

Appendix E – GPF Project Background Information

Name of Project	Observer Building (Phase 1) Cambridge Road, Hastings East Sussex County Council
Growing Places Fund Allocation	£1,750,000
Description of what Project delivers	<p>The project will support Phase 1 of the full redevelopment of the 4,000 sqm. Observer Building, which has been empty and increasingly derelict for 35 years, into a highly productive mixed-use building, creating new homes, jobs, enterprise space and support.</p> <p>The Observer Building will include leisure and retail uses on the lower three floors, a wide range of workspaces including studios, offices and open space, 16 capped-rent flats and a public roof terrace and bar with fantastic sea, castle and town views.</p> <p>The GPF investment in Phase 1 of the project will enable full renovation of the Alley Level and Ground Floor, along with universal access (lift and entrance ramp), essential safeguarding works to the roof and external facades, installation of the new electricity substation and Air Source Heat Pumps, and key internal structural works that would otherwise be disruptive to tenants in future.</p> <p>Completion of the Phase 1 works will enable anchor tenants in the Alley Hall and Vaults, will revitalise both street level entrances, and create flexible workspace and space for enterprise support.</p>
Need for intervention	<p>The Observer Building has suffered from a series of market failures over an extended period, including:</p> <ul style="list-style-type: none"> • The deindustrialisation of print – the Observer Building was used as a print works from construction in 1924 through to the early 1980's, when technological changes signalled the end of the old print industry and the building was abandoned. • Profiting from doing nothing – The Observer Building has had 13 owners since 1985. All but one of the property owners made a profit through the sale of the building but no repairs or redevelopment was undertaken by any of the owners.

	<ul style="list-style-type: none">The university withdrawal - the most recent owner of the Observer Building sought to create student accommodation. This aspiration failed as a result of the failure of the University of Brighton to sustain a student market in Hastings. <p>There is no market solution to this building – it needs public funding support to undertake the renovation and to deliver a mix of homes, workspace and leisure use that is both community rooted and commercially focused.</p> <p>As the country emerges from lockdown it is important for people to see a display of confident investment in new models that achieve economic, social, environmental and cultural benefit.</p>						
Project benefits	<p>Phase 1 of the project will safeguard the future of the building through the completion of essential roof repairs. It will also create a total of 1,322sqm of commercial space across the alley level and ground floor of the building.</p> <p>The redevelopment of the building will provide affordable accommodation to businesses and will be targeted at some of the hardest to reach economically deprived communities in Hastings. Through returning the currently derelict building to effective use, the project will help to catalyse the wider revitalisation of Hastings Town Centre.</p> <p>It is expected that the completion of Phase 1 of the project will directly create 54 gross FTE jobs by 2024/25.</p> <p>The regeneration of the Observer Building will also enable the delivery of a package of training and start-up support to at least 60 entrepreneurs and start-up businesses, significantly helping to foster and grow emerging businesses locally, thereby helping to improve start-up and survival rates.</p> <p>Finally, the delivery of the GPF and GBF funded elements of the project will significantly improve the viability of the proposed follow on development, consisting of 1,000sqm of housing or commercial space.</p>						
Financial Information	<p>The total cost of the project is £2,670,000, which will be funded through:</p> <table><tr><th>Funding source</th><th>Funding security</th><th>Amount</th></tr><tr><td>GPF</td><td>Subject to Board approval at this meeting</td><td>£1.75m</td></tr></table>	Funding source	Funding security	Amount	GPF	Subject to Board approval at this meeting	£1.75m
Funding source	Funding security	Amount					
GPF	Subject to Board approval at this meeting	£1.75m					

	CHART/Heritage Action Zone funding	Funding confirmed	£0.812m
	White Rock Neighbourhood Ventures reserves	Funding confirmed	£0.108m
	Total		£2.67m
GPF spend profile	The full GPF funding allocation will be spent in 2020/21.		
Project Timeline	Milestone	Indicative Date	
	Purchase of the Observer Building	February 2019	
	Planning permission granted	July 2020	
	Appointment of construction contractor	October 2020	
	Construction of Phase 1 works starts	November 2020	
	Construction of Phase 1 works completed	May 2021	
	Construction of Phase 2 and 3 works	June 2021 to December 2022	
Repayment schedule	The full £1.75m GPF loan will be repaid in 2025/26.		
Outcome of ITE Review	The project has been assessed as offering high value for money with high certainty of achieving this.		
	<p>A proportionate and robust economic appraisal of the scheme costs and benefits has been undertaken assessing the land value uplift of the scheme in line with MHCLG Appraisal Guidance. The labour supply impacts have also been considered via a bespoke assessment approach which is aligned with the principles of the Green Book. This assessment shows the scheme to have a BCR of 2.9:1 which falls within the “high” value for money categorisation.</p> <p>The assumptions used in the appraisal are reasonable and robust and therefore the scheme delivers high levels of certainty for this value for money categorisation.</p>		
Evidenced compliance with Assurance Framework?	Yes, the project does meet the requirements of the SELEP Assurance Framework.		
	Requirements of the Assurance Framework	Compliance	
	A clear rationale for the interventions linked with the strategic objectives identified in the Strategic Economic Plan	The Business Case identifies the current problems and why the scheme is needed now. The project objectives align with both national and regional policy, including the	

		SELEP Economic Strategy Statement
	Clearly defined outputs and anticipated outcomes, with clear additionality, ensuring that factors such as displacement and deadweight have been taken into account	The expected project outputs and outcomes are set out in the Business Case and are considered in the Economic Case. Appropriate assumptions have been made and incorporated into the economic assessment.
	Considers deliverability and risks appropriately along with appropriate mitigating action	A comprehensive risk register has been developed which provides an itemised mitigation.
	A Benefit Cost Ratio of at least 2:1 or comply with one of the two Value for Money exemptions	A BCR of 2.9:1 has been calculated which indicates high value for money.
Link to Project page on the website, project Business Case and link to prioritisation decision by Strategic Board	<p>Project page: https://www.southeastlep.com/project/observer-buildinghastings/</p> <p>Project Business Case: https://www.southeastlep.com/app/uploads/2019/09/Observer-Building-GPF.pdf</p> <p>Prioritisation decision by Strategic Board: https://www.southeastlep.com/meetings/strategic-board-12th-june-2020/</p>	