

Report of: Director of City Development

Report to: Executive Board

Date: 13 March 2013

Subject: Acquisition of the Engine House, Giotto Tower, Verona Tower and Little Chimney at Tower Works, Globe Road, Holbeck, LS11 5QG

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 type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" 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:		
Appendix number: 1		

Summary of main issues

1. The Homes and Communities Agency has offered the Council the opportunity to acquire the freehold interest in a number of buildings it owns at Tower Works, Globe Road, Holbeck.
2. The buildings comprise the Engine House, Giotto Tower, Verona Tower and Little Chimney; all significant Listed buildings and well known Leeds' landmarks.
3. The HCA is offering to transfer the buildings with a financial dowry which will enable the Council to maintain the buildings and bring about the reuse of the Engine House. The HCA request the Council to complete the acquisition by 28 March 2013.
4. Agreeing to the proposed transfer of these properties to the Council will assist the broader regeneration of the Holbeck Urban Village area. This area includes a number of buildings which are important to the industrial heritage of Leeds, namely Marshall Mills, the Round Foundry and Temple Works. The proposals outlined in the report will help to support the protection of the city's industrial heritage in the local area.

Recommendations

5. Executive Board is requested to agree the Council accepts the freehold transfer of ownership from the Homes and Communities Agency of buildings known as the Engine House, Giotto Tower, Verona Tower and Little Chimney at Tower Works, Globe Road, Holbeck, subject to the financial dowry offered by the HCA being of sufficient sum and no less than the amount identified in confidential Appendix 1.
6. Executive Board is requested to approve the principle of the Giotto Tower, Verona Tower and Little Chimney being placed within a trust, established to maintain the buildings in perpetuity, with the council as full trustee.
7. In the event of any matters requiring formal approval between Executive Board and approval of the transaction and completion, then Executive Board is requested to agree that these be dealt with under the appropriate scheme of delegation; to the Director of City Development, with the concurrence of the Executive Member for Economy & Development and the Director of Resources.

1 Purpose of this report

- 1.1 The purpose of this report is to advise Members of Executive Board of the request from the Homes and Communities Agency that the Council accepts the transfer of four Listed buildings into its ownership at Tower Works, Globe Road, Holbeck.
- 1.2 Transfer of the buildings will be accompanied by a financial dowry funded by the Department of Communities and Local Government and will result in the City Council and Homes and Communities Agency working in partnership to bring forward the redevelopment of Tower Works and the wider Holbeck Urban Village.
- 1.3 This report details the reasons and terms for the transfer and recommends that the Council accepts the freehold transfer of the buildings, and how the buildings should be managed in the future.

2 Background information

- 2.1 The Homes and Communities Agency (HCA) owns a site on Globe Road known as Tower Works, as shown on the attached Plan 1 edged black. Within this site there are five buildings as marked on the plan, known as Tower Works (Grade II Listed), Engine House (Grade II Listed), Giotto Tower (Grade II* Listed), Verona Tower (Grade II* Listed) and Little Chimney (Grade II Listed). Being Listed buildings they must be retained. The HCA has refurbished the Tower Works building and lets it as office space for new and growing businesses. The building is approximately 75% let. The other four buildings stand empty and unused.
- 2.2 The HCA secured planning permission for redevelopment of its Tower Works site, partly in detail for residential use with the remainder in outline for commercial uses. The site was marketed, but due to poor market conditions a purchaser could not be secured.
- 2.3 More recently the HCA has undertaken soft market testing of the site to determine whether it is now of interest to developers as the property market is starting to improve. This exercise revealed the four Listed buildings within the site are considered to be major impediments making the site unattractive to main stream developers. The refurbishment costs of the Engine House will exceed its end value and in isolation is therefore not financially viable to develop commercially, and if incorporated with the surrounding Tower Works site would require cross subsidy from more profitable elements, which currently do not exist. The Giotto and Verona Towers and Little Chimney have no use, but must be retained on site and will be maintenance liabilities to any future owner by virtue of their Listed status. Developers responding to the soft market testing exercise advise they would be interested in acquiring and developing the Tower Works site if the Listed buildings were excluded.
- 2.4 The HCA has been considering ways of removing risk from its development sites to make them more attractive to the open market to encourage redevelopment to take place. To achieve this the Department of Communities and Local Government (CLG) is making money available which can be used to remove problems such as the Listed buildings at Tower Works. This money cannot, however, be used by the

HCA but must be paid to a third party partner, such as a Local Authority, which will work in partnership with the HCA to secure redevelopment of problematic sites.

3 Main Issues

- 3.1 The Tower Works site is attractive to the open market and its redevelopment could possibly be achieved if the liability of the Listed buildings is managed. The money being made available by CLG to remove the problem cannot, however, be used by the HCA and Leeds City Council has been asked to work in partnership to assist with the redevelopment.
- 3.2 The HCA has requested that the Council accepts the freehold transfer of the four Listed buildings. The transfer will be accompanied by the CLG dowry of sufficient sum that will enable the Council to maintain the two towers and chimney for their life time. In addition, the dowry will contain sufficient funds to maintain the Engine House until it is the appropriate time to refurbish it and bring it back into use. This will be when the surrounding Tower Works is redeveloped, and the dowry will be sufficient to fund the refurbishment works.
- 3.3 The HCA advise there will be no conditions, obligations or clawbacks attached to the transfer or funding agreement. The Council may deal with the buildings in the future in any way it feels fit. The HCA request that the transfer of ownership to the Council be completed by the end of the 2012/13 financial year as the offer of funding from CLG is only available this year.
- 3.4 The main issues for the Council to consider are whether the liability of four Listed buildings should be taken on, and the effect such an acquisition could have on the future redevelopment activities in Holbeck Urban Village.
- 3.5 Removing the buildings from the HCA Tower Works site is likely to realise redevelopment of this site sooner, as the financial viability of any redevelopment scheme will be improved and risk to the developer reduced. The Council will work in partnership with the HCA when a purchaser is secured to redevelop Tower works and the Engine House could eventually be transferred to such a purchaser. Redevelopment of the prominent Tower Works site on the edge of Holbeck Urban Village is likely to act as a catalyst for further development in the Village. The Council can assist with reviving development activity by acquiring the buildings and de-risking the HCA Tower Works site.
- 3.5.1 At the time of writing the report the CLG dowry sum to accompany the transfer had not been agreed. Surveys of the buildings are being commissioned and are scheduled to be undertaken in early February 2013. The survey results will be used to determine an appropriate dowry sum. The companies undertaking the surveys have been appointed by the HCA as there was insufficient time for a joint HCA / Council appointment to be made. The companies will, however, provide a Duty of Care and Professional Indemnity Insurance to the Council as the Council will be relying upon the findings of the survey reports if the buildings are acquired. There are risks associated with acquiring these Listed buildings, even when accompanied by the CLG dowry. These risks are considered in details later in the report. The dowry sum will be reported to Members in the confidential appendix at the

Executive Board meeting. The sum will be itemised to show costs relating to individual building.

- 3.5.2 In relation to the Towers and Chimney, these are unlikely to be of any interest to a future developer of Tower Works on a commercial basis. Due to the prominent locations within Tower Works a developer will seek assurances that the future of the buildings is secure. The dowry accompanying the transfer of these buildings will be sufficient to guarantee their futures and it is proposed that the Council establishes a Trust to manage them in the future. The Trustees would be the Executive Member for Development and the Economy, and the Director of City Development, or their nominated representatives. The Trust would have a specific purpose to manage the repairs and maintenance of the Towers in perpetuity and to oversee the management of the funds made available to enable this undertaking to be carried out on behalf of the Council.
- 3.5.3 The Engine House may be of interest on a commercial basis as it lends itself to alternative uses. The costs of its refurbishment is likely, however, to exceed its end value. The HCA dowry will fund the refurbishment costs and the Council could either undertake the refurbishment itself, or transfer the funds for the works by way of reverse premium to the developer of Tower Works.

Holbeck Urban Village

- 3.5.4 Holbeck Urban Village is a former industrial and residential area extending to approximately 15.2 hectares (37.5 acres) on the edge of Leeds City Centre with a rich history. It is a unique and distinctive area, rich in architectural heritage, offering significant regeneration potential to add value to the overall Leeds City offer and capitalising on its key location close to the city centre, railway station, waterfront and motorway network. Significant historic buildings situated in Holbeck Urban Village are Temple Works and Marshall Mills both on Marshall Street, Round Foundry on Foundry Street, and Midland Mills on Silver Street; all within 300m of Tower works. Plan 2 attached shows the location of these buildings in relation to Tower Works.
- 3.5.5 Development was guided by revised planning framework approved in 2006. Until the economic downturn, there had been over £170m of investments in the area and many sites had secured planning permission for major mixed use schemes. The area has also become a key centre for the city's creative and digital industries.
- 3.5.6 Economic conditions have meant that some proposed developments are no longer viable, at least four schemes were halted as they were about to start on site; two developers fell into liquidation and major public sector schemes were deferred in whole or part. Notwithstanding this, Holbeck Urban Village remains a key regeneration priority for the city and there remains significant potential to regenerate an historic area of the city.
- 3.5.7 The new southern entrance to the railway station should encourage landowners and developers to consider investment in the area and the development of vacant sites. The first phase of the redevelopment of Tower Works was recently completed and existing developments in the area have high occupancy rates.

3.5.8 There has been dialogue between the Council and landowners concerning sites in the Holbeck Urban Village area, in the context of the Council's role in setting local planning and regeneration strategy and co-ordinating a range of interests across the public and private sectors towards common aims. These discussions have sought to identify opportunities to find solutions to challenges stalling development, in order to bring about new development sooner. This should, in turn, create jobs and boost local economic growth. The Council's acquisition of the Engine House and towers will remove the liability of these buildings from the Tower Works development site and thus stimulate interest in the more straight forward development opportunity it now offers. Development of this site could act as a stimulus for redevelopment in other areas in Holbeck Urban Village, including the council's land at Bath Road as identified on Plan 2.

4. Corporate Considerations

4.1 Consultation and Engagement

4.1.1 Consultations have been undertaken with the Executive Member for Development and the Economy. In addition, initial discussions have taken place with English Heritage.

4.1.2 Ward Members for City and Hunslet, have been advised of the proposed acquisition. A response has been received from one Ward Member advising that they have no objection to the Council acquiring the properties, but stating there must be sufficient funds in a trust for the future preservation of the towers. No responses to date have been received from the other Ward Members.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 Screening has been undertaken to determine whether proper consideration to equality, diversity, cohesion and integration has been given in association to the proposed acquisition by the Council. The screening has helped to judge relevance of the proposal and provides a record of both the process and decision, whether or not such issues are, or should be, considered and whether it is necessary to undertake an impact assessment.

4.2.2 Based on the screening it has been determined no equality, diversity, cohesion and integration impact assessment will be necessary in connection with the Council's acquisition. The screening document is attached as an appendix.

4.3 Council Policies and City Priorities

4.3.1 The Council's Vision for Leeds 2011 to 2030 and the Council's City Priority Plan 2011 to 15 details the Council's ambition to be the best city in the UK. Key four year priorities have been identified to help deliver the long term vision. This long term vision is supported by three aims:

- Leeds will be fair, open and welcoming.
- Leeds' economy will be prosperous and sustainable.

- All Leeds' communities will be successful.

- 4.3.2 The Council's acquisition can contribute to the ambition of becoming the best city in the UK as redevelopment of the HCA's prominent Tower Works site, situated next to the Leeds to London railway line, close to the proposed new southern entrance of railway station, and on the edge of Holbeck Urban Village, is more likely to occur than if the HCA attempted to transfer the liability of the Listed buildings with the overall site.
- 4.3.3 The HCA is likely to actively pursue some form of housing on the site, for which detailed planning permission has already been granted. This should introduce new residents to Holbeck Urban Village and increase community cohesion in this part of the city. The economic viability of the area should also increase with new residents and businesses occupying new development at Tower Works. The location is attractive to business as the HCA's newly refurbished building at Tower Works demonstrates, being 75% occupied shortly after opening.

4.4 Resources and value for money

- 4.4.1 The City Council has no financial resources to take on the liabilities of these four Listed buildings. The HCA acknowledges this and the dowry from CLG should fund all the Council's costs associated with its ownership.
- 4.4.2 The HCA has commissioned detailed surveys of the buildings to determine the current condition, any repairs immediately necessary, and longer term maintenance costs. In respect of the Engine House the cost of refurbishing to a standard for occupation in accordance with the planning permissions granted (bar, restaurant, retail) will also be assessed to enable the Council to undertake such a refurbishment in the future. These surveys are being undertaken by Arup and Davis Landgon, with sub-appointment of steeplejacks. *(At the time of writing the report the survey reports were not available. The findings of the surveys will be reported at the Cabinet meeting.)* The companies have been appointed by the HCA and will provide a duty of care to the Council in relation to their survey findings as the Council's acquisition of the buildings will be based on the reports which were commissioned by a third party (the HCA). The companies will also provide the Council with an agreed level of Professional Indemnity Insurance which will provide cover for any potential claims brought against the companies for professional negligence in the advice they provide.

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 The Council may complete the acquisition by virtue of Section 120 of the Local Government Act 1972 which covers acquiring land for "the benefit, improvement or development" of the Council's area, or for the purposes of any of the Council's functions under any enactment which would now include the new general power of competence in Section 1 of the Localism Act 2011, ie the power for the Council to do anything that individuals generally may do. The acceptance of the dowry by way of a funding agreement with the HCA would be covered either as an incidental to the acquisition, or separately under the general Power of Competence.

- 4.5.2 This is a key decision and therefore subject to call in. The HCA, however, request that the buildings be transferred to the Council by the end of the 2012/13 financial year, this being 28 March 2013. The HCA impose this deadline as the dowry available from CLG to accompany the transfer is only available until the end of the financial year. In the event of the matter being called in the it would not be possible to meet the HCA deadline and the dowry would be lost. In circumstances where there are significant consequences if a matter is called in then a decision may be Exempt from Call In if the decision taker considers that the decision is urgent (i.e. that any delay would seriously damage the Council's or the public's interests). Therefore it is recommended that this matter be exempted from Call In for the reasons outlined above.
- 4.5.3 The information contained in Appendix 1 is exempt under Access to Information Rule 10.4 (3) as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information). It is considered that the public interest in maintaining the content of Appendix 1 as exempt outweighs the public interest in disclosing the information. This report relates to a property transaction, which in some cases could be deemed to be highly sensitive where competing parties are involved. In this particular case there are no competing parties, but one item of information in the confidential appendix could be considered to be confidential and should be treated as such (and the HCA has requested that it be dealt with in this way). This is that the sum of dowry if available in the public domain could have an adverse impact on other transactions the HCA is proposing.

4.6 Risk Management

- 4.6.1 In offering the buildings to the Council the HCA is attempting to de-risk its Tower Works site. The HCA is unable to retain the buildings in its ownership and sell the site, but must transfer the liability to a third party, such as the Council. The liabilities of these Listed buildings will transfer to the Council, but the CLG dowry should be sufficient to cover identified costs. The Council and HCA will work in partnership in the future to bring about the redevelopment of Tower Works. The risks associated with the proposed acquisition are considered below.
- 4.6.1.1 A new maintenance liability would be transferred to the Council. The new maintenance costs should be adequately funded by the CLG dowry. In the event of there being unforeseen repairs which cannot be funded from the dowry then the Council could attempt to rely on the Duty of Care and Professional Indemnity Insurance provided by the companies whose reports the Council relied on to conclude the acquisition. Ultimately, should such a claim fail, then unforeseen maintenance costs would in a worst case fall to the Council
- 4.6.1.2 The dowry may be insufficient to fund refurbishment of the Engine House. The Council is likely to only refurbish, or transfer ownership of, the Engine House when the HCA has secured a purchaser for Tower Works and the redevelopment scheme and refurbishment of the Engine House can be brought together at the same time. This could be some years in the future when refurbishment costs may have increased considerably and cannot be funded from the dowry. The Council may then be exposed to funding the shortfall itself

if an occupier or purchaser for the Engine House cannot fund the difference (by way of reverse premium, rent free period or reduced purchase price). This risk is being mitigated through the due diligence work being undertaken by Arup and Davis Langdon.

- 4.6.1.3 Pace of development in Holbeck Urban Village. In the event of the transfer of the buildings not being completed then the HCA is less likely to be able to realise redevelopment of its Tower Works site. This will then have an adverse effect on the pace of redevelopment in Holbeck Urban Village. In accepting a transfer of the buildings the Council is assisting the regeneration of Holbeck Urban Village.

5 Conclusion

- 5.1 For the benefit of Holbeck Urban Village and to enable regeneration of the prominent Tower Works site it is proposed that the Council should accept the freehold transfer of the four HCA owned buildings. The transfer will be accompanied by a dowry of sufficient sum to fund the associated maintenance liabilities of all the buildings and refurbishment of the Engine House. The Council and HCA will work in partnership to secure a purchaser and the redevelopment of Tower Works.
- 5.2 In addition, it is proposed a Trust will be created by the Council into which the towers and chimney will be transferred. This Trust will have to sole purpose of preserving the buildings.
- 5.3 In respect of the Engine House, the Council will pursue its disposal to the eventual purchaser / developer of the HCA's Tower Works site. It is most likely the building will be transferred in its unrefurbished condition with that part of the dowry allocated to its maintenance and refurbishment by way of reverse premium.

6 Recommendations

- 6.1 Executive Board is requested to agree the Council accepts the freehold transfer of ownership from the Homes and Communities Agency of buildings known as the Engine House, Giotto Tower, Verona Tower and Little Chimney at Tower Works, Globe Road, Holbeck, subject to the financial dowry offered by the HCA being of sufficient sum and no less than the amount identified in confidential Appendix 1.
- 6.2 Executive Board is requested to approve the principle of the Giotto Tower, Verona Tower and Little Chimney being placed within a trust, established to maintain the buildings in perpetuity, with the council as full trustee.
- 6.3 In the context of 6.1 and 6.2, in the event of any matters requiring formal approval between Executive Board approval of the transaction and completion, then Executive Board is requested to agree that these be dealt with under the appropriate scheme of delegation; to the Director of City Development, with the concurrence of the Executive Member for Economy & Development and the Director of Resources.

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.