



**CONFIDENTIAL APPENDIX TO BE CIRCULATED AT THE MEETING WHICH IS DESIGNATED EXEMPT UNDER EXEMPTION 3 (COMMERCIAL INTERESTS)**

## Report of the Director of Development

### Executive Board

**Date: 24 January 2007**

**Subject: Land at Portland Gate Leeds 1**

#### Electoral Wards Affected:

CITY AND HUNSLET

#### 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

Executive Board approval is sought to the disposal of C Car Park and the former Civic Hall Annex site to Leeds Metropolitan University (LMU) following detailed one to one negotiations, for the purpose of the development of a major facility for the University, together with a public pay and display car park.

A confidential appendix will be circulated at the meeting which sets out the provisionally agreed terms of the disposal.

## **1.0 Purpose Of This Report**

1.1 The purpose of this report is to seek Executive Board approval to the disposal of C Car Park and the former Civic Hall Annex site to Leeds Metropolitan University (LMU) following the detailed negotiations that have taken place between LMU and the Development Department on a one to one basis; together with the provisionally agreed terms and scheme proposals for which planning consent has been achieved.

## **2.0 Background Information**

2.1 On 19 January 2005 Members considered a report from the Director of Development <sup>(1)</sup> relating to the disposal of C Car Park and the former Civic Hall Annex site. The site extends to 0.725 hectares (1.792 acres) and is used for short stay pay and display parking with 177 spaces and separately 45 spaces for Members' and Chief Officers' parking.

2.2 An Appendix<sup>(2)</sup> was attached to the report designated Exempt / Confidential under Exemption 1 (Commercial Interests), which included a recommendation.

2.3 The Executive Board considered the recommendation and resolved on 19 January 2005 that:-

- i) the previous decision to dispose of C Car Park and the former Civic Hall Annex site to the previously preferred developer be rescinded and that the Council withdraw from negotiations with that party.
- ii) negotiation be entered into with Leeds Metropolitan University on a one to one basis for the disposal of C Car Park and the former Annex site, with provisional terms and scheme proposals being reported back to Executive Board for approval.

2.4 In addition to provisional terms being reported back, Members requested that a progress report be submitted for consideration within three months of the date of the meeting of the Executive Board.

2.5 On 20 April 2005 the Executive Board considered a further report from the Director of Development <sup>(3)</sup> and approved in principle that detailed negotiations should continue between the Council and Leeds Metropolitan University on a one to one basis for the disposal of C Car Park and the former Civic Hall Annex site, with provisionally agreed terms and scheme proposals being reported back to Executive Board for approval.

2.6 LMU indicated its desire to incorporate the Council owned site into its existing university campus and it was considered that this offered a major and unique opportunity to regenerate a key part of the city. LMU also considered that this proposal would create leading edge facilities for students.

2.7 The report explained that LMU had a very clear target of completing the construction of a building on site for the University's own occupation by September 2007 and Members were advised that the Development Department were of the opinion that LMU had demonstrated a major commitment to acquiring and developing the site.

### **3.0 Main Issues**

- 3.1 Following discussion between LMU, Planning Services and the Civic Architect, together with attendance at three Planning Workshops, LMU submitted a detailed planning application for the proposed development of the University Business School and mixed use buildings comprising office, residential, hotel, educational and retail uses and provision of a replacement public car park. This application proposed a Phase 1 development relating to the southern part of the site, designed to meet the current and future needs of LMU, including faculty administration and offices on upper floors, teaching space, lecture theatres, café and social / interactive space and car parking. With regard to Phase 2, outline planning permission was sought for siting, height and the mix and range of uses, with all other matters reserved.
- 3.2 This application was presented to Plans Panel (City Centre) on 14 September 2006 with a recommendation to Members that they approve the application in principle and defer and delegate the final decision to the Chief Planning Officer subject to the specified conditions and the provision of a Section 106 legal agreement as outlined in the report. <sup>(4)</sup>
- 3.3 During the preparation and submission of the planning application, detailed negotiation progressed between the Council and LMU to agree the terms and conditions in respect of the proposed sale.
- 3.4 Details regarding the purchase price and the main terms and conditions of sale are detailed in a Confidential Appendix which will be circulated at the meeting of the Executive Board. This appendix is designated Exempt under Exemption 1 (Commercial Interests) and will contain a recommendation for Members' consideration. The information contained in the Appendix attached to this report relates to the financial or business affairs of a particular person, 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 one to one negotiations for the disposal of the property/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 negotiation and affect the integrity of disposing of property/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 purchasers of other similar properties about the nature and level of consideration which may prove acceptable to the Council. It is considered that whilst there may be a public interest in disclosure, much of this information will be publicly available from the Land Registry following completion of this transaction and consequently 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.
- 3.5 The recommendation to sell the subject site to LMU is on the basis that in the opinion of the Director of Development the terms offered to the Council represent the best consideration that can reasonably be obtained under Section 123 of the Local Government Act 1972 (or under the Housing Act 1985). The agreed purchase price has been verified by an independent Chartered Surveyor acting on behalf of the Council.

## **4.0 Options Appraisal**

4.1 The following options have been considered:-

- i) To retain the site in its existing use for car parking purposes which would enable the Council to continue to receive the car parking income generated. However the disposal of the site will generate a substantial capital receipt for the Council. The confidential appendix, which will be circulated at the meeting, details the capitalized value of the car park income. The site is one of the last remaining brownfield sites in the Civic Quarter and a more appropriate use would be brought about by its redevelopment. There is however an acknowledged shortage of short stay parking in the area and the Council will require the developer to incorporate a car park with no fewer than 250 car parking spaces for short stay pay and display use by members of the public. The car park would be operated privately, but subject to a pricing policy to be agreed with the Council, and if required to support activity in the Civic Quarter, including the Town Hall, the Carriageworks Theatre and Millennium Square.
- ii) To withdraw from any further discussion with LMU and attempt to dispose of the site on the open market to achieve a higher value. This is not recommended as the probable timescale relating to this option is likely to be about two years and it is considered that best consideration will be achieved for the site if a prompt disposal to LMU is progressed. The agreed value of the site has been verified by an independent surveyor acting on behalf of the Council. If the disposal to LMU was not progressed, the Council would not be supporting the University's expansion plans and may prevent it from becoming a centre of excellence which could have adverse effects on the University and the city.
- iii) To accept the offer detailed within the Confidential Appendix from LMU and dispose of the site on the recommended terms and conditions. This would secure best consideration, an appropriate re-use of the site, and could realise a substantial capital receipt in the 2006/07 financial year which will contribute to the delivery of the Council's Capital Programme. This option would also support the University's expansion plans to become a centre of excellence within the region.

4.2 It is recommended that Option iii) detailed above is the option that should be Pursued.

## **5.0 Risk Assessment**

5.1 The risks associated with taking the decision to dispose of the site through a one-to-one agreement with LMU have been identified as follows: -

- a) If the decision is taken to dispose of the site to LMU through a one to one agreement, there is a risk of the Council being challenged as to why the site was not offered for sale on the open market. The Council's actions can be justified as LMU's requirement for land to develop additional teaching and office accommodation adjacent to the existing main campus is of far greater strategic importance than a purely commercial scheme that a development company would undertake. In addition completion of the proposed disposal to LMU reduces both risk and timescale and also provides the Council with a sale at best consideration.

- b) There is a risk of the Council being challenged in that it has not secured best consideration as the site has not been re-marketed. This can be addressed by virtue of the independent valuation which has been commissioned prior to terms being recommended for the disposal of the site on a one to one basis. In addition, a condition will be included in the Sale Agreement, which may enable the Council to secure further payment by way of overage in certain circumstances, to reflect future uplift in value which could arise in excess of the land value originally agreed, due to increased levels of development in respect of Phase 2 of the scheme.
- c) A risk exists whereby LMU may not fulfil its obligations in respect of the development proposed leaving Phase 2 of the site undeveloped. The risk of this occurring is considered to be low as LMU has devoted considerable resources to designing this phased development and advises that funding is available to complete the whole scheme.

## **6.0 Implications For Council Policy And Governance**

6.1 The disposal of this site will contribute towards the following Corporate Plan Strategic Outcomes for 2005 – 08:-

i) Leeds is a highly competitive, international city

The Council wishes to achieve the objective of creating a leading city and develop its role as a regional capital. The disposal and development of the site will expand the provision of the university business school and provide additional prime office accommodation which will be made available for businesses in Leeds, contributing towards the continued economic growth of the city. In addition the provision of the hotel, residential and retail use will expand upon the choice available in the city.

ii) Our children and young people are healthy, safe and successful

This disposal of the site to LMU is of strategic importance to LMU being situated adjacent to its main city centre campus. LMU will then have the capacity to expand and provide new and improved teaching facilities to ensure that it can compete with other universities in the country.

iii) All neighbourhoods are safe, clean, green and well maintained

Disposal of the site will facilitate the development of this brownfield site adjacent to the Civic Hall and provide a modern mixed use scheme.

iv) Capital Programme Objectives

The sale of the site will generate a capital receipt and therefore support delivery of the Council's capital programme target.

## **7.0 Legal And Resource Implications**

7.1 There will be a loss of revenue from the public short stay pay and display car park currently operating from the C Car Park. The total income generated from the car park in the 2005/06 financial year and the projected outturn for 2006/07 are detailed in the Confidential Appendix. This use however was only a temporary arrangement

following the relocation of the pay and display car park on Cookridge Street upon which Millennium Square was constructed. Although there will be a loss of income, the disposal will generate a substantial capital receipt for the Council. A discounted cash flow valuation has been carried out by the Department of Corporate Services, which capitalises the value of the car park income and is detailed in the confidential appendix attached to this report. There is also a requirement from the Planning and Development Brief that 250 short stay car parking spaces are constructed by the eventual developer and operated privately. These required spaces are included within the proposed scheme and provide replacement public parking for the Civic Quarter.

7.2 The disposal of the site will provide the Council with a major capital receipt.

## **8.0 Conclusions**

8.1 The conclusion is that this proposal is the best option to pursue if the Council wish to support the University's expansion plans and to achieve a substantial capital receipt which represents the market value of the site.

## **9.0 Recommendations**

9.1 It is recommended that Members' approval be given to the disposal of C Car Park and the former Civic Hall Annex site to Leeds Metropolitan University on the main terms and conditions which are outlined within the Confidential Appendix and any other appropriate terms which may arise in the future, to be approved by the Director of Development.

### Footnotes

- (1) Report to Executive Board "Disposal of Land at Portland Gate, Leeds 1" dated 19 January 2005. Approval was given to the recommendations contained in this report by Members of Executive Board on 19 January 2005.
- (2) Report to Executive Board "Disposal of Land at Portland Gate, Leeds 1" dated 19 January 2005 designated Exempt/Confidential under Exemption 1 (Commercial Interests). Approval was given to the recommendations contained in this report by Members of Executive Board on 19 January 2005.
- (3) Report to Executive Board "Land at Portland Gate, Leeds 1" dated 20 April 2005. Approval was given to the recommendations contained in this report by Members of Executive Board on 20 April 2005.
- (4) Report of the Chief Planning and Development Services Officer to the Members of Plans Panel City Centre) dated 14 September 2006.