

Appendix 1 – Detail of alternative options

Do nothing.

- 2.1 The Committee could choose not to progress with the proposal (the do-nothing option). This would mean that a Maritime Knowledge Hub would not be developed, the funding identified by the LCRCA would not be invested in this project and the vacant listed building would not be brought back into repair, at least until another proposal came forward for the site, or the building owner chose to bring it back into condition. It is entirely possible that another scheme could come forward, however the level of funding that is being placed at the current scheme would be challenging to replicate.
- 2.2 The Council has explored a number of alternative options to bring a scheme forward on the site and they have not progressed. The principal reason for this is the significant gap in funding needed to make a proposal on this site progress.
- 2.3 Some options set out below would be dependent on the Council choosing not to invest in a Maritime Knowledge Hub. This option will result in the LCRCA considering alternative schemes for investing the £8million being considered for MKH. There is no guarantee this funding will be invested in Wirral. However, officers are working on alternative proposals that will be brought forward for consideration in the event of this option being supported by Committee.

A third party invests in the asset.

- 2.4 A third party such as another government body, or a private sector developer, or a charity may wish to invest in the MKH. It is however not at all likely that another government body would intervene directly on the site. This is in part due to the limited number of bodies that invest in land and property assets and those that do, prefer a cleared, de-risked site to develop.
- 2.5 There is a significant gap between the value of any asset developed and the cost of developing that asset, which is a factor in the Council seeking to deliver this scheme for regeneration reasons and supporting Peel in their exploration of accessing LCRCA grant. A third party, for example a company, would not take this risk, for practical commercial reasons. In addition to this a private party would not be able to obtain finance at the level that the Council is able to achieve in the open market, making their investment more unsuitable for this option. The significant gap between the end value of the asset and the investment that would be required does not make options such as an SPV a viable option.
- 2.6 A party, for example a specially created charity, may wish to bring forward a heritage scheme on the site, using the building and its previous history as the basis for their proposal. It is most likely that any proposal of this nature would seek to rely on Heritage Lottery Funding as a component of the investment structure. Such funding is very competitive, and a very robust business case, business plan and additional match funding would be needed to make this

proposal competitive. Presently there is no live proposal to do this, and this would only come forward should the Council chose the do-nothing option. This approach would face the issues around construction cost but also the revenue cost of operating the asset into the future.

- 2.7 Irrespective of the routes set out above Peel as landowner would either have to engage with the proposals above or dispose of the asset to those parties. It is understood that there are no live alternative proposals at this time.

Council acquires the property.

- 2.8 The Council could acquire the property, should Peel be supportive of this. The Council would then have all the liability of the vacant asset, which is in poor condition. Peel is currently responsible for the asset. All the costs of protecting the asset would fall to the Council at a time it faces a wide variety of fiscal challenges, not dissimilar to a range of other businesses and comparable local authorities. This is distinctly different to the main proposal in front of the Committee, where the Council would only be granted a lease and be possession of the asset when it has been brought back into repair. Should the Council choose to acquire the vacant and listed asset it would have to have clear reasons to do this, given it would release a private company of its land and property obligations at public expense and would have to demonstrate best value. Taking this step would expose the Council to the risk of precedent where it would be exposed to similar asks.
- 2.9 The Council would have to invest in the property. Because there would be a delay the LCRCA would not be able to fund the scheme, with the current round of funding. Any investment from them would be dependent on a future funding round and the Council having developed a proposal for the site. It is likely that grant funders would be able to provide all the funding for a proposal. Should the Council wish to develop the building it would cost it more to borrow than the route presented to the council at present, significantly increasing the fiscal risk of the investment.
- 2.10 The Council would have greater leeway, potentially, to develop the property however the Council would have to be mindful for the specific reasons it is interested in bringing forward a scheme on the site, which is to deliver regeneration outcomes. The Council does not have any plans developed for alternative proposals and it would cost the Council to develop these options and it is likely that some of the challenges and risks facing this proposal would affect any other proposal.

A different transaction

- 2.11 The current transaction proposed to the Committee is not the first iteration of this proposal and each of the preceding methods considered to bring forward a proposal have not been successful. The proposal is limited by the amount of grant funding that the LCRCA can provide the scheme. If a larger sum was available, then in theory a private investor would not have to asked to fund as much. The LRCA grant which may be attracted to this scheme is limited in part due to limits on funding but also reasons around subsidy control. A private investor will seek to create an annuity, in granting a 50 year lease to

the Council. There is a threshold level for the size of lot that they would be willing to create. The proposal also needs a building of a certain scale and quality to make the proposal work and clearly the Council would rely on lettable floor area to maximise the amount of rent it can receive. There is also a maximum rent that can be reasonably achieved in any market. These factors are at a headline level decisive in determining the rent out to an investor and the rent into the Council and the reasons why the gap between rent in and rent out cannot be materially changed. The Council could seek other investment routes, but these would be either through the market or PWLB and both would prove to be more expensive than the transaction presented.

- 2.12 The Council could look to loan money to a third party to enable the scheme, for the purposes of regeneration. It would not be able to offer a rate different to the market and therefore would make this approach not worthwhile.

A different solution on the site.

- 2.16 The proposed LCRCA funding is predicated on the delivery of a Maritime Knowledge Hub. This would mean any alternative proposal would need to seek fresh funding to deliver a scheme. It is likely any proposal at the same scale would have similar viability challenges and smaller schemes would also have similar challenges.

Deliver at a different location.

- 2.17 Maritime Knowledge Hub is of interest at this location, as the site has direct access to the docks and can gain access to the river Mersey via the dock gates. It would be difficult to find a site that would replicate this specific opportunity. The Council has already invested in a Maritime Knowledge hub, based in Tranmere, however this is currently not used for this purpose. Other options may be available, but would need direct access to the docks or the river Mersey to be a comparable location.