

Report of Director of City Development

Report to Executive Board

Date: 18th December 2013

Subject: Victoria Gate – Progress and Next Steps

Are specific electoral Wards affected? If relevant, name(s) of Ward(s): City & Hunslet	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number: 10.4 (3) Appendix number: A	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Summary of main issues

1. Hammerson is progressing with bringing forward the Victoria Gate Development; a significant investment in the city which sits alongside Victoria Quarter, one of their other major landholdings. The scheme which, in its first phase, will deliver the John Lewis anchor store, 30 high end retail and restaurant units and a 800+ space multi-storey car park. It is anticipated to be on site in Spring 2014 with completion in Autumn 2016.
2. This scheme, which has been developed in partnership with the Council, clearly sits within the Council's ambition for Leeds to become the best city in the UK; with an economy that is both prosperous and sustainable. This project should be read in the context of the recently opened and highly successful Trinity Leeds development and the planned redevelopment of the Kirkgate market; all are major contributors in the provision of significant new jobs for the people of Leeds, will bring a step change in the retail economy of the city and regenerate an area of the city which has been identified as a redevelopment opportunity for over 20 years.
3. It is in this context that there is the need to continue to facilitate the delivery of this first phase of the scheme.

Recommendations

Executive Board is recommended to:

- i) Note the current position of the project.
- ii) Approve the changes, set out in the Confidential Appendix A, to the existing Legal Documentation.
- iii) Authorise the Director of City Development and the City Solicitor to aim to conclude all the documents required to amend the existing Development Agreement and the CPO Indemnity Agreement, by the 31st December 2013, in accordance with this report, and to agree any further alterations that might be required, in consultation with the Executive Member for Development and the Economy, and in accordance with the appropriate schemes of delegation.
- iv) and to declare its decision as exempt from call in.

1 Purpose of this report

- 1.1 The purpose of this report is to bring members up to date with the positive progress that is being made in bringing the Victoria Gate development forward, a scheme which has the potential, along with the Trinity development to bring Leeds up to 3rd in the retail rankings.
- 1.2 In moving forward with the scheme and to enable its delivery there is a requirement to revise the terms of the existing Development Agreement and the CPO Indemnity agreement (CPOIA). Hammerson has requested that specific terms as set out in the confidential appendix A are revised to facilitate the delivery of the project.

2 Background information

- 2.1 The original approvals given in the 19th April 2006 Executive Board, agreed that the Director of Legal & Democratic Services complete the legal documentation relating to the Eastgate & Harewood Quarters development, and that the Council makes a Compulsory Purchase Order to provide for the acquisition of land and new rights within the defined redevelopment area, with a view to enabling the delivery of the retail led scheme..
- 2.2 Subsequent to these initial approvals, the Executive Board in March 2012 agreed to make changes to the then existing legal documentation between the parties. This was to facilitate the revised delivery of the scheme through a phased delivery approach.
- 2.2 In July 2012 Executive Board agreed to the injection of funds and authority to spend for the acquisition of the Millgarth Police Station and its associated car park by the Council.
- 2.3 The above approvals provided the ability to set out revised documentation which would facilitate the delivery of the scheme and also enable the securing of land to allow the delivery of a car park adjacent to the new development. The revised legal documentation which reflected all of the changes necessary was completed in November 2012. It is this documentation which requires to be amended.
- 2.4 One important aspect in the securing of the flagship John Lewis store was the ability to deliver a new multi storey car park; this was facilitated through the agreement between LCC and the West Yorkshire Police Authority to acquire the Millgarth Police Station. It is presently expected that the Council will acquire this land holding prior to the new year. With a view to enabling the delivery of a car park, the existing legal agreements between Hammerson and the Council presently allow Hammerson to build and operate an 800+ space new high quality car park on the Millgarth site. This proposal also protects any future requirements to facilitate the delivery of the city centre loop section of NGT.
- 2.6.1 2.5 Since the establishment of the revised agreements between the Council and the developer there has been significant progress in the creation of this flagship development which will move Leeds towards being one of the top retail destinations

in the UK. The scheme will also deliver a significant business rates benefit, around 50% of which will come directly to the Council. It is anticipated that this will be in the region of £4.8m for the scheme itself and there is also the potential to further enhance this figure through the regeneration of adjacent land holdings. The phased delivery of the scheme now allows for the delivery of the John Lewis Anchor store, 30 retail and restaurants/café units and a leisure box which it is anticipated will be the location of the new large casino and an associated 800+ space multi storey car park; this will form the first phase of the development.

2.6.2 The current planning position is that the developer has submitted a trio of applications for phase 1 of the scheme which consists of:

- A full Application, which is outside of the parameters of the original Outline consent, for the demolition of all buildings and construction of retail, (A1 to A5), leisure (D2)/casino (sui generis) all to be accommodated in 30 units in two new covered arcades. This application also contains public realm works and landscaping.
- A further Full Planning Application, for the demolition of Millgarth Police Station and the erection of a multi-storey car park and associated landscaping, means of access and highway works.
- Thirdly a Reserved Matters application for the proposed John Lewis department store building, the parameters of which were agreed on the approved Outline Planning Applications submitted in 2011. The submission seeks agreement on all reserved matters, these being access, appearance, landscaping, layout and scale.

These three applications were taken to Plans Panel on 26 September 2013 where Members resolved to grant outline planning permission. The applications are currently awaiting completion of the Section 106 Legal Agreement to allow the decision notices to be issued.

2.7 The Council, under the direction of Hammerson, has now also served the relevant CPO notices (Notice to Treat and Notice of Entry) to take possession of all the necessary land interests which are required to enable the delivery of both Phase 1 and Phase 2 of the scheme. By utilising the Council's compulsory purchase powers, which were confirmed in 2007, the land required to deliver the first phase of the scheme will be available from early in the new year, this will allow the scheme to commence in 2014 with a view to delivery in 2016.

3 Main Issues

3.1 As can be seen from the background information Hammerson is making significant progress in moving the project forward and also satisfying the various conditions which are contained within the current development agreement. The details of these are set out in the confidential appendix.

3.2 Hammerson has now requested that the council consider changes to the legal documentation as presently drafted; the details of this are set out in the confidential appendix A.

4. Corporate Considerations

4.1 Consultation and Engagement

4.1.1 As has been indicated in earlier Executive Board reports, both the planning and CPO processes have required that all interested parties are as well informed as is possible. Meetings have been held on a regular basis with major stakeholders, Executive and Ward Members are kept up to date with progress and there is regular dialogue between the Council, the John Lewis Partnership and the developer.

4.1.2 In respect to the matter in question the Leader, and the Executive Member for Development and the Economy along with the Chief Executive have been kept apprised of the situation on a regular basis.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 An Equality Impact Assessment (EIA) screening exercise has taken place to ensure due regard to Equality, Diversity, Cohesion and Integration was effectively considered. The outcome of the screening exercise was that a full EIA is not required and there are no likely impacts on any of the protected equality characteristics. The screening form is attached as an appendix.

4.3 Council policies and City Priorities

4.3.1 As has been stated in earlier reports the development proposals for the newly named Victoria Gate will assist the Council in achieving several of its objectives, most notably through :-

- **The Economic Growth Strategy 2012**

As indicated in the recently published Economic Growth Strategy, retail is one of the seven core priorities identified. This document sets out the determination to correct the fact that Leeds has slipped in the retail rankings, and that Leeds will work with developers and large retailers to address this situation with a view to understanding their needs, helping them to attract new stores to the city such as John Lewis.

Through the delivery of these large, high quality schemes, such as Victoria Gate and Trinity, the strategy highlights that it will move Leeds to near the top of the retail rankings. This, along with hospitality and catering will be a major draw for tourism and leisure trips to the city and coupled with the fact that over 1 in 5 businesses and more than 1 in 7 jobs in Leeds are in the wholesale and retail sector, will reflect on inward investment decisions to the city.

- **The Best Council Plan 2013.**

In line with the plan's ambition for Leeds to become the best city, with an economy that is both prosperous and sustainable, the Victoria Gate development delivers against the objectives of promoting sustainable and inclusive economic growth; this will help people into jobs, boost the local economy and will generate income for the council.

- **The Council's new Vision 2010-2030**

By 2030, Leeds will be internationally recognised as the best city in Britain – a city that is fair, open and welcoming with a prosperous and sustainable economy, a place where everyone can lead safe, healthy and successful lives.

- **Leeds: Becoming the Best City Centre**

The new Victoria Gate development and the delivery of the John Lewis flagship store is seen as a major step in achieving the vision which identifies that the city has not punched its weight in respect to retail. This development will bring new retailers and shoppers to Leeds and will revitalise a part of the city centre that has long been recognised as a key development opportunity.

4.4 Resources and value for money

4.4.1 The existing legal documentation with Hammerson provides that specific fees for resources within the Council are paid by the developer. Agreement has been reached that all costs, internal and external, in reviewing and revising changes that are presently being requested, will be fully reimbursed by Hammerson.

4.4.2 Details regarding the financial implications relating to the commercial deal are highlighted in the confidential Appendix A.

4.5 Legal Implications, Access to Information and Call In

4.5.1 Under the City Council's Constitution, a decision may be declared as being exempt from Call In if it is considered that any delay would seriously prejudice the Council's or the public interest. This report is exempt from call in as any delay in completing the legal agreement as soon as practically possible will have an adverse impact on the critical path of approvals which are being sought both from Hammerson and John Lewis Boards in December 2013 and March 2014.

4.5.2 All legal implications in respect to changes to the Development Agreement have been considered by Counsel and by the Council's legal department and a summary of their views can be found in the confidential Appendix A. The information contained in Appendix A relates to the financial and business affairs of the Council and Hammerson and it is believed that the public interest in keeping that information confidential outweighs the public interest in disclosing it. It is therefore considered that this part of the report should be treated as exempt under Rule 10.4.3 of the Access to Information Procedure Rules.

4.6 Risk Management

4.6.1 There are two options for the Council regarding varying of the legal documentation relating to the Development agreement:-

- To refuse the proposal – the Developer has stated that if the Development Agreement is not amended the Developer will be unable to bring forward a commercially viable scheme with John Lewis as the main anchor store; this could delay the start of the scheme with the subsequent impact on the regeneration of this part of the city.
- To agree to the proposal - this is reasonable and consistent with the corporate priorities set out in the report to the Executive Board in April 2006.

Further risks are identified in the confidential appendix attached to this report which relate to the financial or business affairs of the Council. It is therefore considered that this element of the report should be treated as exempt under Rule 10.4.3 of the Access to Information Procedure Rules.

5 Conclusion

5.1 Since the signing of the original Development Agreement in 2006, the Council, along with the developer, has strived to produce a commercially viable scheme which can be delivered. It is believed that there is now a window of opportunity to secure the delivery of John Lewis in the not too distant future along with the improvement and regeneration of a significant part of the city which has housed poor quality 'at grade' car parking for a considerable period of time.

5.2 Also to be noted is that this development, if seen in conjunction with the proposed redevelopment of the Kirkgate Market and the now well established Trinity development, will play a significant role in achieving one of the core Economic Growth priorities to raise the level of Leeds retail ranking and along with this the creation of a significant number of new jobs.

6 Recommendations

6.1 Executive Board is recommended to:

- i) Note the current position of the project.
- ii) Approve the changes to the existing legal documents as set out in Confidential Appendix A .
- iii) Authorise the Director of City Development and the City Solicitor to aim to conclude all the documents required to amend the existing Development Agreement and the CPO Indemnity Agreement, by the 31st December 2013, in accordance with this report, and to agree any further alterations that might be required in consultation with the Executive Member for Development and the Economy and in accordance with the appropriate schemes of delegation.

iv) and to declare its decision as exempt from call in.

7 Background documents¹

7.1 None

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.