Leeds CITY COUNCIL

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Report of : CITY DEVELOPMENT

To : Executive Board:

Date: 14 NOVEMBER 2007

Subject: THE TRINITY QUARTER AND LEEDS SHOPPING PLAZA LEEDS

Electoral Wards Affected:	**Specific Implications For:**	
CITY & HUNSLET	Equality and Diversity	☐
	Community Cohesion	☐
	Narrowing the Gap	☐
☐ Ward Members consulted (referred to in report)		

Eligible for Call In	x	Not Eligible for Call In (Details contained in the report)	☐

Executive Summary

The purpose of this report is to seek approval to the transfer of the existing development agreement and compulsory purchase indemnity agreement from the Universities Superannuation Scheme Limited (USS) to Trinity Quarter Developments Limited ("TQD") which is to be a joint venture company in which Land Securities Property Holdings Limited ("LandSec") will (through Land Securities Trinity Limited a wholly owned subsidiary of LandSec) have a 75% shareholding and the Caddick Group PLC ("Caddick") a 25% shareholding. The Executive Board on 29 September 2004 approved that the Council should promote a compulsory purchase order to enable USS to undertake a major redevelopment of the Trinity and Burton Arcades in Leeds to provide a new 26,022 sq m (280,000 sq ft) retail development with 3,844 sq m (41,790 sq ft) of offices. The Executive Board decided in favour of the USS scheme in preference to an alternative proposal put forward by Tops Estates PLC. Both schemes had detailed planning consent.

Subsequent to the Executive Board approval a development agreement and CPO indemnity agreement was entered into with USS and a Compulsory Purchase Order was made in October 2004 and subsequently confirmed by the Secretary of State on 2 November 2006 for the acquisition of all the property interests to enable the development to proceed.

USS sought a development partner for the scheme and subsequently in April 2007 sold all their own property interests to TQD which at that time was wholly owned by Caddick.

In September 2007 Caddick and LandSec entered into a conditional "joint venture" shareholders agreement for the comprehensive redevelopment of the Trinity Quarter and refurbishment of the Leeds Shopping Plaza to create a single shopping destination in the City Centre providing 1m sq ft of accommodation. The new shopping centre will be called Trinity Leeds.

Approval is therefore sought to transfer the existing development and CPO indemnity agreements from USS to TQD with some minor amendments to the clauses in the agreements but with a stronger performance related guarantee to be provided by Caddick and LandSec on a joint and several basis. This will involve entering into a new Development Agreement (and ultimately a lease) with TQD on substantially the same terms as the existing Development Agreement with USS and the existing CPO indemnity agreement being novated (transferred) to TQD with a new guarantee agreement entered into with Caddick Group PLC and Land Securities Property Holdings Limited with USS being released from their obligations under the existing development and CPO indemnity agreements.

1.0 Purpose of This Report

1.1 The purpose of the report is to seek the approval of the Executive Board to the transfer of the existing development agreement and CPO indemnity agreement entered into between the City Council and USS in October 2004 to TQD which will be a joint venture company controlled by LandSec and Caddick Group PLC to enable redevelopment of the former Trinity and Burton Arcades and facilitate a substantial remodelling of Leeds Shopping Plaza.

1.2 The report seeks approval to the transfer of the agreements on the basis set out above in the Executive Summary and for Executive Board to note that USS will no longer be involved in the development proposals.

2.0 Background Information

2.1 The Executive Board at its meeting on 29 September 2004 approved that the Council enter into a development agreement with USS for the development of the land comprised within the planning permission reference No. 20/259/00/FU (or any modifications thereto) and also that the Council enter into a CPO Costs Indemnity with USS on terms to meet the approval of the Director of Legal and Democratic Services to safeguard the Councils financial position and any other interests to include an indemnity for the costs of the CPO procedure, any legal challenges to this decision or the CPO and any compensation payable in respect of the CPO or under any agreement with landowners to remove objections to the CPO.

2.2 Following the completion of the above agreements in October 2004, the Council promoted a Compulsory Purchase Order under Section 226 (1) (a) of the Town and Country Planning Act 1990, Section 13 of the Local Government (Miscellaneous Provisions) Act 1976 and such other appropriate enabling powers for the acquisition of the land and the creation of new rights within the areas shown by a broad line on the attached plan marked 1 for the purposes of securing the development permitted under planning reference number 20/259/00/FU (or under any approved modifications thereto).

2.3 The Compulsory Purchase Order was subsequently heard at a Public Inquiry and approved on 2 November 2006.

2.4 Planning consent (No. 20/259/00/FU) for the proposed redevelopment of the Trinity Arcades and Burton Arcade was approved 12 February 2003. The application comprised new retail units over 3 storeys, an 8 storey office component, a central open space with linking/connecting routes with a glass roof designed by Spanish Architect Enric Miralles Benedetta Tagliabue.   Due to a legal challenge at the time by Tops Estates Plc in relation to the phasing of the closure of various walkways USS submitted an identical planning submission No. 20/149/03/FU which was subsequently approved on 9 March 2004.

2.5 In summary the approved scheme would provide circa 26,022 sq m (280,000 sq ft) of retail accommodation together with 3,844 sq m (41,790 sq ft) of offices. The scheme was to comprise four levels termed Basement level, Briggate level, Trinity level and Terrace level. In total the scheme provided 65 retail units together with two large store units with trading from each of the four levels. In addition offices were to be provided on five levels above the scheme accessed from a ground floor reception off Bank Street. The scheme provided the opportunity for individual retail units to be merged to provide large retail units.

The approved development comprises a self contained retail scheme which also has links with the four retail streets surrounding the site, to Leeds Shopping Plaza to the west, and a Marks and Spencer from the Trinity level.

The construction of the scheme was to entail the demolition of the large majority of the buildings on site, excluding some of the Briggate frontage only, which will be retained/refurbished.

2.6 Since the scheme was approved LandSec have acquired the Leeds Shopping Plaza and Caddick acquired all the property interests owned by USS in the Trinity Quarter. LandSec and Caddick have entered into arrangements whereby a joint venture company under the name of TQD (as earlier defined) is to undertake a comprehensive development which includes both the former Trinity and Burton Arcades and the Leeds Shopping Plaza. LandSec will have a 75% shareholding with Caddick holding a 25% shareholding in the joint venture company. The joint venture arrangements cover both the Trinity Quarter and Leeds Shopping Plaza.

2.7 The stated business objective of TQD is to create a development which integrates a substantial remodelled Leeds Shopping Plaza with a new development of the Trinity site. The combined scheme has been named Trinity Leeds. The joint venture company has indicated that the development costs for the Trinity Leeds scheme incorporating Trinity Quarter and the Leeds Shopping Plaza will be over £500m.

2.8 As the planning consent obtained by USS is now over 3 years old and the retail market has moved on, TQD are in discussion with Planning Officers to submit planning applications to make revisions to the existing planning consents, but in the amended development agreement provision is made that the overall permissions must maintain and represent the existing nature of the proposed redevelopment.

2.9 To date, the proposed improvements that have been discussed with planning officers consist of:

- The reconfiguration and realignment of retail units/shop fronts and the food court;

- Improvements in terms of access and pedestrian circulation e.g. repositioning of escalators and staircases;

- Extension of shop front at Briggate and Trinity levels to form the Briggate MSU;

- Reconfigured access from Boar Lane and associated changes to the corner unit;

- Changes to the elevations and materials;

In addition, there has been significant discussion about the need to remove the office element of the scheme within five years of the implementation of the planning permission, should it prove not possible to secure an occupier or should the market remain not conducive to speculative office development.

2.10 In overall terms the proposals for the Trinity Leeds will retain high quality retail development and glazed roof. However TQD do wish to incorporate amendments to the USS scheme making changes to the location of escalators, external cladding, the food court and retail units so that the scheme meets current retailers requirements.

2.11 The combination of the Trinity Quarter and Leeds Shopping Plaza is designed to create links through to the prime retail streets of Commercial Street and Briggate. The developers are currently describing the overall shopping centre as Trinity Leeds split into Trinity East referring to the redevelopment of the former Trinity and Burton Arcades and Trinity West referring to the refurbishment /remodelling of the existing Leeds Shopping Plaza.

2.12 In overall terms this will provide a 1m sq ft combined scheme reflecting the previous individual ownerships of Land Securities, Caddick Developments Limited and M&S/The Prudential that are now designed to come together as one. The extent of this area is shown by an indicative line on plan No. 2.

2.13 In respect of the Programme and Phasing of the works, the existing Trinity and Burton Arcades (Trinity East) will involve a full demolition, excavation and new build. The Leeds Shopping Plaza (Trinity West) is a substantial redevelopment of an existing structure. It is intended that Trinity West will trade throughout, protecting the existing retailer's continuity of trade. Trinity East has a longer construction programme period than Trinity West and therefore, the redevelopment works period to Trinity West is extended thus minimising levels of 'day to day' works disruption to retailers and shoppers. Although the construction techniques for both parts are very different the single end product will have a consistency in the pallet and quality of materials used throughout.

2.14 The detailed programme is being finalised although the current target key dates are:

Trinity		**Plaza**
Demolition	January 2008	
	June 2008	Internal Construction
Construction	July 2008	
Roof Works	May 2009	External Construction Soft Start
Internal Finishes	December 2009	
	February 2010	Internal Finishes
Tenant Fit	June 2010	
Opening	October 2010	Opening

2.15 The new build Trinity East elevations are undergoing final design development but are proposed to be developed using a coloured concrete rain screen system in a light colour with a variety of smooth and hewn finishes in horizontal banding. A horizontal band above shop fronts around the entire development will be formed in a patternated bronze banding that will be a unifying element to all facades. This key concept will also run through to Trinity West (the Plaza). Glazing above shop level will be constructed with bronze frames and the sculptural feature windows in hardwood with panels of clear and coloured glass.

2.16 The refurbished Trinity West (the Plaza) is proposed to feature new cladding to the Bond Street, Albion Street and Boar Lane facades. A similar banded concrete rain screen system again in a variety of finishes is proposed to replace the faceted mirror glazing. The Boar Lane façade will be over-clad with the same patternated bronze that is proposed for Trinity East. This material is applied in its natural copper state and gradually weathers over time to a rich bronze.

3.0 Main Issues

3.1 The main issues for the Council to consider is whether or not it is prepared to support the transfer of the existing development, lease and CPO indemnity agreements from USS to TQD.

3.2 As mentioned before, USS sold all their property interests in the Trinity Quarter to TQD in April 2007. At the same time USS entered into an indemnity agreement with TQD that meant that TQD indemnified USS against any costs arising out of the development and CPO indemnity agreement entered into by USS and the Council.

3.3 USS have no intention of undertaking the redevelopment of the Trinity Quarter and (no longer hold any land interest) have requested that the existing development and CPO indemnity agreements are transferred to TQD.

3.4 Although the Compulsory Purchase Order has been approved under the terms of the existing development agreement it has not been triggered. TQD have continued to negotiate to acquire as many property interests as they can and so far with the exception of one blight notice served by a tenant within the Burton Arcade the Council via its approved agents Drivers Jonas have not been involved in any negotiations to make payments for compensation and all these payments are subsequently underwritten by the CPO indemnity agreement.

3.5 In respect of the existing walkways in the Trinity and Burton Arcades, Leeds City Council made a stopping up order on 11 February 2005 that was confirmed by the

Secretary of State on 2 November 2006. The footpaths were effectively stopped up on the confirmation of the order, although they are still open for pedestrian access to the shops.

3.6 TQD own the freehold of the former Trinity and Burton Arcades shopping area, with the exception of a few shop units vacant possession can be obtained of all of these units under the Landlord and Tenant Act 1954 on one months notice. It is anticipated that McDonalds and possibly Top Shop will remain trading in some capacity during the project works. Negotiations are currently in progress with both tenants. Some of the leasehold interests have the protection of the Landlord and Tenant Act 1954. An agreement has now been exchanged with Pizza Hut to obtain vacant possession although there are some units which are subject to leases under which the tenants have not yet agreed to vacate. The leases for Dorothy Perkins and Burger King are due to expire in 2008. TQD intends to serve notice under the Landlord and Tenant Act 1954 to terminate the lease on the basis of redevelopment; however it is anticipated that the interests will still need to be acquired by the use of the CPO.

3.7 In addition to the leasehold interests that will need to be acquired under the CPO there are a number of additional rights, which include oversailing rights, which will need to be acquired by the CPO. A full report is currently being prepared in relation to those interests that need to be acquired and details of the beneficiaries of those interests, as this information needs to be collated in order to serve the notices under the GVD.

3.8 It is anticipated that the notices will be served under the GVD in November following completion of the amended development agreement between Leeds City Council and TQD, subject to the Executive Board agreeing to the transfer of the development and CPO indemnity agreements. The tenants will be allowed to remain in occupation until early January to take advantage of the Christmas trade. As part of commencement of the construction work TQD will also need to enter into a building contract.

3.9 Under the terms of the existing development agreement USS could instruct the Council to issue a General Vesting Declaration (GVD) for all the outstanding property interests to vest in the Council but this would result in the lease being granted to USS which TQD, Caddick and LandSec would not want to happen as it would create a position where TQD would have to pay stamp duty land tax (SDLT) twice.

3.10 As TQD do want to make amendments to the existing scheme, the proposal is to determine the existing development agreement and replace it with a near identical form of development agreement with TQD as the developer. When TQD trigger the GVD, the transfer of their land interests is effected with the developers lease (leaseback) being granted to them and the ultimately freehold land transfer also being transferred to TQD so avoiding a double SDLT payment if USS were to be involved in the process.

3.11 Due to the marketing of USS interests following the approval of the CPO and the sale of their land interests to TQD there have been concerns that the Trinity Quarter may not be redeveloped and that in light of the proposals for the Eastgate and Harewood Quarter that this scheme may further be delayed in the redevelopment of this area of Leeds.

3.12 However, LandSec and Caddick have combined their interests in the Trinity Quarter and Leeds Shopping Plaza to undertake a comprehensive development to create a 1m sq ft retail scheme named Trinity Leeds and are therefore keen to enhance this part of Leeds to ensure that the redeveloped centre opens by Christmas 2010.

3.13 A financial risk assessment has been undertaken in order to determine the covenant strength of TQD with both LandSec Property Holdings Ltd and Caddick Group PLC as guarantors to TQD.

3.14 The Council entered into a development and CPO indemnity agreement with USS in October 2004 on the following basis:

The documents comprise:

i) Main Agreement – this sets out the overall structure of the various legal documents to achieve the proposed development of the Trinity Quarter and incorporates:

a) Property Transfer – in order to implement the CPO, close the various walkways, and obtain clean title for the whole site, it was necessary for USS to transfer all of its freehold and leasehold property interests to the City Council. (The Walkways have since been formally closed, although they are still open to obtain access to the existing shop units).

b) Development Lease – once the City Council had, via the "Property Transfer", taken all of USS's property interests into its ownership and, at the same time, vested all other property interests in the CPO into its ownership via a General Vesting Declaration (GVD), it was to grant USS or its nominee (and if a nominee then guaranteed by USS) a lease expiring on 31 December 3004 to enable them to develop the site in accordance with the approved planning permission. It may have been that more than one such lease was taken by USS in which case a "Supplementary" Lease or Leases was to be granted on identical terms. Such lease(s) could only be assigned with the Council's consent (not to be unreasonably withheld or delayed).

c) 'Put' Option – once the development was complete the Council could compel USS to take a transfer back of the site by exercise of the Option contained in the development agreement on specified terms.

ii) CPO Indemnity Agreement – all of the Council's costs and fees together with their obligations to acquire property under the CPO were to be underwritten by USS (and they have been to date) to the extent that the Council is not exposed to any financial risk.

3.15 As part of the request to transfer the development agreement and CPO indemnity agreement to TQD, TQD have requested the following 5 amendments to ensure that the proposed development is deliverable.

i) Variations to ensure that Stamp Duty is mitigated.

ii) Variation to ensure that the leases to be granted to TQD contain appropriate mortgagee protection provisions.

iii) Variation to permit charging for development funding purposes.

iv) Variation to permit assignment for development funding purposes.

v) Variation to alter the obligation to build the offices on a prelet basis only.

The impact of these changes are insignificant from the Council's point of view. TQD may obtain third party bank funding and points ii – iv above will permit that which is entirely consistent with development proposals such as this. The Council in return have a much improved guarantee document incorporating performance obligations not previously incorporated and with an obligation in the development agreement to trigger the GVD within 6 months of the date of this development agreement which is an indication of how well this matter has progressed.

3.16 In respect of the Development Agreement this provides that the Council, in its capacity as local planning authority for the area, would facilitate the scheme through a Compulsory Purchase Order ("CPO"). The Council agreed to accept the USS owned land and grant USS a lease (the "Lease") of that land and other third party land acquired through the CPO to enable the proposed development to proceed and to transfer the land to USS following completion by the developer. The Council has an indemnity from USS in relation to the liabilities arising under the CPO (the "CPO Indemnity Agreement").

3.17 As mentioned previously in the report USS has sold its interest in the land to Trinity Quarter Developments Limited (TQD) currently ultimately owned by Caddick Group plc ("Caddick"). It is now proposed that the Trinity Quarter is to be redeveloped by Caddick under a joint venture agreement with Land Securities plc (LandSec). The joint venture vehicle will be ("TQD") which will be owned in the proportion, 25% Caddick and 75% LandSec.

3.18 The Council has been requested to consider the transfer of the Development Agreement, the Lease and the CPO Indemnity Agreement to TQD. There will be a joint and several guarantee provided to the Council by Land Securities Property Holdings Limited ("LandSec Property Holdings") and Caddick (or their nominees who has to be of the same financial covenant strength) for the obligations of TQD in the Development Agreement, the Lease and under the CPO Indemnity.

3.19 As part of this transfer of the agreements it is necessary for the Council to consider whether TQD (and in the event of TQD's default of its obligations), the guarantors provide an adequate covenant.

3.20 There are two areas which need to be considered:

i) Whether TQD (and additionally the guarantors) provides adequate covenant to the Council for obligations that the Council may assume under the CPO or which may arise under the Lease or the Development Agreement; and

ii) Whether TQD has sufficient resources available and committed to undertake the development and will be capable of fulfilling its financial obligations in this regard.

3.21 It is necessary that the Council should also consider the covenant strength of the TQD in absolute terms for the following reasons:

i) USS provides an exceptional covenant, the assessment of which is detailed below. As such the relative value of covenant of most alternate developers would not be equivalent. Consequently, a key question is whether TQD (or alternatively its guarantors) are capable of meeting TQD's obligations for any reasonable exposure which would otherwise have been recoverable from USS were the novation and transfers not have proceeded; and

ii) The covenant strength of the TQD is capable of objective assessment relative to the potential liability to the Council.

3.22 An assessment of the relative covenant strength of the parties to enable consideration of the transfer of the Development Agreement and the CPO Indemnity Agreement has been undertaken. In order to provide an assessment of the covenant strength of the parties to the development the financial statements of the respective companies has been reviewed (detailed in the table below). The current potential liability under the CPO is estimated to be approximately £5 million. Whilst in theory TQD's liability to the Council in respect of its performance obligations might amount to the total value of the development (£200 million) any actual exposure to cost and, therefore, any loss recoverable by the Council would be substantially lower than this amount. Therefore the financial assessment has been limited to reflect the scope of these potential liabilities. The development costs need to be considered in light of TQD's ability to raise finance to undertake and complete the development rather than the liability the Council would incur via the CPO. As mentioned before all the CPO costs are fully indemnified by TQD.

Figure 1

Item	Universities Superannuation Scheme	Trinity Quarter Developments Limited	Caddick Group Plc (consolidated)	Land Securities Property Holdings Limited
Company Number		6120444	03997646	5075022
Year end (audited)	31/03/2005	31/08/	31/08/2006	31/3/2006
	£'000's	**£**	**£'000's**	**£'000's**
Turnover	n/a	n/a	143,270	-
Profit (Loss) on ordinary activities before taxation	n/a	n/a	21,980	(118,521)
Total Assets	21,739,700	1	99,675	1,098,802
Total Liabilities	(29,546,900)		(47,387)	(115,474)
Net Assets / Shareholder's Equity	(7,807,200)	1	52,288	983,328

3.23 Under the existing Development Agreement the Council has a CPO Indemnity signed by USS as the corporate trustee of the Universities Superannuation Scheme; a defined benefit scheme for the benefit of members who are employees of University Institutions ("Member Institutions"), comprising 140 'old' UK universities and 238 other institutions.

3.24 As a pension scheme the financial information in relation to USS requires to be considered in the context of the pensions legislation. The assets are measured on a market value basis and the liabilities to members, arising as a result of past service in their employment, are assessed formally by the scheme actuary every three years; the triennial valuation. At the last triennial valuation, at 31 March 2005 the assets of the scheme were £21.7 billion and the liabilities, if the scheme were to be wound-up, were £29.5 billion, which meant there was a deficit of £7.8 billion.

3.25 However, despite the significant deficit on the scheme, the financial covenant of USS is extremely strong. As at 31 March 2006 USS had funds of £28.3 billion. The liabilities to members are the responsibility of the Member Institutions, and as USS is a "last-man standing" multi-employer scheme, this means that if a Member Institution becomes insolvent and is unable to pay its share of its liability to USS that liability will be passed on to the remaining Member Institutions.

3.26 USS exists to provide retirement benefits for its members. The annual report does not state that it is the intention of the trustee to wind-up the scheme, therefore for all practical purposes it is inconceivable that USS would not provide a good covenant for the obligations under the CPO Indemnity.

3.27 TQD is a private limited company, currently owned 100% by Caddick Developments Limited, a subsidiary of Caddick. The company was incorporated on 21 February 2006 and there is currently no financial available information. The Articles of Association indicate that Caddick Developments Limited has subscribed for one share in the company for a nominal consideration of £1.

3.28 TQD currently provides no substantive covenant to the Council, however the obligations of TQD are to be guaranteed by Caddick and LandSec Property Holdings.

3.29 As TQD has not demonstrated any net worth the Council may remain concerned as to its ability to undertake and complete the development. However it is considered that as TQD is a development vehicle set up specifically to undertake the redevelopment of this area of Leeds that the guarantors (acting as shareholders) would capitalise and fund TQD (either directly or through guarantee) to a sufficient level such that it is able to undertake the development.

3.30 In respect of the guarantors, Caddick is a public limited company, privately owned by the P Caddick family trust and family members. Caddick is the holding company of a number of subsidiaries engaged in property development and staging sports events. The group has been profitable in the past three years and generated a profit on ordinary activities before tax of £4.5 million (2005: 22.0 million). As at 31 August 2006 the company had consolidated net assets of £52.3 million.

3.31 LandSec Property Holdings is a 100% subsidiary of Land Sec, a publicly listed company listed on the London Stock Exchange. The shares of LandSec listed on the London Stock Exchange had a market capitalisation of £7.6 billion as at 24 September 2007.

3.32 LandSec Property Holdings is a holding company, whose principal assets are investments in subsidiary undertakings. The subsidiary companies are property investment companies whose shares are carried at cost and are subject to annual impairment review. The value of investments in subsidiaries was £1,089.6 million and LandSec Property Holdings had net assets of £983 million as at 31 March 2006. It is considered that Landsec Property Holdings and Caddicks (as joint and several guarantor) provide adequate covenant for the potential liabilities which might be owed by TQD to the Council. Furthermore it is considered that LandSec Property Holdings and Caddick can arrange sufficient resources to ensure TQD is adequately financially resourced to meet its performance obligations and complete the development.

3.33 In conclusion on the basis of the details provided the covenant of TQD (based the potential contribution of the guarantors) is not equivalent (when assessed in total value terms) to that provided by USS.

3.34 Nevertheless, with the Council entering into a suitably worded joint and several guarantee from Caddick and LandSec Property Holdings, it is considered that this would constitute a strong and adequate covenant to the Council in relation to the potential liability of £5 million under the CPO Indemnity and to cover all likely exposures to the Council which may arise and would be recoverable by it under the Development Agreement.

3.35 In respect of financial arrangements to cover the construction costs verification of the funding arrangement has been requested from TQD and they have confirmed that Land Securities have sufficient funding in place to undertake the development, if necessary without third party funding.

4.0 IMPLICATIONS FOR COUNCIL POLICY AND GOVERNANCE

4.1 The redevelopment of the former Burton and Trinity Arcades together with the remodelling of the existing Leeds Shopping Plaza will create a substantial investment into this part of Leeds and continue to develop Leeds as a highly competitive and international city.

4.2 The amendments to the existing development and CPO indemnity agreements together with the guarantee agreement will now enable this development proposal to proceed.

5.0 Legal and Resource Implications

5.1 The various amendments to the legal agreements are explained in Section 3. It is considered that with the appropriate safeguards in place the Council by transferring the development agreement and CPO indemnity agreement to TQD, the Council is in a similar (if not better given the performance guarantee obligations) position to the one it was in with USS and TQD wish to commence the development in January 2008 although this is subject to them entering into a building contract.

5.2 The benefits of transferring the agreements now provides the opportunity for a comprehensive redevelopment of the retail provision in this area of Leeds with the opportunity through the joint venture agreement that the Leeds Shopping Plaza will be included as part of the proposals. TQD will however need to seek planning consent to the alterations they wish to make to the existing consent for the Trinity Quarter and obtain consent to the alterations they want to make to the Leeds Shopping Plaza. The alterations will be subject to detailed discussions with Planning Officers and subject to the approval of the Plans Panel.

5.3 The proposed transfer of the development agreement and CPO indemnity agreement will not involve any additional resources than under the existing agreements. In terms of costs, all the Council's costs of dealing with the CPO and development agreement including the appointment of the appropriate professional personnel are fully met by TQD. Also TQD will indemnify the Council against all the costs involved in dealing with the request to transfer the existing agreements.

5.4 It should be noted that TQD as a joint venture company could at some stage be sold, although under the development agreement, lease and guarantee, any other party taking over any of the obligations contained in the documentation, however, under the development lease and guarantee agreement any other party should be of sufficient financial standing to comply with the obligations.

6.0 Conclusions

6.1 On balance and in light of the comments in this report it is concluded that USS have no intention of undertaking the redevelopment of the Trinity Quarter having previously sold all their property interests to TQD.

With LandSec subsequently acquiring the Leeds Shopping Plaza from Tops Estates Plc and Caddick acquiring the property interest from USS and both companies subsequently entering in a joint venture via TQD with LandSec taking a 75% shareholding and Caddick a 25% share, it is considered that this is the only vehicle that will now (and within a matter of a few months) start (with a form of guarantee of all the obligations of TQD by Caddick and LandSec) to deliver a comprehensive redevelopment/remodelling of the retail provision in this area of Leeds.

6.2 This development will continue to strengthen Leeds position as a major retail destination and will complement the future expansion of the Leeds Shopping Centre.

6.3 In terms of experience LandSec have undertaken a large range of city centre retail developments in partnership with other companies. Recent retail developments they have been involved in include the Princesshay, Exeter, which comprises 60 shop units, 122 city centre apartments and 273 car parking spaces, the Bull Ring, Birmingham, comprising 148 retail units and Whitefrairs, Canterbury, comprising 36,580m^2 of retail space, 35 apartments and 580 car parking spaces. The Caddick Group PLC have recently completed a retail development in Kings Lynn, which they sold for £75m.

7.0 Recommendations

7.1 It is recommended that the Executive Board approve the transfer of the development agreement and CPO indemnity agreement from USS to TQD and approve the form of the guarantee of TQD's obligations by LandSec and Caddick on the terms outlined in the report, subject to Land Securities Trinity Limited (a wholly owned subsidiary of Land Securities Property Holdings Ltd) completing their shareholders agreement such that 75% of the shares in TQD are owned by Land Securities Trinity Limited and 25% by Caddick Group PLC.

7.2 It is recommended that the Executive Board approve the “transfer” on the following basis:

i) The entering into of a new development agreement (and ultimately a lease) with TQD on substantially the same terms as the original agreement with USS subject to the amendments outlined in the report.

ii) Approve and enter into the novation (transfer) of the existing CPO indemnity agreement from USS to TQD with the Caddick Group PLC and Land Securities Property Holdings Ltd entering into a guarantee with the Council relating to the Development Agreement, Lease and CPO Indemnity Agreement as outlined in the report.

iii) That following the novation of the CPO indemnity agreement from USS to TQD, USS will no longer have any financial liability to the Council and will be released from all liabilities under the existing development agreement.