

DRAFT



Brighton & Hove City Council
Wired Sussex
University of Sussex

New England House, Brighton
Digital Media Innovation & Enterprise Hub Joint Vehicle Business Case

Executive Summary

Background

New England House, in Brighton's New England Quarter, is an early 1960s industrial building with over 120,000 square feet of lettable space over eight floors. Part of Brighton & Hove's property portfolio, 60% of it is let as workshops and office units to a mix of businesses, quite a few of which fall within the creative industries and, more particularly, the digital media industries, but also include others like food, retail and wholesale, construction and direct marketing. Rents are low and terms are flexible, which ensures that NEH is popular, particularly amongst new and growing businesses.

The space that remains unlet requires varying levels of renovation to make it suitable for occupation and building as a whole suffers from exterior dilapidations and much of the services infrastructure is reaching the end of its useful life. Options for redevelopment were explored by Robinson Low Francis in 2004; their report, "New England House Masterplan", concludes that structurally the building is essentially sound.

The purpose of this study has been to assess whether New England House might provide a hub for digital media businesses and the wider creative industries and, if so, what's needed in terms of building renovation and project development to make the hub flourish.

Brighton and the digital media sector

Brighton has an international reputation in the digital media sector and is recognised now as a city in which the private sector is thriving - over the ten years from 1998 to 2008 Brighton saw the fastest growth in private sector jobs of any city in the country (Private sector cities: a new geography of opportunity; Centre for Cities 2010).

Increasing the supply of building land and strategic capital investment are amongst that study's key recommendations. Brighton & Hove's own strategic framework - Economic Strategy and Business retention and Inward Investment Strategy - recognises the importance of the digital media sector and the key role of business accommodation in determining business success.

Wired Sussex supports its member digital media businesses' development with business advice, training and networking. Based in New England House, it has a membership of around 1,700 businesses, over 1,400 of which are based in the Brighton area. The University of Sussex's strategic objectives include developing a more external focus and engaging more fully with the local business community, particularly digital media businesses. Wired Sussex and the University of Sussex have joined in partnership with Brighton & Hove City Council to explore the potential of New England House and to commission this study.

Workspace availability and patterns of business growth

The study looks at demand for and supply of workspace in Brighton. On the supply side, the study concludes that there is a reasonable amount of provision for micro and small businesses up to around 20 people (albeit in accommodation not always ideal for digital businesses), but there is a shortage of workspace in central Brighton of a suitable size and configuration for businesses with 20 and more people. This presents problems for digital media businesses, which typically start very small, but in some cases grow quickly, reaching 20-50 people within three to five years. Of these, an appreciable number then grow significantly more, to reach 100-120 employees, and in the next stage of growth, to larger numbers.

As businesses grow they find it increasingly difficult to find appropriate and affordable space in Brighton. This risks hindering and delaying growth, holding back external investment in Brighton businesses, encouraging relocation out of the city and possibly the region and frustrating opportunities to attract inward-investing larger businesses to establish in Brighton

New England House has the potential to address this market failure and help to alleviate some of the adverse business growth and economic development impacts that may result. Its scale and the configuration of spaces across large floor plates mean that it is suited to providing accommodation for these larger and growing businesses. At the same time, it can be sub-divided to provide smaller units where, although the accommodation shortage in the city is not so acute, the benefits of clustering will be more pronounced on a business's prospects.

Demand and the development of a hub for the sector

Our research into the demand for space and services included both quantitative questionnaire based research with Wired Sussex members and qualitative research with a small pool of fast growing digital media businesses.

It evidenced a shortage of business premises suitable for medium and larger scale sector businesses and a body of already existing unmet demand that would more than fill the unlet space in New England House. Businesses participating in the quantitative and qualitative research showed considerable interest in locating their businesses in a redeveloped New England House. Businesses' key concerns when looking for businesses premises were competitive rents, big capacity data connectivity, easy in easy out terms and flexibility to expand. Other important considerations were on site bike parking, good public transport links and a central Brighton location. For most, though not all, businesses, the prospect of clustering with other sector businesses in a 'hub' development was a significant attraction - offering opportunities for sharing of ideas, product and service development, market intelligence, research and skills.

The redevelopment of New England House as a hub for the digital media sector therefore envisages more than simply the provision of workspace.

As with the creative sector more generally, the sector depends heavily on complex networks of supply, skills and joint working. There is a good deal of network activity in Brighton, much of it initiated or supported by Wired Sussex. However our research suggests that the lack of a defined hub for this activity limits its effectiveness, and particularly its visibility. This lack of visibility makes for a more fractured and less effective network and to missed opportunities for connection with larger businesses and other sectors outside the city. Facilities to support and extend this networking should form a central part of the proposition for New England House.

The partners also have the capacity and expertise to support creativity, innovation and R&D amongst tenants and the wider digital cluster. Wired Sussex is already engaged in a range of advice, training and networking interventions and activities and partnership with the University of Sussex has the potential to take this to a new level through the development of broader innovation programmes. In time, this Digital Innovation Partnership has the potential to develop links with other HEIs, leading digital sector entrepreneurs, major companies in adjacent sectors (broadcast media, telecommunications, information technology and others), venture capitalists, and other investors and national and international networks of digital innovation.

The options for development

The rest of the study considers the options for development of the building and the project and the means of achieving it.

The study identifies six options, ranging from the 'do nothing option', disposal and or demolition through to full renewal and the option to develop more space on an adjacent site. The report evaluates the effectiveness of these options in meeting the objectives of the partners, the fit of each option to what we have learned about the property market in the city, the sector and its needs and the likely cost of realising each option.

The principal costs involved in renewal of New England House itself are related to the failing façade and dated services infrastructure. In the medium term these will require investment in all scenarios other than disposal/demolition, and there is therefore a significant cost involved in all redevelopment options. The marginal additional costs over and above these fabric works to provide the facilities specific to sector development discussed above are relatively limited. The range of redevelopment cost estimates is therefore between £7m and £10m.

Although the investments in fabric and infrastructure make entry level costs for the realisation of the project relatively high, they do present opportunities to deliver important aspects of the digital hub project. Renewal of the façade is necessary due to its progressive failure, but is also an opportunity to transform perceptions of the building and its contribution to the city skyline and the immediate area. Renewal of the services infrastructure of the building brings the opportunity to meet the specific needs of the sector for substantial data connectivity.

The additional opportunity to develop on the adjacent site significantly increases cost but we believe that this may be a significant opportunity for a second stage of development once the renewal of New England House itself is complete.

The report supports the case for a significant renewal option for the building, providing network hub and innovation facilities and shows how such a project can be financially viable and provide a return on investment in both cash and economic outcomes.

Partnership and development structures

The report discusses the potential options for investment and development partnership and for the strategic direction and management of the project during and after the capital project.

In doing so we emphasise the importance of close connection and partnership with the sector, and of the development of the Innovation Partnership and programme discussed above.

The partnership developed by the City Council, Wired Sussex and the University of Sussex is an appropriate and powerful nucleus for the project and key decisions in both planning and operation, including the establishment of a brand and market position for the project, the development of a policy for tenant selection and management, close liaison with the sector and strategies for longer term development, will need to be shared in this partnership. Resources will need to be generated or committed to underpin sector business development, the animation of the building through activity and promotion and the delivery of innovation programmes.

Underpinning this strategic direction and the delivery of activity and programmes, the partnership will need to identify appropriate mechanisms for basic management tasks and for the delivery of distinct strands of work.

This presents options for the future structure of the project. Alongside these options, the report discusses wider possibilities for partnership, particularly in relation to potential private sector partners who may offer either or both capital investment and experience and expertise in the operation of similar projects.

During the study we talked to a range of developer/operators and there was significant enthusiasm for involvement. This opens the possibility of shared investment, shared risk and gain and the broadening of the partnership. The report outlines the need for, and possible form of, an immediate process through which these possibilities can be formalised and their benefits quantified so as to compare them with other structures for development that the project partners might themselves pursue. In this way, the next stage of work has the potential to be both a further detailed evaluation of the technical and business characteristics of the project and to represent real practical progress toward realisation.

Summary

The partners have developed, in their vision for New England House, a project which responds imaginatively and practically to the express needs of a key sector in Brighton's economy and business profile.

There is considerable evidence of express demand for the facilities the project will provide and of a sustainable economy for the new project that will optimise returns from the building and enable the partners to generate and dedicate new resources to development activity to support and strengthen the growth of the sector.

The enthusiasm of the private sector for partnership in the development gives confidence that others share the assessment that this is a highly viable and attractive project with measurable outcomes and returns and offers the opportunity to construct an innovative delivery mechanism bringing together the public, private, research and digital business sectors in a nationally and potentially internationally remarked project.

DCA
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