



Report of the Acting Director of City Development

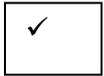
Executive Board

Date: 27 July 2011

Subject: Consolidation of Enterprise Assets in Chapeltown

Electoral Wards Affected:

Chapel Allerton



Ward Members consulted
(referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Eligible for Call In



Not Eligible for Call In

(Details contained in the report)



EXECUTIVE SUMMARY

1. Unity Enterprise is a not for profit social enterprise, part of the Unity Housing group. It has submitted a proposal for asset transfer of Chapeltown Enterprise Centre and an extension of the existing service level agreement for Leeds Media Centre as part of the Chapeltown Enterprise Network project. The project aims to develop more suitable business premises in Chapeltown, along with community outreach and business advice. This report recommends that a 99 year peppercorn lease be granted for the Chapeltown Enterprise Centre to Unity Enterprise and that a new service level agreement between the Council and Unity Enterprise for management of the Leeds Media Centre be granted for 10 years.

1.0 Purpose Of This Report

- 1.1 This report seeks Executive Board agreement that the Council transfers the Chapeltown Enterprise Centre on a 99 year peppercorn lease basis to Unity Enterprise and extends the management agreement for Leeds Media Centre to Unity Enterprise as part of the Chapeltown Enterprise Network project.

2.0 Background Information

- 2.1 Chapeltown Enterprise Centre is made up of two buildings. The smaller building contains of a number of retail units on Chapeltown Road, including some office space. The centre also includes the former telephone exchange building next door. This is used as office and workshop space. The facilities are occupied by small businesses, primarily owned by residents of the surrounding area. The centre is leased for nil value to Unity Enterprise. Unity receive a grant of £20,000 from Economic Development service to manage the centre. The current occupancy rate is 100%.
- 2.2 Leeds Media Centre is located on Savile Road, just off Chapeltown Road. The centre was developed by the Council with grant support from the Single Regeneration Budget (SRB) and English Partnerships. The office and studio space have proved difficult to let and the previous management organisation withdrew from the centre in 2009. Since then Unity Enterprise has managed the centre on the Council's behalf. During 2011/12 Unity will be paid grants totalling £25,000 from the Council to manage Leeds Media Centre.
- 2.3 Unity Enterprise is a not for profit social enterprise, part of the Unity Housing group. It owns the Unity Business Centre on Roundhay Road which is let out to small businesses at low rents. Unity Enterprise has managed Chapeltown Enterprise Centre since 2001 and Leeds Media Centre since 2008, as part of service level agreements with the Council. They receive revenue grant support towards the running costs as well as having nil value leases. The remainder of funding is generated through rental income. Since taking over Leeds Media Centre, Unity Enterprise has reviewed the management of all three business centres and implemented policies to increase rents and reduce costs, while at the same time increasing occupancy rates. This has been particularly successful at Leeds Media Centre which in the past has been difficult to let and manage. It now has a 100% occupancy rate with additional regular users for the media facilities.
- 2.4 Chapeltown was one of the priority areas identified as part of the Council's Local Enterprise Growth Initiative (LEGI) programme, which ran from April 2007 until March 2011. As part of the programme, enterprise centres were established at key locations in the heart of the most deprived communities. These centres include Shine in Harehills and Hillside in Beeston. Although a small enterprise centre was opened on Chapeltown Road in 2007, this wasn't able to continue beyond the programme's lifetime. Therefore the business advice and outreach provided from this centre has now ended.

3.0 Main Issues

- 3.1 Unity Enterprise has been working with Economic Development and with Regeneration to develop a proposal to address the need for focused enterprise support and suitable business premises in Chapeltown. A proposal has been developed which includes three properties:

- Chapeltown Enterprise Centre;
- Leeds Media Centre;
- Unity Business Centre.

- 3.2 The proposal will see a range of accommodation being available in Chapeltown for small business ranging from: basic office, retail and workshop premises at Chapeltown Enterprise Centre; low cost light industrial and office space aimed specifically at start up businesses at Unity Business Centre; and good quality offices, studios and conferencing facilities at Leeds Media Centre which will also accommodate the project's business advice and community outreach.
- 3.3 The two properties making up the Chapeltown Enterprise Centre were built in 1922. Although they have been refurbished in the last 20 years, both buildings offer basic accommodation and are in need of investment to bring up to basic modern standards and to meet accessibility requirements. Capital investment as part of this project will see improvements to the kitchens, stairwells and corridors as well as the installation of a lift to make the building accessible. The mechanical services will also be improved and the windows and ventilation systems replaced. The building will be brought up to modern standards.
- 3.4 Alongside the capital works there will be two employees linked to the project. One will be a community development worker tasked with encouraging local residents to consider starting a new business and to use the centres. The other will be a dedicated business adviser for Chapeltown. These posts will initially be funded as part of the ERDF bid but will eventually be funded through surpluses made from rental income.
- 3.5 Unity Business Centre is owned by Unity Enterprise and is made up of two buildings. The phase one building is a former warehouse converted into light industrial space. Phase two is a purpose built centre providing good quality office facilities. Although phase two remains popular and is 100% occupied, phase one is now dated and becoming increasingly difficult to let. The proposed project will see phase one redeveloped to provide improved suitable space for new start businesses.
- 3.6 Leeds Media Centre will not receive any capital investment as part of the initial funding package but will continue to offer studio hire, conferencing facilities and good quality office space with a media theme. Given the centre's location near Chapeltown Road and good parking, this building will be the customer facing and outreach centre for the project, as well as continuing to offer business premises for hire.
- 3.7 Unity has requested:
- a 99 year full repairing and insuring lease for Chapeltown Enterprise Centre on a peppercorn basis;
 - a 10 year service level agreement to manage Leeds Media Centre;
 - no further revenue grant support from the Council beyond that already agreed for 2011/12.
- 3.8 Transfer of the enterprise centre on a 99 year lease basis will give Unity sufficient security over the property to justify their investment and to satisfy the conditions of the ERDF funding. The lease will include protection that the site is used for enterprise purposes for the period of the lease.

- 3.9 At present the grants paid to support Unity's work at Leeds Media Centre total £25,000 per year. When Unity took over the management of the centre the studio space was unused and the occupancy rate below 50%. There were a number of issues with tenants paying rent far below market values and the property was a significant financial liability for the Council, with losses of £12,000 per month being incurred. Unity have been able to fully let the offices and hire out the studio space. They have also increased rent for the existing tenants and new tenants have been paying at levels in line with others in the area.
- 3.10 Unity are concerned that the Media Centre would be too much of a maintenance liability to take on a long lease basis, particularly if any major repairs are required during the term of the lease. They have therefore requested to operate via a service level agreement. Although this would release them from any liability for the structure of the building, it would tie them to meeting targets in the service level agreement around occupancy levels, services provided and that services and facilities are targeted at local residents. The targets would be very similar to those in the current service level agreement. A schedule of condition has been undertaken and this shows that the building is in good condition. The only major item identified is to strip and recover the roof at an estimated cost of £34,000, but this won't need to be done for 5-10 years. The interior works will be Unity's responsibility and undertaken as part of their regular maintenance schedule.
- 3.11 Unity's business plan for the network shows that after five years it could generate surpluses of over £100,000, the vast majority of which would be generated by Unity Business Centre. These will be reinvested into the local community by:
- funding a business adviser for the local area;
 - funding an employment support worker for the local community;
 - a business grants scheme;
 - start up bursaries for local residents;
 - training support for local residents;
 - Investment into community outreach through Chapeltown Development Trust.
- 3.12 Total estimated capital costs for the project are £1.2m. These will be funded by:
- £300,000 from the LEGI programme;
 - £600,000 from ERDF;
 - £300,000 from Unity Enterprise.
- 3.13 The LEGI funding has been already allocated from that programme's legacy fund. The ERDF is subject to a successful grant application. The £300,000 contribution from Unity has been agreed by Unity's board. A scaled down project could go ahead without ERDF funding, but this would significantly increase risk and reduce the refurbishment works at both Chapeltown Enterprise Centre and Unity Business Centre. Should the ERDF application be unsuccessful a schedule of investment in Chapeltown Enterprise Centre using some of the £300,000 funding each from the LEGI programme and Unity will be agreed to the satisfaction of the Director of City Development and the Executive Member for City Development prior to commencement of the lease.

4 Implications For Council Policy And Governance

- 4.1 The proposed asset transfer and SLA have the support of Economic Development Service as sponsoring service and are further supported by Regeneration Service and by the East and North East Leeds Area Leader.

- 4.2 Chapel Allerton Ward Members have been consulted and are supportive of the proposals.
- 4.3 An equality, diversity and cohesion impact assessment has been completed and published on the Council's website.

5 Legal And Resource Implications

- 5.1 The Local Government Act 1972 Section 123 requires local authorities to dispose of land at the best consideration or price reasonably obtainable. This means disposals must be at market value unless specific powers or approval of the Secretary of State are used to justify a disposal at less than best consideration.
- 5.2 The General Disposal Consent (England) 2003, now gives a general consent which allows the Council to dispose of local authority land at less than best consideration, without obtaining specific consent from the Secretary of State, where the Council decides that the disposal is likely to contribute to the promotion or improvement of the economic social or environmental well being of their area or people living or working there, provided that the difference between the unrestricted value of the land and the actual consideration received for the disposal does not exceed £2,000,000. The open market value of the freehold of Chapeltown Enterprise Centre has been assessed as £450,000. The Acting Director of City Development considers that the proposed community benefits set out in the report are likely to achieve well being and meet with the outcomes and improvement priorities set out in the Council's Leeds Strategic Plan.
- 5.3 The use restrictions in the lease will have a detrimental impact on the value of the property to Unity. Given Unity currently receives a grant subsidy to manage Chapeltown Enterprise Centre and that the financial forecasts for the centre show small annual losses, such a lease would have a limited value.
- 5.4 At present Unity Enterprise receives grant funding of £45,000 to manage the two centres. The proposal is that the 99 year lease for Chapeltown Enterprise Centre and the 10 year service level agreement for Leeds Media Centre would result in no revenue grants being paid beyond March 2012.

6. Conclusions

- 6.1 The proposal will see the current Council and Unity Enterprise owned enterprise assets in Chapeltown receive significant capital investment. It will make the properties more attractive, fit for purpose and accessible. It will ensure that there is long term provision of suitable premises for new and small local businesses.
- 6.2 The allied business support and community outreach will contribute to the regeneration of the area by helping local people to consider self employment and assist in the establishment of more viable businesses by local residents. This was one of the aims of the LEGI programme and is one of the key parts of that programme's legacy funding.
- 6.3 Providing the long term agreement combined with the proposed capital investment will save the Council potential revenue grant funding of £45,000 per year (based on the 2011/12 allocation) and remove any maintenance liability for Chapeltown Enterprise Centre.

7. Recommendations

- 7.1 That Executive Board notes the proposal from Unity Enterprise.
- 7.2 It is recommended that Executive Board agrees to provide a 99 year full repairing and insuring lease for the Chapeltown Enterprise Centre to Unity Enterprise on a peppercorn basis, subject to:
- no revenue grant support being payable;
 - that the agreed refurbishment works are successfully completed.
- 7.3 It is recommended that Executive Board agrees to provide a 10 year service level agreement to Unity Enterprise to manage Leeds Media Centre, subject to:
- no revenue grant support being payable;
 - that the rent payable by Unity Enterprise is nil;
 - that the targets and outputs as part of the service level agreement are in line with those contained in the existing service level agreement for 2011/12.

8. Background Papers

Asset Management Service File
Economic Development Service File
Equality Impact Assessment