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**Report of the Development Department**

**Executive board**

**Date: 17 May 2006**

**Subject: Elmwood Road, Leeds LS2**

**Appendix: To be circulated at the meeting  
Exempt under Exemption 3 (Commercial Interests)**

<b>Electoral wards affected:</b>  City and Hunslet
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<b>Specific implications for:</b>
Ethnic minorities <input type="checkbox"/>
Women <input type="checkbox"/>
Disabled people <input type="checkbox"/>
Narrowing the gap <input type="checkbox"/>

Eligible for call in

Not eligible for call in  
(details contained in the report)

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**Executive Summary**

**The purpose of this report is to advise Members of the position regarding the sale of the above land following the marketing and subsequent receipt of best and final offers in respect of the same. Following discussions with a number of interested parties who submitted schemes in connection with the redevelopment of the site, four parties were short-listed and asked to submit their final offers and schemes for consideration. The Director of the Development Department is now reporting these details in the confidential appendix to be circulated at the meeting.**

**1.0 Purpose Of This Report**

The purpose of this report is to advise Members of the discussions that have taken place between the Council and the four parties that have been short listed in respect of the redevelopment of the site at Elmwood Road, Leeds LS2

**2.0 Background Information**

**2.1** The Council owns the subject site shown on the attached plan, which has an area of 1 ha (2.46 acres) including the ownership of Elmwood Road, which is currently used as a pay and display car park. Leeds Metropolitan University (Leeds Met) own the

adjoining site, which has an area of 1.13 ha (2.8 acres) and currently comprises the Brunswick Terrace Campus and is also shown on the attached plan

- 2.2** Leeds Met propose to vacate the Campus by September 2006 and are keen to dispose of the site for re-development. The Council's surface car park is also suitable for redevelopment and, rather than market the two sites independently, with Elmwood Road dividing the two sites, the Director of the Development Department agreed on 12 July 2005 that they be marketed jointly as one prestigious comprehensive development site.
- 2.3** A Planning and Development Brief for the Prestigious Development Area (PDA) was prepared for the site which identified the expected principal uses to be office with leisure, hotel and conference/exhibition. Other uses that are seen to serve the PDA by adding variety that contributes to the City Centre and support the principle use would also be encouraged. This could include retail serving the development, and A3 uses to compliment the office use. Residential use would be acceptable, provided it was not the dominant use and where it did not prejudice the presence of the principal uses. A comprehensive ground condition survey across the whole site was also included in the marketing information.
- 2.4** There were clear commercial advantages for considering the two sites as one comprehensive redevelopment area, as the marriage of the two sites would facilitate a larger and more prestigious scheme for this part of the City.
- 2.5** Leeds Met had already appointed DTZ Debenham Tie Leung to act on its behalf in respect of the marketing of the site and, in these circumstances, it was considered advantageous that they also be appointed to act on behalf of the Council in the preparation of the marketing brochure etc
- 2.6** The Director of the Development Department, therefore, also approved on 12 July 2005 the appointment of DTZ as joint marketing agents and further approved on 15 July 2005, the waiver of Contract Procedure Rules to enable this company to act on behalf of the Council.
- 2.7** The site was marketed by DTZ, in accordance with the terms agreed by the Director of the Development Department on 12 July 2005, seeking initial expressions of interest with financial offers together and indicative schemes by the closing date of 15<sup>th</sup> September 2005. 11 valid offers were received by this date.
- 2.8** Four of the offers initially received, however, were not supported by indicative schemes and despite requests to provide the same, these were not forthcoming
- 2.9** As a result only seven schemes could be referred to Planning and Highways officers within the Development Department for technical appraisal and consideration.
- 2.10** The Chief Asset Management Officer subsequently agreed that four offers with supporting schemes be shortlisted for further discussion with Planning and Highway Officers.
- 2.11** These discussions have now taken place and best and final offers were subsequently requested 13 January 2006. Further follow up interviews have taken place and the final comments made are summarised on the table which forms part of the confidential appendix, exempt under Exemption 3 (Commercial Interests), to be circulated at the Executive Board for consideration.

**2.12** Detailed valuation assessments have also been provided to substantiate the offers made and financial checks will be carried out on the companies to confirm their status. Further details of these are given in the Confidential Appendix to be circulated at the meeting.

### **3.0 Main Issues**

**3.1** The principle issue to be aware of is the split of the sale proceeds between the Council and Leeds Met. This will be on a pro rata basis of the cleared site in accordance with the respective site areas which gives the following:

Leeds Met 53.23% and the Council 46.77%

**3.2** The split has, however, been agreed on a cleared site basis and as demolition of the Brunswick Building on Leeds Met's site will have been accounted for in the offers, this element will be deducted from the Leeds Met proportion

**3.3** Any remaining abnormal costs relating to each site will be deducted from the respective percentage shares of the receipt

**3.4** If either party considers that the marketing has not achieved what is considered to be a realistic sale price, then it can withdraw from the sale

**3.5** In addition to the above, Surveyor's and Legal fees, currently levied by the Council at 3.5% of the gross offer plus VAT will be paid by the purchaser

**3.6** The fees will be shared by Leeds Met and the Council on a pro rata basis on the same basis as the receipt for the site

**3.7** A fee of 0.9% of the net sale price has been agreed with DTZ in respect of the marketing of the Council's site. This is exclusive of advertising costs and disbursements.

**3.8** Fifty percent of the fee will become payable upon exchange of contracts, with the remaining fifty percent paid upon completion of the sale of the site

**3.9** In the event that a chosen preferred developer should withdraw following acceptance of an offer, all abortive professional costs will be met by that party

**3.10** In the event that the Council chooses to withdraw from the sale, either because offers received are deemed to be unacceptable or that the proposed schemes are deemed to be unacceptable in planning terms, then DTZ will be entitled to claim a time charge up to a maximum of £10,000

### **4.0 Risk Assessment**

**4.1** Once a purchaser has been selected there are also issues and risks associated with taking the decision. In addition to those discussed in the Confidential Appendix to be circulated at the meeting, these risks have been identified as follows: -

- i) There is a risk that the selected purchaser fails to gain planning consent and complete the purchase. This risk is considered to be low as Planning and Highway officers have commented on all schemes and their comments have been fed back to the parties submitting indicative scheme proposals. All

short listed prospective purchasers have reconfirmed their respective offers in light of these comments.

- ii) There is a risk that the selected purchaser may withdraw their interest in the site before the disposal proceeds through to completion. This risk is considered to be low due to the high level of interest that the party is continuing to express in the site and the level of financial investment they have already made in the preparation of their latest submissions.

#### **4.0 Implications for Council Policy and Governance**

- 4.1 The disposal of the land at Elmwood Road/Brunswick Terrace, falls within the key aims and objectives of the Council's Corporate Plan and the Key Aims of the Development Department for 2005/06
- 4.2 The proposed sale of the Council owned land for redevelopment purposes falls within the objective of competing in a Global Economy of the Council's Corporate Plan 2005/06
- 4.3 The proposed sale of the site not only falls within the Key Aims of the Development Department 2005/06, but also Investment in the City, Helping Businesses Develop and Prosper, Regenerating the Physical Environment and Making the Best Use of Land and Property
- 4.4 When considering which of the short listed offers to recommend, Members are reminded of the Council's Statutory Obligation under S123 of the Local Government Act 1972 to obtain best consideration in respect of the disposal of its surplus land and property.
- 4.5 The public interest in maintaining the exemption in relation to the Confidential Appendix on this subject outweighs the public interest in disclosing the information by reason of the fact that the duty placed on Leeds City Council to achieve best consideration in the sale of this site could be adversely affected by disclosure of the information

#### **5.0 Legal and Resource Implications**

- 5.1 The Council is required under S123 of the Local Government Act 1972 to obtain best consideration in connection with the disposal of this property.
- 5.2 By disposing of the site for redevelopment purposes, the Council will forego a substantial rental income, which is generated from its current use as a pay and display car park. Details are given in the confidential appendix to be circulated at Executive Board
- 5.3 Disposal of the site for regeneration purposes, however, will generate a substantial capital receipt, which will be used to enhance the Council's Capital Receipt Programme, at a figure in excess of the capitalized car park income. In these circumstances, a disposal represents prudent economic asset management and, therefore, supports a key aim of the Development Department in raising capital receipts and supporting Best Value objectives of the Council.
- 5.4 The income foregone forms part of the Department of City Services annual income target. Due to the level of income receivable, the Department is unlikely to be able to absorb this loss. Members are, therefore, asked to direct that resource adjustment will be made to City Services resource allocation, to fully reflect this loss of net income.

**5.5** In addition to the above, fees equating to 3.5% of the gross purchase price plus VAT will be collected from the purchaser to allow the payment of the Council's Surveyor's and Legal costs.

**6.0 Conclusions**

**6.1** In conclusion, there are a number of options available to the Council in connection with the disposal of this site. These have been considered and are set out in the Confidential Appendix which will be circulated at the meeting of the Executive Board.

**7.0 Recommendations**

**7.1** A recommendation is made in the Confidential Appendix which will be circulated at the meeting.