

Report of Director of City Development

Report to City Plans Panel

Date: 7 July 2016

Subject: Arena Hotel, Portland Crescent, Leeds

Are specific electoral wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, name(s) of ward(s): City and Hunslet		
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?	<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. Work stopped on the development of the Arena Hotel site at Portland Crescent in March 2015 when the building contractor and its parent company went into administration.
2. The company which owns the site has subsequently gone into administration and Council officers have been in discussions with both the funder of the project and the administrators of the company as well as with prospective purchasers of the site to try and progress matters so that work starts again as soon as possible.
3. On 18 May, the Chair of City Plans Panel wrote to the Director of City Development expressing the panel's concerns regarding the site and asking the Director to submit a report informing the panel of the current position.

Recommendations

4. City Plans Panel are asked to note the update provided.

1.0 Background

1.1 The Leeds Arena Hotel Site is owned by Oxford GB Two Limited (OGB2) OGB2 appointed its sister company GB Building Solutions Limited (GBBS) to build a 206 bedroom hotel which it was intended would have operated under a Hilton franchise. OGB2 is owned by Oxford GB Ltd which itself is owned by GB Group Holdings Ltd (GBGH). GBGH is also the ultimate parent of GBBS.

1.2 In 2013 the LEP was approached by GBGH to provide financial support to address a funding gap. This application was considered by the LEP against its funding criteria. Approval was given to support the Project with a loan of £4.8m from the Growing Places Fund (GPF). A second charge was executed in favour of LCC which was the accountable body for the LEP at the time. This was fully subordinated to a first charge from the Co-operative Bank. The full funding package is set out in the confidential appendix to this report.

1.3 As of 1st April 2015, West Yorkshire Combined Authority (WYCA) became the accountable Body for the LEP and the Growing Places Fund. In relation to the loan, which was granted in LCC's name as the accountable body for the LEP, LCC's role is therefore now limited to acting as the agent for the LEP/WYCA. LCC does of course continue to be the local and planning authority responsible for the site.

1.4 The GPF Loan is the subject of an agreement between the Council and OGB2 dated 1 November 2013. The Council's interests are fully subordinated to the Co-operative Bank which has a first charge on the site.

2.0 Administration of GB Group companies

2.1 Work on the development stopped in March 2015, when both GBGH and GBBS went into administration. Since then the project has been effectively been controlled by the Co-op. OGB2 went into administration on 4 March 2016.

3.0 Current situation

3.1 The LEP and LCC are working together to safeguard their various interests in relation to this project. To support this, external solicitors (DAC Beachcroft) and accountants (PWC) have been appointed to provide specialist advice to both parties.

3.2 The Council/LEP's priorities are to:

- 1) Ensure that the building is completed; and
- 2) Protect and recoup its investment

The Council is also seeking to protect other interests both as local authority and as an adjoining land owner.

3.3 Since March 2015, a number of discussions have taken place with the Co-op and it is clear that the current value of the site will not provide sufficient funds to repay both the Co-op's debt and the Council/LEP debt. The Co-op has also been exploring various options as to how to progress matters and has now concluded that the best way forward is for it to sell its debt to a third party. Details of the discussions with the bank and their

current negotiations with a prospective purchaser are set out in the confidential appendix to this report.

4.0 Management of the site

4.1 There have been a number of concerns regarding the management of the site since March 2015 which have been raised with both OGB2 and the Co-op and on the whole these have been dealt with.

4.2 Looking forward, the prospective purchaser has met with planning officers and has indicated that they would be looking to complete the development in accordance with the current planning permission. Further information is awaited as to how the planning conditions which remain to be discharged are to be dealt with, always assuming of course that prospective purchaser does actually buy the Co-op's debt.

4.3 Otherwise, officers are continuing to monitor the state and condition of the site with a view to taking action if necessary. Whilst LCC does have a number of powers that it could use to try and address any further issues that may arise in connection with the site, at the time of writing it is not felt that the use of such powers would be proportionate. In addition, it is felt that taking action at this time could disrupt the negotiations between the Co-op and the prospective purchaser.

4.4 Whilst it is frustrating that work has not yet recommenced and that it has taken so long for the parties concerned to agree a way forward, the situation is complex. If the prospective purchaser proceeds to buy the bank's debt, it is hoped that work will recommence in August and that the construction of the hotel will be completed by November 2017.

4.5 Officers continue to monitor the situation and a further report updating members as to progress will be prepared in due course. In the event that matters progress between this report being written and the date of the Plans Panel meeting, a verbal update will be given to members at the meeting.

5.0 Access to information

5.1 The appendix to this report should be treated as exempt pursuant to Access to Information Rule 10.4 (3) on the basis that it contains information relating to the financial or business affairs of various parties, including the Council. In the current circumstances it is considered that the public interest in maintaining the content of the appendix as exempt outweighs the public interest in disclosing the information.