

**Report of : Director of City Development**

**Report to: Executive Board**

**Date: 18<sup>th</sup> July 2012**

**Subject: Land proposals for Eastgate**

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|---|---|--|
| Are specific electoral Wards affected?<br>If relevant, name(s) of Ward(s): City & Hunslet   | <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 type="checkbox"/> Yes            | <input checked="" type="checkbox"/> No |
| Does the report contain confidential or exempt information?<br>If relevant, Access to Information Procedure Rule number: 10.4 (3)<br>Appendix number: A , Plan A and Plan B | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No            |

**Summary of main issues**

1. As part of the Council's role of working with the private sector across the city to deliver and support several major development projects to facilitate economic growth, this report sets out the current position in respect to the delivery of the John Lewis Partnership (JLP) store as part of the Eastgate development. It identifies matters which have been raised as important to the John Lewis Partnership Board, the role which the council is playing in the facilitation of the resolution to the issues raised and seeks the necessary approvals to enable the Council to acquire the land presently held by the West Yorkshire Police Authority (WYPA).
2. The WYPA landholdings, are seen as a strategic investment opportunity for the Council, have the potential to allow the delivery of a car park adjacent to the new development and which will facilitate the delivery of the scheme. This being made possible through the new West Yorkshire Police Divisional HQ at Elland Road having commenced its construction phase.

**Recommendations**

3. Executive Board is recommended to :-
  - (i) approve the capital injection of funds and the authority to spend identified in the confidential appendix into the capital programme for the Council to acquire the West Yorkshire Police landholdings as shown on confidential plan A and to allocate the sum identified in the confidential appendix for the

demolition of the Millgarth building which will be dealt with as a Design & Cost report to a future Executive Board.

- (ii) approve that the Council, subject to the agreement of final terms, release to Hammerson part of the acquired site necessary to allow for the construction of the John Lewis building. (identified on confidential plan A).
- (iii) approve the principle that the Council enters into an agreement, subject to the agreement of final terms, with either or both John Lewis and Hammerson in respect to the delivery and/or operation of the car park.
- (iv) approve the principle that should the Council be unable to agree acceptable Heads of Terms with Hammerson to deliver the car park; that the Council will deliver a car park, the details of which would be subject to a further Design & Cost report to Executive Board.
- (v) provide the authority, for the completion of all necessary Heads of Terms and legal documentation, for the various property transactions as set out above and in the confidential appendix A, 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 Members are aware that the Council is working with the private sector across the city to deliver and support several major development projects to facilitate economic growth. These include, the Arena which will be delivered by 2013, the Trinity retail and leisure scheme which is also due to open in 2013 and the Sovereign Street development sites with KPMG due to complete 2015. Another key project is the delivery of the Eastgate redevelopment scheme with Hammerson. This report seeks to obtain the authority for further land acquisition related to the delivery of this scheme.
- 1.2 The report also sets out the current position in respect to the delivery of the John Lewis Partnership store as part of the development and seeks the necessary approvals to enable the delivery of a car park on the land presently held by the West Yorkshire Police Authority. Terms have been provisionally agreed between the Council and the West Yorkshire Police Authority (WYPA) for the Council to acquire the existing WYPA land holdings as identified on the confidential plan A and detailed in the confidential appendix A which would allow the delivery of a car park.

## **2 Background information**

- 2.1 As reported to Executive Board in March 2012, the Eastgate project will be a flagship development which will further move Leeds towards being one of the top retail destinations in the UK. This will partly be achieved through the securing of a John Lewis department store as a main anchor for the development.
- 2.2 In March 2011 Executive Board considered and agreed that the original 2006 Development Agreement and CPO Indemnity Agreement, be varied, thus ensuring that the existing CPO approved for the scheme was protected for future use until April 2014.
- 2.3 Changes made at this time were also to take into account Hammerson's reappraisal of the development with the intention to create a commercially viable scheme which would deliver the benefits originally intended; namely the regeneration of 10 hectares of the city centre and the creation of over 4,000 permanent new jobs.
- 2.4 In March 2012 Executive Board considered and agreed a series of proposed changes to the legal documentation which would facilitate the delivery of the John Lewis store with it potentially trading by 2016.
- 2.5 There have been an ongoing series of meetings between Hammerson, John Lewis and the Council, along with detailed workshop sessions. These have taken place to explore a number of matters raised by John Lewis which would form part of the reserved matters applications to be submitted by the developer. The main factors under consideration included the wider integration of the scheme into the city centre, transport matters and car parking. These were referred to in the report to Executive Board in March and since then there is more clarity about

these and about potential resolution to outstanding matters which would satisfy the requirements of the John Lewis Partnership Board.

- 2.6 Discussions regarding the integration of the John Lewis store and the adjoining retail development to the west of Eastgate with the Markets and the Victoria Quarter have centred around the improvement of the public realm and highway on Vicar Lane and George Street. This includes improved pedestrian linkages, visual amenity and quality of surfaces. As a result of these discussions it has been agreed that funding would be sought to provide for enhanced and additional public realm delivered at these locations over and above that being delivered by the developer as part of any s278 agreements already in place. The Capital Programme Update Report 2012- 2014, by the Director of Resources, identifies these additional works to be funded via the Council's Economic Initiatives Scheme. This is also to be considered by Executive Board today, and amounts to a request for £885,000.
- 2.7 Discussions with John Lewis and Hammerson have included the amount of car parking which needs be provided by the developer in order to deliver and open the John Lewis store early in the development. Without this provision there would be a temporary shortfall in space to accommodate the opening of a new major store, 20-40 new retail units and the Kirkgate market.

### **3 Main issues**

- 3.1 To facilitate the request from JLP both the developer and Council officers have worked to formulate an acceptable solution as the main issue is the securing of the anchor store for the Eastgate development and to provide the John Lewis Partnership Board with the assurances that there will be adequate parking provision for their opening and which will also provide parking facilities for the Kirkgate market; which is also presently under consideration for improvement.
- 3.2 In order to progress the car parking in the vicinity of the premises noted above, all existing provision was investigated, with a number of options considered which would improve the capacity in this area. A result of this work highlighted the potential that the West Yorkshire Police Authority (WYPA) land held at the Millgarth Police Station, as the preferred approach.
- 3.3 WYPA have commenced the construction phase of their proposed new Divisional Headquarters at Elland Road, which is due to complete Spring 2014. Subject to WYPA obtaining acceptable alternative premises for their city centre policing requirement, this would allow them to dispose of their land holdings in this area. As their land is adjacent to the Eastgate redevelopment proposals it was considered an appropriate site to acquire.
- 3.4 Discussions with the police over the acquisition of their land are now well advanced which has enabled the consideration of a number of options in respect to the facilitation of car parking in this vicinity. Details of the Heads of Terms relating to the land transactions are contained in confidential Appendix A.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

- 4.1.1 Appropriate consultation as part of the overall Eastgate scheme has continued over a period of time. With discussions on the matter under consideration at present being at an early stage, workshop sessions have taken place with the developer and JLP which have included planning officers and representatives of METRO. Ward Members and the Executive Member for Economy & Development have been briefed on this matter. Consultation on the matter will be taken to a wider stakeholder group as part of the planning pre-application process.

### **4.2 Equality and Diversity / Cohesion and Integration**

- 4.2.1 Due regard to equality was given in relation to the proposed decision of the acquisition of the Millgarth Police Station site by completing an equality screening form on the 6<sup>th</sup> June 2012; with the main viable option to use the site to provide a car park to facilitate the delivery the Eastgate Development. The outcome of the screening form was that there are no existing or likely differential impacts for the different equality characteristics, public concerns about the proposal or change in the way the Council's services are run.

### **4.3 Council policies and City Priorities**

- 4.3.1 As indicated in the recently published Economic Growth Strategy, retail is one of the 7 core priorities identified. This document sets out the determination to correct the fact that Leeds has slipped in the retail rankings, and that Leeds will work with developers and large retailers to address this situation with a view to understanding their needs, helping them to attract new stores to the city such as John Lewis.
- 4.3.2 Through the delivery of these large, high quality schemes, such as Eastgate and Trinity, the strategy highlights that it will move Leeds to near the top of the retail rankings. This, along with hospitality and catering will be a major draw for tourism and leisure trips to the city and coupled with the fact that over 1 in 5 businesses and more than 1 in 7 jobs in Leeds are in the wholesale and retail sector, will reflect on inward investment decisions to the city.

### **4.4 Resources and value for money**

- 4.4.1 Details regarding the financial implications relating to the commercial transaction with the police are highlighted in the confidential appendix A. The Head of Property Services supported by independent advisors confirm that in their opinion the terms agreed represent a fair value for the purchase of the land.
- 4.4.2 Information in respect of the delivery of the car park is outlined in the confidential appendix.

### **4.5 Legal Implications, Access to Information and Call In**

- 4.5.1 Under the City Council's Constitution, a decision may be declared as being exempt from Call In if it is considered that any delay would seriously prejudice the

Council's or the public interest. A delay in completing the Heads of Terms and legal documentation as soon as practically possible may have an impact on the critical path of approvals which are being sought both from Hammerson and John Lewis Boards.

- 4.5.2 All legal documentation entered into in respect to matters contained within this report will be compatible and aligned with all legal documentation which presently exists for the Eastgate development.
- 4.5.3 The information contained in Appendix A and Plans A & B 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). The public interest in maintaining the exemption in relation to this document outweighs the public interest in disclosing the information by reason of the fact that it contains information and financial details which, if disclosed, would adversely affect the business of the Council and may also adversely affect the business affairs of the other parties concerned.

## **4.6 Risk Management**

- 4.6.1 The risks are identified in the confidential Appendix A attached to this report which relate to the financial or business affairs of the Council. 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.

## **5 Conclusions**

- 5.1 The acquisition of this land and the ability to secure its redevelopment to complement the retail offer in this section of the city, which includes the proposed John Lewis store and the Kirkgate market, is viewed as a key priority. This will facilitate economic growth and also allows the Council to consolidate and enhance its landholdings in the area. It provides the council with the opportunity for the Eastgate developer being able to provide parking adjacent to their main anchor store.

## **6 Recommendations**

Executive Board is recommended to:-

- (i) approve the capital injection of funds and the authority to spend identified in the confidential appendix into the capital programme for the Council to acquire the West Yorkshire Police landholdings as shown on confidential plan A and to allocate the sum identified in the confidential appendix for the demolition of the Millgarth building which will be dealt with as a Design & Cost report to a future Executive Board.
- (ii) approve that the Council, subject to the agreement of final terms, release to Hammerson part of the acquired site necessary to allow for the construction of the John Lewis building. (identified on confidential plan A).

- (iii) approve the principle that the Council enters into an agreement, subject to the agreement of final terms, with either or both John Lewis and Hammerson in respect to the delivery and/or operation of the car park.
- (iv) approve the principle that should the Council be unable to agree acceptable Heads of Terms with Hammerson to deliver the car park; that the Council will deliver a car park, the details of which would be subject to a further Design & Cost report to Executive Board.
- (v) provide the authority, for the completion of all necessary Heads of Terms and legal documentation, for the various property transactions as set out above and in the confidential appendix A, 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 documents<sup>1</sup>**

### **7.1 Previous reports to Executive Board**

- March 2006
- March 2001
- March 2012

### **7.2 EIA Screening Form**

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<sup>1</sup> The background documents listed in this section are available for inspection on request for a period of four years following the date of the relevant meeting. Accordingly this list does not include documents containing exempt or confidential information, or any published works. Requests to inspect any background documents should be submitted to the report author.