

Report of Director of City Development

Report to Executive Board

Date: 20 March 2019

Subject: Marketing for the disposal of the Lisbon Street Site, Leeds

Are specific electoral wards affected? If yes, name(s) of ward(s): Little London and Woodhouse	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
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 checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Summary of main issues

1. This site at Lisbon Street, as outlined on the plan in Appendix 1, forms part of the Council's approved capital receipts programme and is scheduled for disposal in 2020/21.
2. Following a period of sustained development activity in the city and corresponding improvement in property market conditions, the Council has been seeking expressions of interest in the site from interested parties, including developers and investors. The level of interest has been high.
3. Recent market reports have evidenced the success of development activity in Leeds with the latest Deloitte Crane Survey reporting that Leeds had broken a number of construction records in 2018, with 21 new starts, the highest since 2007. Over 800,000 sq ft of office accommodation, 2200 residential units and 2700 student bed spaces are currently under construction in the city-centre. These figures are in excess of rates experienced over recent years and have brought forward a number of development plots in the city centre.
4. Leeds has seen a number of inward investment moves which have included Burberry, Reed Smith, Perform Group, the Government Hub and more recently the decision of Channel 4 to relocate its HQ in the city. The analysis of the future development pipeline also indicates that there is a potential shortfall in Grade A office supply in the city from Q4 2021 into 2022, as developments such as Wellington Place are now firmly established in the city.

5. The Lisbon Street site provides a substantial brownfield development opportunity to potentially secure further inward investment and provide a timely supply into the city's construction pipeline to bring forward city centre growth as part of mixed used development.
6. It is therefore considered that it is now the appropriate time to release this site for development by advertising the site for sale on the open market and seek financial offers and development proposals for consideration by the Council. In doing so the disposal of the site will contribute to the outcomes of the Leeds Inclusive Growth Strategy, specifically the target to double the size of the city centre and in doing so increase the economic output.

Recommendations

Executive Board is asked to:

- i) Approve the recommencement of the marketing of the site, in accordance with the disposal strategy and planning statement outlined within this report and also within Appendix 2.
- ii) Request that officers bring back a report to Executive Board that evaluates the schemes and offers made and makes a recommendation on the preferred and reserve schemes to be selected.
- iii) Note the proposal to develop a business case to identify the potential to increase the capacity of the Council's West Street Car Park for further consideration.

1. Purpose of this report

- 1.1 The purpose of this report is to seek approval to recommence the marketing of this site for disposal.

2. Background information

- 2.1 The site at Lisbon Street, as outlined on the plan in Appendix 1, forms part of the Council's approved capital receipts programme and is scheduled for disposal in 2020/21.
- 2.2 An upturn in commercial property market conditions led to showcasing this potential development opportunity at the international property exhibition, MIPIM, in 2017. The proposed sale of this site was reaffirmed, within a schedule of other sites, at Executive Board on 7 February 2018.
- 2.3 Subsequently, the Council invited expressions of interest in the site from relevant parties, particularly developers and investors. To date, there has been significant interest in the site, resulting in the receipt of approximately 70 expressions and additionally the Council has received numerous other general enquiries.
- 2.4 Members will be aware that the city is going through a period of sustained development activity on the back of a corresponding improvement in property market conditions.
- 2.5 Recent market reports have evidenced the success of development activity in Leeds with the latest Deloitte Crane Survey reporting that Leeds had broken a number of construction records in 2018, with 21 new starts, the highest since 2007. Over 800,000 sq ft of office accommodation, 2200 residential units and 2700 student bed spaces are currently under construction in the city-centre. These figures are in excess of rates experienced over recent years and have brought forward a number of development plots in the city centre.
- 2.6 Leeds has seen a number of inward investment moves which have included Burberry, Reed Smith, Perform Group, the Government Hub and more recently the decision of Channel 4 to relocate its HQ in the city. The analysis of the future development pipeline also indicates that there is a potential shortfall in Grade A office supply in the city from Q4 2021 into 2022, as developments such as Wellington Place are now firmly established in the city.
- 2.7 The immediate location has seen development proposals come forward for, Queen Street, Lisbon Square and the site of the former Yorkshire Post, on Wellington Street. This is within a wider context of new development on Wellington Place and Sovereign Square, including the HMRC hub.
- 2.8 The Lisbon Street site provides a substantial brownfield development opportunity to potentially secure further inward investment and provide a timely supply into the city's construction pipeline to bring forward city centre growth as part of mixed used development.
- 2.9 It is therefore considered that it is now the appropriate time to release this site for development by advertising the site for sale on the open market and seek financial offers and development proposals for consideration by the Council. In doing so the disposal of the site will contribute to the outcomes of the Leeds Inclusive Growth Strategy, specifically the target to double the size of the city centre and in doing so increase the economic output.

- 2.10 A revised Planning Statement has been prepared, to inform and guide interested parties and outlines acceptable uses, including grade A offices, residential and hotel and the form of development. There is also a planning requirement for an area of civic greenspace public realm. The Planning Statement is outlined in Appendix 2. This will be supplemented with visuals, sketch plans and a design brief for the civic greenspace and public realm for illustrative purposes.
- 2.11 Furthermore, as it is likely that the proposals received by the Council will include tall buildings, external independent wind consultancy advice has been obtained and will be provided to interested parties to guide appropriate development on the site.

3. Main issues

- 3.1 It is considered that the disposal of the site is likely to generate a substantial capital receipt to the Council to support the Council's Medium Term Financial Plan. The Development of the site will also contribute to the delivery of the Leeds Inclusive Growth Strategy, specifically the outcome of doubling the city centre to support economic growth.
- 3.2 The site can provide for a substantial high quality mixed use development opportunity, in a prime city gateway location. A key element of the development mix will be the creation of Grade A office accommodation to alleviate a potential shortfall in supply in the city's development pipeline.
- 3.3 It is proposed that the disposal of the site will be undertaken through a high profile open market exercise to maximise the exposure of this opportunity and secure the best scheme and financial return possible.
- 3.4 Marketing and disposal of the site will be supplemented by the Planning Statement, as provided within Appendix 2. Significantly, this includes a planning requirement, upon the bidder selected by the Council, to deliver an integral civic greenspace public realm element. This will enhance the urban setting and improve the journey through the city and will be in accordance with the principles of the Council's draft Our Spaces Strategy.
- 3.5 Subject to approval of the recommendations set out in this report, it is proposed that the offers ultimately received from the marketing exercise will be considered and a recommendation made to a future Executive Board to seek approval to select the preferred bid and a reserve bidder.
- 3.6 The disposal of the site will result in the removal of the temporary car parking spaces in the city centre. A business case is currently being prepared to mitigate any loss, through investigating the potential to intensify the provision at the Council's West Street car park and a separate report will be brought to the Executive Board on this matter. These proposals consolidate existing long stay car parking provision in a suitable location.

4. Corporate considerations

4.1 Consultation and engagement

- 4.1.1 The Executive Member for Regeneration, Transport and Planning has been briefed on the proposal. Ward Members were consulted on 31 January 2019 and no adverse comments or objections were received. It is envisaged that the offers the

Council will receive back will be conditional upon securing detailed planning permission. The preferred party eventually selected by the Council, is therefore likely to require to secure detailed planning permission and the usual consultation and approval process associated with the planning regime will apply.

4.2 Equality and diversity / cohesion and integration

- 4.2.1 No specific considerations arise from the immediate proposal to commence the marketing for the disposal of the site.

4.3 Council policies and best council plan

- 4.3.1 The disposal of this site supports the delivery of the Best Council Plan 2018/19 – 2021 outcomes, in particular contributing towards a number of the 12 big ideas set out in the Leeds Inclusive Growth Strategy. These include ‘doubling the size of the city centre’, ‘working together to create better jobs’, ‘21st century infrastructure’, ‘supporting places and communities to respond to economic change’ and ‘promoting Leeds and Yorkshire’.

4.4 Resources and value for money

- 4.4.1 The disposal of the site will mean the Council will forego the income it receives from the temporary pay and display car parking of approximately £430k per annum, although expenditure savings (mainly in respect of non-domestic rates) will reduce the net loss from disposal to £260k. However, the disposal will generate a significant capital receipt and through the redevelopment of the site, provide the provision of Grade A office accommodation that will provide significant additional non-domestic rates revenue. The impact of the proposed sale will be reflected in the Council’s medium term financial plan.

4.5 Legal implications, access to information, and call-in

- 4.5.1 The proposal constitutes a Significant Operational Decision. The property was previously considered, as outlined above in paragraph 2.2 above, by the Council’s Executive Board on 19 January 2005, at which time, Members approved, as a key decision, the disposal of the site.
- 4.5.2 Whilst the proposed marketing of the site will not legally commit the Council or any third party to a sale of the site. Upon the receipt of bids, selection and approval will be on the basis of a disposal on the basis of best financial consideration to the Council. The Head of Land and Property confirms that the proposed method of disposal set out above is the method most likely to result in the Council achieving the best consideration that can reasonably be obtained under Section 123 of the Local Government Act 1972 (or under the Housing Act 1985).

4.6 Risk management

- 4.6.1 The main risk is that this development opportunity does not generate sufficient market interest when it is formally advertised. This could result in fewer proposals being submitted to the Council and/or lower financial bids being received than are anticipated. Even if a bid is accepted, economic conditions may result in the offer being withdrawn by the preferred party and the sale therefore falling through.

- 4.6.2 However, recent development interest in the site has been significant and it is considered that this will be apparent when the marketing exercise is commenced and formal offers are sought. This is a reflection of the recent strength in the property market in Leeds, and the values achieved, particularly in the office, industrial and residential sectors, demonstrated by the new development taking place across the city.
- 4.6.3 Market intelligence indicates a wider context of confidence in Leeds city centre and evidence of significant inward investment and proposals, such as those from Burberry and Reed Smith and also the recent announcement of Channel 4's decision to relocate their national headquarters to Leeds. Furthermore, there has been notable increased activity in the city centre residential market and strong demand for residential development currently exists supporting the delivery of brownfield sites.
- 4.6.4 However, the potential impact of macro-economic factors does represent an unknown national risk and there is a concern that interest in the site may be more limited than expected if there is a downturn in the national and regional economy.
- 4.6.5 The marketing of the site does not commit the Council but nevertheless is an important step in bringing about the potential redevelopment of the site. Without proceeding in this way, the opportunities and benefits of the disposal would be lost. Ultimately, the sale will be conditional on planning and development commencing within a defined period, providing the Council with suitable control to ensure a scheme is realised.
- 4.6.6 There is also a risk that there could be objections to the sale, although this is considered low, due to the benefits the redevelopment of this site will bring.

5. Conclusions

- 5.1 The Lisbon Street site is a valuable and strategic development opportunity to further enhance the growth of Leeds city centre and support the Leeds Inclusive Growth Agenda.
- 5.2 Since the former International Swimming Pool was demolished in 2009, it has always been envisaged that the site would come forward for development. In the interim, it has been used as a temporary short and long stay car park.
- 5.3 A previous proposition to sell the site was suspended, back in 2009, due to poor UK and global market conditions. Since that time, a substantial improvement in market conditions, the level of interest in this site and the need to supply the development pipeline, has led to this recommendation to recommence the formal marketing of this site for disposal
- 5.4 Subject to the recommendations being approved, the marketing will commence and the Director of City Development will recommend the preferred offer and related terms, upon the conclusion of the marketing exercise to a future Executive Board.

6. Recommendations

6.1 Executive Board is asked to:

- (i) Approve the recommencement of the marketing of the site, in accordance with the disposal strategy and planning statement outlined within this report and also within Appendix 2.
- (ii) Request that officers bring back a report to Executive Board that evaluates the schemes and offers made and makes a recommendation on the preferred and reserve schemes to be selected.
- (iii) Note the proposal to develop a business case to identify the potential to increase the capacity of the Council's West Street Car Park for further consideration.

7. Background documents¹

7.1 None.

8. Appendices

8.1 Appendix 1 – Plan of the Site

8.2 Appendix 2 – Planning Brief

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.