

Big Friendly Interventions [Hulls of the Unexpected]

This note sets out the key elements of the Business Financial Intervention [BFI] model proposed for the Fruit Market regeneration scheme in Hull. It is grounded in the idea explicit within the project brief that the ‘purpose of place’ is the basis for creating a ‘sense of place’. The people and the community that grows from the individuals is the basis for physical design. It provides a description of the key characteristics of the scheme, identifies issues around the supply of partner businesses, explores the payoffs to the agents in the process and finally makes links to relevant existing schemes / institutions elsewhere.

Key Characteristics

At the heart of the scheme is the proposal that the managing agent¹ would take some form of equity share² in businesses either starting up in, or relocating to the scheme area in return for providing some form of economic incentive to these businesses.



Such equity sharing agreements should not be seen as a *necessary* condition for allowing organisations to access the scheme area, however. If businesses are happy to relocate under more conventional freehold and leasehold terms, they should broadly be encouraged, although the scheme will clearly need to attain some “critical mass” if it is to be viable. Further discussion and research would be required to ascertain what this scale would be³ and how the actual management arrangements would be organised. And the terms of reference of the scheme would need to be tightly drawn to ensure that it remains workable.

¹ The managing agent could be the scheme developer, Hull CityBuild Urban Regeneration Company, some combination of each or an entirely new management organisation. Preferred options would be ... [1] Community Interest Company [2] Joint Venture between public sector bodies [as potential underwriters] with development partners [3] Charitable Trust. [not for profit company akin to a Garden Village].

² The nature of the equity could be allowed to vary significantly – from debenture to ordinary or preference shares. The more complex the ownership issues, the more difficult the operation of the scheme would be, however. The details are outlined in more detail in appendix a.

³ The “critical mass” issue would depend heavily on the organisation of the scheme e.g. linking it to existing infrastructure would make small volumes of agreements more economic to manage.

Which Businesses?

For this approach to work, there will need to be a robust supply of businesses [existing or new] that are willing to share equity in return for the benefits on offer to them. Key challenges therefore include ...

- Identifying a range of businesses who are willing to “sign up to the concept” prior to submission of additional proposals to the URC.
- Turning this “paper commitment” into a real commitment when the second submission is successful. This may extend to the group of SME’s becoming part of the partnership submission where this commitment can result in a commitment to expand and / or relocate within the Fruit Market Central Development Area.
- Increasing the number and range of signed-up companies once the scheme starts. Potential to use the Yorkshire Forward ‘pyramid’ model with initial investors or relocating businesses becoming part of the referral and marketing process; taking advantage of the significant organisational networking within key SME sectors.
- Ensuring an appropriate supply of new businesses into the scheme over time to account for business failures/businesses outgrowing the site in such a way that
- The portfolio of the equity holder [e.g. the Managing Agent] retains appropriate balance and mix [e.g. between equity and cash] so that the project is sustainable. The mix has also to reflect a diversity in business types as an element of risk management.

Engaging Businesses

The Agent to adopt a ‘social networker’ role in developing early stage market testing that includes a broad range of ‘real’ SMEs as members of the development consortium. This would ...

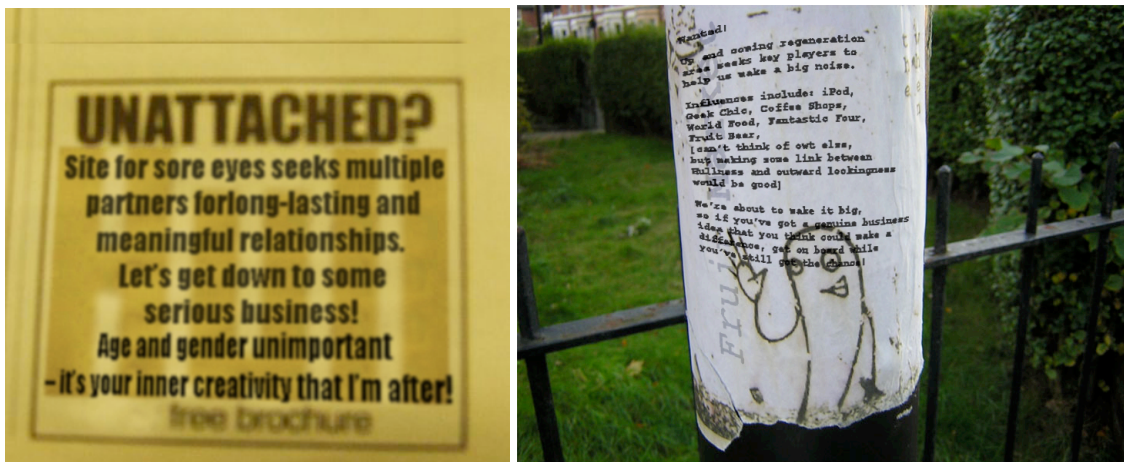
- Establish the shared values of the community.
- Reflect the local ownership - establish and demonstrate local ownership over the vision and values but we have a strong leadership role [the URC etc] that has placed some of these ethical and environmental values at the offset.

Initial steps would be to build a matrix of the characteristics and attributes of the companies to have who would be most interested in becoming part of the ‘Fruit Marketeers’. This will not be about demographics it will be a matrix of values and attitudes ...

- They will be small. Or they will be medium.

- They will have a certain ‘Hullness’ about them. They don’t need to come from Hull but they do need to understand Hull. See definition of ‘Hullness’ [appendix].
- They will be niche.
- They will have a certain disregard for *powerpoint* presentations and management consultants. They are more interested in being unpredictable and innovative.
- They care about the community. Perhaps they will be interested in forming their own political party.
- They might be strict vegetarians who want to live in a Vegetarian street [or Vegans or Frutarians?] We are committed to Fruition!
- They already live and / or work in the development site and quite like it and want to stay there.

We will get to know these people by going underground, putting ourselves on the doorstep, looking in the right places.



Techniques would be appropriate to the SMEs including ... advertising strips on lamp posts ... local dating clubs and lonely hearts advertisements ... student union bars [free beer incentives] and beer mats ... we will even float a solar balloon over the city centre! But only if no-one else has done it in Hull before.



We are proposing to start the marketing and advertising activities right now...

Agent Payoffs

Individual Businesses

Key payoffs to individual businesses include

- A significant discount in the cost base of the business, increasing profitability and therefore
- Increasing the probability of business growth and
- Reducing the risk of business failure whilst
- Enabling the business to be part of a nationally recognised prestige regeneration scheme in an area which is
- Flexible enough in terms of unit size and type to accommodate highly localised relocation as the business grows

Potential barriers to involvement include

- The requirement to “share” a stake in the business with a little-known third party. Thus
- Denying the original owners the full fruits of business growth

Managing Agent

Key payoffs to the managing agent include ...

The opportunity to develop an investment portfolio which provides diversity, significant growth potential, and an ongoing influence over the trajectory of the businesses concerned due to the retention of a major stake both in the individual business and the local business environment.

Potential barriers to involvement include [1] the fact that the profit from conventional freehold and leasehold activity is foregone; [2] the difficulty that could be faced in the early stages in developing a balanced investment portfolio as well as; [3] the potential complexity of the scheme, if too many products and services are bundled into it.

General Risks

Risk	Mitigated by
Not enough businesses forthcoming to run scheme	Preparatory work identifying candidate businesses. Appropriate marketing of key benefits.
Business growth zero	Ongoing robust assessment of business potential. Liability-limiting agreements to prevent loss to managing agent beyond equity stake. Appropriate additional

Risk	Mitigated by
or negative	support e.g. small business advice, help in accessing capital, marketing etc. Link up with existing services will be key. ⁴
Physical development not flexible enough to accommodate growth.	Can be protected against to a degree at the submission stage, but link-up with growth sites elsewhere may be more appropriate

Relevant Existing Schemes/Institutions

Scheme/Institution	Role/Relevance
Private Equity	Lends to business in return for stake. Has significant influence over business trajectory and takes return in line with stake.
Community Interest Companies	A company limited by guarantee which operates in some form of “community interest” assessed in a “community interest test” and reported on annually.
Social Enterprise	Social enterprises are businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community.
Public Private Partnerships	PPPs are relevant to this scheme as the public sector may well have a role in underwriting/pump priming/providing some degree of practical support to the managing agent. Alternatively, public sector agencies may wish to become partners in the managing agent itself.
International Development Investment	Such investment projects are usually financed by (the donating) central government but delivered by international private sector firms operating in association with local companies. Most projects are undertaken on a Build, Own, Operate, Transfer (BOOT) basis. The company or consortium finances the project; constructs, operates and maintains it; and finally, after an agreed period, transfers ownership to the state. In return, it collects fees on behalf of the government.

Options for equity share for the managing agent and typical range of loans that could be provided ...

- Discounts on the cost of the freehold or leasehold [of up to and including 100%], but may also include arranging appropriate marketing or R&D support, securing discounts on product components or even include altering the physical offer itself in order to impact on the cost structure of the business⁵.

⁴ For example, with Business Clinic Humber Limited in Craven Street North [HU9 2AP - <http://www.business-clinic.co.uk>] or Development and Renewal Services at Hull City Council.

⁵ For example, underwriting the cost of photovoltaics to drive down ongoing energy costs.

- 0% debenture / loan. Fixed term, variable term through to undated [redeemable on request]. Flexible repayment [time and interest] interest rates linked to growth in company / ability to pay.
- Undated [undated gilts].

Loyalty Card - discounted against successful referrals to the management company. This creates a schemes that provides [1] incentives for potential companies to come into the area through property discounts; [2] creates appreciation in the assets of the managing agent as it increases demand for the services provided by the managing agent. Eg: the managing company grows it assets agents by attracting [visual of a loyalty card with a pineapple rubberstamp].



The loyalty card can also become a 'debit' card for the local LETS [Local Economic Trading System] and be used to retain trade within the Fruit Market.

LETS – the local currency, where people can access local services at what is perceived to be a discount, keeping the resources locally and having a significant multiplier effect. [insert some visual of Hull bank note using ebay as the 'platform'] as well as being outside of the taxation system.

Appendix – The definition of Hullness

Hullness¹ |həl| |nəs; nis|

noun

1 the fact of quality (of a person) of being from Hull; resemblance of the city (of the place) : *The Housemartins show the characteristic of Hullness* | *there is a real Hullness about the Fruit Market*. See notes on

Hull- [prefix] and **Kingstonian**.

2 slightly self-deprecating response, in particular to place : *it's their Hullness that criticizes their place before someone else does* | *there is a real Hullness with this quarter of Rotterdam*.

3 under-rated and | or underperforming in competitive environments : *which of the great Universities did you go to? Oxford, Cambridge or Hull?* (Black Adder goes Forth). *There is a Hullness about the disappointing final result*.

4 avoidance of airs and graces : *it's their Hullness that makes them so down to earth*.

5 opposite of Dullness : *Hull is not Dull thus Hullness is not Dullness*.

6 having a draw-bridge and defensive mentality : *Hull is just different to Sheffield and much better than Doncaster in spite of what the current market rates suggest*.

[predic.] (**Hull on**) having the visible appearance and predictable behaviour of a resident of Hull (occasionally damp footed) : *Bob has a real Hull on today because of the rain*.

DERIVATIVES

Hull |həl| proper noun

Kingston upon Hull |Kins:toon | up:on həl| very proper noun

ORIGIN Old English - həl, of Yorkshire origin.

Hull- |həl|

a prefix city and port in north (subjective geography) of England, situated at the junction of the Hull and Humber rivers; pop.

252,000. Official name **Kingston-upon-Hull**.