

Report to Scrutiny Commission

Economic Development, Transport and Tourism
Date of Commission meeting: 19th November 2020

Workspace Development

Report of the Director of Tourism, Culture and Investment



Useful information

- Ward(s) affected: All
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- Report version number plus Code No from Report Tracking Database: 1

1. Purpose of report

- 1.1 To update members on the Economic Regeneration Workspace portfolio, and specifically three projects to develop more workspace.

2. Summary

- 2.1 The Economic Regeneration workspace portfolio remains popular and contributes a significant net surplus to the Council. These self-financing commercial services support the delivery of economic, environmental, social and cultural outcomes, and the current portfolio hosts over 200 business and 900 jobs.
- 2.2 The portfolio continues to expand, and new pipeline schemes at Gresham and adjacent to Dock are opening in 2021. A proposal to develop further workspace at Pilot House is in progress.

3. Recommendations

- 3.1 To note the contents of the report and comment as appropriate.

4. Report:

Background

- 4.1 A key barrier to economic growth in the city is a shortage of suitable land and premises to support growing companies. The City Mayor's Economic Action Plan focuses support on priority sectors of the economy – including the creative industries, food and drink manufacturing, innovation and technology – as well as key regeneration areas including Pioneer Park, the Cultural Quarter, Waterside and the city centre. Part of the strategy therefore has been to increase the supply of workspaces in these areas/sectors.
- 4.2 Leicester City Council's Economic Regeneration Service directly operates five workspaces. Three are based in the Cultural Quarter, one is in Belgrave and one is at Pioneer Park within the Enterprise Zone. Two further workspaces constructed by the Council - Leicester Food Park and Friars Mill – are managed by the East Midlands Chamber under outsourced contracts.

- 4.3 The Economic Regeneration workspace portfolio focuses primarily on supporting the growth of priority economic sectors. It should be noted that other business workspaces and industrial units occupied by a range of businesses are held within the Council's corporate estates portfolio, and these centres are managed separately by the Council's Estates and Building Services division.

Existing workspace portfolio

- 4.4 The Economic Regeneration service directly manages five workspaces: LCB Depot, Makers Yard, Phoenix Square Workspace, Dock and Leicester Business Centre. This provides a total of 98,000 sq ft lettable space for local small businesses.
- 4.5 Two workspaces with outsourced management via East Midlands Chamber – Leicester Food Park and Friars Mill – provide a further 36,500 sq ft of lettable space.
- 4.6 These workspaces deliver the following key impacts:
- Self-financing commercial services supporting the delivery of economic, environmental, social and cultural outcomes
 - Helping to reposition Leicester's economy to grow knowledge-based sectors, including creative industries and innovation / technology businesses
 - Workspaces turnover increased from £800k in 2013/14 to £1,434k in 2019/20
 - Deliver a strong net surplus on direct costs each year: £82k in 2013/14 rising to £423k in 2019/20. The service is well positioned to deliver further income for the Council in future years and contribute to the Entrepreneurial Councils agenda
 - High workspace occupancy and customer satisfaction, with strong demand responding to good customer service and offer. It should be noted that occupancy has remained relatively resilient to Covid-19 so far.
 - Significant job creation performance, supporting over 900 jobs in tenant businesses
 - Provides a physical focus for clustering, networking and collaborative working – there is evidence that this increases the survival rate for small businesses who are tenants. For example, the LCB Depot has been driving the delivery of Design Season over recent years, an annual showcase for the city's design strengths.
 - The service also provides a platform for business engagement and business growth support. This specialist business support offer complements the 'premises' offer, which consolidates the development of each community and is a conduit for promoting other offers for example grants and apprenticeships.
 - Workspaces have proved an effective mechanism to kick start the delivery of regeneration areas, particularly through raising investor confidence and ultimately stimulating other private sector investment. This has been the case with the Cultural Quarter, Pioneer Park and Waterside, where workspaces have been the first key regeneration intervention.

Workspace development

- 4.7 Three new business workspaces are in development, which could deliver up to 80,000 sq ft of lettable space over the next few years:
- Dock Grow-on Workspace – on site, delivering 18,500 sq ft in early 2021
 - Gresham – on site, delivering 11,500 sq ft in Autumn 2021
 - Pilot House - potential to deliver up to 50,000 sq ft in 2022/23

Dock Grow On Workspace

- 4.8 Dock is the innovation workspace at Pioneer Park, a community of innovation and technology businesses. Dock opened in 2013, with 21,500 sq ft of lettable workspace across 54 units, and has proved popular with occupancy currently at 100%.
- 4.9 The Council's Development Projects team is managing the delivery of a new £5 million grow on workspace adjacent to Dock, working with local development partner Brackley Property Developments Limited to build the commercial workspace. The new workspace is scheduled to open in January 2021. See Appendix One for current images of the scheme.
- 4.10 The scheme will deliver 18,500 sq ft of lettable space across three floors, and will offer a mix of 16 office and light industrial workspaces. Ranging in size from 800sqft to 1,800sqft, units on the ground floor are designed as light industrial production space with higher floor to ceiling heights and roller shutter doors to the rear. Units on the first and second floors are intended as office workspaces.
- 4.11 The units will provide grow-on space for Dock-based business that are ready to expand, as well as for new businesses looking to join Dock's existing entrepreneurial community. The building will function as an extension to the existing Dock development and will be managed by the Dock team. This will link the two developments as a single campus and business community and build on Dock's strong identity.
- 4.12 Businesses based in the new building will benefit from Dock's full range of facilities including reception services, meeting and conference facilities, fast IT and access to networks and events. Given the site's location within the city's Enterprise Zone, generous business rates benefits will also apply.
- 4.13 Contracts are currently been agreed with companies looking to take space when the building opens in early 2021, and around 50% of the available space is already pre-let.

Gresham Workspace

- 4.14 Developer Aimrok Holdings Limited are refurbishing the historic and iconic Fenwick building on Market Street, Leicester, converting the building into an aparthotel, together with a series of ground floor and basement commercial units. The scheme is expected to deliver a significant regeneration benefit for the Market Street and Belvoir Street areas which have been suffering from underoccupancy for some time.
- 4.15 Key to unlocking the £17 million investment in the scheme has been the Council

taking a lease on part of the building to establish a flexible business workspace. This will create an 11,500 sq ft workspace on part of the ground floor and lower ground floor/ basement of the development. See Appendix Two for current images of the scheme.

- 4.16 Given the quality of the aparthotel proposals for the wider development, and the location of the building, there is an opportunity at this site to target business professional services companies and freelancers with a high-quality flexible business workspace offer. This will complement the wider aparthotel offer and ancillary café/bar and gym facilities, and enable some joint marketing and cross selling opportunities.
- 4.17 Flexible, serviced business workspace is an up and coming market, particularly attractive to new entrepreneurs, start-ups, sole traders and small businesses. No other comparable workspace exists in Leicester though facilities such as this are commonplace in other cities including Birmingham, Nottingham, Coventry and Derby. It is anticipated that this offer will be attractive for businesses/entrepreneurs that want to work more flexibly in response to Covid-19.
- 4.18 Officers have worked closely with the developer on the design of the spaces to create a functional, well designed, high quality offer. The developer is making good progress with the refurbishment, and the current programme forecasts a practical completion at the end of July 2021. Gresham workspace is scheduled to open in September 2021 at the same time as the aparthotel.

Pilot House

- 4.19 Pilot House is a large Council owned building on King Street. The site is a complex of six interconnected buildings, and a large proportion of spaces are vacant. The building use and income streams from Pilot House have diminished over the years although there has been opportunistic letting of areas to make use of the empty spaces.
- 4.20 Demand research indicates a healthy demand for high quality workspace from the creative, design, technology and professional services sector. There is specific demand for pre-start up and start-up space, grow on space for more established businesses unable to purchase their own property, and larger space to satisfy inward investment enquiries. There is however a shortage of quality city centre office space to accommodate this demand.
- 4.21 The Council's Estates and Building Services division is leading a major development project to convert Pilot House into a managed workspace in response to this demand. The building offers the potential to create up to 50,000 sq ft of lettable workspace including a blend of high-quality workspaces for lease and flexible spaces to meet the requirements of companies, creative agencies, entrepreneurs and new talent start-ups who want to relocate to the city. The project has the potential to facilitate economic regeneration, generate a revived income stream and support over 300 jobs.
- 4.22 Considered alongside the Gresham scheme, the redevelopment of Pilot House would see the creation of a new business community in the Market Street/ New

Walk area, energising this part of the city centre. This has the potential to enhance Leicester's reputation as a good place to do business, and to drive the city's economic recovery.

- 4.23 The design of the scheme has progressed to RIBA stage 2 and detailed design and project feasibility is being progressed. If a resourcing plan can be confirmed and the scheme progresses further to detailed design and tender, the current programme has an estimated construction start date of November 2021 and estimated completion of December 2022.
- 4.24 A specific opportunity to develop parts of the Pilot House site in conjunction with external partners, is being actively explored. This could result in significant inward investment and the creation of a visitor attraction alongside designer maker studios and new training facilities.

5. Financial, legal and other implications

5.1 Financial implications

There are no financial implications arising directly from this report. – Colin Sharpe, Deputy Director of Finance, tel 0116 454 4081

5.2 Legal implications

There are no legal implications arising directly from this report

5.3 Climate Change and Carbon Reduction implications

There are no climate change and carbon reduction implications arising directly from this report

5.4 Equalities Implications

There are no equalities implications arising directly from this report

5.5 Other Implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)

Not applicable

6. Background information and other papers:

Not applicable

7. Summary of appendices:

Appendix One: Dock Grow-on Workspace images

Appendix Two: Gresham images

Appendix Three: Pilot House images

8. Is this a private report (If so, please indicated the reasons and state why it is not in the public interest to be dealt with publicly)?

No

9. Is this a “key decision”?

No

10. If a key decision please explain reason

Not applicable.

Appendix One: Dock Grow-on Workspace images

Dock Grow-on Workspace: Exterior construction progress



Dock Grow-on Workspace: Interior construction progress



Appendix Two: Gresham images

Artist impression of the Gresham development (credit: rg+p)



Gresham Flexible Workspace: Ground Floor Area

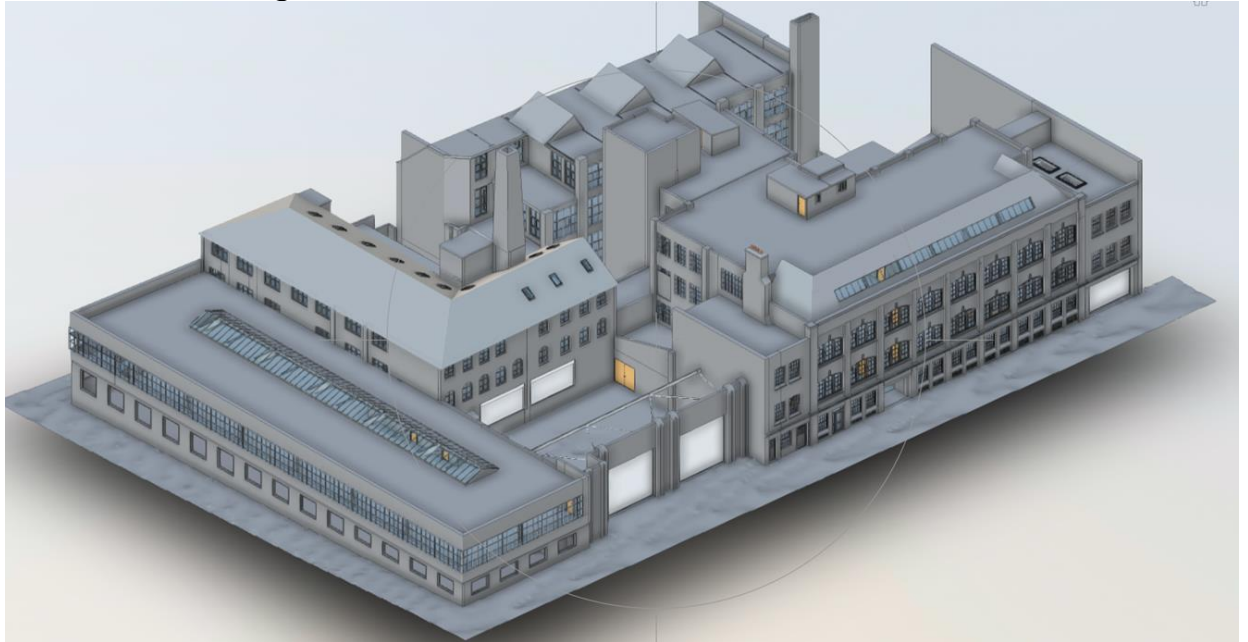


Gresham Flexible Workspace: Lower Ground Floor Area



Appendix Three: Pilot House images

Pilot House: King Street elevation



Pilot House: Duke Street elevation

