

Duke Street, Liverpool

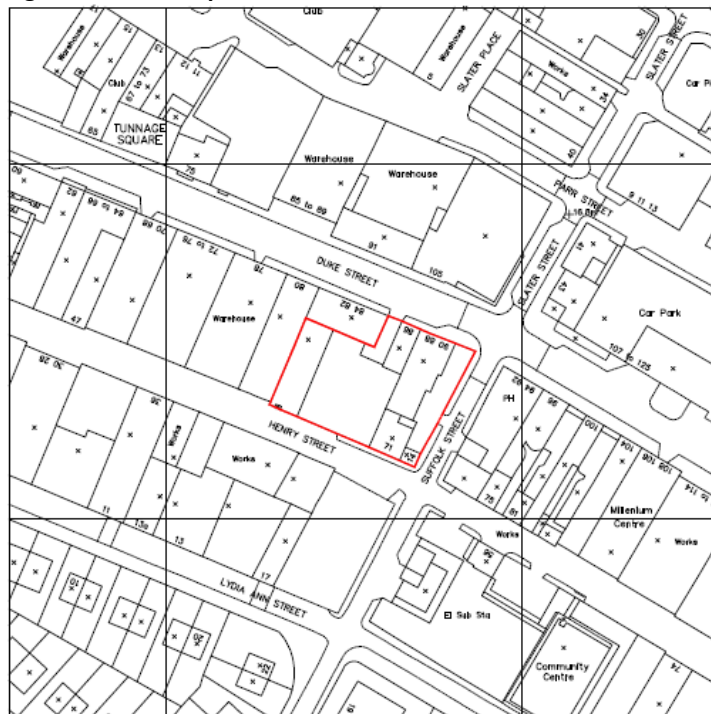
Funding for development

28th February 2013

1 Introduction

Langtree Group plc (Langtree) is proposing to develop a site at 86-90 Duke Street Liverpool, which is located within the Duke Street Conservation Area and within the Liverpool Maritime Mercantile City World Heritage Site. The existing buildings on the site are not listed. The proposed project would result in the redevelopment of the existing buildings, with the exception of the Henry Street vinegar warehouse frontage which would be retained. This note sets out a review of the potential alternative sources of funding that might pay for the retention and continued conservation of the existing buildings on site. The location of the buildings is shown in Figure 1.

Figure 1: Location plan



The site currently comprises a three storey building fronting Duke Street, numbers 86-90 Duke Street. The former 90a Duke Street on the corner of Suffolk Street has been demolished, leaving an exposed gable wall and half a pediment to 90 Duke Street. A Conservation Statement prepared by Langtree's heritage advisor Peter De Figueirido concludes that whilst the buildings are prominent in the Conservation Area, the only existing buildings or features of material significance are the 18th century front and side elevations of 86 Duke Street and the early 19th century Henry Street vinegar warehouse frontage (which would be retained), a building to the rear of the site facing Henry Street. These two buildings make a low to medium contribution to the character and appearance of the Conservation Area by virtue of their age, form and aesthetic interest. In addition to 86-90, there is a small single storey building on the corner of Henry Street and Suffolk Street of little architectural merit.

The proposed project will result in the redevelopment of this vacant and derelict site, creating 40,000 sq ft (3,716 sq m) of new employment floorspace to BREEAM 'Excellent' standards and safeguarding employment within the city centre. The scheme will bring back into use a site that has been a local regeneration priority for in excess of 20 years. In 1990 Liverpool City Council disposed of a number of assets in Duke Street, including the application site, to developer Charterhouse. Regeneration aspirations for the area foundered as Charterhouse went into receivership in 1992. The site was later acquired by the Homes and Communities Agency (as English Partnerships) in support of regeneration aspirations for the area and Langtree was subsequently selected as preferred development partner. Previous proposals for the regeneration of the site have been constrained by viability issues. Now, through national and European funding support, there is an opportunity to deliver important economic and social benefits through the redevelopment of the site.

Atlantic Container Line UK (ACL) has benefited from a conditional grant funding approval under the Regional Growth Fund (RGF) for a project supporting the consolidation of a range of office activities within Liverpool. Funding has been approved on the basis that it will safeguard 66 existing jobs and create 153 new jobs at the UK level. Based on this approval, ACL has a requirement for 40,000 sqft (3,716 sq m) of Grade A floorspace on a freehold basis. ACL has been unable to satisfy this requirement within the city centre market, and has entered into an agreement with Langtree for the development of bespoke premises at 86-90 Duke Street. The proposal has been prepared to meet the bespoke requirements of ACL in their capacity as prospective purchaser and occupier for modern office accommodation.

While the proposal responds to an active requirement from an identified buyer, the redevelopment of the site as proposed is not viable. The estimated cost of development is not supported by values in this location, which lacks an established Grade A office market. An application has been submitted in response to a call under Priority 3 of the North West Competitiveness Programme for European Regional Development Fund (ERDF) grant support to address the identified viability gap. Applications under this call are currently being appraised on the basis of a range of criteria, including value for money against key economic targets and deliverability.

In response to the requirement of ACL, the proposed scheme involves the full redevelopment of the site, allowing for the retention of a historically significant facade. Reconfiguration of the proposals to allow for the retention of some or all of the existing historic fabric would result in a significant delay, and would not enable the site to satisfy the requirement of ACL for Grade A floorspace. Any ERDF funding support secured in respect of the current proposal would also be lost. There is unlikely to be an opportunity for a reapplication on the basis of a revised scheme as the current ERDF programme closes in December 2013, while detailed proposals for its replacement have yet to be announced.

Allowing for the retention of the historic buildings, and in the absence of a purchaser and ERDF support, the regeneration of this site will be dependent upon identifying alternative funding opportunities. A limited number of public and private funds are available that offer support for major schemes to bring historic buildings back into active use. There is significant competition for funding, particularly for those funds that offer support in excess of £100,000 for capital works, and projects are evaluated over multiple rounds on the extent to which they support key funder criteria. Applications for funding support on the basis of a revised scheme, allowing for the retention and full renovation of the existing building, would need to set out detailed proposals in relation to what activities the building would support and how it would be managed over the long term.

2 Funding options

Heritage Lottery Fund

The Heritage Lottery Fund (HLF) is the body which distributes a share of the income from the National Lottery to projects aimed at preserving and making accessible the nation's heritage. HLF offers a range of grant programmes, with the following three considered in relation to the Duke Street development.

Our Heritage and Heritage Grants

The Our Heritage programme is open to any type of project related to national, regional or local heritage in the UK. Our Heritage offers grants of between £10,000 and £100,000. Under this programme, grants are available to not-for-profit organisations, private owners of heritage (including individuals and for-profit organisations) and partnerships.

The Heritage Grants programme is also open to any type of project related to national, regional or local heritage in the UK and is open to non-for profit organisations and partnerships led by not-for-profit organisations, offering grants of over £100,000.

Projects applying for grant funding from either programme are assessed against specific outcomes, as shown in Table 1.

Table 1: Project outcomes		
Outcomes for heritage	Outcomes for people	Outcomes for communities
<ul style="list-style-type: none"> • Better managed • In better condition • Better interpreted and explained • Identified / recorded 	<ul style="list-style-type: none"> • Developed skills • Learnt about heritage • Changed their attitude and/or behaviour • Had an enjoyable experience • Volunteered time 	<ul style="list-style-type: none"> • Environmental impacts will be reduced • More people and a wider range of people will have engaged with heritage • Your local area/community will be a better place to live, work or visit • Your local economy will be boosted • Your organisation will be more resilient

As a minimum, projects applying for grant finding under the Our Heritage programme need to be able to achieve one outcome for heritage and one outcome for people. However, under Our Heritage, the outcome that HLF value the most is 'people will have learnt about heritage' – a so called 'weighted' outcome.

Under the Heritage Grants programme, projects requesting less than £2 million must achieve one outcome for heritage, one outcome for people and one outcome for communities. Projects requesting £2 million or more must achieve more than one outcome for heritage, people and communities.

Under Heritage Grants, HLF value the following 'weighted' outcomes the most:

- better managed;
- in better condition;
- developed skills;
- learnt about heritage;
- environmental impacts will be reduced; and
- more people and a wider range of people will have engaged with heritage.

Based upon these criteria, an application for funding under the Heritage Grants programme would need to demonstrate a strong heritage focus in the redevelopment of the building alongside a range of benefits for people and the community. While proposals for the renovation of the historic fabric to accommodate commercial office would to an extent improve the condition and management of the site, it would be unlikely to support other priority outcomes.

In terms of the application process, applications under the Our Heritage programme can be made at any time, taking 8 weeks to assess. If applications from private individuals or for-profit organisations involve capital work (as is the case with the Duke Street development), they will need to:

- achieve a step-change in terms of public access and public engagement with heritage;
- demonstrate clear public enthusiasm and support for the project; and
- show a clear need for lottery investment.

In contrast, an application under the Heritage Grants programme involves a thorough two-stage process. The first stage considers outline proposals, while the second stage assesses detailed proposals. It usually takes HLF 3 months to assess each stage, although there may be a considerable amount of time required to develop second-stage proposals, with a maximum of 24 months permitted for detailed proposals.

Townscape Heritage Initiative

The Townscape Heritage Initiative (THI) makes grants that help communities to regenerate Conservation Areas displaying particular social and economic need. THI offers grants of between £500,000 and £2,000,000. Although the current programme has now closed, THI will continue, with some simplification and improvements, as HLF's primary means of enhancing quality of life and the environment in Conservation Areas in historic towns and cities.

HLF guidance states that schemes must deliver the following outcomes:

- preserving and enhancing the character and appearance of conservation areas affected by high levels of deprivation and in need of regeneration;
- bringing historic buildings back into appropriate and sustainable use; and
- safeguarding the character of conservation areas through:
 - increasing training opportunities in heritage skills;
 - increasing community participation; and
 - improving approaches to conservation management and maintenance.

Projects that are seeking THI funding must comprise a number for individual projects funded by a range of bodies. As such, the development of this site could only be one project within a larger scheme for the Duke Street Conservation Area.

A THI grant of £4.5 million was awarded to provide financial assistance to owners of historic properties to help protect and enhance the architectural heritage within the Duke Street Conservation Area when the area was included within the World Heritage Site area in 2007. Under the THI, building repair and works to bring vacant historic floorspace into use were eligible for support. However, investment under this THI ended in March 2010 and, as indicated above, the current programme has now closed.

English Heritage Grants for Historic Buildings, Monuments and Designed Landscapes

English Heritage (EH) offers a range of grant programmes designed to protect the nation's heritage. EH's overarching priorities are to fund:

- significant elements of the historic environment at risk; and/or
- activities that strengthen the ability of the sector to reduce or avoid risk to the historic environment by understanding, managing and conserving.

Grants are available for the repair and conservation of historic buildings, monuments and designed landscapes. The Grants for Historic Buildings, Monuments and Designed Landscapes Guidance Notes state that 'grants are primarily for urgent repairs or other work required within two years to prevent loss or damage to important architectural, archaeological or landscape features'.

To qualify for a grant under this scheme, the project must be:

- a building listed at grade I or II;
- a scheduled monument; or
- a designed landscape that is included in EH's Register of Parks and Gardens at grade I or II.

EH may also offer grants to projects that are within a Conservation Area or a London Borough and involve one of the following:

- a building listed at grade II;
- an unlisted building of significant historic or architectural merit;
- a designed landscape that is included in EH's Register of Parks and Gardens at grade II; or
- public realm work of historic importance.

The Conservation Statement prepared by Peter De Figueiredo confirms that 86-90 Duke Street is not listed and is not deemed to be of significant architectural or historic importance. The former Vinegar Warehouse is understood to be of architectural and historical merit. However, there is very high demand for grant funding resulting in the prioritisation of the most important heritage assets. Further to this, works associated with the reinstatement of the historic fabric, or involving demolition or improvement, may not qualify for grant support.

Architectural Heritage Fund

The Architectural Heritage Fund (AHF) is an independent charity, established to promote the conservation of historic buildings in the UK. Financial assistance is available only for buildings that are listed, scheduled as an ancient monument or in a Conservation Area and of acknowledged historic or architectural importance.

As outlined above, the Conservation Statement prepared by Peter De Figueiredo states that 86-90 Duke Street is not acknowledged to be of significant historic or architectural importance. The former Vinegar Warehouse is of architectural and historical merit, but only organisations with charitable status are eligible for financial assistance from the AHF. We are not aware of any charitable organisations that have shown an interest in taking this site on.

Business Premises Renovation Allowances (BPRA)

Introduced in 2007, BPRA provides 100% tax relief on capital expenditure incurred in bringing back into active commercial use disused commercial buildings within designated assisted areas. The scheme is aimed at businesses that incur capital expenditure on bringing qualifying business premises in disadvantaged areas back into business use. From April 2012, the scheme was extended for a period of 5 years to April 2017. Qualifying expenditure is limited to a maximum of €20 million per project and is subject to the following conditions:

- the business claiming relief must not be in financial difficulty (as defined in EU State Aid Guidelines);
- the property must have been empty or disused for at least 12 months;
- the property must have been last in use for the purposes of a business and specifically not in use as a dwelling or part of a dwelling; and
- the expenditure must be capital expenditure on conversion or renovation together with any incidental repairs.

The BPRA does not provide grant funding assistance, but rather provides an incentive for private investment and reducing the risk by allowing relief against other income in the same tax year.

Landfill Communities Fund (LCF)

The LCF is a tax credit scheme that enables operators of landfill sites to contribute money to enrolled organisations to carry out projects that meet environmental and community objective contained in the Landfill Tax Regulations, including support for heritage projects.

WREN Heritage Fund

Under Object E of the LCF, WREN is able to fund the repair, maintenance or restoration of a building or structure of architectural or historic importance, including places of worship. Grant funding will be made available annually for historic building restoration and a new WREN Heritage Fund programme has been established. This funding programme will be directly managed and administered by WREN. WREN is now working in partnership with English Heritage, Historic Scotland, Cadw (Wales) and the National Churches Trust.

The key criteria for this funding programme will be as follows:

- WREN will only consider funding for Grade 1 (Grade A in Scotland) and Grade 2* listed buildings or structures including places of worship;
- WREN wishes to support priority heritage projects that urgently need repairs within the next 2 years;
- WREN will consider awarding grants from £15,001 and up to £75,000 specifically for capital costs of fabric repair /restoration work for historic buildings and structures including places of worship;
- this will be an annual programme of funding; and
- all projects must be situated within 10 miles of an active and licensed landfill site.

The WREN Heritage Fund would not support the Duke Street development as the property is not listed.

Cemex Community Fund

The CEMEX Community Fund is a grant-giving fund established by CEMEX under the Landfill Tax Credit Scheme. Its aim is to support sustainable local community and environmental projects within 3 miles of a CEMEX operation. Each year Cemex makes available grants of between £1,000 and £15,000 to support a small number of projects in England, Scotland and Wales. Support is available for projects which provide and maintain public parks and amenities when the work protects the social, built and/or natural environment; and repair, or restore buildings or structures which are of religious, historical or architectural interest.

While the development site lies within 10 miles of a landfill site, a funding application would need to meet pre-application criteria for projects repairing, restoring or maintaining a place of worship or architectural importance. As only part of this site is acknowledged as being of architectural merit, it is unclear whether funding would support capital investment across the site as a whole. However, the Cemex Community Fund would not support the Duke Street development as the applicant does not operate on a not-for-profit basis, there would not be public access to the project for a minimum of four evenings or two days a week, and there would be a unique benefit / commercial gain to the land owner.

Other trusts and foundations

A number of other trusts and foundations offer grants for heritage and conservation projects, including the Charles Hayward Foundation. However, the level of funding available from these bodies is unlikely to be sufficient to address a significant viability gap associated with a major programme of capital works. Further to this, these grants are usually only available to charitable bodies.

4 Conclusion

There would appear to be very few alternative funding options for the redevelopment of existing premises at 86-90 Duke Street and many of these are dependent upon demonstrating that these buildings are of significant historic or architectural importance.

The principle funding source for major capital investment projects involving heritage assets is the HLF. Securing HLF support in excess of £2 million will be dependent upon developing a scheme that delivers 'people' and community outputs, alongside heritage outputs. Funding would also be dependent upon establishing a long term strategy for the management of the premises. Further to this, it is likely that an application for such a grant would involve a two stage process which could take more than 24 months to complete, with no certainty of securing support. At present, there is no THI funding scheme available in the Duke Street area.

Without secured funding in place, attracting private sector investment and end users is likely to prove extremely challenging, and may continue to act as a significant constraint to development.

In conclusion, this statement demonstrates that Langtree has explored the ability to secure alternative sources of funding to identify grant funding that may support the retention and continued conservation of the existing buildings in accordance with NPPF Paragraph 133 (iii), and indicates that securing such funding is likely to prove extremely challenging.



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6th March 2013

Date Recd			
8 MAR 2013			
FAO.1	FAO.2	FAO.3	FAO.4
JGD No.		File Ref.	

Dear Gavin,

Re: 86-90 Duke Street, Liverpool

I understand you are assisting Langtree in a planning application to develop the above site.

I can confirm that the HCA is fully supportive of Langtree's proposals and hope to be in a position to transfer ownership once planning permission & funding has been confirmed.

We have been working in partnership with Langtree for several years and have in place a development agreement to deliver this project. We are committed to securing future development so as to remove a significant blight and bring this site back to economic use in a strategically important area of Liverpool.

The opportunity presented by ACL to occupy space alongside an ERDF grant is the only opportunity to secure the redevelopment of the site in such challenging economic times.

We are doing all we can to assist the delivery of this scheme and look forward to a positive outcome from your planning application.

Yours sincerely

Alan Ryan

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