



The Appendix of this report is Exempt/Confidential under
Access to Information Procedure Rules 10.4 (3)
and will be circulated at the meeting

Report of : Director of City Development

To : Executive Board

Date: 2 SEPTEMBER 2008

**Subject: FORMER LEEDS INTERNATIONAL POOL SITE WILSON STREET
LEEDS LS1**

Electoral Wards Affected:

CITY AND HUNSLET

Ward Members consulted
(referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Eligible for Call In

Not Eligible for Call In

(Details contained in the report)

Executive Summary

Members of the Executive Board on 16 November 2005¹ considered a report submitted by the Director of Development detailing the progress which had been made by the three short-listed parties in respect of the schemes and offers that had been received following the marketing of the Leeds International Pool (LIP) site. Members resolved 'That the site of the Leeds International Pool be sold to the party identified in paragraph 2.2 of the exempt appendix which was circulated at the meeting', this party being Hbg Properties Ltd.

The Director of Development instructed solicitors in respect of the sale and negotiations have been ongoing in respect of the scheme design and the legal contract.

Hbg Properties Ltd has recently requested to vary its scheme design, following the impact of the general decline of the global economy and the UK residential property market caused by the 'credit crunch'. The variations include the removal of the 'spirical' residential tower which was included in the original indicative scheme proposals and also the ability to phase the payments to purchase this site, the terms of which are contained within the confidential appendix.

1.0 Purpose of This Report

- 1.1 The purpose of this report is to advise Members of the progress and discussions which has been made/taken place between the Council and its preferred developer, following selection on 16 November 2005 for the redevelopment of the LIP site and to obtain Members approval to progress with the disposal of this site on the revised terms which are contained within the confidential appendix and in particular the removal of the residential 'spirical' tower, which was included as part of the original scheme proposals submitted with the offer. The LIP site is identified on Plan no 1 attached to this report.

2.0 Background Information

- 2.1 The legal contract for the sale of the site has almost been agreed whilst simultaneously the developer has been 'working up' its master plan and scheme design for the site. The basis of the scheme upon which the company was originally selected comprised the development of four detached office blocks offering approximately 440,000 sq ft gross internal area, along with a 26 storey residential tower, known as the 'spirical', designed by Make architects and a basement public pay and display car park. In addition there would have been an extensive element of Public Realm along with a new pedestrian bridge crossing over the Inner Ring Road forming an extension to St Paul's Street. The estimated cost of the bridge is identified within the confidential appendix.
- 2.2 A national housebuilder had originally been selected by Hbg Properties Ltd as their partner to develop the 'spirical' residential tower. However, due to the impact of the downturn of the global economy and the UK 'Credit Crunch', it is no longer feasible nor practical for the scheme to include the 'spirical' tower. The Council's preferred developer and its consultants have held several workshops with officers from the Planning Service and the Civic Architect who have confirmed that they would have no objections in principle to the removal of the residential element and the 'spirical' tower from the scheme.

3.0 Main Issues

- 3.1 Hbg Properties Ltd do not now necessarily wish to acquire the LIP site in its entirety upon completion of the sale contract. The developer wishes to have the ability to phase the purchase of the site, with the initial purchase to comprise of at least 50% of the site on completion of the sale contract and then to have the ability to acquire the balance of the site in two tranches at its discretion for a period of up to five years from exchange of contracts.
- 3.2 The revised scheme, which is shown in site draw down schematic form on Plan no 2 attached to this report, will in principle be broadly the same as before, on the basis upon which Hbg were selected, with the developer being restricted to construct the maximum gross internal floor areas and volumes previously agreed for each part of the site apart from the 'spirical' tower which is now likely to be replaced by a low level restaurant/café.
- 3.3 Under the purchase contract, the developer will be obliged to construct the first two buildings, building C comprising 100,000 sq ft NIA office block, building D 167 bed hotel, building E low level restaurant/café, and the new public pay and display car park. The Public Realm element for the entire site and the new pedestrian footbridge

over the inner ring road will also comprise the first phase of the development and will be dealt with by S106 and S278 Agreements. The public realm works will be designed on comprehensive and coherent basis so that the future phases of development link to these completed public realm works.

3.4 The revised detailed terms for the proposed sale are contained within the confidential appendix.

3.5 In respect of the Council's position with regard to the preferred developer, the options available to the Council are:

Option 1 - Withdraw from the sale and remarket the property.

To withdraw from this sale and remarket this site. This is not recommended as this would delay the capital receipt for many years and the Council's Chief Asset Management Officer believes that the current Hbg offer represents best consideration in the current market conditions, and this has been supported by an independent valuation which is reported in the confidential appendix.

Option 2 - Withdraw from the sale and the Council retain the property.

To withdraw from this sale and retain the property. This is not recommended as the building's life has been exhausted and there are health and safety risks in its retention. Asbestos is present in the building which needs to be removed prior to demolition.

Option 3 - Proceed with the Council's preferred developer on the proposed revised terms.

To progress with the sale of the site to the Council's preferred developer on the proposed revised terms. This is recommended as it will generate a capital receipt within the next 12 months, the majority of the sale contract is agreed and the detailed design for the new pedestrian footbridge over the inner ring road has been agreed with Council officers and the costs are still within budget.

4.0 Risks Associated with the Preferred Option (Option 3)

4.1 The risks associated with option 3 are as follows:-

- i) There is a risk that Hbg do not proceed if the UK economy deteriorates further. This risk has been mitigated as Hbg have obtained both their UK and European Parent Board approvals.
- ii) There is a risk that Hbg will not be granted a detailed planning permission for their scheme, this risk is extremely low as they have held several workshops with the relevant planning officers and the Civic Architect, and we are confident that the scheme proposals can be taken forward in a planning application which is likely to be approved.
- iii) There is a risk that Hbg do not draw down the second two sites within the five year period, this risk has been reduced by requesting that the developer is to obtain a detailed planning permission within 3 years on one of the two remaining sites so that the Council will at least have an asset to sell after the five years has expired. If Hbg do not obtain detailed planning consent within 3 years then one

of the sites will revert to the Council after 3 years. The development on the Phase 1 site would however add value to the remaining Phases 2 and 3 should they remain with the Council to sell in due course, and each is capable of development in isolation.

5.0 Implications for Council Policy and Governance

- 5.1 The LIP building was vacated in October 2007 and is now a substantial health and safety hazard. The former Pool car park is still being operated by the Council as a long stay 'pay and display' car park.
- 5.2 Approval of the recommendation will bring about the comprehensive redevelopment and regeneration of this part of the City. It will also create improved access links across the inner ring road as well as creating substantial investment in this part of Leeds. The redevelopment proposals would assist with the Council's objectives to 'Going up a League', and will assist in creating new job opportunities and contribute to the policy of closing the gap.
- 5.3 The information contained in the appendix relates to the financial or business affairs of a particular company and of the Council. This information is not publicly available from the statutory registers of information kept in respect of certain companies and charities. It is considered that since this information was obtained through inviting best and final offers for the land then it is not in the public interest to disclose this information at this point in time as this could lead to random competing bids which would undermine this method of inviting bids and affect the integrity of disposing of land by this process. Also it is considered that the release of such information would or would be likely to prejudice the Council's commercial interests in relation to other similar transactions in that prospective bidders for other similar contracts would be aware of the nature and level of offers which may prove acceptable to the Council. It is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing this information at this point in time. 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.

6.0 Legal and Resource Implications

- 6.1 Since the original offer was received, time has moved on and due to the global recession and 'Credit Crunch' the underlying conditions of the UK economy have deteriorated. An independent valuation has been carried out on the basis of the revised scheme and this is reported within the confidential appendix.
- 6.2 The closure of this car park on completion of the sale will result in a loss of net income. The budgeted annual income for the 2008/09 year is identified within the confidential appendix.
- 6.3 Until the sale of the site becomes unconditional, the Council will be liable for empty business rates, which for the 2008/09 financial year amount to £76,692

7.0 Summary

- 7.1 The Council's preferred developer asserts that it has incurred a considerable amount of time and expense in respect of this project following the company's selection by Executive Board on 16 November 2005. Members' decision at that time gave a commitment that the site would be withdrawn from the market and the Council would

proceed to sell the site, subject to satisfactory terms being agreed.

8.0 Recommendation

- 8.1 It is recommended that the Council progresses with the sale of the site to the Council's preferred developer, Hbg Properties Ltd, on the revised terms contained within the confidential appendix, with the Director of City Development having delegated powers to agree the detailed terms.

Background Papers

- 1 Report to the Executive Board on the International Pool dated 16 November 2005.