

Economy Committee

10:00 am, Tuesday, 28 June 2016

Investment and Regeneration in Edinburgh – Next Steps

Item number	7.4
Report number	
Executive/routine	
Wards	All

Executive summary

The Edinburgh 12 initiative was introduced by the City of Edinburgh Council in 2013 to provide intensive support for the development of 12 strategically important sites in Edinburgh. The majority of the 12 sites have now made significant progress and it is therefore considered appropriate to revisit the focus of the initiative, albeit while continuing support where required. It is proposed to refocus the initiative on major economic regeneration priorities, particularly where the commercial property market requires public sector leadership and possible intervention. Such areas include: a stronger pipeline of prime office space; light industrial space; housing for people on low to middle incomes; and growth proposals for the technology and creative sectors. Sites relevant to addressing these needs are set out in the report, along with the tools with which the programme could seek to unlock them.

Links

Coalition pledges	P15, P17
Council priorities	CP8, CP9
Single Outcome Agreement	SOA1

Investment and Regeneration in Edinburgh – Next Steps

Recommendations

- 1.1 That Committee notes the progress on the first phase of Edinburgh 12 sites.
- 1.2 That Committee approves the proposed refreshed approach to investment and regeneration in Edinburgh.

Background

- 2.1 The “Edinburgh 12” initiative was introduced by the City of Edinburgh Council in 2013 to provide intensive support for the development of 12 strategically important sites in central Edinburgh.
- 2.2 The 12 sites included in the first phase of the initiative were Dewar Place; Donaldson’s; Edinburgh St James; Fountainbridge; The Haymarket Edinburgh; the India Buildings; King’s Stables Road; New Waverley; Quartermile; the Royal High School; Shrubhill; and South St Andrew Square. At the time the first phase of sites were selected, development was not underway on any of the sites with the exception of some elements of Fountainbridge and Quartermile.
- 2.3 Construction has now commenced on seven of the Edinburgh 12 sites, with a further three capable of commencing this year. A more detailed update on the progress of the 12 sites and the support that has been provided to them is appended to this report.
- 2.4 Excluding Dewar Place, for which the quantum has not been confirmed, the 12 sites are collectively expected to deliver approximately 142,000 m² (1.5 million ft²) of office space; 122,000 m² (1.3 million ft²) of retail/leisure space; 2,000 hotel bedrooms; 1,700 homes, and 400 student bedrooms, along with new public realm. This is calculated to directly support over 17,400 full-time equivalent jobs.

- 2.5 There has therefore been significant progress on the majority of the Edinburgh 12 sites and a number have reached a stage where limited ongoing support is needed. Moreover, the stronger property market means prime developments are less marginal than previously. While a number of the sites will continue to require support, it is considered appropriate to revisit the initiative.

Main report

- 3.1 The Edinburgh 12 initiative was created to help accelerate the delivery of strategically important gap sites in the city centre at a time when the impact of the economic downturn and property market slump had resulted in speculative development activity stagnating in even the most prime locations. All of the original 12 sites have now made significant progress, with seven partially completed or under construction. While recognising that a number of the original 12 sites will continue to need an element of support to help them to fruition, it is considered appropriate to refocus Council resources on areas where the need for public intervention is more pressing.
- 3.2 Since 2013, the property market has shifted significantly, with an upswing in speculative development activity, rising land values and greater investor activity. Although challenges remain such as continued constraints on finance and rising construction costs, the current market is such that, where there are no abnormal barriers to development, prime sites are likely to be able to proceed without the need for significant public sector support. In light of these changing dynamics, it is proposed to refocus our investment and regeneration activity to target key city wide priorities which will underpin the future development of the city. The following areas have been identified:
- **Prime office space:** For a number of years, the pace of development of office space in the city centre has been sluggish. While a number of major developments are now underway, there is a lack of clarity in the market about where the next phase of development will be accommodated, with the majority of the most high profile gap sites now the subject of live proposals. While it is conceivable that some demand may migrate to West Edinburgh, this will not be appropriate for all occupiers, and there is a risk that a growing shortfall of prime office space in the city centre will render Edinburgh unattractive to occupiers. It is proposed that there is a role for the Council in helping identify, assemble and unlock new sites for office development in the city centre.
 - **Light industrial space.** There has been extremely limited speculative development of light industrial space in Edinburgh since the mid-2000s,

and a combination of rising demand and the loss of existing stock to alternative uses has eroded the available supply. Recent changes to the non-domestic rates regime have further tightened the supply. There is a particular shortage of small units of up to 465 m² (5,000 ft²). It is proposed that there is a role for the Council – currently the city’s largest industrial landlord – in helping drive the delivery of additional light industrial space.

- **Housing for people on low to middle incomes:** The Council has an existing strategy for ensuring an adequate supply of homes in Edinburgh, with a particular focus on affordable housing. It is proposed to complement this activity by supporting the development of homes suitable for families earning low to middle incomes and workers who would not typically qualify for affordable housing but who may struggle to secure housing on the open market, and who are vital to the performance of the economy. Examples would include people earning low to moderate incomes, key workers, professionals at the outset of their careers, and entrepreneurs financing an early-stage company. Potential solutions could include small-scale infill developments; residential developments reserved for employees on the estates of major employers with significant landholdings in Edinburgh; and the emerging build-to-rent sector. It is proposed that there is a role for the Council in ensuring that specific workers vital to the performance of the economy can secure homes in appropriate locations.
- **Tech, creative and cultural space:** There is a long-standing shortage of flexible, affordable space in Edinburgh for the cultural and creative sectors. Much of the existing accommodation used by the city’s technology and creative sectors is held on short-term leases, meaning the businesses using the space are vulnerable to being displaced. It is proposed that there is a role for the Council in helping drive the delivery of additional creative and cultural space.

3.3 The first phase of the Edinburgh 12 initiative focused primarily on gap sites in the city centre and which were held in a single ownership with existing development proposals. It is proposed that the refocused initiative will concentrate on more complex projects, city wide, where development is more challenging, for example:

- Sites where ownership is fragmented across a number of interests, requiring site assembly;
- Sites that have been “banked” by their owner and left undeveloped (or underdeveloped) indefinitely, including public sector estates;.
- Sites where development is not considered viable due to contamination issues or costly infrastructure constraints;.

- Sites designated as open space, where this space is considered to be of low amenity and where an alternative use could better serve the public interest, in line with the emerging Open Space Strategy;
- Sites that can only be realised via the diversion of hard barriers such as roads and waterways to assemble developable sites; and
- Sites comprising a number of smaller plots rather than a single contiguous plot, where the development of the smaller plots can collectively have a significant impact.

3.4 This approach would represent a more proactive approach to driving development than has hitherto been undertaken by the Council. This is consistent with the themes of the recent Community Empowerment (Scotland) Bill and Land Reform (Scotland) Bill, which contain provisions discouraging the wasteful or detrimental use of land. It is also consistent with the approach emerging from the Edinburgh and South East Scotland City Deal.

3.5 In addition to the Council's statutory role as planning, housing and roads authority and its statutory powers such as Stopping Up Orders and Compulsory Purchase Orders, it is proposed that the following tools and mechanisms could be utilised to deliver the project:

- The **City Strategic Investment Fund (CSIF)**: the Council's £7.5 million evergreen fund. Since its creation, the CSIF has supported the speculative development of light industrial units in Sighthill, with the investment to be recouped from the rental incomes. The CSIF could be used to fund additional development, potentially leveraging in additional funding from external sources.
- **Tax Increment Financing**: the Council has previously negotiated with the Scottish Government on an £84 million tax increment financing (TIF) scheme at the Port of Leith, and is currently progressing the £61 million growth accelerator model (GAM) to unlock the Edinburgh St James development. Discussions on new mechanisms would be required with the Scottish Government.
- **Business Improvement Districts**: the Council has been an early proponent of Business Improvement Districts (BIDs) and there are now four BIDs active in Edinburgh. The BID model could potentially be used as a platform through which to leverage contributions from a local business base towards development costs.
- The **Community Empowerment (Scotland) Bill** and **Scottish Land Fund**: the Community Empowerment (Scotland) Bill grants community bodies a right to buy certain pieces of land, while the Scottish Land Fund provides grants to support acquisitions by community bodies.

- **Crowdfunding:** a number of UK local authorities have successfully utilised crowdfunding to raise funding for small-scale developments.
- **Grant funds:** the Council can continue to bid into competitive grant funds such as the Regeneration Capital Grant Fund, Heritage Lottery Fund, Coastal Communities Fund, and Housing Infrastructure Fund.
- **City Deal:** the proposed City Deal would potentially provide a source of funding to help unlock solutions at a number of locations in the city

3.6 Successfully delivering the project will require a new way of working within the Council, with a unified and 'one team' approach to regeneration and development across a number of different service areas. A key feature of this approach will be clear leadership by the Council on all identified initiatives and programmes.

3.7 In line with the move to a sectoral approach to regeneration, it is anticipated that the project will adopt a less prescriptive approach to sites than the Edinburgh 12. However, the following sites have been identified as key components for support from the programme:

- **BioQuarter:** a major healthcare and medical research cluster at Little France centred on the Royal Infirmary of Edinburgh and the University of Edinburgh's medical school. BioQuarter has the potential to deliver significant new tech space for life sciences companies.
- **Craigmillar:** a suburb along the proposed tram route with large tracts of brownfield land. There is scope to deliver significant new housing, along with additional industrial development at Peffer and King's Haugh.
- **East End – Register Lanes:** a cluster of buildings and alleyways between St Andrew Square and St James Square. Despite its prime location, this area is little used by pedestrians due to the confusing layout and unappealing public realm. There is scope to transform Register Lanes by opening up new thoroughfares, opening private gardens to the public, and bringing underused buildings into more intensive use, including delivering additional cultural/creative space.
- **Edinburgh International:** a major development hub in West Edinburgh comprising Edinburgh Airport, the International Business Gateway, and the Royal Highland Showground lands. Edinburgh International has the potential to deliver significant new prime office space proximate to the tram line, along with large quantities of new housing.
- **The Granton Waterfront:** this includes the brownfield areas of **Granton Harbour, Madelvic,** and the **North Shore.** Obstacles to development include contamination, infrastructure constraints, and fragmented land ownerships. The Granton Waterfront has the potential to deliver large

quantities of new housing on brownfield sites, along with cultural/creative space in converted buildings.

- The “**Innovation Corridor**”: land between Lothian Road and Potterrow where the University of Edinburgh has a major presence. There is scope to help unlock this area as a major technology corridor, providing new prime office space and tech space.
- **Leith Walk**: there is a significant cluster of ageing industrial buildings by the former tram depot;
- **Leith Waterfront**: this includes **Seafield**, identified as an industrial hub in the Local Development Plan; and **Waterfront Plaza**; identified as an office hub in the Local Development Plan. This area combined with the Leith Walk development has potential to deliver significant additional housing, office space, cultural/creative space, and industrial space.
- **London Road and Meadowbank**: large stretches of London Road are lined with low rise developments, representing an inefficient use of land given the prevailing building heights of four to five storeys. There is potential for higher density redevelopment, delivering significant additional housing stock.
- **Newcraighall and the Jewel**: there is significant development potential at Newcraighall and the Jewel, with a number of major gap sites. Specific opportunities include the contaminated former “pit bing” to the east of The Wisp and the landlocked wedges of land between the A1 and the railway lines. This site has the potential to deliver additional industrial space.
- **Shotts Line**: the Shotts railway line runs between Edinburgh Waverley and Haymarket in the city centre to the suburbs of Slateford, Kingsknowe, Wester Hailes, and Curriehill. There is scope to capitalise on the direct heavy rail link between these locations and the city centre by promoting further residential development in gap sites proximate to the stations, such as the brownfield land north of the railway line at Kingsknowe.
- **Waverley**: there is scope for further improvements to Edinburgh Waverley railway station to realise its role as a key gateway to the city, along with potential commercial development in the wider railway ownership such as Market Street Car Park and infill developments on Calton Road. The latter sites offer good potential for office space and residential developments.
- The **Western End of Princes Street**: as the East End is transformed, there is scope to bring forward development proposals to ensure the long-term sustainability of the western end of this part of the city (including key locations such as Charlotte Square and Princes St Gardens). This area has potential to deliver new cultural space to reinforce the leisure offer.

3.8 As noted, it is considered that the Edinburgh 12 initiative is now relatively mature and a number of the sites are no longer in need of intensive support. However it

is anticipated that for the time being, Dewar Place, Fountainbridge, and the Royal High School site will continue to require on going support.

Measures of success

- 4.1 It is anticipated that the new programme would be evaluated using the City Strategy and Economy service's existing suite of key performance indicators which measure the contribution of the service to job creation and investment in regeneration.

Financial impact

- 5.1 There are no immediate financial impacts associated with this project.

Risk, policy, compliance and governance impact

- 6.1 There are no identifiable risks associated with this project.

Equalities impact

- 7.1 There are no identifiable equalities impacts associated with this project.

Sustainability impact

- 8.1 There are no identifiable equalities impacts associated with this project.

Consultation and engagement

- 9.1 Consultation has been undertaken with the Council's Planning and Transport and Housing and Development services and with representatives of the city's development community.

Background reading / external references

["Edinburgh 12: City Centre Development Opportunities" \(report to the Economy Committee, 19 November 2013\)](#)

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Links

Coalition pledges	P15 – Work with public organisations, the private sector and social enterprise to promote Edinburgh to investors P17 – Continue efforts to develop the city’s gap sites and encourage regeneration
Council priorities	CP8 – A vibrant, sustainable local economy CP9 - An attractive city
Single Outcome Agreement	SO1 – Edinburgh’s economy delivers increased investment, jobs, and opportunities for all
Appendices	1 – Edinburgh 12 first phase update 2 – Edinburgh 12 second phase indicative site plan

Appendix 1 – Edinburgh 12 first phase update

Site	Development quantum	Jobs	Current status	Support from City Strategy and Economy
Dewar Place (ScottishPower)	To be confirmed but likely to include a significant element of office and/or hotel space.	TBD	ScottishPower has selected a development partner. A proposal of application notice has been submitted with a full application expected to be submitted in 2016.	<ul style="list-style-type: none"> • Met with ScottishPower to discuss site options. • Provided information on Council land holdings. • Created an internal working group to give the developer ready access to stakeholders in the Planning, Corporate Property and Transport services. • Provided advice on funding options for the proposed West Approach Road pedestrian link.
Donaldson's (Cala; City and Country)	201 homes	0	Initial ground works are underway. The development is projected to be completed in phases through to 2019.	<ul style="list-style-type: none"> • Worked with the developer to resolve impediments to development such as stalled building warrants. • Provided comments on the economic impact of the development to inform planning determination. • Held discussions with the developer on opportunities for local job creation during the construction period. • Promoted the site via multiple platforms.
Edinburgh St James (TH Real Estate)	63,600 m ² (684,585 ft ²) of retail/leisure space; 256 hotel bedrooms; 143 homes	3,436	The Growth Accelerator Model is in place to fund enabling infrastructure. Initial works are underway with full demolition scheduled to begin in summer 2016. The development is projected to be completed in 2020.	<ul style="list-style-type: none"> • Commissioned detailed economic impact assessment. • Authored the business case used to create the Growth Accelerator Model. • Provided evidence for the compulsory purchase order hearing. • Promoted occupation opportunities via multiple platforms including <i>Invest Edinburgh</i> magazine and the Scottish Cities Alliance's Investment Prospectus. • Provided comments on the economic impact of the

				<p>development to inform planning determination.</p> <ul style="list-style-type: none"> • Progressed discussions on lasting memorial to Nelson Mandela. • Worked with the Council's Transport service to identify a reuse opportunity for the Leith Street bridge. • Resourced specialist input from HG Consulting.
<p>Fountainbridge (Amco; Omni / The EDI Group / Grosvenor / Edinburgh Printmakers)</p>	<p>42,500 m² (457,466 ft²) of office space; 19,000 m² (204,514 ft²) of retail/leisure space; 315 hotel bedrooms; 759 homes</p>	<p>4,597</p>	<p>Planning consent has been granted for the Grosvenor development with construction expected to begin in 2016. Further design work is underway for the Amco & Omni and EDI developments. The majority of funding is in place for the Castle Mill Works restoration project.</p>	<ul style="list-style-type: none"> • Facilitated dialogue between the various stakeholders. • Secured funding from the Regeneration Capital Grant Fund for the restoration of Castle Mill Works. • Promoted the Castle Mill Works restoration in <i>Invest Edinburgh</i> magazine. • Introduced a number of potential occupiers to the developers and their agents. • Provided comments on the economic impact of the Grosvenor development to inform planning determination.
<p>The Haymarket Edinburgh (Interserve)</p>	<p>38,496 m² (414,368 ft²) of office space; 5,000 m² (53,820 ft²) of retail/leisure space; 358 hotel bedrooms</p>	<p>3,530</p>	<p>Strengthening works to the tunnels running beneath the site are now complete and the over-burden is being removed. Ground has been broken on the office building which is scheduled to open in early 2018. A revised planning application making a number of amends was submitted in March 2016 with determination also expected in 2016.</p>	<ul style="list-style-type: none"> • Facilitated discussions with Network Rail on tunnel strengthening works. • Facilitated discussions to redesign Morrison Street frontage to avoid underground services. • Provided information on Council land holdings. • Provided comments on the economic impact of the development to inform planning determination. • Provided advice on the provision of public conveniences within the development. • Promoted occupation opportunities via multiple platforms including the Scottish Cities Alliance's

				<p>Investment Prospectus and <i>Invest Edinburgh</i> magazine.</p> <ul style="list-style-type: none"> • Introduced a number of potential occupiers to Interserve and its agents. • Resourced specialist input from HG Consulting.
<p>India Buildings (Jansons Property)</p>	<p>220 hotel bedrooms</p>	<p>110</p>	<p>Planning consent was granted in May 2016. Archaeological works are now commencing.</p>	<ul style="list-style-type: none"> • Facilitated discussions with internal stakeholders. • Promoted the development via multiple platforms. • Provided comments on the economic impact of the development to inform planning determination. • Corresponded on the development with interested members of the public including academics.
<p>King's Stables Road (Pevenil Securities; Campus Development)</p>	<p>1,517 m² (16,329 ft²) of retail/leisure space; 92 hotel bedrooms; 167 student bedrooms; 59 homes</p>	<p>93</p>	<p>A planning application has been submitted with determination expected in summer 2016.</p>	<ul style="list-style-type: none"> • Worked with the Council's Corporate Property service to help promote the sale of this Council-owned site via multiple platforms including <i>Invest Edinburgh</i> magazine and the MIPIM property forum. • Acted as a liaison between developers and external stakeholders such as the Greater Grassmarket BID and residents during the planning consultation period.
<p>New Waverley (Artisan REI)</p>	<p>16,400 m² (176,528 ft²) of office space; 21,200 m² (228,195 ft²) of retail/leisure space; 403 hotel bedrooms; 181 homes</p>	<p>2,507</p>	<p>Construction of the affordable homes on Calton Road and the first two hotels and The Arches on East Market Street is complete. Completion of the third hotel is scheduled for 2016. The further phases of the development are also expected to commence in 2016.</p>	<ul style="list-style-type: none"> • In conjunction with Artisan REI, CSE created and administered the New Waverley Community Fund, providing micro-grants for community projects. • Worked with Artisan REI on community space provision. • Facilitated discussions with Planning on public realm and signage. • Provided information for office pre-letting discussions.

<p>Quartermile (Moorfield)</p>	<p>18,900 m² (203,438 ft²) of office space; 1,200 m² (12,917 ft²) of retail/leisure space</p>	<p>1,635</p>	<p>Construction of the Q4 office building is complete with the building fully let to FanDuel and Cirrus Logic. Construction of the Q3 office building and the final residential block are now underway.</p>	<ul style="list-style-type: none"> • Helped promote the site via a number of platforms including <i>Invest Edinburgh</i> magazine and the MIPIM property forum. • Activities to animate the area and increase footfall including public realm enhancements on Middle Meadow Walk (hoardings, drums, etc) and events such as markets.
<p>Royal High School (Duddingston House Properties)</p>	<p>147 hotel bedrooms</p>	<p>147</p>	<p>Planning consent was refused in December 2015. The developer has made an appeal to the Scottish Government, with a target determination date of June 2016.</p>	<ul style="list-style-type: none"> • Contributed to long-running dialogue between the developer, Historic Environment Scotland and the Council's Planning service. • Provided extensive information on the background of the Royal High School including prior attempts to reuse the building. • Provided comments on the economic impact of the development to inform planning determination.
<p>Shrubhill (Places for People / Ziggurat)</p>	<p>3,400 m² (36,597 ft²) of retail/leisure space; 260 student bedrooms; 376 homes</p>	<p>170</p>	<p>Construction of the student housing elements is complete with the developer now seeking to add an additional 36 bedrooms. Planning consent has been granted for the adjacent residential development with discussions on developer contributions ongoing.</p>	<ul style="list-style-type: none"> • Provided Ziggurat with advice on business case and financing options. • Assisted with submissions to the Council's Environmental Health service. • Provided information on approved transport and waste management strategies and on adopted areas. • Assisted Places for People with marketing of elements of the development. • Facilitated consultation with the Council's licensing service on the relocation of the Masonic Lodge. • Provided comments on the economic impact of the development to inform planning determination.

<p>South St Andrew Square (Standard Life Investments; Peveril Securities)</p>	<p>10,000 m² (107,639 ft²) of office space; 7,000 m² (75,347 ft²) of retail/leisure space</p>	<p>1,183</p>	<p>Construction is now well underway with completion scheduled for Q4 2016. The office space has been fully pre-let to Standard Life Investments while the retail/leisure space has been fully pre-let to TK Maxx and a number of restaurateurs. Standard Life Investments has acquired the adjacent building.</p>	<ul style="list-style-type: none"> • Provided the developer with information on “Project Search” and Scottish Apprenticeship week along with support available from the Council’s Employability and Skills team. • Promoted the development via multiple platforms including <i>Invest Edinburgh</i> magazine. • Facilitated discussions with the Convener of the Council’s Economy Committee.
<p>Total</p>	<p>142,096 m² (1.5 million ft²) of office space; 121,738 m² (1.3 million ft²) of retail/leisure space; 2,077 hotel bedrooms; 505 student bedrooms; 1,688 homes</p>	<p>17,421</p>		

Appendix 2 – Edinburgh 12 second phase indicative site plan

