

**PROPOSED MULTI-PURPOSE ARENA & ASSOCIATED
CONFERENCE/EXHIBITION FACILITIES IN LEEDS**



LEEDS
CITY COUNCIL

AN

EXECUTIVE SUMMARY

BY

PMP/DONALDSONS/ARUP

OCTOBER 2006

Executive summary

Introduction

- 1.1 In keeping with the vision for Leeds, the City has committed to the delivery of a large multi-purpose arena for the people of Leeds and the Yorkshire Region.
- 1.2 The scope of the project is based on a detailed feasibility study undertaken in 2005, which recommended facilitating the delivery of a 12,500-seat arena in association with private sector partners.
- 1.3 It is intended that, following approval of this report, the Council will be in a position to approach the market and facilitate the delivery of an arena in the near future.
- 1.4 The key objectives of the project are:
 - to secure the development and long-term operation of an entertainment arena in Leeds
 - to invite participation from private sector partners to provide a deliverable/sustainable project
 - to maximise market interest and promote participation and competition within the procurement process
 - to minimise and protect public sector funding whilst encouraging private sector investment/funding
 - to have the flexibility/potential to incorporate optional factors, for example conference/exhibition facilities.
- 1.5 This study was commissioned to advise the Council in relation to the following key areas:
 - site selection
 - procurement
 - funding
 - conference and exhibition facilities
 - marketing and implementation.
- 1.6 This summary presents the context, key findings and recommendations in relation to the areas detailed above.

Project specification

- 1.7 Research undertaken to date has supported the following specification for the arena:
 - an event programme, and operational management thereof, that:
 - maximises the draw of visitors to Leeds
 - is centred on national/European/international entertainments circuit

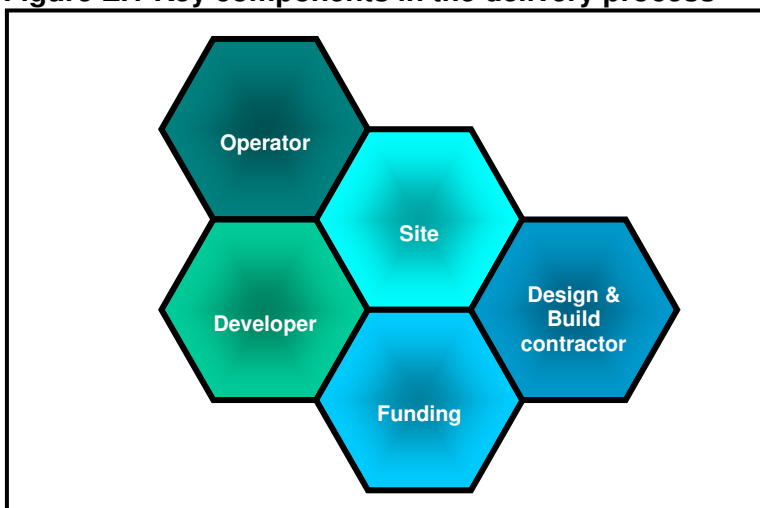
EXECUTIVE SUMMARY

- ensures operational profitability and a sustainable and resilient business plan
- is integrated with the other major events and operators within the Leeds City Region
- maximises socio-economic benefit for the City
- 12,500+ seats
- an entertainment focussed layout to accommodate the national/European/international concert circuit, not including a permanent ice pad (as concluded in the original feasibility study)
- flexibility in building construction, facilities and rigging to support efficiently the range of event types identified by the operator to achieve its business objectives.
- this could include, for example:
 - conference facilities
 - exhibition space
 - flexible staging and seating arrangements to support other types of events (eg large family shows, demonstration sports etc)
- an architectural approach that will create a landmark for the City (at reasonable cost)
- good access to current and future public transport over the broadest possible range of transport modes
- good road access
- car parking shared with other land uses.

Context

- 1.8 In considering the deliverability of an arena, there are essentially five key components, as outlined in Figure E.1 below.

Figure E.1 Key components in the delivery process



EXECUTIVE SUMMARY

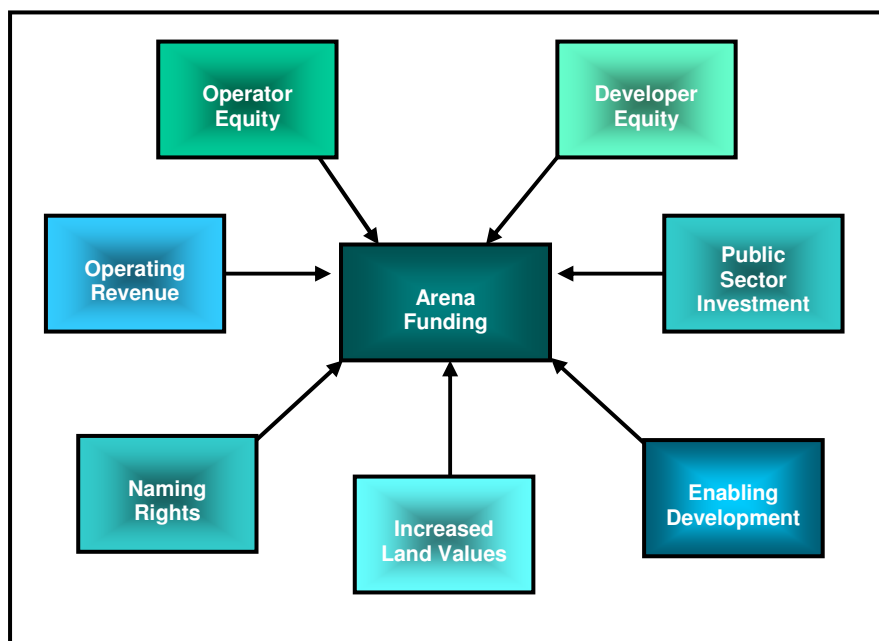
1.9 Achieving the optimum combination of the elements set out in Figure E1 will be critical to the success of the delivery process. Some key considerations in relation to this include:

- Operator
 - experienced operator required to maximise sustainability/ viability
 - limited number of experienced operators in the market
 - risk of leading operators partnering with less favourable site/ development
 - venue management/ promotion needs to fit with city-wide events strategy/ objectives
 - Special Purpose Vehicle could provide a suitable alternative to a private sector operator (eg NEC in Birmingham/ ACC Liverpool)
- Sites/ developers
 - some developer interest in the project is site specific, whilst other interest is generic
- Funding
 - mixture of public and private sector funding will required
 - Operator has the potential to deliver financial investment through operation, equity or via business partnerships such as sponsorship, naming rights, food and beverage contracts etc
 - Developer could deliver financial investment through enabling development

Funding of the arena

1.10 Figure E.2 below identifies the key funding sources for the arena.

Figure E.2 Funding sources



Key deliverability issues

- 1.11 Of critical importance to the delivery of the project is the balance between providing a process that maximises bidder interest and allows different approaches to be recognised, against the need to ensure deliverability against the core requirements of the project and provide a robust process, which is transparent and auditable.
- 1.12 We have assessed the delivery options identified against their ability to:
- deliver a structured process allowing different types of proposals to be submitted and evaluated in a transparent manner
 - promote economic sustainability
 - ensure the best operator is selected
 - ensure that the best developer/funded consortium is selected
 - promote a location which maximises wider benefits, such as regeneration and community enhancement
 - encourage private sector investment, including enabling development on the same or adjacent sites
 - transfer risk to the private sector
 - ensure any public sector investment is protected in priority to private investment (risk capital)
 - ensure that the selected operator/developer fits with wider city council objectives in terms of promoting a portfolio of venues and events in the City
 - meet EU procurement regulations.
- 1.13 Other issues, such as planning permission, will need to be dealt with through the normal processes.

Key findings

- 1.14 The key findings and recommendations of the study are summarised in the following paragraphs, categorised under the key areas of work.
- site selection
 - preferred procurement route
 - funding parameters
 - conference & exhibition facility requirements
 - implementation plan.

Site selection

- 1.15 The site assessment exercise illustrates that there are a number of sites that could potentially accommodate a new arena facility but all have complications in terms of scheme deliverability.

EXECUTIVE SUMMARY

- 1.16 A city centre site could make a significant contribution to city centre vitality and regeneration, however, there are no sites of sufficient size in public ownership.
- 1.17 The edge of town/out of town sites at Elland Road and Stourton North are in public ownership, which is a significant advantage in terms of deliverability. In evaluating the suitability of site options there is a balance to be struck between town planning and regeneration benefits versus scheme deliverability.
- 1.18 A city centre site is considered the more desirable location and there are city centre sites that should be capable of delivering a scheme for the City. However, this is dependant upon third party participation. Elland Road should provide an acceptable solution and be more dependable in terms of delivery. This option needs to be included in the developer competition with the owner/developer responses then determining whether this or a city centre site will be favoured.

R1

The procurement exercise should be structured to maximise competition and promote value for money.

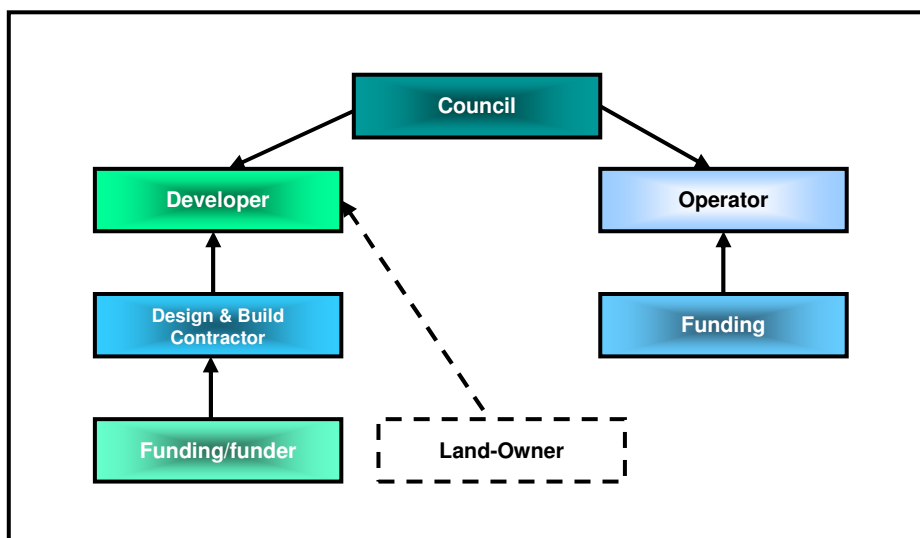
R2

The procurement competition should invite bids from developers/landowners on their own sites, whilst also providing a publicly owned site (namely Elland Road) for those participants that either do not have land interests or believe that the public land available offers the best solution.

Procurement

- 1.19 The key criteria for selecting an appropriate procurement route have been identified and two procurement routes; design, build, finance and operate (DBFO) and 'split' procurement, have been evaluated against these criteria.
- 1.20 A key characteristic of the arena market is the small number of experienced operators (essential to the sustainability of a venue) available to operate an arena in Leeds, therefore their views on the process have been carefully considered.
- 1.21 The 'split' procurement route is preferred, whereby an operator is selected by the Council (with key terms agreed in principle), and the operator then inputs into the final specifications provided to short listed developer consortia, and participates in the process thereafter. This avoids the key concern that a self-selecting DBFO consortium might not contain all of the adjudged best elements, eg the preferred operator is part of a consortia with a less preferable site.

Figure E.3. Split procurement process



- 1.22 Under the split procurement option, the developer consortium would comprise a lead developer, design and build contractor, investor and potentially land owner (depending on the site and ownership arrangements).
- 1.23 The operator consortium would include the operator and potentially other business partners capable of providing funding assistance – for example, a naming rights partner or food & beverage partner.
- 1.24 It is likely that the procurement process to select an operator would commence ahead of the developer selection process, however there would be a significant overlap, minimising any time delay through this two-stage process.
- 1.25 This type of model would also have the flexibility of including an SPV management arrangement, should the operator procurement not yield the desired results.
- 1.26 The recommendations of the procurement analysis are therefore:

R3

The Council should follow a ‘split’ procurement route, selecting the operator separately from the development consortium

R4

The Council should undertake a delivery study (at the appropriate time) into the implications of forming an SPV to operate the facility, should the operator procurement fail

R5

The project should be procured in accordance with EU regulations, advertised in the OJEU and be based on the Competitive Dialogue process.

Project Funding Model

- 1.27 The construction of the existing arena facilities in the UK has, given the capital costs involved, required significant levels of public funding to successfully deliver the projects.
- 1.28 It is therefore important to understand the potential funding parameters of the arena, in order that the City can quantify any likely level of public investment and confirm the vehicle by which this investment will be delivered.
- 1.29 We have considered three scenarios, based upon the site assessment exercise and the conference and exhibition market analysis, as follows:
- an out of town arena (base specification)
 - city centre arena (mid specification)
 - city centre arena (high specification with maximised flexibility of use and conferencing capability).
- 1.30 These scenarios are illustrative of three types of scheme that could potentially be presented by private sector consortia under a procurement competition. The information used to inform each scenario, whilst based upon the best information available to the consultant team at this time, is therefore necessarily generic.
- 1.31 The capital costs of these options have been derived from Arup's database of benchmark costs. The indicative capital costs are set out in Table E.1:

Table E.1 Indicative capital costs under each option

Scenario	Indicative capital cost	Comments
Out of town arena	£38m	Base specification
City Centre Arena	£53m	Mid specification with limited conferencing
City Centre Arena	£65m	High specification with maximised flexibility of use and conferencing capability (eg SECC estimated at c£62m)

- 1.32 The indicative costs for the city centre options are significantly higher than those for the out of town option due to an assumed higher overall arena specification offering more flexibility.
- 1.33 Under each scenario, from a capital perspective, there is a large funding gap that would need to be met by Public Sector Investment, after taking into account the potential contributions from developers / operators / sponsors etc. However, the exact amount of Public Sector Investment will be site and scheme specific.
- 1.34 The operational projections for each option in a mature year are shown in table E.2:

Table E.2 Operating summaries

	Out of town £m	City centre (mid specification) £m	City centre (high specification, max flexibility/ conference use) £m
Income	6.9	7.2	7.6
Expenditure	(6.1)	(6.5)	(6.9)
Net revenue	0.8	0.7	0.7
<i>Number of events</i>	<i>136</i>	<i>159</i>	<i>179</i>

- 1.35 Operational income from events is broadly similar under each option, with the exception that the conferencing activity is higher under the city centre scenarios.
- 1.36 Expenditure under the city centre scenarios is higher due to higher lifecycle costs (which are a function of capital costs) and higher variable event expenses.
- 1.37 The key recommendations from the project funding analysis are therefore as follows:

R6

The Council and its public sector partners should set a 'Public Sector Investment' limit for the project. The bidding consortia could use the sum in whole or in part, however through competition bidders may not necessarily seek to use the total funds available.

R7

The Council should seek to apply for/put in place the public sector funding pot.

Short-term solutions

- 1.38 In the interim procurement/development period, there are opportunities for the Council to take actions to deliver short-term benefits to the City. These include both the delivery of temporary venues and the development of an events programme to appeal to the public and stimulate potential arena operator interest and confidence.
- 1.39 These opportunities have longer term benefits; increasing events in the Leeds City region generally but perhaps more importantly providing the appointed arena operator the ability to stage advanced 'arena-branded' events to test the event programme, develop profile, sponsorship and customer base and hence maximise the commercial performance of the arena when it opens.

Temporary venues

- 1.40 In order to meet the latent market demand for events in the short-term, and to develop an event programme that will increase operator confidence in the feasibility of an arena in Leeds, the Council may choose to look at a temporary venue in the City.

EXECUTIVE SUMMARY

- 1.41 This would capitalise on the positive feedback received from the public, and as illustrated in the campaign of the Yorkshire Evening Post, on the delivery of an arena. It would also assist the Council's momentum towards the procurement of a permanent venue.
- 1.42 Temporary event structures (there are several generic options), although strictly speaking temporary, would be sufficiently robust to withstand the elements for a number of years, and are effectively a quicker and cheaper way of achieving a structure than a traditional build. They can be built elsewhere before being shipped to the UK for assembly.
- 1.43 Through the development of this phase of our work we have had discussions with private sector organisations that are already proposing or have expressed a keen interest in providing this type of facility, either in partnership with, or independent of, the Council. It is recommended that further discussions are held with these parties during the next stage to investigate synergies between their proposals and the needs of the area development.
- 1.44 A temporary venue for the City may therefore be delivered as part of the existing third party proposals or separately by the Council if the economics justify it.

R8

Investigate further the temporary venue options available and the associated benefits to the Council and the City

R9

The Council should seek to work with the selected operator to build up the City's event profile using the venue(s) and develop a portfolio of events/audience to transfer to the arena on completion

Conference and exhibition facility requirements

- 1.45 This analysis builds upon the initial feasibility study completed in 2005. It considers the supply and demand for conference and exhibition facilities in Leeds highlighting latent demand, considers the regional perspective and identifies and assesses the opportunities for the Council to assist in meeting demand. A summary of key findings is presented below.

Supply and demand

- 1.46 Analysis identifies that Leeds has sufficient venues capable of attracting conferences at the smaller-mid scale end of the market. However, there are few venues that have the capacity, facilities or profile to attract larger conferences, of say 1,000 delegates. Those venues that do have the capacity, for example the Town Hall or the Royal Armouries are seen to have a number of limitations in their current form.
- 1.47 Industry trends suggest that whilst the conference market is growing, this is not at the larger end of the market, with demand for large conferences remaining static at c0.5-2% of all conferences for over 1,000 delegates.
- 1.48 Leeds specific research suggests that there is some latent demand for mid-large scale conferences in the city. In particular from professional conference organisers/corporate enquires. Further, consultation in Leeds and nationally supports this view.
- 1.49 In summary, there is some demand for a facility capable of hosting larger conferences (c1,000+ delegates) in Leeds.

Regional perspective

- 1.50 The regional perspective is particularly important in relation to conference and exhibition facilities in Leeds, because of the close proximity of Harrogate International Centre.
- 1.51 Regional partners including Yorkshire Forward and Harrogate BC/ HIC have been fully consulted in this process and are supportive of the development of an arena in Leeds. However, there is some concern from HBC that a conference/ exhibition facility with capacity for over 500 delegates would negatively impact upon the HIC, in which case a planning or other objection could be lodged by HBC.
- 1.52 However, evidence suggests that Leeds and Harrogate attract a different type of conference/ organiser and city records indicate that organisers approaching Leeds to host an event rarely use Harrogate if Leeds cannot accommodate their requirements (8 out of 194 enquires). Leeds primarily loses events to other core cities, in particular Manchester. The opportunity for Leeds and Harrogate to work together to develop a joint/ wider offer has been identified.

Opportunities

- 1.53 Leeds is well-catered for at the lower-scale end of the conference market. However, there is a gap for larger scale (1,000+ delegates) conference and associated exhibition facilities in the City. A number of opportunities to fill this gap have been explored, as detailed in table E.3.

EXECUTIVE SUMMARY

Table E.3 Summary of options for provision of conference & exhibition facilities

Option	Scale of capital cost to Council	Scale of revenue/subvention cost	Ability to meet identified gap in market	Associated risk to Council	Summary
Do nothing	0	N/A	Nil	Low	Misses opportunity to increase profile and appeal of Leeds. Fails to generate any business tourism and associated economic impact for the city
Improve existing facilities	Low-Medium	Medium	Medium	Medium	Restrictions dictated by site constraints and problems with extending building footprint to deliver improved facility layout and greater ancillary facilities to attract increased conference use. Unknown how much this would improve market perception and stimulate interest/profile. There remain issues around the potential for the Council to fund capital improvements to facilities that are not Council-owned
Deliver purpose-built conference centre	High	High	High	High	This proposal would be of some concern to both Yorkshire Forward and Harrogate, having a potentially detrimental effect on the operations of the latter. While the market for Leeds would appear strong, the lack of large-scale conferences (events for 1,000+ delegates constitute just c.2% of the total market) and the inevitable competition for events would make this a high-risk strategy for the Council. High capital and revenue costs are likely to be inherent in this scheme.
Adapt arena for conference/exhibitions	Medium	Low	Medium-High	Medium-Low	Provides a valuable facility capable of staging large-scale conferences and exhibitions, to complement existing provision in the city. Allows city to build a market and profile without investing upfront in costly purpose-built conference facilities. Provides additional event day opportunities to the arena to increase project viability and sustainability.

EXECUTIVE SUMMARY

- 1.54 The least favourable option is to develop a purpose-built convention centre (cost and risk considerations). The most favourable option is to consider conference facilities as part of a higher specification arena.
- 1.55 However, the ultimate decision on the inclusion or otherwise of conference facilities in the arena bowl/complex will be determined by the bidders, and dictated by projections of the feasibility/desirability/operating benefit of adopting this approach. The procurement documentation and evaluation process will therefore need to reflect this position.
- 1.56 In parallel with this solution, there is the opportunity for the Council to further investigate and support the emerging temporary/non-permanent solutions being put forward by private sector partners which could provide complementary provision.

R10

Procurement documentation to set out to operators/bidders that inclusion of conferencing/exhibition capabilities should be determined by the financial/operating benefit associated with this flexibility.

Delivery plan for Leeds Arena

- 1.57 In order to deliver the required outcomes for the project, there are six workstreams that require progression at different times over the life of the project. The headline tasks within each of the six workstreams are detailed in Figure E.3 overleaf.
- 1.58 The tasks are in 'time order' to provide an indication of the inter-relationship across the six workstreams. For example, the Developer procurement process will not begin until the Operator procurement is at Invitation to Participate in Dialogue stage (thus allowing the preferred operator to be selected in time to participate in the developer selection). A full project timeplan is illustrated in Figure E.4.

Basis of information

- 1.59 This report has been prepared for Leeds City Council. It is not possible to guarantee the fulfillment of any estimates or forecasts contained within this report, although they have been conscientiously prepared on the basis of our research and information made available to us at the time of the study. The authors will not be held liable to any party for any direct or indirect losses, financial or otherwise, associated with any contents of this report or the associated business plans and cashflow analysis.
- 1.60 Further information or clarification on the contents of this summary can be sought from Kelly du Preez (020 7534 3941) or Andy Farr (01606 49582).

Figure E.3 Workstream and action plan

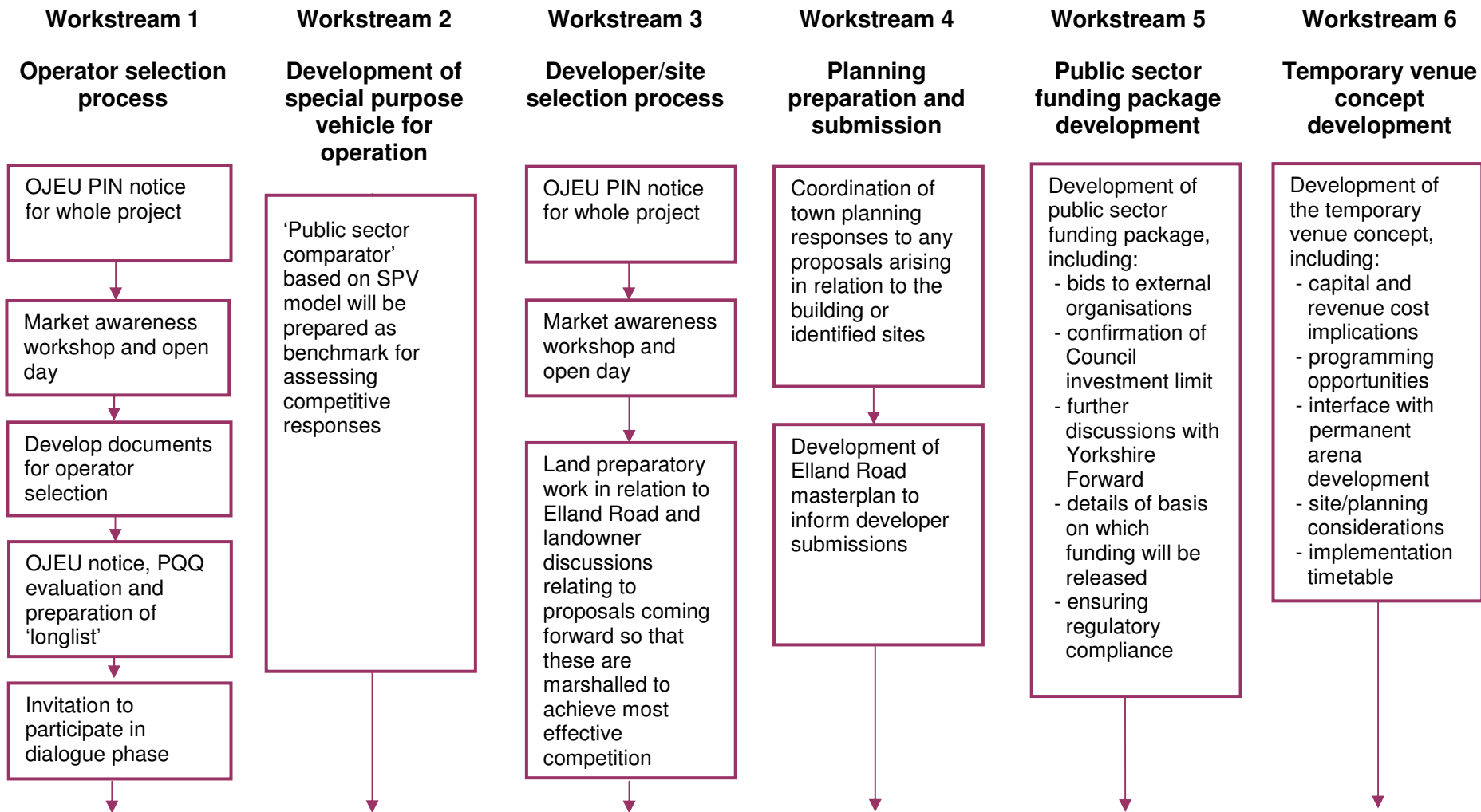


Figure E.3 Workstream and action plan (cont.)

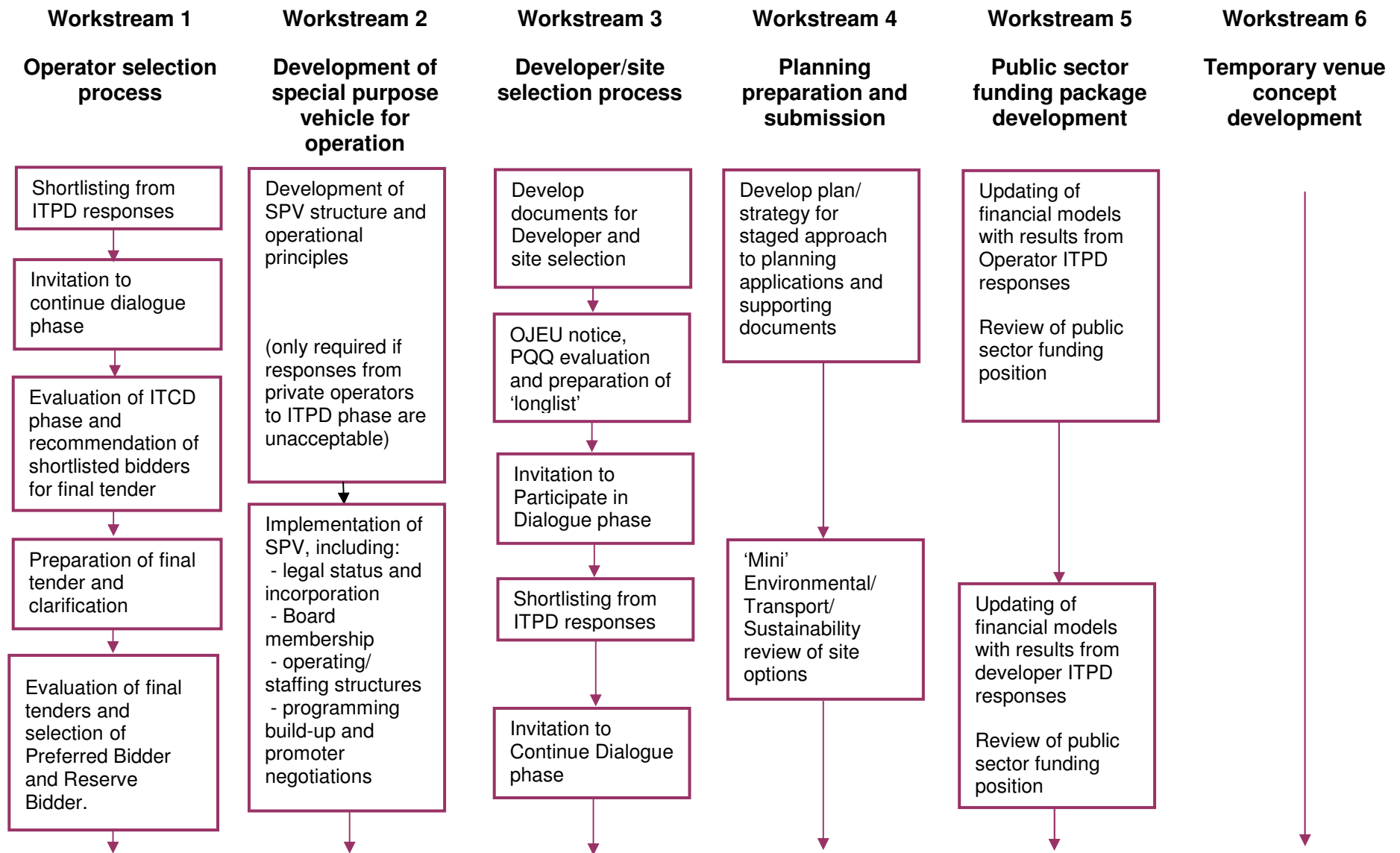


Figure E.3 Workstream and action plan (cont.)

