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Date: 13th March 2017

Leicester
City Council

To the Planning Inspector
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Dear Sir,

North West Leicestershire District Council – Local Plan Examination
Leicester City Council Reply to Queries about Employment Land in Leicester
Response to IN/08

The purpose of this letter is to provide further information on employment issues that have been raised by other Local Authorities. A copy has been sent to all LA's.

Following Leicester's recent letter to all Local Authorities (dated 13th February 2017), setting out the potential for "Unmet housing need" to be arising in the City, (to be formally quantified through our new Local Plan)**,** we have received replies from both Charnwood Borough Council (email dated 14th February 2017) and NWLDC (letter dated 27th February 2017), asking for further information on employment issues:-

- **The fact that we have not yet declared a future unmet need for employment land**
- **Figures on our past Employment land delivery (historic)**
- **A Figure for our expected Employment land shortfall (future in Local Plan)**

The Leicester Principal Urban Area is a focus for economic development and regeneration. The City's continued economic success is therefore a key issue for the whole sub-region.

The conclusion is that a significant amount of land for new economic development is required within the City's boundary during the new Local Plan period to 2031. The required additions to the existing pipelines are for at least 45,000 sqm m of offices and 45 ha for industrial uses. It is acknowledged that strategic warehousing requirements could be met elsewhere in the HMA.

The evidence informing these requirements includes the following points. On the demand side, the historic take up rates achieved (even with a limited supply of employment land); the need for the replacement of the aging stock of premises; unmet requirements from existing firms; and inward investors for new production facilities in the City. On the supply side, there is a critical shortage of investment ready employment land (at less than 10 ha) and a vacancy rate of 3% (which is substantially below the market rate of 7.5%). Finally, very little land (4ha) has yet come forward in the PUA, outside /edge of city, to “provide for the City’s employment needs”. (See details in **Appendices 1-3).**

The extent to which it will be physically possible to identify 45 ha of economic development land in the City and therefore whether there will be any unmet need, will be determined in future drafts of the New Local Plan, when the detailed work supporting the Local Plan has been reviewed and conclusions reached.

Yours faithfully

Grant Butterworth
Head of Planning
Leicester City Council

Appendix 1

1. Background Employment Information:-

a) Offices

Within the City (due to the sequential test), offices would be primarily expected to be delivered in the City Centre. There is 285 ha of land within the defined City Centre. (See Map 3 in **Appendix 3**)

b) General Employment Use

There is over 500 ha of existing land, which is already developed for industrial use, containing 1550 buildings for employment use within Leicester's administrative boundary. (Note, this excludes the offices in the city centre). (See **Map 1** in **Appendix 2**)

Around half of this employment land forms the "Key Employment Areas" (shown in blue, on **Map 1**), which are the large strategic sites, located around the outer ring road, which were generally developed from the 1950's onwards.

The other half of the employment land supply forms the small to medium "Primarily Employment Areas", which are generally the original location of the City's older "historic" employment and have all been developed in relatively close proximity to residential development (generally surrounded on 2 or more sides by residential development).

The City's industrial heritage is predominantly based around footwear and clothing manufacturing. The mills were generally centrally located, around the current city centre, in order to be close to the then main roads; river/canal transportation; and the local labour supply, from the adjacent residential areas.

2. Recent City Employment Allocations

The only new employment allocation within the City in recent years has been 10ha allocated in the Core Strategy at Ashton Green (which has predominantly been developed).

The 2012 HMA employment land study (PACEC), therefore recommended 25 ha each to be allocated in Blaby & Charnwood totalling 50 ha allocations in PUA outside /edge of city, to "provide for the City's employment needs". To date:-

- Blaby - 17ha Junction 21a "Optimus Point", the majority has been built out or committed for Strategic B8, with only a 4.3 ha piece for smaller local firms.
- Charnwood - Nothing yet started, 13ha employment land included as last part of NE of Leicester SUE and 15ha at Birstall (these are programmed at end of the plan period 2030 onwards).

3. Available land in PUA outside /edge of city

Turning to the pipeline of economic development land available in the PUA, Leicester's 2017 Employment Land Study has considered the current supply and the conclusions for the following uses are:-

Offices: Insufficient to meet the PUA's requirements.

Light and general industrial: Sufficient for the PUA's requirements, insufficient for those of the City.
Warehousing: Sufficient to meet both PUA's and City's requirements

Looking in detail at the pipeline, the stock of investment ready sites in the PUA with advance infrastructure is nearing exhaustion. To replenish this stock, just one site (Optimus Point, Blaby) has been brought forward (albeit with support from the LLEP) and is now largely developed / committed. In the meantime, the pipeline of other strategic scale sites await investment in advance infrastructure.

Conclusion:- No alternatives to meet the City's economic development needs are currently available in PUA, outside /edge of city

4. Completion rates - Industrial Land
Take up data over an economic cycle, provides credible market evidence to support identified requirements. Based on the City's B1c, B2 and B8 completions between 2011-2016, this would equate to an annual "historic" take-up rate of 2.6 ha of land per year. When multiplied by 14 years, (the new Local Plan period between 2017 to 2031), this would equate to a need of 36.4 ha of new employment land.

However, it is noted that the first three years of this period were still low, (post-recession). Looking back at pre-recession (historic) figures the 2006 GE Group ELS, showed much higher take up between 1996 to 2005 (9 years), when 55ha was taken up = 6.11ha / year .

Office Refurbishment B1 a & b
Historic take up since 2006 shows that 17,540 sqm of offices has been provided in 7 existing buildings, by the refurbishment of existing buildings, (i.e., resulting in no new land take up).

Office New Build B1 a & b Since 2006:- Total new build = 13,500 sqm

- 2 Colton Square, Charles Street (4,500sqm)
- DOCK, Exploration Drive Pioneer Park 0.51ha 1,394sqm
- 2 Exploration Drive 0.36ha 1,167sqm B1b Measom Freer
- Matiolli Woods, former New Walk Centre Welford Place (5,667sqm), underway.
- Makers Yard, Rutland Street (771sqm)

Overall total offices since 2006 =31,040 sqm, or 3104 sqm per annum.

Recent Office Completions
The City's Office completions between 2011 and 2016, equate to an annual rate of 3295 sqm of floorspace per year. [This is not usually converted to ha in the city, as density can vary significantly (due for example, to the number of refurbishments that is shown above). But for comparison purposes only, if the same development ratio as was used in the HEDNA, of 2 was used, (so that 1 ha = 20,000sqm offices in the city), it results in a very small area of 0.16ha/ year].

5. Available Undeveloped Employment Land
The 2006 ELS confirmed that the city still had 33ha of employment land available in 2006. However, in 2017, there is less than 10 ha available. The city is so short of land that it only has 4 remaining “available” employment sites.

6. Re-Development on Existing Employment Land
The severe shortage of available land has raised the price of employment land in Leicester significantly. This has triggered much of the remaining land sales. In the last 2 years a new trend is starting to emerge due to the shortage, whereby planning applications are now being made for the redevelopment of new employment buildings on former employment land (i.e. involving the demolition of the former buildings). For example since 2014, five planning applications for employment redevelopment (2 outline and 3 full), have been made on existing employment land, for 97,783sqm of floorspace. This is the first time that applicants have proposed this type of employment redevelopment.

One further consent has since been implemented, for 10 new units, 4396sqm replaced. These have therefore actually in practice been “land neutral”. In addition, extensions (which have been the most common form of employment development in the city), also do not use “new” land.

Previously, the cost of removing the old buildings and dealing with any constraints was generally considered to be prohibitive. It is concluded that there is potential, if this trend continues, for it to become more frequent to redevelop on old employment sites. This would significantly increase the amount of land available for redevelopment, because the city has 500ha of existing land containing around 1550 existing employment buildings, but this has not been a common occurrence to date.

7. Age of Buildings - Over 70 years old -
In 2006, Leicester had around 1570 buildings. The 2006 ELS (Appendix 7), confirmed that around 20% are over 70 years old (pre 1945). 70% are between 25 to 70 years old (pre 1990). 10% (i.e., around 150 buildings!) are more than 10 years old (1990 to 2006). There have only been 18 new buildings since 2006 (around 1.2%). New buildings are therefore urgently required.

8. Vacancy
Leicester’s vacancy rate has plummeted from 10% in 2006 to 3% in 2016. For the Leicester industrial property market to brought back to equilibrium (usually around 7%), it is estimated that 128,809 sq. m of stock would need to be brought to the market, or stock would need to be developed on over 25 ha of new land.

9. Housing on Employment Land
In the 2007 Employment land SPD, 17 ha of the smallest sites /lowest grade of employment land were released for potential housing development (D/E and E grade sites were no longer protected for future employment use). Since 2006, 18 planning consents for housing have been, or are in the process of being implemented only on around 5 ha of the 17ha of available land (5 consents on 3.85 ha on the Disraeli Street site, plus 13 consents on 1 ha through-out the rest of the city).

There has generally not been much success in re-developing employment land for housing for new build schemes, due to the cost implications of the numerous constraints. From this it is concluded that in general, the cost of demolishing the old buildings and dealing with any constraints has generally been considered to be prohibitive for residential development. However, where conversions are possible, those are the type of consents that have been more frequently implemented.

"Prior Approvals"
It is noted that most permitted development conversion schemes from offices to residential use are most frequent in the City Centre. Around 60 former office buildings in the city have been allowed to convert to residential use under the "Prior Approval" notifications system. Sixteen of these are in the Professional Office Area.. However, it is notable that relatively few schemes (only 14) have so far been implemented, comprising around 210 new dwellings. Maps of the City Centre prior approval schemes are included in **Appendix 3.**

10. HEDNA
Office – City Centre
- 115,000 sqm (5.75ha) required for offices

Industrial
- Plus 15ha for small warehousing
- Plus 36ha for general employment
- No Strategic Warehousing. This is not distributed between Local Authority areas, due to its "footloose" nature.

Total 51ha

11. Leicester's Employment Land Study (ELS) 2017
Recommends new provision for
- Offices: 45,000 sqm m (2.25 ha) required for offices
- Light and general industry and small warehousing land 45 ha
- No Strategic Warehousing. This is expected to be provided in other Local Authority areas.

12. Consistency between Reports
There is overall a high level of consistency. Although the different forecasting methods mean significantly more offices are forecast in HEDNA, this is a common feature of the forecast through-out the HMA. As is shown above, offices would be expected to have a low land take, due to being located primarily in the City Centre, therefore having only a small impact on land to be allocated.

The levels of industrial land are very similar in scale between historic levels of take up as well as those recommended by both 2017 ELS and HEDNA.

Neither report recommends any Strategic Warehousing provision in the City. This is expected to be provided in other Local Authority areas.

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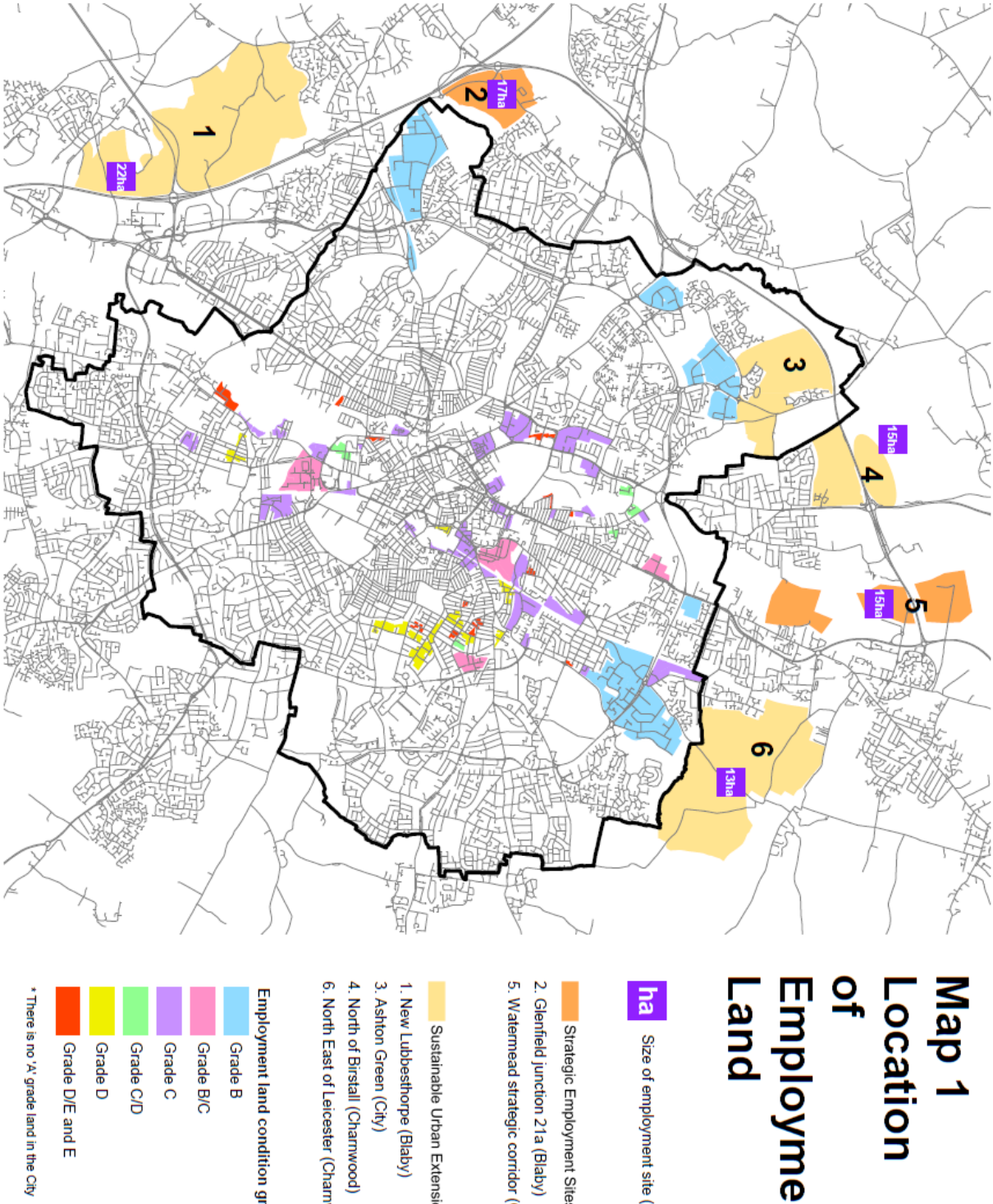
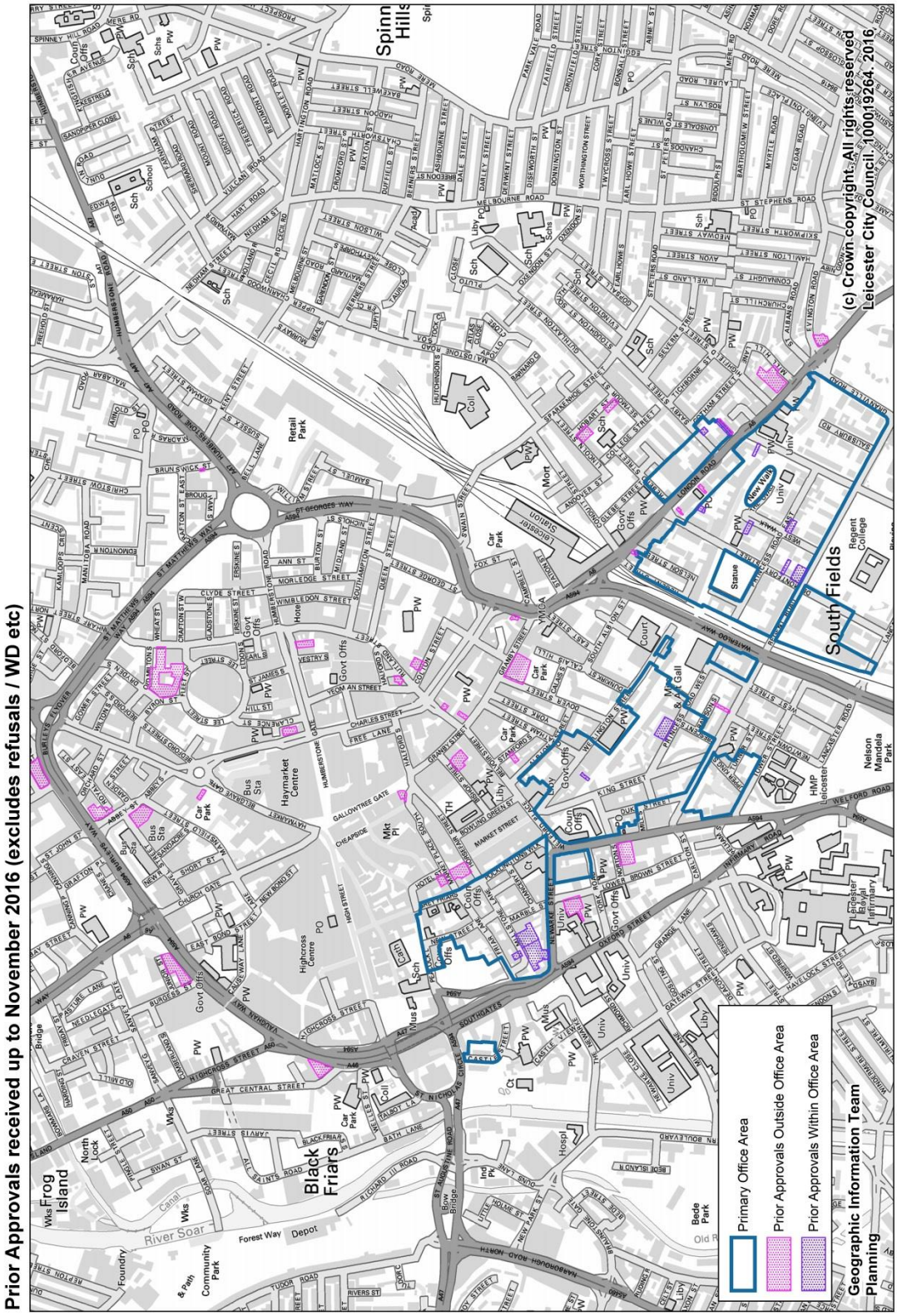
Appendix 2
Map1 - Employment Land In PUA

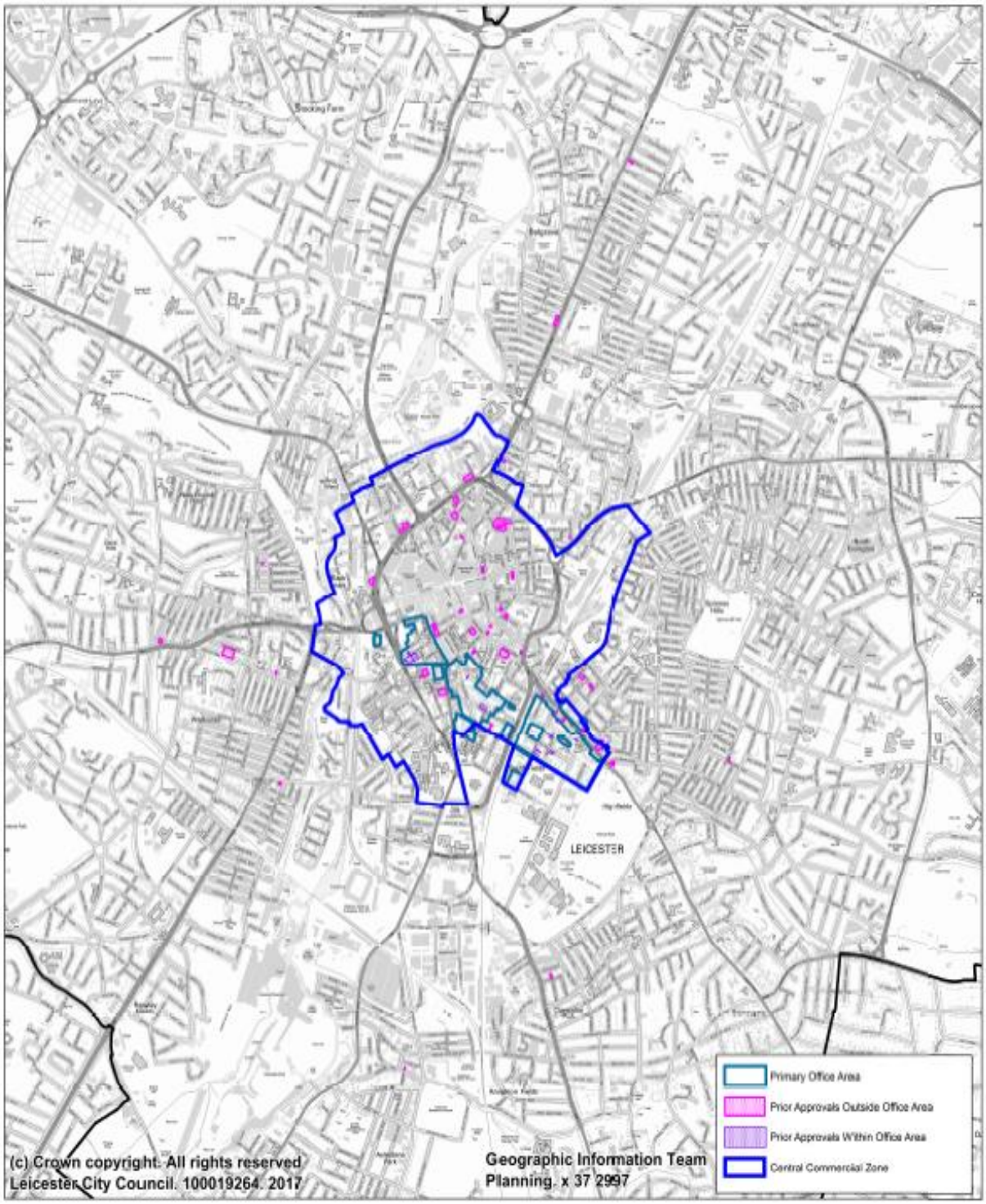


Appendix 3
Map 2 - "Prior Approval" Notifications for change of use from offices to residential use, in City Centre and Professional Office Area.



Map 3 - "Prior Approval" Notifications
Change of use from offices to residential use in whole City
and boundary of designated City Centre (and the former Professional Office Area).

Prior Approvals In the City - Offices To Residential - Up to November 2016



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