

## Eastgate and Harewood Quarter (Phase 2)

Date: 22<sup>nd</sup> November 2023

Report of: Director of City Development

Report to: Executive Board

Will the decision be open for call in?

Yes  No

Does the report contain confidential or exempt information?

Yes  No

### Brief summary

Phase 2 of the Eastgate and Harewood development, is a key gateway site into Leeds city centre. Along with now completed Phase 1, which delivered the John Lewis store alongside the wider Victoria Gate scheme, the Council used Compulsory Purchase powers in 2007 to promote suitable development.

Phase 2 has remained undeveloped for many years, despite the existence of a development agreement between the Council and Hammerson, which was tied into the rationale and purpose of the use of Compulsory Purchase powers. Changing property market conditions have rendered the envisaged retail led development scheme no longer viable.

The report seeks approval to the termination of the existing development agreement and the simultaneous completion of a new sale (splinter development) agreement.

The terms provisionally agreed would provide for the development of phase 2, in accordance with the rationale and purpose of the 2007 Compulsory Purchase Order and be compliant with the 2021 Planning Brief.

### Recommendations

Approval be granted to:-

- a) Progress the heads of terms outlined within the report and
- b) Delegate to the Director of City Development (in consultation with the Executive Member for Resources) the ratification of the final details and any further amendments to the terms agreed and to the developer selected by Hammerson.

## What is this report about?

- 1 This report provides Executive Board with an update on plans for development of the Eastgate Phase 2 site (extent of land shown in Appendix 2 and 3), one of the largest and longest standing underutilised sites within the core of Leeds City Centre. It also sets out the key next steps requiring the Council's approval to ensure this important regeneration opportunity can proceed in a deliverable way reflecting and responding to changing economic and market conditions.
- 2 The report sets out the necessary actions to ensure the delivery of a revised scheme to the original concept that formed part of the Eastgate Compulsory Purchase Order (CPO), whilst maintaining deliverability and continuing to satisfy the rationale and purposes of the CPO. This includes the termination of the Development Agreement originally entered into with the Council to enable the transfer of acquired land for the development, and entering into a new sale (splinter development) agreement which reflects current economic context and proposed delivery arrangements.
- 3 The Eastgate Phase 2 site forms part of an area originally known as the Eastgate and Harewood Quarter and has long been a focus of city development ambitions, with a 2005 Supplementary Planning Document setting out guidance for the scope and range of development that would be in keeping with adopted Local Plan policies at the time.
- 4 The two parts of the Quarter sit north and south of Eastgate. The first phase of this area to the south, was developed and opened in 2016, following several years of collaborative work between the Council and developer Hammerson, as the retail-led Victoria Gate anchored by a new John Lewis store, with the wider development containing several high-end clothing stores, a food and beverage offer and a casino, This was underpinned by the Council's proactive use of its statutory compulsory purchase powers, which enabled full assembly of both phases of the site under a CPO, and disposal of the Phase 1 land to Hammerson to enable its development.
- 5 Phase 1 was assembled from a former surface car park in Council ownership, the former Millgarth Police Station and a range of smaller land interests and was at the time a major commitment and mark of confidence in the city from the developer and retail occupiers during a period of economic uncertainty affecting city centres.
- 6 Since the delivery of Phase 1, market conditions have continued to evolve, with changes in the way people shop, work and spend their leisure time amplified and accelerated by the Covid pandemic and reshaping of the economy with related societal changes following this. The role of Leeds city centre has changed accordingly, with a diversification away from previously dominant retail uses, towards leisure and hospitality alongside its increasing role as a residential neighbourhood. Some of the country's most recognisable High Street brands of even 5 years ago have now gone, leaving space for new occupiers and diverse repurposing. In Leeds the former Debenhams, House of Fraser and Arcadia branded outlets are all being refurbished (or demolished and rebuilt) with an array of new uses including smaller retail footplates, student housing, food and beverage, and leisure.
- 7 Footfall in Leeds city centre has accordingly settled into new patterns. Fewer people are counted in the main shopping areas Monday to Friday than pre-pandemic, driven by the popularity of working from home in the traditionally office-based sectors that have a strong presence in the city, with footfall at weekends bouncing back to pre-pandemic levels and on occasion exceeding this.

- 8 A report to Executive Board in September 2021 ('Future trends and opportunities in our city and local centres') outlined the changing role of the city centre and ways in which the Council might help shape responses to ensure its continued success – including by working in a collaborative and agile way and securing delivery of transformational projects and investments. The revised Leeds Inclusive Growth Strategy approved by Executive Board in September 2023 (LIGS) reflects this and has clear aims to maximise the potential of the city centre with a focus on developing a liveable, attractive and exciting place with clear opportunities for growth, and to increase the benefits of city centre growth into surrounding communities.
- 9 The spatial footprint and influence of the city centre is also evolving. The planning and development of the South Bank has played a significant role in this, but city centre uses and the related scale of investment and development are now moving beyond the traditionally compact city centre in all directions. In the north eastern part of the city centre this is particularly evident in the development of Quarry Hill through the SoYo scheme and the Leeds Playhouse where recent investment has created a new front entrance on St Peters Street along with the recently completed Leeds City College Quarry Hill campus, with new public realm, and the active pipeline of higher density residential developments in areas such as Mabgate with further investment planned in new Leeds City College facilities, immediately adjoining the Eastgate Phase 2 site.
- 10 Leeds City Centre has demonstrated resilience and adaptability, with continued potential for dynamic growth. The Council is playing an active role in working with key partners across sectors and continued to see the benefits of public and private investment as investors, developers and occupiers have evolved and flexed plans in responding to changing circumstances and identified new locations for growth, in many cases re-appraising mix, quantum and types of uses being brought forward in new developments, including the emergence of new 'asset classes' such as purpose built student accommodation, co-working, and co-living.
- 11 In a similar fashion the original plans for development of Eastgate Phase 2 have required reconsideration against changing demands, market dynamics and the needs of investors and occupiers. In 2021 the Council produced an updated and revised planning brief for the Eastgate Phase 2 site in consultation with Hammerson, which reflected the updated policy environment of the Leeds Local Plan since 2005 and the changed economic circumstances. The brief states that the development of the site should 'contribute towards Leeds' position as a major regional capital', and comprise 'a genuine mix of uses that will contribute towards the ambition for a site that is vibrant and active and contributes towards the daytime, evening and night-time economies of Leeds'.
- 12 Hammerson has more recently followed this with proposals to rebalance the original scheme away from the retail-dominant development that informed the original site assembly, CPO and related Development Agreement with the Council, towards a scheme with a wider mix of uses that will deliver the intentions of the Planning Brief. Hammerson has also proposed to appoint a new developer partner to deliver the scheme, reflecting shifts in its own corporate strategy, as detailed in the Exempt Appendix.
- 13 The Exempt Appendix provides more detail on the background and purpose of the Eastgate Compulsory Purchase Order (CPO), as intended, the proposed termination of the existing Development Agreement and its replacement with a new sale (splinter development) agreement.
- 14 An EIA screening has been carried out and highlights the importance of this approach in supporting inclusive growth across the city centre and surrounding neighbourhoods and recognises the development of the site will be guided by the 2021 Planning Brief.

15 This report and its recommendations therefore follow a number of previously implemented decisions that have reflected transparent governance related to the Council's attempts to secure regeneration of this site:-

- a) On the 21st of October 2005 the Supplementary Planning Document (SPD) for the Eastgate and Harewood Quarter was approved and adopted, setting the development framework for delivery of Phase 1.
- b) On 19th April 2006 Executive Board agreed that the Director of Legal & Democratic Services complete the legal documentation relating to the Eastgate & Harewood Quarters development. This authorised the making of the CPO and the completion of the Development Agreement and the CPO Indemnity Agreement, between LCC, Hammerson UK Properties PLC. (HUK) and Town Centre Securities (TCS) on the 21<sup>st</sup> December 2006.
- c) The CPO was confirmed by the Secretary of State for Communities and Local Government in June 2008 and the associated Stopping Up Order confirmed by the Secretary of State for Transport in July 2008.
- d) The Council and Hammerson PLC entered into a varied Development Agreement dating from 2014. This relates to Phase 2 of the development of the Eastgate & Harewood Quarter site, north of the Headrow. The extent of the land included in the 2014 Development Agreement is shown at Appendix 2.
- e) On 15th April 2021 a Planning Brief was approved, effectively updating the development scope and guidance for the Phase 2 site. It was prepared jointly by Leeds City Council (LCC) as the Local Planning Authority (the LPA) and Hammerson as the majority landowner.
- f) The recommendations in this report and the Exempt Appendix will move this project into a revised position that will enable delivery of the original regeneration intent, through an agreed updated scope of development and partner arrangements.

### **What impact will this proposal have?**

16 Enabling a revised approach to Eastgate Phase 2 is part of maintaining resilience in our city centre and ensuring it is fit for purpose for today and any future requirements. The impact of the development of Eastgate site will be transformative, strengthening the city centre's position and supporting diversification, capitalising on the attractiveness of Leeds for continued investment in housing, commercial and retail sectors; recognising its economic and social importance, harnessing the strength of its markets and places, and connecting success with adjoining neighbourhoods

17 The location of this site is extremely important to sustained growth in this part of the city centre and the surrounding communities. A diverse and strong city centre offer, particularly where the city centre core and inner neighbourhoods meet, creates opportunity for transformational regeneration. Increased confidence through the development of the Eastgate Phase 2 site has the potential to support the connectivity and placemaking ambitions across this part of the city centre, into Mabgate and adjoining neighbourhoods such as Lincoln Green, in keeping with our LIGS, Best City Ambition and the three pillars. This is a genuine opportunity to 're-stitch' the city and join up recent and future investments to a key 'city rim' area of growth.

18 The scheme, as set out in the 2021 Planning Brief, details refreshed approach for the development which could include (but not be limited to) circa 1000 homes, 47,000sq metres of

office space and 18,500 sq. metres of retail and leisure uses in addition to student accommodation, a hotel, an educational facility, and public open space. This will further diversify the city centre offer and is complementary to the changes already underway - where the city centre now is more typically a mix housing, retail, leisure and office.

- 19 Phase 2 contains the cultural assets of Templar House (Grade II listed) and Lyons Works (Certificate of Immunity expires 27-Oct-2024, which prevents Listing for a temporary period). Retention and improvement of these assets along with new complementary public realm will be integral in realising the placemaking and connectivity ambitions in this area of the city. A developed Eastgate Phase 2 forms part of a cultural axis in the city centre connecting the Leeds Arena, Grand Theatre, Howard Assembly Rooms and Opera North to the north-west with the Leeds Playhouse, Conservatoire, BBC Yorkshire and Yorkshire Dance/Northern Ballet to the east and a range of locally driven creative and cultural uses based in Mabgate.
- 20 The Mabgate Regeneration Framework (consulted on in 2022) considers the opportunities for Lincoln Green and Mabgate and identifies the delivery of the Eastgate site as being instrumental in realising positive change, connecting communities and addressing market failure in the vicinity of the site.
- 21 Completing the transfer of land assembled under the CPO and terminating the existing Development Agreement and entering into a new sale (splinter development) agreement for Eastgate Quarters Phase 2 will create the conditions to unlock and accelerate the development of site. This will generate a capital receipt to the Council as set out in the Exempt Appendix 1.

### **How does this proposal impact the three pillars of the Best City Ambition?**

Health and Wellbeing

Inclusive Growth

Zero Carbon

- 22 Facilitating the development of the site directly contributes to the 2023-30 Inclusive Growth Strategy which highlights the opportunity at Eastgate to deliver new and refreshed city centre uses. Additionally, the strategy sets out the ambition to continue transformative development of the city centre and extending its benefits to surrounding communities – Eastgate has a major role in this in relation regeneration in Mabgate and Eastside.
- 23 The proposal contributes to Zero Carbon and Health and wellbeing through facilitating connected communities and supporting active travel.

### **What consultation and engagement has taken place?**

Wards affected: Little London & Woodhouse

Have ward members been consulted?

Yes

No

- 24 The Executive Member for Sustainable Development and Infrastructure and Executive Member for Resources and have been briefed.
- 25 Ward Members (Little London and Woodhouse) have been consulted and no objections have been received.
- 26 Further consultation will take place as part of the statutory planning process when a planning application is submitted.

## **What are the resource implications?**

27 The Council will secure a capital receipt from the disposal of land within its ownership and there will be additional reimbursement of fees and costs incurred by the Council as outlined in the Exempt Appendix.

## **What are the key risks and how are they being managed?**

28 Property market conditions are currently challenging despite initial recovery following the pandemic particularly due to high finance costs and high inflation impacting on construction costs. These have been partly caused and exacerbated by the war in Ukraine and the current conflict in the Middle East. Should market conditions worsen, this could represent a risk to the development coming forward by a developer on the terms recommended. It is difficult to mitigate and manage such global conditions. However, this is a large site and a developer will have certain flexibility in the timing and phasing of development to minimise the risk.

29 There is a risk that planning permission will not be granted. There is strong mitigation against this as any application brought forward is required by the Council in its capacity as landowner, to satisfy the adopted 2021 Planning Brief.

30 There is a risk to Leeds' Economic Growth if this site remains under utilised and undeveloped as the site is a key gateway into the city centre.

## **What are the legal implications?**

31 The proposal constitutes a Key Decision. The recommendation will provide the Authority with income in excess of £500,000. It is also considered that this will have a significant effect on communities living or working in an area comprising one or more wards.

32 The information contained within the Exempt Appendix 1 attached to this report relates to the financial or business affairs of a particular person and affected parties (including the authority holding that information). Release of this information is likely to be prejudicial to the commercial interests of both the Council and affected parties and could have a negative impact on negotiations on this matter and/or matters of a similar nature. This information is not publicly available from the statutory registers of information kept in respect of certain companies and charities. 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. In the circumstances of this case and the information provided in this paragraph, the public interest in maintaining the exemption outweighs the public interest in disclosing the information, in line with the Council's Access to Information Procedure Rules.

33 Land acquired by the Council under CPO powers (if sold) must be disposed of at the best price or on the best terms that can reasonably be obtained in order to achieve the authority's planning purposes.

34 Under section 233(1) of the TCPA 1990, a local authority can dispose of land compulsorily acquired for planning purposes to such person, in such manner and subject to such conditions as appear to the local authority to be expedient to secure one of the following:

- a) The best use of that or other land and any buildings or works which have been, or are to be, erected, constructed or carried out on it (whether by the authority or by any other person)  
OR  
b) The erection, construction or carrying out on it of any buildings or works appearing to the authority to be needed for the proper planning of its area

35 The proposed Development Agreement will ensure that the best price is obtained and that the development of the site will be in accordance with the adopted Planning Brief.

36 The Council has the power to dispose properties already owned by the Council and not acquired by CPO under Section 123 of the Local Government Act. The Chief Officer Asset Management and Regeneration, Head of Asset Management, Technical Lead of Land and Property and Deputy Head of Land and Property have authority to take decisions in relation to Asset Management as delegated in the Director of City Development's sub delegation scheme. The Deputy Head of Land and Property confirms that the proposed method of disposal set out in the report 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.

37 This is a Key Decision and subject to Call In.

## **Options, timescales and measuring success**

### **What other options were considered?**

38 Options – there are two options available:

Option 1 - Do nothing:

- This option does not complete the purpose of the CPO as intended.
- This existing Development Agreement for phase 2 is currently undeliverable and this key gateway site will remain undeveloped.

Option 2 – Current proposal

- This will enable the delivery of the purpose of the CPO as intended
- This will ensure that the appropriate legal agreements are in place to promote delivery of development of the site.

39 Timescales – this is a large complex site so the timetable is only indicative at this stage. Should the recommendations be approved, it is intended that the new legal agreements are completed in the coming months to provide for a planning application to be prepared and submitted in 2024. It is likely that the actual transaction of the Council owned land will complete in 2025.

### **How will success be measured?**

40 Completion of the necessary changes to the legal agreement.

41 The Council securing a capital receipt for the disposal of its land.

42 Development of the site takes place in accordance with the planning strategy for this part of the city.

### **What is the timetable and who will be responsible for implementation?**

43 Should the recommendations be approved, they will be implemented by the Executive Manager (Land and Property, Asset Management).

## **Appendices**

- Appendix 1- designated as being exempt from publication under Access to Information Procedure Rule 10.4(3). This contains legal and financial information relating to the Council and third parties.
- Appendix 2 Plan - Extent and status of land in Eastgate Phase 2
- Appendix 3 Plan – Council ownership across Phase 1 and 2
- Appendix 4 Equality, Diversity, Cohesion and Integration screening

## **Background papers**

- None