

Report of Director of City Development

Report to Executive Board

Date: 5th March 2014

Subject: - Design and Cost Report for Holbeck Urban Village Land Assembly Proposals

Capital Scheme Number: 32055/000/000

Are specific electoral Wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, name(s) of Ward(s): City and Hunslet; Beeston and Holbeck		
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input 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?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, Access to Information Procedure Rule number: 10.4 (3)		
Appendix number: 1		

Summary of main issues

1. At its meeting of the 14th February, Executive Board gave approval for the disposal of the Council owned Engine House as part of an exercise to secure new development in the short term at the primarily HCA owned Tower Works site. It is anticipated that this will help to kick start regeneration in Holbeck Urban Village, which has stalled in recent years due to economic conditions.
2. The report outlined that the Council and the HCA also own other assets in Holbeck Urban Village and that there were on-going discussions between the Council and the HCA about how these assets could be best used to support regeneration in the area. It was indicated that a future paper would be presented with recommendations about these assets. These discussions have focussed on the Council owned Bath Road site, the HCA owned Leodis Court and the lease that the HCA have at the Round Foundry Media Centre (see plan 1).
3. Holbeck Urban Village is an area based regeneration initiative that forms part of the city's vision for regeneration and economic growth of the South Bank. Sites in Holbeck Urban Village and the wider South Bank offer significant regeneration potential due to their proximity to the main city centre, railway station, waterfront and motorway network. Potential developments in the South Bank create a long

term opportunity to deliver on one of Europe's largest regeneration projects centred around the HS2 station and can deliver over 10,000 jobs. South Bank is a regeneration priority for the city and is included as a priority area for investment in the Council's submissions to the Leeds City Region Strategic Economic Plan.

4. Over the past 18 months, the HCA has reviewed the assets it owns in Holbeck Urban Village and how the HCA can best support regeneration activity in the area given its evolving strategic remit and priorities, the city's regeneration priorities, the role of the Council and the short and medium term delivery plan for Holbeck Urban Village.
5. The outcome of this review is that the HCA intends to dispose of these assets (Leodis Court and RFMC) in Holbeck Urban Village at market value to a party who will ensure that these assets are managed and used to achieve the long-standing regeneration objectives set for Holbeck Urban Village and continue to support economic growth in the city. In the context of Council's role in setting and facilitating regeneration strategy in this area, the HCA has proposed to dispose of the freehold ofLeodis Court and the lease of the Round Foundry Media Centre to the Council.
6. It is considered that the Council taking ownership of these assets will assist in delivering regeneration ambitions in Holbeck Urban Village and help to stimulate economic growth. In this context, this report seeks Executive Board approval on the Council acquiring the freehold ofLeodis Court and the lease of Round Foundry Media Centre.
- 7.Leodis Court is of significant regeneration importance as an economic asset. It is directly opposite the Egyptian frontage of the Grade I listed and at-risk Temple Works. The Council currently own 4.5 acres of land at Bath Road which is at the rear of Temple Works (see plan 1) and if it acquiresLeodis Court, the Council would own 7 acres of land surrounding Temple Works. When a private sector solution for the re-development of Temple Works comes forward at a future point of time, the Council would own key sites that have the potential to help facilitate regeneration and place-making associated with such a development in support of the city's regeneration aspirations.
8. Round Foundry Media Centre (RFMC), meanwhile, is a major hub for small and medium enterprises in the creative and digital industries and is a key part of the city's strategy for economic growth of this sector. It has occupancy levels of over 90% and makes a substantial contribution to the city's creative and digital economy. It is considered that the RFMC can play a major role in stimulating further growth and new jobs in support of the City's digital economy as the South Bank area establishes itself as a leading national location for businesses in this sector.
9. In this context, acquiring these assets can help to achieve the Best Council objective of promoting sustainable and inclusive economic growth. It can also help to deliver the proposition set out in the Commission on the Future for Local Government for local government to stimulate jobs, homes and good growth, with local government creating conditions for enterprise to thrive.

Recommendations

10. Executive Board is asked to:

- i) agree that the Council acquires the freehold interest in Leodis Court from the Homes and Communities Agency in accordance with the terms set out in paragraph 5.0 in exempt Appendix 1.
- ii) agree that the Council takes an assignment of the lease at the Round Foundry Media Centre in accordance with the terms set out in paragraph 5.0 in exempt Appendix 1
- iii) authorise the Director of City Development, in conjunction with legal services and in consultation with the Executive Member for Development & the Economy and the Deputy Chief Executive, to take steps to finalise and enter into the agreements with the HCA to acquire the freehold interest in Leodis Court and the lease at Round Foundry Media Centre , in accordance with the terms set out in paragraph 5.0 of exempt Appendix 1.
- iv) approve the injection of the sum identified in exempt Appendix 1 for the purchase of Leodis Court into the capital programme and give authority to spend the monies for the purchase of Leodis Court.
- v) note that the Chief Asset Management and Regeneration Officer will be responsible for the implementation of the actions i, ii and iii and the timescales for implementation set out in exempt Appendix 1.

1 Purpose of this report

- 1.1** This purpose of this report is to agree to the Council potentially acquiring assets in Holbeck Urban Village to support regeneration objectives in the area and to help stimulate economic growth.

2 Background information

- 2.1** Holbeck Urban Village is an area based regeneration initiative (extending 15.2 hectares) that forms a key part of the City's vision for regeneration and economic growth of the South Bank. Development sites in Holbeck Urban Village and the wider South Bank offer significant regeneration potential due to their proximity to the main city centre, railway station, waterfront and motorway network.
- 2.2** Developments in Holbeck Urban Village and the wider South Bank create the long term opportunity to deliver on one of Europe's largest regeneration projects centred around the HS2 station, which will form part of the largest transport interchange in the North of England. Realising the potential for the area can help to drive the growth of the Leeds City Region economy. The South Bank is a regeneration priority for the city and is included as a priority area for investment in the Council's submissions to the Leeds City Region Strategic Economic Plan.
- 2.3** Until the economic downturn, successful developments in Holbeck Urban Village included Phase 1A Tower Works; the Round Foundry development; the refurbishment of Marshall Mill; the Mint office development and the award winning development of the Granary Wharf scheme. The area is a renowned and well established centre for small and medium enterprises in the creative and digital sector.
- 2.4** Economic conditions, however, have seen the development schemes in Holbeck Urban Village stall and there have been no new build starts on site since 2008. Just over 20 acres of land intended for new development before the recession has yet to be capable of viable development due in part to market failures. Notwithstanding this, the new Southern Entrance to the railway station is very close to the Holbeck Urban Village boundary and presents a major opportunity to stimulate further regeneration in this area.
- 2.5** In the context of the Council's role in setting local planning and regeneration strategies and co-ordinating a range of interests across the public and private sectors the Council has been working with the HCA to identify how the public sector can best collaborate and use its assets to stimulate economic growth in the short term and kick-start regeneration activity in Holbeck Urban Village. In February 2014, Executive Board considered how the HCA and the Council are working together to secure new development at the Tower Works scheme by jointly disposing of assets. It is anticipated that this can see new development starting on site in the area in the short term.
- 2.6** It was indicated in that report that a future paper would be brought to Executive Board with recommendations about other assets in this location.

3 Main issues Design Proposals and Full Scheme Description

- 3.1** Discussions between the Council and the HCA have focussed on the Council owned Bath Road site, the HCA owned Leodis Court and the leasehold HCA have at the Round Foundry Media Centre (see plan 1).
- 3.2** The assets that the HCA own in Holbeck Urban Village were originally acquired by Yorkshire Forward to support the city's regeneration and economic strategies. The assets transferred to the HCA following the cessation of Yorkshire Forward.
- 3.3** Over the past 18 months, the HCA has reviewed the assets it owns in Holbeck Urban Village and how the HCA can best support regeneration activity in the area given its evolving strategic remit and priorities, the City's regeneration priorities, the role of the Council and the short and medium term delivery plan for Holbeck Urban Village.
- 3.4** The outcome of this review is that the HCA intends to dispose of these assets (RFMC and Leodis Court) in Holbeck Urban Village at market value to a party who will ensure that these assets are managed and used to achieve the long-standing regeneration objectives set for Holbeck Urban Village and continue to support economic growth in the City. In the context of Council's role in setting and facilitating regeneration strategy in this area, the HCA has proposed to dispose of the freehold of Leodis Court and the lease of the Round Foundry Media Centre to the Council. A description of the assets and reasons to acquire them are considered in turn below, whilst the details of the proposed transactions are included in exempt Appendix 1.

Leodis Court

- 3.5** Leodis Court is a 2.3 acre site comprising 10 light industrial units constructed c1980. The site is of significant regeneration importance as an economic asset. The property is directly opposite the iconic Egyptian style frontage of Temple Works
- 3.6** Temple Works is a third party owned, Grade I listed building of national prestige. It is one of the most unique heritage buildings in the country. Following a structural failure in 2008, it is on the English Heritage's 'at risk' register and requires substantial investment to make it structurally safe and to secure a sustainable future for it. Redeveloping this site can be a major catalyst for regeneration in the South Bank, and can play a key role in supporting further growth of the City Region.
- 3.7** The Council currently own 4.5 acres of land at Bath Road which is at the rear of Temple Works (see plan 1) and if it acquires Leodis Court, the Council would own 7 acres of land surrounding Temple Works. It may be possible, as part of longer term regeneration, for these sites to be used to help facilitate regeneration and sympathetic place-making associated with a redevelopment at Temple Works at a time that private sector proposals comes forward for that building.
- 3.8** As such, it is considered that there are substantial opportunities to achieve Business Plan objectives and City Priorities in acquiring Leodis Court as to do so

can help ensure that long-standing regeneration objectives can be achieved in this part of the City, and could help to facilitate a future placemaking associated with any future redevelopment scheme brought forward by the private sector of the at risk Temple Works.

Round Foundry Media Centre

- 3.9** A long-standing objective of regeneration in Holbeck Urban Village is to stimulate growth of the creative and digital sector economy and to be a central hub for creative businesses, particularly start-up businesses and small and medium enterprises. The area has successfully established itself as a national centre for the Creative and Digital Sector industry businesses. It is estimated that there are now over 150 businesses based in Holbeck Urban Village, and over 3000 people are now living and working there.
- 3.10** The Round Foundry Media Centre has played a significant role in this success and it has a national reputation as a centre for creative and digital industry businesses. It has occupancy rates of over 90%, it has a key role in supporting the creative and digital economy and provides a distinctive offer for SME businesses due to its setting in a conservation area. The building is owned by Igloo with the HCA having a lease for the building. In holding the head lease, Yorkshire Forward and subsequently the HCA, have sought to nurture the growth of SME and start-up businesses in the creative and digital Sector.
- 3.11** The Council acquiring the lease from the HCA can help achieve Business Plan and City Priorities to promote sustainable and inclusive economic growth as the Council will be able to ensure that the RFMC continues to play a key role in the creative and digital economy. This can further nurture the talent in the area and establish Holbeck Urban Village and the wider South Bank as a leading national destination for the creative and digital industries. The Council holding the lease provides potential opportunities for the RFMC to support programmes and initiatives delivered as part of the Leeds City Region Strategic Economic Plan for the remaining period of the lease.
- 3.12** Officers in Asset Management and Regeneration, finance and legal have undertaken detailed diligence of these assets and it is considered that the Council taking ownership of these assets at market value can be achieved without adversely compromising the on-going efforts to achieve budget savings and in a way that can further stimulate economic and employment growth for the City. The proposed terms of the acquisition, commercial considerations and programme are detailed in confidential Appendix 1.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1** The Executive Member for Development and Economy has been consulted on the recommendations and is supportive of the recommendations. The views of ward members in City and Hunslet have been sought. At the time of report publication, two members have responded and both have indicated that they support the Council acquiring the assets.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 An equality screening has taken place on the recommendations set out in this report and is attached as an appendix. This has shown that there are no equality and diversity implications in agreeing these recommendations aside from potential positive impacts for local communities due to the employment opportunities provided at RFMC and the potential for future regeneration activity to have a positive impact on nearby areas. The outcome of the screening exercise was that a full Equality and Diversity/ Cohesion and Integration assessment is not required.

4.3 Council policies and City Priorities

4.3.1 The Best Council Plan sets a best Council objective of promoting sustainable and inclusive economic growth – improving the economic wellbeing of local people and businesses with a focus on boosting the local economy, providing housing as the City grows and helping people into jobs. The Commission on the Future for Local Government outlines a proposition for local government to stimulate jobs, homes and good growth, with local government creating conditions for enterprise to thrive. Acquiring these assets can help achieve these objectives as both can play a key role in stimulating economic growth in key priority sectors of the Leeds, and Leeds City Region, economy.

4.4 Resources and value for money

4.4.1 The proposed acquisitions have been subject to detailed diligence and independent valuations and it is considered that the proposed acquisitions demonstrate value for money. The commercial and financial implications of the proposed transaction are detailed in exempt Appendix 1. These implications are exempt as disclosing them could have a detrimental impact on the financial affairs of businesses who have tenancies at the Round Foundry Media Centre and Leodis Court as well as the financial outcome the Council achieves in acquiring the assets.

4.5 Legal Implications, Access to Information and Call In

4.5.1 The legal implications of the Council taking ownership of these assets have been subject to detailed diligence from legal officers and are detailed in exempt Appendix 1.

4.5.2 The Council may complete the acquisitions by virtue of Section 120 of the Local Government Act 1972 which covers acquiring land for “the benefit, improvement or development” of the Council’s area, or for the purposes of any of the Council’s functions under any enactment which would now include the new general power of competence in Section 1 of the Localism Act 2011, ie the power for the Council to do anything that individuals generally may do.

4.5.3 The information contained in Appendix 1 is exempt under Access to Information Rule 10.4 (3) as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information). It is

considered that the public interest in maintaining the content of appendices as exempt outweighs the public interest in disclosing the information. Appendix 1 is confidential as disclosing the amount will jeopardise the Council's ability to secure the best financial outcome and releasing information could have a detrimental impact on the financial affairs of businesses that have tenancies at the Round Foundry Media Centre and Leodis Court.

- 4.5.4 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 acquisition will have an adverse impact on the critical path of approvals of the Council and the HCA to complete the transaction and the commercial outcome that the Council achieves.

4.5 Risk Management

- 4.5.1 Exempt Appendix 1 outlines the commercial and financial assessment of the Council's potential acquisition of these assets. This risk assessment is exempt as disclosing them could have a detrimental impact on the financial affairs of businesses who have tenancies at the Round Foundry Media Centre and Leodis Court as well as the financial outcome the Council achieves.

5 Conclusions

- 5.1 Development sites in Holbeck Urban Village and the wider South Bank offer significant regeneration potential due to their proximity to the main City centre, railway station, waterfront and motorway network. Potential developments create long term opportunity to deliver on one of Europe's largest regeneration projects centred around the HS2 station. Realising this potential for the area can help to drive growth of the Leeds City Region economy and create over 10,000 direct jobs.
- 5.2 There is emerging confidence in the South Bank of the City linked to the construction of the Southern Entrance, the announcement of HS2, strong occupancy levels at completed developments in Holbeck Urban Village and the opening of the Tetley.
- 5.3 Holbeck Urban Village is a key part of the City's vision for the South Bank, and after a period where momentum to regeneration plans stalled linked to the economic downturn, steps are being taken to regain momentum and secure further growth in the short to medium term in this location. The Council has the opportunity to use its assets to stimulate growth and help to address market failures in the area.
- 5.4 Following a strategic review, the HCA proposes to dispose of their interests at Leodis Court and the Round Foundry Media Centre to the Council.
- 5.5 Leodis Court is a key strategic and economic asset. It is in close proximity to the at risk Temple Works and presents an opportunity to help to facilitate any future private sector redevelopment of Temple Works when a development proposal comes forward there. In owning Leodis, the Council would own key sites that have the potential to help facilitate regeneration and place-making associated with such a development in support of the Council's regeneration aspirations

- 5.6 Round Foundry Media Centre, meanwhile, is a major hub for small and medium enterprises in the creative and digital industries and is a key part of the City's strategy for economic growth of this sector. Acquiring this interest can help to nurture the economic growth of SME businesses and further establish the South Bank as a leading destination for the CDI sector.
- 5.7 Should Executive Board approve the acquisition of these assets, it will further aid efforts to stimulate regeneration and growth in Holbeck Urban Village and achieve Business Plan objectives to achieve sustainable inclusive economic growth. Following detailed diligence into the proposed terms of the transfer from finance, legal and property officers it is considered that the Council taking ownership of these assets can be achieved without adversely compromising the on-going efforts to achieve budget savings and in a way that can further stimulate economic and employment growth for the City.

6 Recommendations Executive Board is asked to:

- i) agree that the Council acquires the freehold interest in Leodis Court from the Homes and Communities Agency in accordance with the terms set out in paragraph 5.0 of the exempt Appendix 1.
- ii) agree that the Council takes assignment of the lease at the Round Foundry Media Centre in accordance with the terms set out in paragraph 5.0 of the exempt Appendix 1.
- iii) authorise the Director of City Development, in conjunction with legal services and in consultation with the Executive Member for Development & the Economy and the Deputy Chief Executive, to take steps to finalise and enter in to the agreements with the HCA to acquire the freehold interest in Leodis Court and the lease at Round Foundry Media Centre, in accordance with the terms set out in paragraph 5.0 of exempt Appendix 1.
- iv) approve the injection of the sum identified in exempt Appendix 1 for the purchase of Leodis Court into the capital programme and give authority to spend the monies for the purchase of Leodis Court.
- v) Note that the Chief Asset Management and Regeneration Officer will be responsible for the implementation of the actions i, ii and iii and note the timescales for implementation set out in exempt Appendix 1.

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.