

**Brighton & Hove
City Council**

**POLICY & RESOURCES COMMITTEE
SUPPORTING PAPERS**

4.00PM, THURSDAY, 6 MARCH 2014

COUNCIL CHAMBER, HOVE TOWN HALL

SUPPORTING PAPERS

ITEM

Page

STRATEGIC & POLICY MATTERS

135. BRIGHTON I360

1 - 26

PowerPoint presentation from the representatives of Marks Barfield and the West Pier Trust (copy attached).

Contact Officer: Katharine Pearce

Tel: 29-2553

Ward Affected: Regency

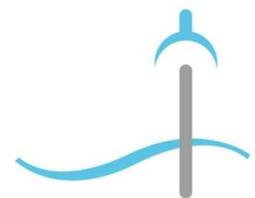
Presentation to P&R Committee



6 March 2014

Introduction

David Marks	Director, Marks Barfield
Eleanor Harris	Director, I-Xperience
David Camp	Director, D&J International Consulting
Andrew Screen	Director, GVA Financial Consulting
Glynn Jones	Chairman, West Pier Trust

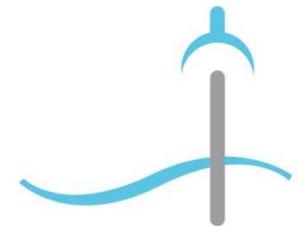


Brighton investing in Brighton



Tourism Benefits i360

- Tourism is a vital part of Brighton's economy
£800m - £1.1billion; employs 19k people (14% all jobs)
- Brighton i360 will make a positive economic impact:
Increase tourist revenues by £13.9m-£25.4m
Additional 165k-305k visitors to the city
Extra 27k- 49k overnight stays - worth 9.75 times
Increased footfall west, better distribution of tourism
Significant boost to the regeneration of Preston Street
Help Brighton retain its competitiveness
Plus spin off benefits into wider economy



Employment – More Jobs in Brighton

- Overall 440 net job creation in Brighton & Hove
- i360 delivers minimum 169 permanent jobs (FTE)

Vast majority (95%) expected to be filled locally

75 full-time jobs, also flexible part-time roles

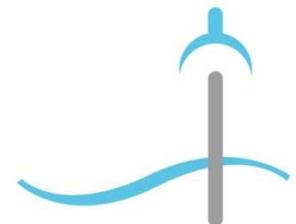
34 management roles: Visitor services, Engineering, Marketing, IT, Finance, Functions, HR, Sales, Chefs

Average salary £28k; Commitment to pay Living Wage

No zero hour contracts; pool of some casual staff

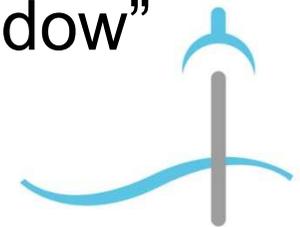
Apprenticeships and management training

Plus 16.9 jobs (FTE) during construction



Wider Community Benefit

- % of ticket revenue in perpetuity to B&H to be used for community benefit e.g. seafront improvements
- Discounts for local residents (except peak season)
- Free entry for B&H state schools
 - Every Brighton child can visit once in school career
 - Discounted entry & free teacher places other visits
- Free tickets - local charities & community groups
- % of revenues to WPT for heritage works
- Help regenerate seafront – Brighton’s “shop window”



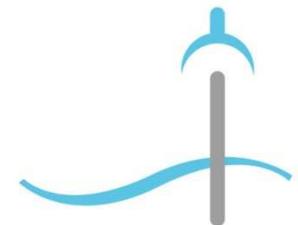
Visitor Numbers and Benchmarking



Factors Affecting Visitor Numbers

- High footfall prominent location
- Good transport links – Rail, Regency Square parking
- Observation towers popular around the world
- Significant resident market within 2 hour drive
- Substantial number tourists staying area < 1 hour
- Unique, high quality design with ride element

Uplift London Eye versus 'Ferris wheel'



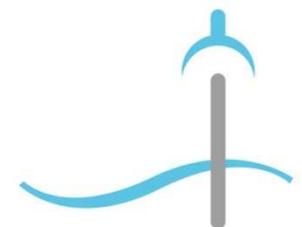
Drive Time Catchment Area



Projected Visitor Numbers

- Visitor numbers 700-735k (peak 823k)
- Penetration level of 3% (3.6% peak year)

'000's	2016	2017	2018	2019	2020	2025
Residents	16,180	16,339	16,495	16,650	16,803	17,517
Tourists	7,088	7,132	7,176	7,220	7,264	7,492
% penetration	3.6%	3.5%	3.4%	3%	3%	3%
Visitor numbers	823	802	780	698	703	729



Benchmarking UK Observation Towers

'000's	Average Visitors	Penetration	Brighton equivalent
London Eye	3,722	8.1%	1,730
Brighton i360	739	3.5%	739
Spinnaker	437	2.8%	595
Blackpool Tower	546	3.0%	646
Shard	800	1.7%	372

- i360 has three times the capacity of the Spinnaker and a significantly larger tourist and resident market

Local Brighton context

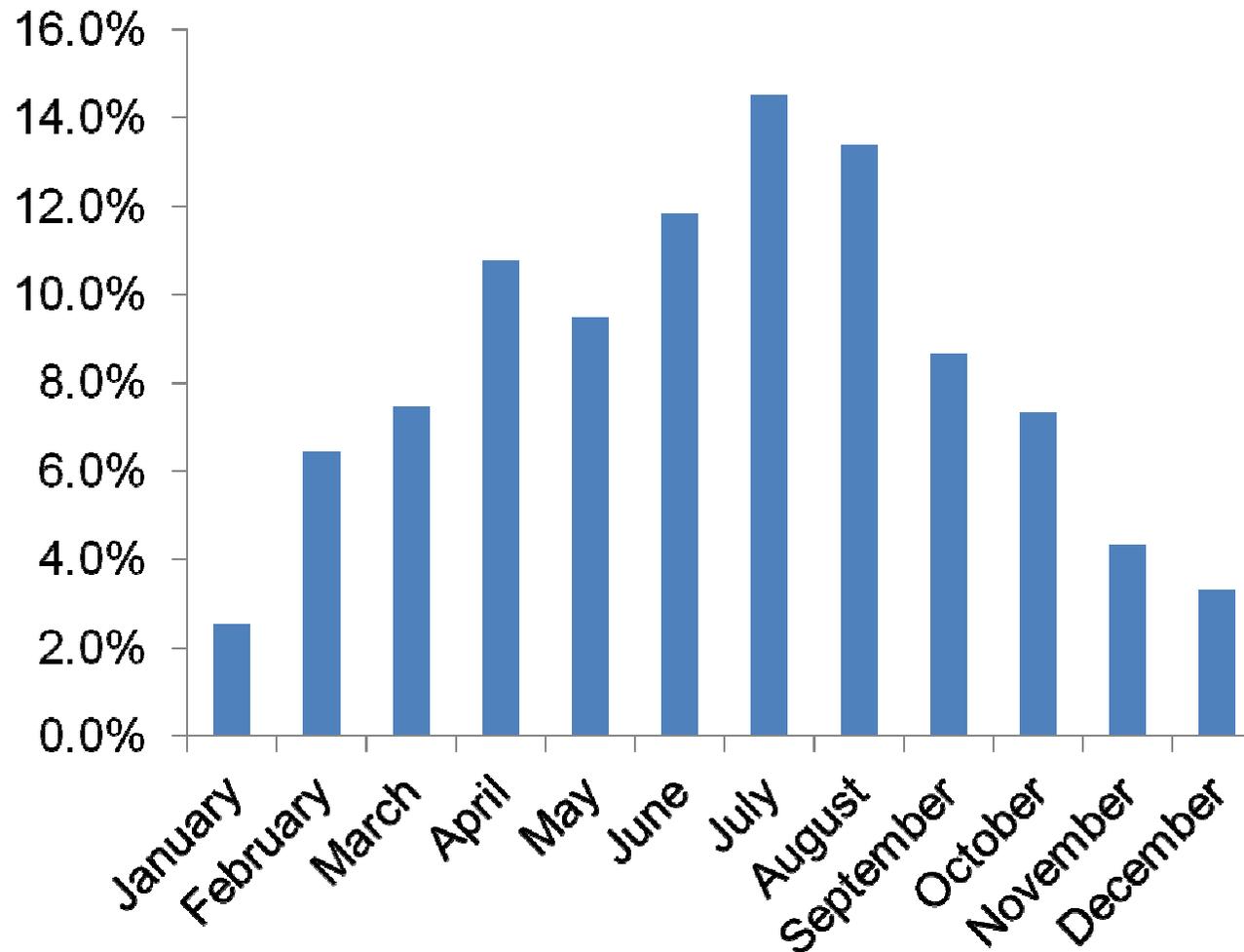
'000's	Visitor numbers	Ticket door price (2014)
Brighton SEALIFE	280k (estimate)	£17.40
Brighton Museum	269	FREE
Royal Pavilion	340	£11.00
Brighton i360	739	£14.00
Brighton Festival	500 (estimate)	£8-£15
Palace Pier	4.5m	FREE

Visitor Number Breakdown

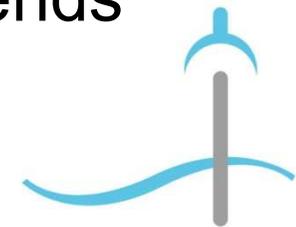
- Over time shift residents to tourists

'000's	Visitor numbers			% of all visitors		
	2016	2021	2025	2016	2021	2025
Residents <1 hour	69	29	30	8%	4%	4%
Residents 1-2 hours	360	151	157	44%	21%	21%
Tourists	394	528	547	48%	75%	75%
Visitor numbers	823	708	734	100%	100%	100%

Seasonality

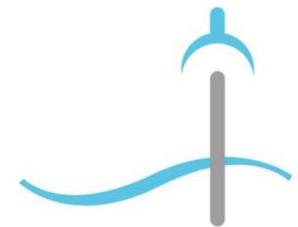
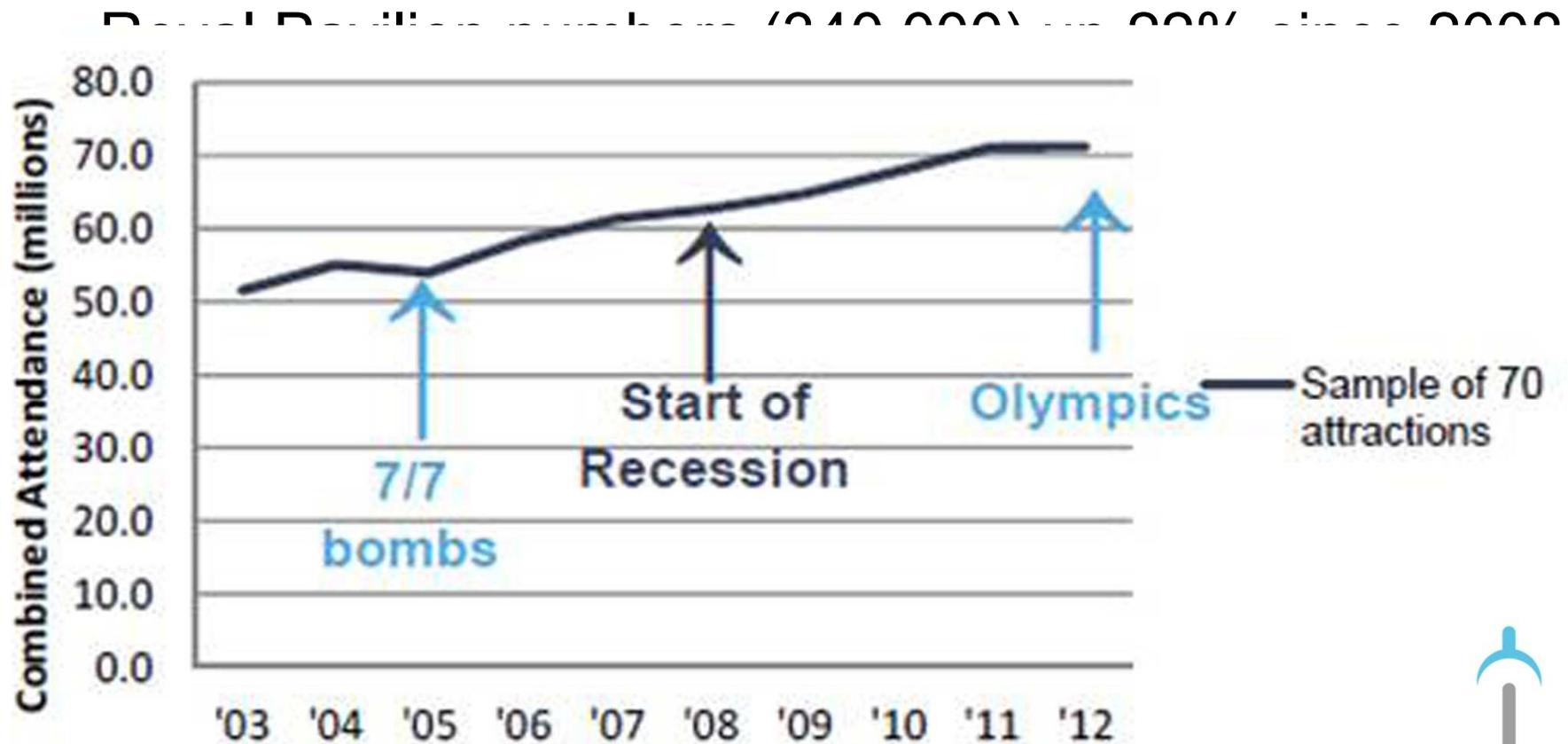


- Includes 2 week Jan shutdown
- Reduced by 2.5% for weather
- Capacity (600 hour daytime; 400 evening)
- 50% visitors at weekends

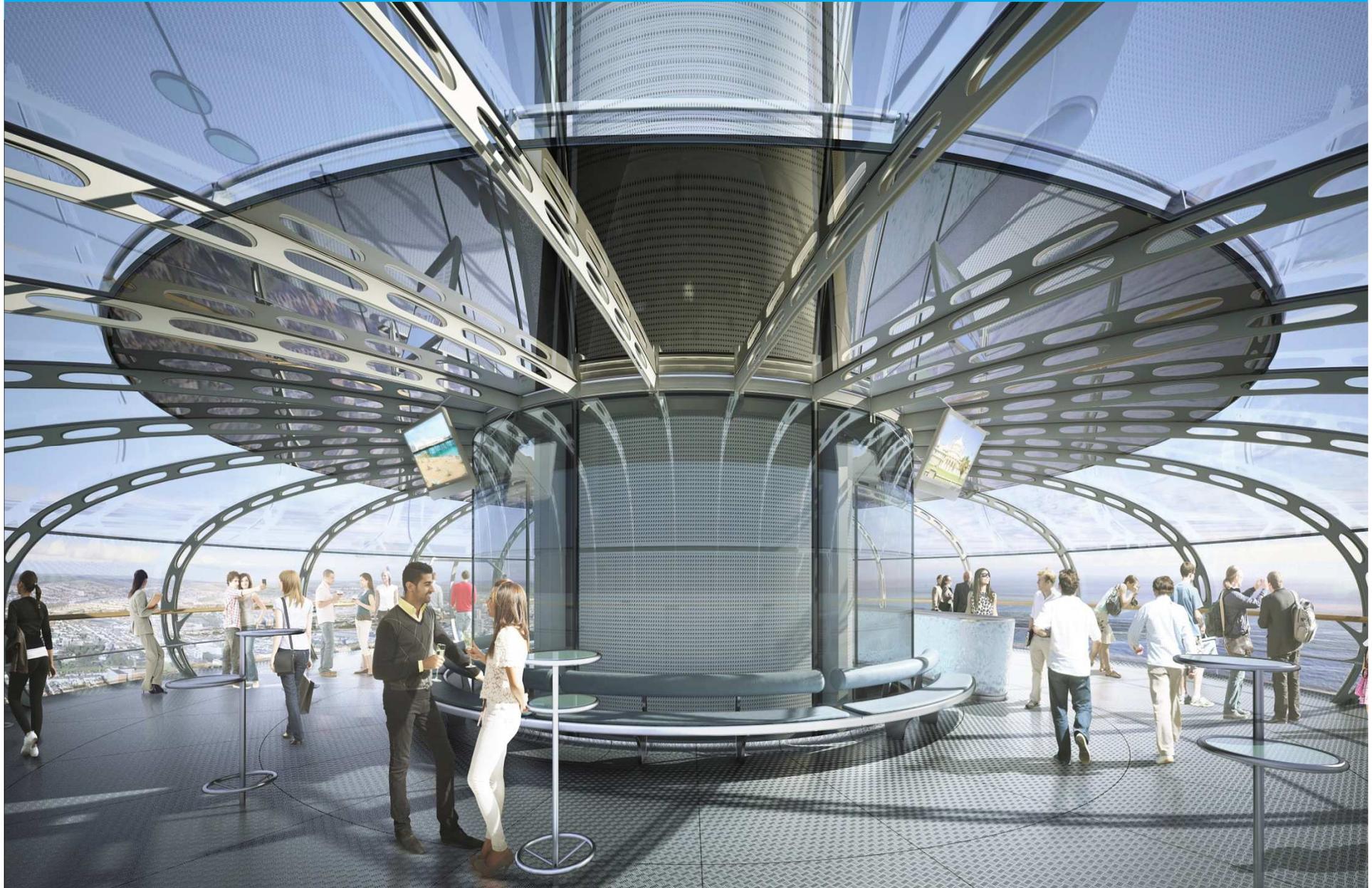


Attractions are 'Recession Proof'

- Average 4% ALVA visitor number growth during recession



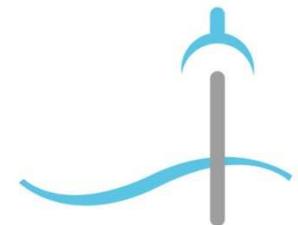
Financials



Proposed Funding Structure

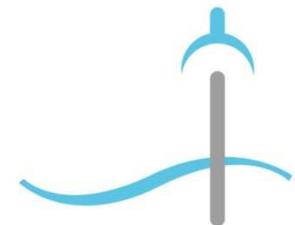
- Drawdown of council loan funding after developer equity and LEP funding has been spent

	Total millions
BHCC Senior loan	36.2
Equity investors	6
LEP Junior loan	4
TOTAL	46.2



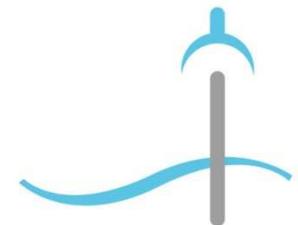
Council Funding Terms

- Senior Loan Structure
- Council borrows £33.4m from PWLB, which is drawn down during construction (G&T sign off)
- BHCC total loan £36.2m (including capitalised interest)
- Council funding after developer equity and LEP funding has been drawn down
- Loan term – 27 Years
 - 2 years construction + 25 years operations
 - Capital repayments amortised over 25 years



Council Funding Terms

- Interest approximately 7.8% per annum
4.05% 27 yr PWLB rate + 3.75% fixed council margin
- Inter-creditor agreement with the LEP
 - Council loan ranks ahead of the LEP loan and repayment to equity investors
- Security – first charge over assets



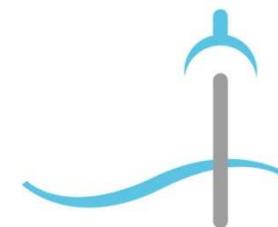
Council Fees and Margin

- BHCC fees total £1.1m

Arrangement (1.5%) – paid at financial close

Commitment (40% of margin) - Paid during construction

Fee breakdown	'000's
Arrangement fee	550
Commitment fee	550
Administration fee (per annum)	15
Margin (per annum)	985
Total margin - 25 years	24,620

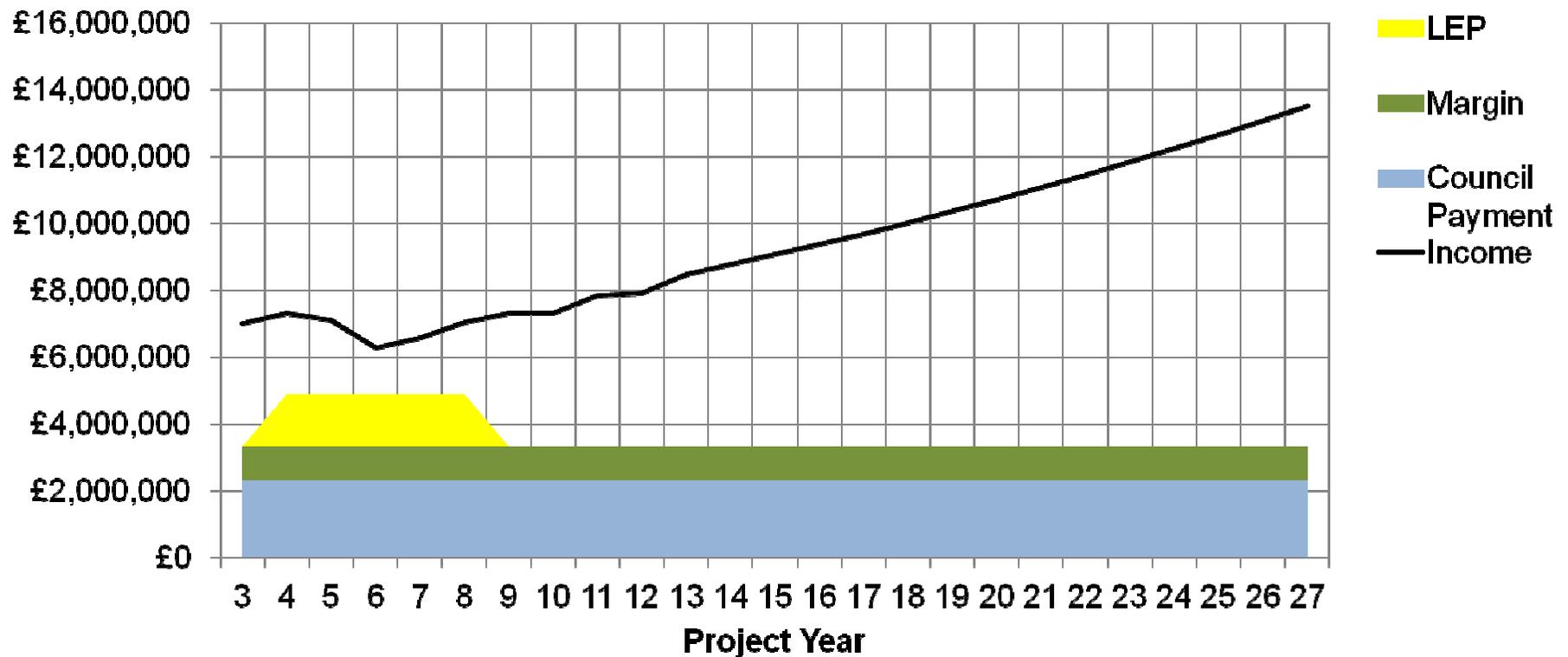


First Year Operational Cash Flow

'000's	2016
Gross income	10,780
Overheads	4,380
Net income before debt	6,390
i360 loan payment	3,290
Surplus	3,100
Council PWLB payment	2,305
Council margin	985

25 Year Base Case

Base case - average visitor numbers 739,000



- Loan default – visitors fall below 444,000 (-40%)
- PWLB loan default – visitors fall below 347,000 (-53%)

Security of Investment

- Drawdown of council loan funding after developer equity and LEP funding has been spent
- Council funding drawn down monthly against approved costs (to be approved by G&T)
- Council step-in rights during construction and operations
- First charge over the assets of the i360
- Debt service reserve account (DSRA) retains 50% of the next 12 month debt payment requirement
- Cash sweep for accelerated debt repayment

Local support



Brighton and Hove support

- Brighton investing in Brighton to unlock the benefits
- Business groups

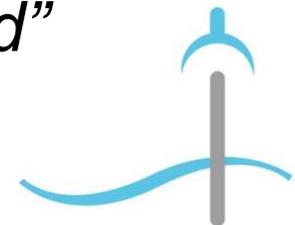
Brighton & Hove Economic Partnership; Brighton Federation of Small Businesses; Brighton Tourism Alliance; Brighton & Hove Hotel Association; Preston Street Traders Association...

“We should grab this opportunity with both hands”

- Tony Mernagh, CEO, Brighton & Hove Economic Partnership, Mar 2014

“We’re all banking on the i360. If it doesn’t happen the west of Brighton is going to be a no man’s land”

- Angelo Martinoli, Preston Street Traders, Argus, Feb 2014





Thank you and Q&A