Zone (and further stimulate additional private investment);
  - V. the development of a complementary residential offer – Boho Village; and,
  - VI. enhancing the integration and connectivity of the Boho district with the wider city centre, aiding the definition of a new commercial headquarters for the digital sector, where the benefits seamlessly flow to the retail and leisure areas.
6. Since March 2019, work has progressed to advance the design detail of both Boho 8 (modular units). However, the development of Boho X has undergone a transformational review focused on creating a more visionary, strategic and iconic expansion of Middlesbrough’s digital sector through the creation of The DigitalCity master plan which was launched by the Mayor in Autumn 2019. This includes major new business development, residential and also an urban farm. It is typified by iconic architecture and in initial phases will include three tall buildings, each 20 stories tall, being landmarks setting out the ambitious nature of the vision.
7. The first phase of the development will be committed in summer 2020, with construction on site of a modest modular workspace scheme, Boho 8. This will be to the rear of Boho 1 and already has the benefit of planning permission. It will be adjacent to the new Bohomes schemes being implemented by Thirteen; work has commenced on the construction of this scheme.
8. By Autumn 2020 work will commence on Boho X - a campus headquarters for Middlesbrough’s Digital Cluster. The plans and some elevations are provided in appendix one. This scheme is a hugely iconic, ambitious scheme and will put Middlesbrough’s digital cluster on a genuinely national / international platform. The total cost of Boho X and Boho 8 is £30m. The details of Boho X are set out below. The £20m allocated by TVCA will directly support this scheme.
9. Over the same period, Middlesbrough has also been allocated £10m of TVCA Indigenous Growth Fund (IGF), to be directed towards local priorities which support economic growth objectives.
10. By allocating a proportion (£6.2m) of the newly-allocated IGF funding, along with realigning some of the previously-approved capital programme allocation, an additional £10m is available to expand the scale and scope of the Boho Next Generation facilities, to make Middlesbrough The DigitalCity.
11. The enhanced Boho X transforms the previous commitment by the Executive report of March 2019 into a dynamic vision, taking the scheme to another level.

**Why does this report require a member decision?**

12. The report seeks approval for additional capital expenditure, which exceeds the key decision threshold of £150,000.

## **Report Background**

13. **Boho Next Generation – Creating The DigitalCity**, will be an iconic campus-style development providing high quality new commercial business space, particularly focused on move on space for growing digital businesses, to retain them in the Boho Zone cluster; at the same time as providing an asset capable of attracting inward investment. This will mean that Middlesbrough will immediately be seen as one of the leading centres for digital business in the UK. As the scheme then evolves its global reputation will grow and develop creating a genuine economic powerhouse in the Tees Valley. This will ensure that Middlesbrough and the Tees Valley will have a reputation as a centre for digital media investment, both nationally and internationally. It will give Middlesbrough a unique selling point that will enable companies to look at locating to Middlesbrough as opposed to other major UK centres.
14. The proposed development is very timely as the digital sector is growing quickly, both locally and nationally. It is essential that Middlesbrough and Tees Valley position themselves quickly to take advantage of this growth and to avoid the risk of missing out to other areas. Middlesbrough has many comparative advantages in the tech sector, not least a significant, and strengthening, partnership with Digital City and Teesside University – which will underpin the prioritisation of this growth sector, within the Tees Valley digital landscape.
15. The proposed development will build further upon the success of the established Boho Zone which has demonstrated its effectiveness in creating and growing a strong cluster of digital businesses, delivering significant local economic benefits. This is based on creating a high quality physical environment that digital business owners and their workforce find attractive, and a community that enables businesses and people to come together, collaborate, learn and support one another. It also will build on the outstanding achievements of Teesside University.
16. The Boho X scheme will form part of a much wider vision for the development of a wider DigitalCity campus, incorporating much of the former St Hilda's area. The total development value could amount to £250m of investment comprising of extensive new workspace, residential development and an urban farm. It will also include the renovation of the key heritage assets of the Old Town Hall and the former Captain Cook Public House, Middlesbrough's oldest intact pub. Whilst this phase focuses on the development of the business workspace, the master plan allows for substantial residential opportunities, including two twenty story towers for which there is already active interest by housing developers.

## **A Vision to transform Middlesbrough**

17. The growth of the digital sector in Middlesbrough has been hugely beneficial to the long term business success of the town and the Tees Valley. The growth has been based on a long term and collaborative relationship between the Council and Teesside University with recent support from the Combined Authority.
18. The plans agreed in March 2019, allowed for the further organic growth of the existing Middlesbrough cluster. However, for the town to be genuinely competitive at a national and international scale it's essential that the development of Boho is of a scale and ambition that can attract major digital companies to locate in Middlesbrough.

19. As a consequence the programme has been reviewed. Personally led by the Mayor, the DigitalCity project takes the previous ambition to a whole new level providing an iconic scheme centred on a twenty storey tower, which will be visible from long distance and act as a focal point for the business cluster and wider development of the area. It's a scheme that has excited the existing digital business community in the area and there is already significant interest for future occupation.
20. The initial phase of the project, comprises of 10,000 sq.ft. of adaptable modular space in Boho 8. The scheme is due to be on site in June 2020. This will meet some of the existing demand for new digital business floorspace. This phase costs £2.5m.
21. However, there has been a radical review of the Boho X build, which will be the main element. The scheme will provide 100,000 sq.ft. of high quality business floorspace. The scheme provides an iconic status by notably incorporating a twenty storey tower at the intersection of the two wings. This creates a stunning visual impact and will highlight the Boho Zone as a dominant feature within the Central Middlesbrough / Middlehaven area.
22. However, this scheme is much more than high quality workspace. The overall offer of the building will incorporate: a major lecture theatre; a cinema; a gym; a café / restaurant; outstanding communal meeting spaces etc. The scheme will have provision for cycling, car parking and the inner courtyard has the potential of being covered and becoming a events venue.
23. A locally based design team has been appointed and a planning application was submitted in February 2020, with an amazing launch event at the Riverside Stadium attended by over 100 businesses and the media.
24. Illustrative imagery of the Boho 8 and Boho X developments are available at appendix A.
25. A detailed business case has been prepared in collaboration with TVCA , in support of the £20m funding commitment and the £6.2m allocation from the Tees Valley Indigenous Growth Fund (IGF). This process has articulated the following strategic outputs, outcomes and milestones. They include:

## 26. **Outputs**

- i. 2.4 hectares of land remediated by October 2021;
- ii. 0.2 hectares of public realm space created by January 2022;
- iii. Development of 10,000 sq ft of specialist business accommodation a Boho 8 by August 2020;
- iv. Development of 100,000 sq ft of space at Boho 10 by October 2022;
- v. Development of 10,000 sq ft of event space at Boho 10 by October 2022;
- vi. 65% occupancy rate of specialist business accommodation in Boho 8 and 10 by December 2027 (5 years post opening);
- vii. 90% occupancy rate of specialist business accommodation across wider Boho estate by December 2027 (5 years post opening);
- viii. 90% occupancy rate of specialist business accommodation in Boho 8 and 10 by December 2032 (10 years post opening);
- ix. 10% of uptake in BoHo 8 and 10 as a result of inward investment by December 2027 (5 years post opening);
- x. 30% of uptake in BoHo 8 and 10 as a result of inward investment by December 2032 (10 years post opening);

## 27. Outcomes:

- i. creation of 498 construction jobs by 2022;
- ii. attraction of circa 450 gross jobs (338 net additional jobs) in the digital sector by December 2027;
- iii. attraction of circa 900 gross jobs (675 net additional jobs) in the digital sector by 2032;
- iv. land uplift of 25.7% from a baseline of £175k per acre to £220k per acre (confirmed by Council Valuer) for the remaining Middlehaven site;
- v. increase rental value -£23 per sq ft by 2025 – this will rise to £25 in 2026;
- vi. increased number of inward investment enquiries of 400% by 2029 (10 to 40); and
- vii. an enhanced realisation rate of 1:5 up from 1:10 by 2029.

## 28. Impact

- i. £56m of additional GVA per year by 2032, of which:
  - a. £38.5m of additional GVA per year in the digital sector by 2032;
  - b. £11.5m of additional GVA per year in the wider supply by 2032; and
  - c. £6m of additional spend in Middlesbrough City Centre by 2032.
- ii. Targeted benefits to areas of high deprivation and groups with protected characteristics of £28m per annum in real terms or a potential distributional benefit of £56million (aimed at addressing the gap with the wider workforce).

## Demand Analysis

29. The commercial property market in the area is buoyant in terms of demand, but this demand is being frustrated by the lack of commercially-viable, finance tools available to meet market demand. This is cited as a 'property paradox', whereby the private sector market place requires stimulation; and this is often public sector led.
30. A commercial demand analysis has been undertaken by independent specialists New Skills Consulting. This organisation has a specialism in the burgeoning digital sector and a unique understanding of this market niche. This information is essential to develop a core business case to enable business accommodation in this sector. The work of New Skills cites sufficient demand to reasonably assume that facilities of this scale can be filled in a reasonable timescale. Similarly, the analysis also makes plain that the current vacant office stock is not of sufficient quality, efficiency or interest to be attractive to the digital cluster.
31. Indeed, the interest in the facilities is such that expressions of interest have exceeded the available space in Boho 8 and advanced interest has been expressed in Boho X for around 30% of the available space. In addition, cash deposits have been taken from a number of early-adopter businesses who are keen to reserve space.
32. The demand analysis has also factored in the requirement to backfill the vacated space from Bohos 1 and 5, as well as the wider private market. All analysis has factored in the skills pipeline and the anticipated rate of new, graduate businesses, being established.
33. The consultation process highlighted that, whilst the digital technology companies prefer to be in a space that is solely digital, there are other business centres that could accommodate their needs locally and within the reach of the acknowledged cluster. This option must remain part of the solution and provide a credible alternative for short term demands. Centre Square development is not considered by digital businesses to be a

credible option for most occupants but is well placed as a proposition to attract new inward investment to the wider cluster. Boho X offers an entirely different experience to facilities such as Centre Square and the cluster co-location is the most powerful pull factor.

### **Headline Funding Package**

34. The overall £30m funding package is comprised of:

- i. £20m approved TVCA grant funding – The business case is completed and approved and the funding agreement is under preparation.
- ii. £6.2m approved TVCA grant funding – The business case is being developed with TVCA and has been approved in principle. It remains subject to a formal funding agreement, albeit this is anticipated to be approved.
- iii. £3.8m – Following an internal review of existing and approved capital allocations, £3.8m of project activity has been identified for virement for existing capital budget allocations.

### **Benefiting the Revenue Budget**

35. By 2025, and at an average rental value of £23 per square foot, Boho X could generate £2.3m per year in rental revenues. By the same measure Boho 8 would generate C.£230k per annum. Even with a generous management and administration fee of 20%, the facilities could generate around £2m per annum.

36. Similarly, fully occupied facilities would generate business rates income of C. £550k per annum.

37. It is also recommended that the Executive approves that any income generated as a consequence of the operation of the facilities be ring-fenced to economic growth initiatives within Central Middlesbrough / the Boho Zone.

### **Timeline for project delivery**

Boho 10 - Construction Commence – October 2020

Boho 10 – Construction Complete – October 2022

Boho 8 – Commence May 2020

Boho 8 – Complete October 2020

### **What decisions are being asked for?**

38. It is proposed that the Executive:

- a) endorses the project proposals, as set out in this report;
- b) approves the overall project delivery budget of £30m;
- c) confirms the acceptance of the Tees Valley Combined Authority (TVCA) grant funding offer of £20m;
- d) approves the allocation of £6.2m Indigenous Growth Fund (IGF) for the delivery of the project;

- e) approves an allocation of £3.8m of Middlesbrough Council capital expenditure, vired from previously outlined capital allocations, within the existing capital programme (see para 34)
- f) approves additional enhancements to the project budget and estate masterplan where eligible funding support is secured from the Town's Fund / Town Investment Plan;
- g) Approves project progression to the appointment of all construction contractors and associated design team; and,
- h) that any changes to:
  - v) the substantive project business case (only where this has a positive net effect on costs of the development);
  - vi) all operational decisions and contractual arrangements;
  - vii) the eligibility criteria for tenant businesses; and,
  - viii) all arrangements for marketing and site management;
 ...be delegated to the Executive Director for Growth and Place, and Director of Finance, Governance and Support in consultation with the Executive Member for Finance and Governance.

### **Why is this being recommended?**

- 39. The Boho Next Generation Vision supports Middlesbrough Council's strategic outcomes and forms an integral part of Middlesbrough's investment priorities as outlined in the 2017 Middlesbrough Investment Prospectus.
- 40. The business case appraisal has highlighted significant demand for commercial accommodation to satisfy immediate and long term expansion plans, starter style units as well as larger floor plate options.
- 41. Consultation with key Boho based digital sector companies has been undertaken as part of the project development.

### **Other potential decisions and why these have not been recommended**

- 42. A detailed SWOT analysis has been developed for the proposal, in development of the business case. This has been the basis against which alternative options have been developed. The SWOT analysis and associated options has been set out in Appendix B
- 43. The following options have been shortlisted for further consideration:
  - **Option 1: Status Quo Option (Do Nothing):** This has been shortlisted as although it does not meet any of the criteria, in line with the Green Book it has been considered in order to assess additionality;
  - **Option 4: The Project as submitted;**
  - **Option 6: The Project as per the original EoI (different physical configuration); and**
  - **Option 9: The Project as submitted and open to all sectors.**
- 44. The following options have not been shortlisted for further consideration for the associated reasons:
  - **Option 2: Utilising existing commercial space:** not been shortlisted as it does not permit area regeneration on the Middlehaven site;

- **Option 3: Alternative Use for the site (Opportunity Cost):** not been shortlisted as it does not permit the development of a digital cluster;
- **Option 5: The Project as submitted: Using an Alternative Site:** not been shortlisted as it does not permit area regeneration on the Middlehaven site;
- **Option 7: The Project as submitted – Larger scale (BoHo 8, 10 and Subsequent Phasing):** not been shortlisted as there are concerns about the levels of take up and possible displacement of such a large investment coming online in what is in essence a still immature labour market; and,
- **Option 8: The Project as submitted- led by private sector developer** (longer leases, market rents, less public space and no sector specification): not been shortlisted as it does not permit the development of the digital cluster.
- In summary, Option 4 scored highest, as it is both sufficiently iconic and is focused on supporting the digital media sector.

### **Impact(s) of recommended decision(s)**

45. The impact of activity will have a direct effect on the growth of the digital industries in Middlesbrough – further positioning Middlesbrough as a key digital hub on a national and international level. Activity will also have a subsequent benefit to:
- a. the regeneration of Middlesbrough Centre and its economic balance;
  - b. the creation of specialist and well-paid jobs within Middlesbrough;
  - c. retention of high growth digital tech businesses;
  - d. the attraction of new businesses and specialist talent; and,
  - e. added value to a range of priority sectors and initiatives through digital transformation and product diversification.

### **Legal**

46. The utilisation of TVCA Investment Programme funds £20m and Indigenous Growth Fund £6.2m are both subject to terms and conditions of a formal funding agreement between TVCA and Middlesbrough Council.
47. Legal advice has been secured to ensure that the project and its parameters remain compliant with all relevant state aid implications.

### **Financial**

48. Initial costs for a Boho Next Generation development is estimated c £30m, funded as in para 34 of this report. These have been derived by a detailed design scheme and costed by a cost consultant with the support of relevant professional expert consultants.
49. The overall £30m funding package is comprised of:
- i. £20m approved TVCA grant funding – The business case is completed and approved and the funding agreement is under preparation.

- ii. £6.2m approved TVCA grant funding – The business case is being developed with TVCA and has been approved in principle. It remains subject to a formal funding agreement, albeit this is anticipated to be approved.
- iii. £3.8m – Following an internal review of existing and approved capital allocations, £3.8m of project activity has been identified for virement for existing capital budget allocations. Money has been identified from budget lines where the reduction in funding is argued to have minimal material impact on the delivery commitments of the existing capital programme. A significant amount of the identified funding has been allocated from the existing Town Centre Improvement Fund budget, as the objectives are so closely linked to the town centre programme.

<b>Funding Source</b>	<b>Amount</b>
TVCA Investment Fund	£20,000,000
TVCA Indigenous Growth Fund	£6,200,000
Middlesbrough Council Capital Programme	
£500k Allocated from the winding-up of the Grove Hill and North Ormesby Joint Venture with Thirteen Group.	
£400k of infrastructure funding from the Local Transport Plan (LTP)	
£153k Allocated from the review of the Teesside Media and Innovation Village (TMIV)	
£1.35m reallocated from the Town Centre Public Realm Budget	
£1.397 reallocated from the reviewed MHome's capital requirement	£3,800,000
<b>Total</b>	<b>£30,000,000</b>

50. Funding from Tees Valley Combined Authority will be subject to a binding funding agreements, for both the main project funding and allocation from Indigenous Growth Fund (IGF). The sources of the funding are set out in the table above.

51. Payments from TVCA are understood to be quarterly in arrears.

52. Work will continue to explore further private sector partnership arrangements to expand the scope and scale of the wider estate. Similarly, work will continue to forge further funding opportunities and strategic links with the emerging Towns Fund.

**Policy framework**

53. Making Middlesbrough THE DigitalCity is a corporate priority and a key political pledge of the Elected Mayor.

54. Development of the digital and creative cluster is a key ambition within the Tees Valley Strategic Economic Plan and contributes to the overall commitment to increase jobs and strengthen the local economy by 2025.

55. Development of the Boho zone will support **key SEP themes**:

- a) productivity – increasing GVA;
- b) innovation – encourage innovation across all sectors;
- c) export – continue to create export opportunities; and,
- d) unlock growth potential – for example 100,000 sq.ft. of additional space will be able to accommodate 830 jobs with space freed further down the pipeline to allow emergent businesses to settle.

56. Links with the Northern Powerhouse four prime capabilities recognised as having global significance - advanced manufacturing, energy, DIGITAL and health innovation. The 'Statement of Ambition' prioritises measures which support growth across key sectors in the town centre and major regeneration sites.

**1. Business Growth** - 'Further increase jobs and business density through targeted support to create and attract new companies and to grow businesses and sectors with high growth potential'....'The Northern Powerhouse will need the Tees Valley to achieve transformational economic growth in advanced manufacturing, energy, **DIGITAL** and health, supported by growth in logistics and business and professional services'

**2: Research, Development, Innovation & Energy:** 'Further enhance productivity in all core sectors through the commercialisation of knowledge'

**4: Place:** '....create the conditions necessary to attract businesses and individuals with a focus on vibrant town centres'

### **Equality and diversity**

57. This proposal is not judged to present any equality and diversity issues to any of the groups with protected characteristics. Any design and access implications will be addressed through the Planning process and associated public consultations.

### **Risk**

58. The progress in this development investment will be closely monitored as a project under the corporate Governance and Project Management Framework. This will include the maintenance of key project documents such as budget monitoring, risk logs, issue log and project plan. Progress will be reported regularly and any emergent issues would be escalated as appropriate.

59. There is an inherent risk with any speculative development, thus there is risk to the Council in terms of financial exposure, should it not prove possible to let the accommodation at the assumed rental levels, in terms of rental income to the Council and business rates liability. This is minimised by the fact that > 85% of the project budget is derived from external grant support.

60. **Local Displacement** – the development of the site will seek to minimise displacement from the local market. As such, any prospective tenancy which risks significant displacement from within the Tees Valley will have to demonstrate a significant growth or consolidation case in order to access a tenancy on the site. This may include avoiding the prospect of the company seeking an alternative accommodation, outside of the Tees Valley.

61. **Site Investigation (SI) / Remediation too expensive** – Should, upon receipt of the validated SI information, the site remediation requirements be cost prohibitive or beyond

the parameters of the prescribed target cost plan, the scheme may be placed at risk. Recent works in the area give a good understanding of the underlying ground conditions and no major barriers are anticipated.

**62. Long Term Voids** – There are three main mitigation mechanisms to offset long term voids. They include:-

- i. In the first instance, the objective of Boho Next Generation will be the promotion and accommodation of Digital and Creative disciplines. Should the facilities struggle to secure appropriate tenancies in a reasonable timescale, then entry criteria will be relaxed, to allow more generic professional services uses, to ensure that the development is financially viable.
- ii. The Council could choose to reduce the rental rate of the properties on the site to stimulate demand. This would have to be at a managed level between the minimal cost per sqft of developing the site and the premium rate per sqft. This is possible due the financial headroom built into the financial model. This will be carefully balanced as not to breach any state aid considerations and ensure that the market is not distorted.

**63. Contract values too expensive** – if, when tendered, the quoted cost of the works exceeds the target cost of the development, the contract can be value engineered and retendered.

**64. Planning Challenge** – the site does not have the benefit of planning permission but is allocated for business use in the adopted Middlesbrough Local Plan. Given the unchallenged planning status to date, and the proposed use which is consistent with the extant planning policy for the site, a substantive planning objection is not anticipated. However, as with any development, this development would be subject to a planning application process and would be properly considered, on its merits, through the proper processes and legislative framework.

**65. Lost Opportunity** – the development of these facilities will not progress in the absence of public sector intervention and the corollary grant support of TVCA. This would severely restrict the opportunity to grow key sectors within the Tees Valley, particularly in Digital and Creative disciplines.

**66. Maintaining tenancies and values** – management regime, sinking funds etc – the value of the site and its ability to secure good tenancies with good covenants will be largely down to its ability to offer a quality service and quality accommodation for the long term. As such a full life costing model is being used to ensure that the asset enjoys continual maintenance and investment to make it commercially relevant, competitive and appealing in the longer term. This recycled investment, protects the value of the asset and its propensity to deliver its financial objectives over its economic lifespan.

**67. Unlocking Capital** - The Council also has the option of selling the asset and disposing of the site, which would unlock the investment capital held in the site at that point (depending on the value and duration of tenancies at the time, the sale of the site may not necessarily recover all of the capital invested).

### **Actions to be taken to implement the decision**

68. The following key actions will be taken in implementing the decision:

- a. Completion of the Funding agreement(s) with TVCA – March 2020

**b. Procurement of a Construction Partner and Development Management – May 2020**

**Appendices**

Appendix A1 - Boho 10 Images

Appendix A2 - Boho 8

Appendix A3 - masterplan

Appendix B – SWOT Analysis and Options Appraisal

**Background papers**

Taking The Digital Cluster Forward – Boho Next Generation	Executive Report of 12 March 2019
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