

Report of : Director of City Development
Report to : Executive Board
Date: 7th November 2012
Subject: SOVEREIGN STREET DEVELOPMENT PROPOSALS - UPDATE

Are specific electoral Wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, name(s) of Ward(s):	City & Hunslet	
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Is the decision eligible for Call-In?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, Access to Information Procedure Rule number:	10.4.(3)	
Appendix number:	1	

Summary of main issues

1. This report is to update Members on the offers received in response to the marketing of development plots B & C and to seek Members approval to progress with the preferred developer and occupier identified within the confidential appendix for the development of plot C Sovereign Street.
2. The report also provides a brief update on progress on KPMG's proposals for Plot A and the Council's proposals for the public realm green space at Sovereign Street.

Recommendations

3. Members of Executive Board are requested to:
 - i) approve the recommended negotiated Heads of Terms with the developer as outlined in the confidential appendix.
 - ii) grant an exclusivity agreement for a period of six months on plot C, to the occupier, to allow all parties sufficient time to conclude the legal documentation.
 - iii) delegate authority to the Director of City Development to negotiate the final detailed heads of terms of the disposal to the preferred developer.

1 Purpose of this report

- 1.1 This report is to update Members on the offers received in response to the marketing of development plots B & C Sovereign Street and to seek Executive Board's approval to progress with the recommended preferred developer and occupier identified within the confidential appendix for the development of plot C.
- 1.2 The report also provides a brief update on progress on KPMG's proposals for plot A and the Council's proposals for the public realm green space on Sovereign Street. The individual plots are identified on the attached plan. Plot B extends to 1,506 sq m (0.15 ha) and plot C extends to 1,697 sq m (0.16 ha).

2 Background information

- 2.1 The Council owned Sovereign Street site represents a high profile development opportunity in the City Centre that has the potential to contribute to the economic prosperity of Leeds, and maintain the city's reputation as the region's economic 'powerhouse', along with the Trinity Retail Development, the Arena, both to open in 2013 and the proposed Eastgate/John Lewis retail development.
- 2.2 This site was originally marketed in early December 2002, with an approved Planning and Development Brief. A preferred developer, Simons Developments Ltd, was selected by Executive Board on 7th April 2004, and the centre piece of their proposed scheme were to be twin towers, one of 47 storeys and the other of 29 storeys, and was known as Criterion Place. Due to the complexity of the scheme and the global financial crisis, a reduced revised offer from Simons Developments Ltd, was determined by Executive Board on 16th July 2008, 'not to represent best consideration'.
- 2.3 The site is currently used as a temporary 'Pay and Display' public surface car park, and the site's potential redevelopment has been under review following Executive Board's rejection of the previous development proposal in July 2008.
- 2.4 In light of this, the Council produced an updated Planning Statement to guide future development proposals that captures the site's potential to create an innovative and well designed environment, in a premium area of the city. The Statement also highlights the site's potential to integrate the first new component of high quality green space as part of the greening of the city centre southwards towards the River Aire and also beyond into Leeds South Bank and the proposed City Centre Park. It also outlines proposals for a phased delivery of the site, with individual development plots, that seeks to mitigate the risks associated with the delivery of large scale development in the current economic climate. Consultation on the document was completed in March 2011.
- 2.5 Executive Board on 27th July 2011 approved the detailed heads of terms between the Council and Sovereign Leeds Ltd to procure a new office headquarters in Leeds for KPMG, on plot A, and also to commence the marketing of plots B & C in order to identify potential occupiers for each development opportunity.
- 2.6 Executive Board on 5th September 2012 approved the Council submitting the detailed planning application for the proposed new public realm green space at Sovereign Street.
- 2.7 The scheme for the green space will provide opportunities for outdoor seating and social interaction, facilities including an interactive water feature and future public art/sculpture to attract families and create a new high quality environment in the city

centre. Through the delivery of the green space at Sovereign Street, the external environment will improve significantly bringing environmental, social and economic benefits to this area.

3.0 Main issues

- 3.1 The original 'Twin Tower' scheme proposed by Simon's proved too complicated and interdependent on different uses and occupiers within the same scheme to deliver. The Council's subsequent strategy was to create independent development plots around the proposed greenspace to ensure that each plot was both physically and financially a self contained development and therefore minimise the risk of each buildings delivery.
- 3.2 KPMG's commitment to the Sovereign Street site has re-enforced its position as one of the city's prime commercial development sites. It is essential that the balance of the site is developed in conjunction with the appropriate occupiers to ensure that its quality location and setting is established and not diluted.
- 3.3 A national marketing campaign commenced in October 2011 to identify potential occupiers for the development of plots B & C Sovereign Street, identified on the attached plan, inviting expressions of interest from occupiers and their preferred developers. All parties who expressed an interest were interviewed and the short-listed parties were invited to attend workshops with planning, highways and transportation colleagues to ensure that any subsequent financial submissions would generally be compliant with the adopted Informal Planning Statement.
- 3.4 The offers received for Plots B & C are identified within the confidential appendix along with officers' recommendations.
- 3.5 The legal documentation has now been completed with Sovereign Leeds Ltd and KPMG, and the detailed planning applications for both the development of plot A and the green space were submitted to the Council on 20th September 2012.
- 3.6 If planning permissions are granted for both applications, the sale of plot A to Sovereign Leeds Ltd will complete in April 2013 and construction for KPMG's office building is scheduled to commence in May 2013. Completion of construction and the tenant fit-out is June 2015 and KPMG will relocate into the building as soon as possible thereafter. This will be one of the first major office developments in the city since 2007, when it is completed in 2015.
- 3.7 The construction of the green space is due to be completed Spring 2015.

4 Corporate Considerations

4.1 Consultation and Engagement

- 4.1.1 A significant amount of consultation has already been undertaken, in relation to the development of the revised Planning Statement through Talking Point and consultation events, including local residents, Ward Members and key stakeholders. As part of the ongoing development of the KPMG and green space schemes, early consultation has taken place including:-
 - a pre-application presentation to plans panel in July 2012;
 - a presentation to the Civic Trust;

- a presentation and workshop with the Quality Places and Spaces group (QPS) a sub-group of the property forum;
- a public exhibition at the current KPMG office near to the site.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 The draft planning statement was screened for an Equality Impact Assessment before being approved by Executive Board and an Equality Impact Assessment screening form has been completed for the green space scheme. An Equality Impact Assessment screening form has been completed for the disposal of plot C and is attached as an appendix.

4.3 Council Policies and City Priorities

4.3.1 The development proposals including the creation of a new green space for high quality development at Sovereign Street will assist the Council in achieving several of its objectives, most notably:-

- Leeds Strategic Plan 2008 —2011.
- Enterprise and Economy: increased international competitiveness, through marketing and investment in high quality infrastructure and physical assets, particularly in the city centre.
- Culture: enhanced cultural opportunities through encouraging investment and development of high quality facilities of national and international significance.
- Health and Wellbeing: Enhance and improve quality of life, through the provision of quality green space, creating sense of pride in place, and increased social cohesion.
- The Council's new Vision 2010-2030.
- The opportunity to provide facilities that children will find attractive and help Leeds' ambition to be a child friendly city is being explored for the adjacent green space.

By 2030, Leeds will be internationally recognised as the best city in Britain, a city that is fair, open and welcoming with a prosperous and sustainable economy, a place where everyone can lead safe, healthy and successful lives.

4.4 Resources and Value for Money

4.4.1 The disposal of plot C will generate a substantial capital receipt, which is identified in the confidential appendix. There will be further capital receipt and/or revenue income as and when the remaining development plot B is developed.

4.4.2 The Council currently receives an income from the surface car park, which it operates as a long stay 'Pay and Display' car park; the projected net income for the current financial year is £738,000, however, please note this will reduce substantially in 2013/2014 as the plots are developed and construction commences on the Sovereign Street sites.

4.5 Legal Implications, Access to Information and Call In

4.5.1 This is a key decision and is therefore subject to call in.

4.5.2 In the opinion of the Head of Property Services, 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).

4.5.3 The information contained in the confidential appendix attached to this report relates to the financial or business affairs of a particular company, and of the Council. 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. 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.

4.6 Risk Management

4.6.1 The risks are identified in the confidential appendix.

5 Conclusions

5.1 The Council's vision is to transform the Sovereign Street site into a high quality mixed use environment, the development proposed in the confidential appendix will complement and enhance KPMG's proposals for plot A and the Council's proposal to provide a high quality green space, and this will make a significant contribution to the quality and vibrancy of the city centre as a place to visit and as a business location.

6 Recommendations

6.1 Members of Executive Board are requested to:

- i) approve the recommended negotiated Heads of Terms with the developer as outlined in the confidential appendix.
- ii) grant an exclusivity agreement for a period of six months on plot C, to the occupier, to allow all parties sufficient time to conclude the legal documentation.
- iii) delegate authority to the Director of City Development to negotiate the final detailed Heads of Terms.

7 Background documents¹

7.1 None.

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.