

## **Briefing note to Economic Development and Enterprise Overview and Scrutiny Committee – 10 September 2013**

### **JCB and the Blue Planet – Lessons Learned**

#### Introduction

1. The purpose of this note is to review the process which led to the recent decision by JCB to take the Blue Planet building in the Chatterley Valley, and consider any lessons for future working. This includes a review of those things which worked well, those which may have been done differently and assess how the Borough Council might better pursue its efforts to bring more inward investment to the Borough in the future as a result of this.
2. There are no recommendations. This note is intended to provide the opportunity for members to reflect on lessons learned.

#### Background

3. In July, JCB agreed to take a long lease of the prestigious Blue Planet building in the Chatterley Valley and take an option to acquire the adjoining Borough Council owned land to allow for later expansion. This is a major coup for the Borough and particularly welcome in a time of recession. The investment is expected to realise around 600 jobs of which around 350 would be here in the Chatterley Valley and around 250 at JCB HQ in Rocester. Additionally, there is the potential for expanding the firm's presence at Chatterley Valley which could create another 200-300 local jobs.
4. The Borough Council have been the owner of this 20 hectare site, known as Ravensdale, in the Chatterley Valley for a number of years following its acquisition from two local businesses. The site was derelict, having been mined previously and having also a long history of former contaminative industrial processes based here. It was acquired by the Council with funding from the, then, Department of the Environment (DoE) to reclaim for industrial development. A condition of the agreement with the two companies was that two plots of developable land (comprising some 5.5 ha of the site) would then be offered back to them within a certain timescale or the Council would incur significant financial penalties reflecting the agreed value of the land.
5. The land was largely reclaimed but government funding ran out (or was switched to other priorities) before the necessary on-site and off-site infrastructure could be made. With still low land values prevailing in the area and with the need to invest further in the land, the Council faced the prospect of having to reach some sort of financial settlement with the two local firms who had retained their options over part of the site at pre-agreed values.
6. At the same time the Borough Council, together with the City Council and the County Council formed a joint implementation group with the then emergent Regional Development Agency, AWM, to scope and plan for a wider 'Chatterley Valley' development, including not only this site, but the nearby Goldendale and Bankeyfields sites (in the City), land to the south of the Tunstall By-pass (also in the City) and a large 'Premium Employment Site' of 40 ha to the west of the Stoke-Manchester Railway line, known as Chatterley Sidings and Peacock Hay (in the Borough). This working group project managed the master planning of the Valley, including costing site preparation works, site servicing and off-site infrastructure.

Discussions were also held with owners of the land not in public ownership to develop the basis for joint venture deals over their land (to avoid the need for outright acquisition).

7. During the time of AWM's active involvement (and championing) of this project, three components of the valley were brought forward for development – the Lowlands Road site (Ravensdale), Goldendale and Bankeyfields (the latter two lying within the City Council's administrative area). With the change in the global economic situation from 2008 and the impending winding up of AWM, the other elements of the Chatterley Valley did not proceed further.

8. Regarding the Lowlands Road site, investment in ground stabilisation and other site preparation work created two development plots for which a developer competition was held in 2007. 16 developers submitted development proposals to build out the site and having been shortlisted down to three, Gazeley was selected. As well as the financial offer, past track record, proposed building programme, and design, an important criterion to AWM and the Borough Council was that of 'sustainable development'. The scheme which Gazeley proposed to build was so sustainable that it was measured as achieving 'BREEAM outstanding' status, the first industrial building the world to achieve this standard. This was achieved by employing building features such as:

- The use in construction of recycled materials such as tiles, carpet, paint, plastic and timber,.
- Bespoke designed (ETFE) roof lights to eliminate light pollution and reduce the need for air-conditioning,
- Grey water recycling,
- The creation of new wildlife habitats,
- the use of combined heat and power using bio-fuel, sufficient to not only heat the building but also supply a further 650 houses off site

9. The land was acquired and the Blue Planet building was developed speculatively (i.e. with no known end-user, which was the norm during the booming phase of the economic cycle) and when Blue Planet was completed, the market for occupiers had disappeared. Gazeley's 20 year lease of the building to JCB in July together with the option which the Council has agreed on the expansion land (Plot A) follows five years of actively marketing the site through the deepest recession the country has faced since the 1930s.

10. JCB is now fitting out the interior of the building to its own specific requirements ahead of occupation which has now begun and is expected to increase into next year.

#### Some lessons and issues arising from the experience

11. These include:

- Inter-agency working
- Internal management and decision making
- Employment land planning
- Investment in site preparation
- Property management and values
- Planning
- Financial support from Government (RGF)

- Marketing
- The promotion of sustainable development

### Inter-agency working

12. As regards the planning of the wider development scheme, the inter-agency working between AWM and the three local authorities worked very well (both in relation to strategic prioritisation of the investment against other conurbation-wide regeneration priorities and with regard to execution of this phase of the wider Chatterley valley project). In part this may have been because of the self-evident advantage of pooling resources and officer time, realising the size of the possible prize (ultimately, significant job creation) and, not least, because of the calibre and leadership of one or two key AWM personnel backed by substantial capital resources. Unfortunately, with the demise of the RDAs and the severe restrictions around public sector spending, this kind of arrangement will not be repeated in this form in the foreseeable future. So it would be reasonable to reflect the fact that the scheme was delivered within a relatively narrow window of opportunity.

13. In respect of managing the development procurement exercise for the Lowlands Road site, the process (which then also included Midlands-based property agents Bulleys) also worked very well in delivering the Blue Planet building. Unfortunately it did not result in the ideal outcome for Gazeley which was caught out by the changing economic climate. (Though the fact that 15 other major developers also pitched for this site suggests that the development industry at the time was not anticipating the 2008 crash).

14. With regard to managing the JCB enquiry, the key agencies were Gazeley, the Borough Council, the HCA and the Council's independent legal advisors (who specialised in property and development matters) and this worked particularly well - possibly, in part, because each party appreciated the complete dependency each had on the other players. The pro-activity of the legal firm and the HCA's detailed prior knowledge of the scheme were both key success factors here. Because Gazeley and JCB both required the other parties to sign a strict confidentiality agreement (a 'Non-disclosure Agreement') throughout the period in which discussions were taking place (to ensure that the commercial interests of both organisations were safeguarded), it was necessary to leave the local inward investment team, 'Make It' out of the loop. Such agreements are however common practice and understood to be a necessary part of the site selection process, and relationships with Make It have not been harmed.

### Internal management and decision-making

15. It was necessary to ensure that all JCB's planning and property requirements were fully satisfied if the enquiry was to be successfully 'landed' and, of course, for these matters to be handled within the confines of the confidentiality agreement. Internally, this was managed through the regular meetings of an ad-hoc group including regeneration, property and planning staff (and legal as required) to avoid the possibility of project drift and to anticipate potential threats. Essentially this involved asking –

- *what can be done or must be done by us and by others today?*
- *what could still get in the way of doing the deal?*
- *What other work can be de-prioritised to ensure that this project could receive the necessary focus?*

With first rate support from the organisations referred to above, along with light touch but responsive decision-making, this worked.

#### Employment land planning

16. Chatterley Valley was conceived as North Staffordshire's 'follow on' strategic employment site in succession to Lymedale Park and Trentham Lakes. Large and complex schemes such as these take a good deal of time from concept, through development planning, sourcing funding, designing and putting in place infrastructure and site preparation work.

17. There is no follow on strategic site after Chatterley Valley. And this situation is made more acute by the fact that Chatterley Valley has not been delivered to the scale initially conceived (most particularly since the Chatterley Sidings / Peacock Hay components of the larger scheme have had to be dropped). The issue of the Borough's shrinking employment land supply and the implications this raises for future inward investment will need to be addressed in future land use plans for the wider North Staffordshire area.

#### Investment in site preparation

18. AWM not only helped the Council out of a difficult situation regarding the financial exposure it faced with the previous option holders, but the Agency also put significant funds into completing the reclamation of the site and funding all the on site roads, drainage and services, together with off-site landscaping and highway investment. It would have been beyond the financial and staff resource capability of a district council to have undertaken this without AWM's support.

19. Without adequately resourced national or regional urban regeneration bodies such as English Partnerships or the RDAs, it is not entirely clear how complex, time consuming and expensive projects such as this will be realised in the future. The private sector would not risk this level of investment in such a difficult project. At this stage it would appear that the shift in emphasis at national Government level towards a private sector led economic recovery is likely to lead towards the use of more complex funding models such as Tax Incremental Financing. Accordingly the Council is likely to become involved more in brokering relationships between private investors and Government in order to lever necessary funding into larger-scale infrastructure projects.

#### Property management and values

20. The Council would normally negotiate a land sale on the basis of prevailing market values and restrict the offer of an option agreement over land to a length of perhaps 12 months (the latter point designed to encourage quick take up and development). The option negotiated with JCB is unusually for a ten year period (in the expectation that it will be taken up after two or three years) and the land sale price has been independently verified by an external valuer. The usual requirements that an option could be taken up only when the developer has both detailed planning permission for development and a signed building contract to enable a quick start to be made on site was waived in this instance given the status of the client; the potential long term economic impact arising from supply chain opportunities and; the fact that the principal 'creditor' interest in the site was the HCA (who were supportive of the proposals).

## Planning

21. It has become standard practice for developers to seek broad brush B1, B2, B8 planning consents for the industrial estates they planned to develop and for local planning authorities to permit this. In recent years this has thrown up a couple of concerns. The first of these is that since B1 development includes offices, this could lead to the decanting of significant office employment from town centres. The impact of this could be limited by restricting the amount and type of B1(a) development on industrial estates in future.

22. The second issue concerns B8 (warehousing and logistics) development. Some Staffordshire authorities have sought to limit the percentage of land which can be developed for B8 development on industrial estates, possibly in the belief that such uses are low employment generators. Newcastle's experience is however very different. The large numbers of people employed at Lymedale Park at New Look (1250), TK Maxx (c.500) and George (c 500) suggests that this is not the case. A study commissioned by AWM also showed overall parity between the pay levels of modern B8 businesses and manufacturing companies. Further, although the Borough would like to encourage more manufacturing firms to the area there is no evidence that the recent development of large scale B8 operations in the area makes it any less likely that manufacturers would choose to locate here.

23. The third issue is the importance of processing speed in the handling of planning applications (and related matters such as the approval of submissions in compliance with planning conditions). In this case whilst the substantive building was already built the owner, Gazeley, had to ensure that the specific operational requirements of JCB would be accommodated. This meant that planning approvals for minor works and/or variations had to be sought and gained within demanding timescales. The Council can be satisfied that its decision-making processes, at both Member and officer level, delivered the desired outcomes.

## Financial support from Government (RGF)

24. The Regional Growth Fund (RGF) is the Government's principal instrument for incentivizing firms to locate in or expand in the 'Assisted Areas' (the less economically developed areas of the UK). It is based on a percentage of the capital investment to be made. The Council worked alongside JCB in helping to make the economic case for financial support which formed part of JCB's application for RGF funding. This was successful and JCB has received a grant of £2.9 million towards its development costs. The role of BIS here should also be acknowledged, as it was prepared to accept a bid from the company outside the normal application timetable. Arguably this award was the critical final step that convinced JCB to commit to the Blue Planet site.

## Marketing

25. The Blue Planet building was actively marketed by both the developer, Gazeley, and the local inward investment agency, Instaffs initially and now Make It, for a period of five years. The recession and commercial viability aside we can think of no reason why this took such a long time to attract an occupier for the building, so in this instance, no lessons can be learned.

26. Now let, the Council and Make It will exploit the marketing value of the building's high environmental credentials to help market the area for development and as an

area which promotes sustainable development. This will no doubt be helped by the strong brand name and prestige of the occupier, JCB itself. Additionally the existence of JCB is anticipated to create greater interest in nearby employment sites for the establishment of supply chain businesses.

#### The promotion of sustainable development

27. Sustainable development, as discussed earlier in the report, was an explicit objective of the Lowlands Road Development Prospectus. For the developer, this comes with a cost. In a strong economy such costs can be absorbed more readily, but in recessionary times, it is likely that developers would place much less value on this, even if such features enable their product to stand out from others in the market place. This presents the Borough Council with a dilemma (familiar to Planning Committee, for instance, when considering issues of design quality) of the weight which should be placed on promoting or attracting sustainable development. Negotiations completed, the point will be reached when Planning Committee (or the Council) must consider whether it is prepared to risk jeopardising a potential investment by standing to its principle and to not permit development which is not of its required standard.