

**Report of Director of City Development**

**Report to Executive Board**

**Date: 22 June 2016**

**Subject: Leeds City Region Enterprise Zone update and Infrastructure Delivery**

Are specific electoral wards affected? If relevant, name(s) of ward(s): Burmantofts and Richmond Hill; City and Hunslet; and Temple Newsam	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: 10.4(3) Appendix number: 1	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

**Summary of main issues**

1. Delivery of new jobs and growth in the Leeds Enterprise Zone is central to achieving the Best Council Plan ambition for Leeds to have a strong economy and the council's priority to support economic growth and access to economic opportunities by providing job opportunities and boosting the local economy. By supporting the provision of 21<sup>st</sup> century infrastructure can unlock sites and make the area attractive.
2. The Leeds Enterprise Zone was first designated in 2012 and covers 142 hectares of land with the potential to deliver in excess of 4.3 million sq ft of new employment floorspace accessed immediately from junction 45 of the M1, yet only 10 minutes from Leeds City Centre. In the early years little development came forward as the economy recovered from recession. However, there has been a step change in activity with 450,000sq ft of new employment floorspace already delivered and a further 75,000 sq ft currently under construction.
3. This has happened as a result of the City Council taking a number of bold steps to stimulate activity, including securing £8.5m of grant funding from the Governments Building Foundations for growth programme in 2014 which has been used to deliver infrastructure and remediation works on various sites across the area. This has included a flood relief channel through the Logic Leeds site adjacent to the Wyke Beck, drainage attenuation ponds as well as 2,000 trees, 50,000 bulbs and wild flowers along Pontefract Lane. In addition the Council entered into a number of 'put and call' options which has facilitated the speculative development of three units by underwriting development risk. All of these units have now been let and the Council is proposing to

acquire the freehold of Building 1 on the Logic Leeds site which is also being presented to Executive Board.

4. As testimony to the work undertaken by the Council as well as the Enterprise Zone's strategic location, a number of high profile occupiers have already chosen to locate in the area including John Lewis, Amazon, Fed Ex and Perspex Distribution which is part of the Mitsubishi group. In addition a number of important Leeds based businesses seeking expansion have relocated to the area including Watershed Packaging, Samuel Grant and Orion. The cutting edge Veolia Recycling and Energy Recovery facility is now operational and is a landmark building in its own right due to its innovative architecture and construction. In addition, the Council is to deliver a new park and ride facility on the Temple Green site which is due to be operational in Spring 2017.
5. The challenge the Enterprise Zone now faces is how this momentum can be maintained. In 2015, Genecon, Economic Development Consultants, were appointed by the Council to set out actions required to continue the current rate of progress. As a result of this work, there have been changes to the governance arrangements to improve relationships with the developers as well as a more proactive approach to marketing activity. The need to ensure long term availability of power and broadband to ensure that the zone can be fully developed for a range of end users including manufacturers was also raised.
6. The Council has subsequently appointed consultants Arup to explore this issue further. Whilst in the short to medium term there is sufficient power available from nearby substations, a comprehensive solution is required in the longer term which will also be of benefit to the wider Aire Valley. This report seeks approval to commence a procurement process to secure an Independent Network Operator to deliver the new substation. Through procurement, the level of public sector investment will be determined along with any opportunity for payback as connections to the new facility are made.

## **Recommendations**

7. Executive Board is recommended to:
  - i) Note the progress made to secure development and occupation of new floorspace within the Enterprise Zone;
  - ii) Note the recommendations made within the 2015 Enterprise Zone Growth Plan;
  - iii) Approve a procurement exercise by the Director City Development to deliver improved infrastructure within the Enterprise Zone in consultation with the Executive Member for Regeneration, Transport and Planning, subject to funding being confirmed by the LEP;
  - iv) Delegate authority to the Director City Development to enter into negotiations and agree a contract to deliver the required infrastructure improvements;

- v) Delegate authority to the Director City Development to agree terms for the use of Council owned land adjacent to the A63 to accommodate a new electricity substation;
- vi) Note the proposed funding mechanism to support delivery of the infrastructure improvements within the Enterprise Zone; and
- vii) Delegate authority to the Director City Development to inject funding from the LEP into the Council's Capital Programme, to support infrastructure delivery within the Enterprise Zone.

## **1 Purpose of this report**

- 1.0 The purpose of this report is to update Executive Board on progress within the Leeds City Region Enterprise Zone and the priority areas of work moving forward.
- 1.1 The report also seeks approval to commence a procurement process and utilise Council owned land to deliver a power solution which is intended to ensure that the required infrastructure is in place to ensure continued momentum and delivery within the Enterprise Zone and wider Aire Valley area.

## **2 Background information**

- 2.1 In 2012, the Department for Communities and Local Government (DCLG) granted Enterprise Zone status for Leeds Enterprise Zone. This comprises of 142 hectares of designated employment land with the potential to deliver at least c4.3m square feet of new floorspace for a range of manufacturing, logistics and warehousing uses. The Enterprise Zone is in an unrivalled location with direct access from Junction 45 of the M1 motorway, yet less than 10 minutes from Leeds City Centre. The draft Aire Valley Area Action Plan provides a wider context for this development and includes a number of further employment and residential opportunities in the surrounding area.
- 2.2 The Enterprise Zone consists of four primary development areas – Newmarket Lane (9.4ha); Thornes Farm (21.08ha); Logic Leeds (49.1ha); and Temple Green (63.04ha). Logic Leeds and Temple Green are able to deliver 1.6m sq ft and 2.2m sq ft of floorspace respectively.
- 2.3 There was little development activity in the early years of the Enterprise Zone due to the recession. As a result, the Council took a proactive and bold approach to ensure progress was made by securing £8.5m of grant funding through the Governments Building Foundations for Growth Programme to support the delivery of infrastructure on various sites across the zone. In addition three 'put and call' options have so far being entered into as a means of underwriting development risk to deliver speculative development of new units. Two units at Connex 45, delivered by Wilton Developments, were progressed in this way and are now let to Fed Ex and Perspex Distribution (part of the Mitsubishi Group) without further involvement from the Council. The third unit was the 80,000 sq ft Building One unit on Logic Leeds which is now let to Amazon and is the subject of a separate

report to Executive Board seeking support for the Council to acquire the building as a long term investment.

- 2.4 The Council has also provided separate grant funding to Muse Developments for the Logic Leeds site to facilitate the delivery of the internal spine road which will provide a route through to the adjoining Halton Moor estate, enabling easier access for local residents to access the new job opportunities emerging in the Enterprise Zone. The initial sections of this road have been delivered with the entire route to be complete by the end of 2017.

## **2.5 Development Update**

### **Introduction**

- 2.6 There has been a great deal of development activity undertaken within the zone as summarised below, with interest growing as the area becomes more established. 450,000 sq ft of new floorspace has so far been delivered with a further 75,000 sq ft currently under construction:

#### **2.7 Temple Green – Aire Valley Land**

- Temple Green is the largest site in the Enterprise Zone and is being delivered by Aire Valley Land which is a Joint Venture between Evans Property Group and Harworth Estates. Harworth Estates only became involved in the site in March following a buyout of Key Land's interest (Yorkshire Water's development arm). However, Harworth are not new to this part of Leeds, already owning and seeking to bring forward a development scheme on the former Skelton Grange power station site which lies to the south of Temple Green.
- Work is nearing completion to remediate the phase 1 development plots, in addition to laying the required highway infrastructure, including a new bridge over the Wyke Beck to open up access to future phases of development, alongside works to the beck itself and a landscaping scheme for the entry to the site. Funding for this work has come from the Building Foundations for Growth Programme in addition to a LEP Loan.
- Phase 1 includes the site of the city's new Park and Ride facility which is due to open in Spring 2017, providing 1,000 car parking spaces and a fast frequent service to and from the city centre. Surrounding this facility are a number of vehicle showroom opportunities for which there is ongoing interest in addition to a petrol filling station.
- Aire Valley Land has begun to undertake a strong marketing campaign. The site is nationally recognised as a key opportunity for manufacturing and logistics and interest is proving strong.

## 2.8 Logic Leeds – Muse Developments

- The first phase of the Logic spine road has been delivered alongside a number of other infrastructure works including surface water attenuation ponds and a flood relief channel.
- The Council entered into a 'Put and Call' option with Muse Developments on Building One which is an 80,000 sq ft unit which has been let to Amazon.
- Construction has recently completed on a 50,000 sq ft unit for John Lewis's regional distribution centre, which will distribute products to customers across the region and specifically goods ordered through both their York and Leeds flagship store which is due to open in autumn 2016. The distribution centre is due to be operational in June and will create c40 new warehouse and distribution jobs.

## 2.9 Newmarket Lane

- Veolia has delivered the 165,000 sq ft Recycling and Energy Recovery Facility which is capable of delivering both heat for a district heat network which is now being scoped out and power back to the grid. The site entered testing in autumn 2015 and is now fully operational taking all general household waste from Leeds.
- The Council has sold a 1.6ha site to Wilton Developments who have secured planning consent to build three industrial units totalling 83,000 sq ft of floor space. They intend to build these units speculatively having gained the confidence to do so following the success of their Connex 45 scheme at Thornes Farm.

## 2.10 Thornes Farm

- The Council has disposed of c.5.8ha of land on Thornes Farm to Watershed Packaging, Marshalls, Predator Nutrition and Wilton Developments.
- In 2014, Watershed Packaging delivered a bespoke purpose built unit to relocate and expand their business to from their historic location of Beeston. As part of their growth, 23 new jobs have so far been created, with their new 25,000 sq ft unit having further scope for expansion.
- Marshall Developments have delivered 3 modern units close to the entrance of Thornes Farm. Samuel Grant who supply packaging solutions relocated to a 50,000 sq ft unit in October 2015, while Orion, a computer/ data racking system supplier relocated to a 27,000 sq ft unit in early 2016. A further 20,000 sq ft unit was speculatively built and has subsequently been taken by Jim's Carpets who have a number of retail outlets across Yorkshire and have major contracts with the house building sector.
- Connex 45, Wilton Developments – As set out at 2.3, the Council entered into a 'Put and Call' option as a means of facilitating the early delivery of two units on this site. Fed Ex opened a new distribution centre from the 50,000 sq ft unit in

October 2015, while Perspex Distribution who are part of the Mitsubishi group opened their new sales, customer fulfilment and distribution centre from the 30,000 sq ft unit in April 2016.

- In December 2015, Predator Nutrition, a fitness supplements supplier, commenced construction of their new distribution centre. This is due to be complete in July.
- ACS, a Leeds headquartered stainless steel design and fabricator purchased a site fronting onto the A63 East Leeds Link Road. Designs are currently being worked up for their new headquarter building and adjacent complimentary development.
- Link 45 – Gregory Developments have secured planning consent for a c40,000 sq ft unit. An occupier is currently being sought prior to construction commencing and the Council is exploring with the developer how the scheme can be further facilitated.

2.11 In addition to the progress made within the Enterprise Zone, planning applications are currently being considered for a proposed Motorway Service Area on land to the east of Junction 45 of the M1. This will provide further employment opportunities and will sit alongside Skelton Gate which is proposed to become a new residential community with 1,800 – 2,000 new homes. In addition, Harworth Estates own the former Skelton Grange power station site and have long-term proposals for the development of this area.

2.12 The Enterprise Zone has a number of benefits. The business rates generated from the zone are to be retained by the Local Enterprise Partnership (LEP) for 25 years, providing a basis to invest in other economic growth schemes in the city and wider city region. Occupiers locating within the zone by March 2018 can also benefit from business rate relief for the first 5 years of occupation or in the case of plots capable of accommodating larger units on Temple Green and Logic Leeds, Enhanced Capital Allowances which allow companies paying UK corporation tax the opportunity to accelerate the rate at which they can offset investment up to 2020. This makes them more attractive to capital intensive businesses such as manufacturers and will help to leaver in major new occupiers and support the growth of good quality jobs.

2.13 In addition, the LEP's business growth programme is able to provide grant funding of up to £1m to support businesses to expand and the Council is able to provide support to businesses to recruit new staff and apprentices.

2.14 As development activity and on-site works have increased, so too has the level of occupier interest generated. Whilst there has been substantial interest from Leeds and city region indigenous companies, the Council is working closely with the LEP to promote the Enterprise Zone to businesses located outside the City Region and on the International Stage, including work with UKTI. The decision by the likes of Fed Ex, Amazon and John Lewis to locate within the zone is also helping to demonstrate confidence in terms of both its location and offer.

2.15 The challenge faced by the Council, LEP and development partners is now to ensure that the positive progress already made is maintained into the future.

### **3 Main issues**

3.1 In February 2015, economic development consultants, Genecon were commissioned by the Council to review the enterprise zone and set out issues which need to be effectively managed to ensure momentum is maintained. In undertaking the commission, Genecon held interviews with a number of Council officers, the LEP, developers and DCLG, whilst also seeking a market view about the enterprise zone offer.

3.2 Working alongside the Council, Genecon presented their initial findings in July 2015, since which time they have provided ongoing advice, guidance and support to progress the key actions before publishing their final report in December 2015. The key recommendations were around the following areas:

- Governance;
- Marketing and Promotion; and
- Infrastructure.

#### **3.3 Governance**

In order to ensure a consistent approach and shared vision, goals and delivery approach, between the Council, LEP and developers a new Strategic Delivery Board was established in September 2015 chaired by Roger Marsh (LCR LEP Chair). Since this time, the board has met bi-monthly and has proved successful in ensuring that all parties progress actions proactively. The involvement of the developers is particularly important given that the vast majority of the land is owned or in the control of developers, and as such they have the ability to influence the nature and pace of development.

#### **3.4 Marketing and Promotion**

3.5 Genecon found that more could be done to market and promote the enterprise zone in a coordinated way. This is particularly important to maximise the likelihood of securing inward investment. The LEP is now marketing and promotion the zone both globally and nationally, working closely with developers and their agents. This has included an element of rebranding to give a more coherent marketing approach across the city region and promotion of business support packages available.

#### **3.6 Infrastructure**

3.7 Following the delivery of the various infrastructure works already progressed, there are few constraints to development within the Enterprise Zone. However, fibre connectivity and the long term availability of power to ensure build out of the Enterprise Zone and surrounding developments, as well as the attractiveness of

the area to a range of end-users including manufacturers, could become an issue if not addressed proactively.

- 3.8 To better understand these issues, the Council appointed Arup to undertake a study to explore current fibre and power provision, the likely long-term requirements and any actions required to provide future certainty.
- 3.9 Power availability is often an issue for greenfield developments, however, given the Enterprise Zone is located close to built up areas and existing industrial uses, there is currently capacity within nearby sub-stations to allow continued development within the Zone. Following a review of the likely development quantum within the Enterprise Zone as well as surrounding development opportunities such as the former Skelton Grange power station site Skelton Gate and the proposed Motorway Service Area at junction 45 of the M1, Arup have identified that to support the growth of the Enterprise Zone over the longer term, investment is required to ensure that there is sufficient power at the right voltage and in the right location.
- 3.10 In the short to medium term, electricity can continue to be brought in from nearby sub-stations, but strategic investment is required in order to ensure development of the enterprise zone can be completed and other longer term developments facilitated. More details about the preferred solution is set out in confidential appendix 1 but includes the delivery of a new sub-station within the Enterprise Zone.
- 3.11 A power provider will need to be procured to deliver this infrastructure and it is recommended that the procurement process, selection of preferred bidder and appointment is delegated to the Deputy Chief Executive and to be actioned by Head of Programmes within Strategy and Resources, working with the Council's Asset Management and Regeneration Service and the Projects, Programmes and Procurement Unit.
- 3.12 There continues to be significant investment made to improve fibre and broadband connectivity across the city by a number of providers. Discussions are ongoing with these parties to further improve the offer within the Enterprise Zone. However, there may be scope for the Council and LEP to further facilitate delivery through assisting negotiations and discussions between the providers, developers and end-users, as well as contributing to some of the necessary works to lay new cables where ducts are not currently available.

## **4 Corporate considerations**

### **4.1 Consultation and engagement**

- 4.1.1 The Leader of the Council and Executive Member for Regeneration, Transport and Planning are regularly appraised of development activity and progress within the Enterprise Zone. In addition the Chair of the LEP receives regular updates through the Strategic Delivery Board. Ward members also receive timely updates about progress and key announcements within the zone.

4.1.2 The Council works closely with developers within the Enterprise Zone to secure development activity. This also involves working closely with potential end users as well as the LEP.

## **4.2 Equality and diversity / cohesion and integration**

4.2.1 An Equality Impact Assessment (EIA) screening exercise has taken place to ensure due regard to Equality, Diversity, Cohesion and Integration was effectively considered. The outcome of the screening exercise was that a full EIA is not required at this point and there are no likely impacts on any of the protected equality characteristics. The screening form is attached as an appendix.

## **4.3 Council policies and best council plan**

4.3.1 Investment into the Leeds Enterprise Zone is central to achieving the Best Council Plan priorities of supporting economic growth and access to economic opportunities. This contributes to Leeds' ambition to have a strong economy whilst being a compassionate city, as well as the Council's ambition to be an efficient and enterprising organisation. The enterprise zone, as a major driver for economic growth within the city region sits firmly in the area-based investment priorities for the Leeds City Region Strategic Economic Plan which will see the potential of investment from the Local Growth Fund.

## **4.4 Resources and value for money**

4.4.1 The LEP is actively involved in the delivery of the Leeds Enterprise Zone as well as others more recently designated in other districts across the city region. There are a range of infrastructure requirements across all of the Enterprise Zone sites and the LEP, through discussion with Local Authorities is exploring the scope to fund these via a single fund. Procurement of the sub-station will not commence until funding from the LEP has been confirmed. Investment into the sub-station is intended to be recoverable supported by the growth in business rates which, within the Enterprise Zone are retained for the 25 years of its designation and also the potential for payback from the provider upon connections to the new facility. The cost of delivering the sub-station and scale of contribution from the public sector and likely payback will be determined through the procurement exercise outlined at Section 4.5 of this report.

## **4.5 Legal Implications, access to information and call In**

4.5.1 The information contained in Appendix 1 is exempt under Access to Information Rule 10.4 (3) as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information). It is considered that the public interest in maintaining the content of Appendix 1 as exempt outweighs the public interest in disclosing the information. This report relates to a procurement exercise and as such release of detailed information about the power requirement at this time would prejudice the council's position.

4.5.2 The selection of a partner to deliver the substation will be procured through an OJEU procurement process in accordance with procurement law and other relevant obligations (including state aid and competition law, and the Council's best value duty). This will be

overseen by the Head of Programmes within Strategy and Resources by the Projects, Programmes and Procurement Unit with input from the Asset Management and Regeneration Service.

## **4.6 Risk management**

- 4.6.1 There are two key risks to the delivery of the substation. Firstly the site identified as most suitable for the substation from an operational and delivery perspective falls just outside of the Enterprise Zone area and the sites which are identified for employment uses within the Unitary Development Plan and draft Aire Valley Area Action Plan. Instead, the land is identified as being within the greenbelt and work is underway with Planning Services to set out the special circumstances which are associated with the scheme, as a means of managing the risk.
- 4.6.2 Secondly, should the timescale for delivery including procurement slip, then there is a real risk that major development and occupier opportunities will be missed. Delivery of the substation before the availability of Enhanced Capital Allowances ends is critical given that the occupiers who are most likely to take advantage of the allowances are likely to have high power requirements.

## **5 Conclusions**

- 5.1 Good progress has been made on the delivery of the Leeds Enterprise Zone with a number of high profile occupiers already committed to the zone including John Lewis, Amazon, Fed Ex, Perspex Distribution and a number of important Leeds based companies such as Watershed Packaging, Samuel Grant and Orion.
- 5.2 Activity is now underway on all of the sites within the Enterprise Zone. In particular, large-scale infrastructure works are being delivered on Temple Green, the largest site in the zone, to create access to each part of the site. Similarly the first stages of the main spine road have been delivered into the Logic Leeds site.
- 5.3 Whilst a large amount of infrastructure has already been delivered, now is the right time to further invest to ensure long-term delivery within the Enterprise Zone and wider Aire Valley.

## **6 Recommendations**

- 6.1 Executive Board is recommended to:
- i) Note the progress made to secure development and occupation of new floorspace within the Enterprise Zone;
  - ii) Note the recommendations made within the 2015 Enterprise Zone Growth Plan;
  - iii) Approve a procurement exercise by the Director City Development to deliver improved infrastructure within the Enterprise Zone in consultation with the Executive Member for Regeneration, Transport and Planning, subject to funding being confirmed by the LEP;

- iv) Delegate authority to the Director City Development to enter into negotiations and agree a contract to deliver the required infrastructure improvements;
- v) Delegate authority to the Director City Development to agree terms for the use of Council owned land adjacent to the A63 to accommodate a new electricity substation;
- vi) Note the proposed funding mechanism to support delivery of the infrastructure improvements within the Enterprise Zone; and
- vii) Delegate authority to the Director City Development to Inject funding from the LEP into the Council's Capital Programme, to support infrastructure delivery within the Enterprise Zone.

## **7 Background documents<sup>1</sup>**

7.1 None.

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<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.