

**Report of: Director of City Development**

**Report to: Executive Board**

**Date: 22 June 2016**

**Subject: The Grand Quarter**

Are specific electoral wards affected? 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 checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: 10.4(3) Appendix number: 1	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

### Summary of main issues

1. This report is to update Executive Board on progress made with the regeneration of the Grand Quarter and to seek approval for proposed next steps including the development of Belgrave Gardens. The Grand Quarter is the area of Leeds around the Grand Theatre. This report follows a report on the Grand Quarter to Executive Board on 21 October 2015.
2. The proposals in this report support the council's aspiration for Leeds to become a compassionate, caring city that helps all its residents benefit from the effects of the city's economic growth, as set out in the Best Council Plan 2016/17. The proposals contribute to the Best Council Plan outcomes and priorities for 2016/17 around economic growth, enhancing the quality of our public realm and hosting world class events, and the associated breakthrough project, 'World-class events and a vibrant city centre that all can benefit from. It outlines proposed early steps in the regeneration of the Grand Quarter, helping to create the right setting for one of the city's cultural and heritage jewels to complement our bid to be European Capital of Culture. This regeneration will also help us to achieve some of our Best Council Plan priorities.
3. The streetscape around the Grand Theatre is not of the quality commensurate with a primary cultural asset in proximity to the retail core of the city centre. Problems include narrow pavements, poor urban management, vacant shop units and areas where there is a poor quality retail offer characterised by numerous fast food takeaways. However, the area is beginning to change. New, high quality retail and food and drinks businesses are opening up in the area. The council has worked with local businesses

to pedestrianise Merrion Street East which is also helping to change the nature of the area. This engagement with businesses and the Leeds BID has also helped to promote and enhance Leeds Indie Food initiative in the area along with the development of proposals to invest in the repair and enhancement of the areas heritage assets.

4. The report recommends terms upon which the Council would exchange an Option Agreement for the sale of land at Belgrave Gardens. The confidential appendix to this report contains provisional terms for the disposal for consideration by Executive Board, which if acceptable at this stage, will be negotiated further by officers. The proposed development of Belgrave Gardens would help to re-energise the Grand Quarter, improving both the public realm and connectivity.
5. The report recommends that an Option Agreement be exchanged by the Council for the disposal of the land should the developer / purchaser be successful in securing detailed planning consent.
6. The report also provides a brief update on the feasibility of a regeneration scheme for the New Briggate area and opportunities to explore funding for a heritage-led public realm and property improvement scheme.

## **Recommendations**

7. It is recommended that Executive Board approves:
  - (i) The Council exchanging an Option Agreement with Wade Lane Developments Limited for the sale of land at Belgrave Gardens on the terms detailed in the accompanying confidential appendix;
  - (ii) That officers negotiate final terms for the disposal of Council owned land at Belgrave Gardens and for the disposal of the Council's freehold reversionary interest in Belgrave House, Commerce House and Warwick House, and that final terms for the disposals be agreed by the Director of City Development under delegated powers; and
  - (iii) That subject to an encouraging response to the Expressions of Interest by the Heritage Lottery Fund (HLF), authorise the Director of City Development, in liaison with the Executive Member (Regeneration, Transport and Planning), to submit a Stage 1 bid to the Heritage Lottery Fund in support of a heritage-led regeneration programme for the Grand Quarter.

## **1 Purpose of this report**

- 1.1 The purpose of this report is to update Executive Board on progress made in negotiations for the disposal and development of land at Belgrave Gardens subsequent to a report to Executive Board on 21 October 2015 and to recommend the Council exchanges an Option Agreement for the sale.
- 1.2 Provisional terms for the disposal, subject to scheme details being finalised, are contained in the confidential appendix accompanying this report. These terms are recommended for approval as the basis from which further negotiations will take place.
- 1.3 It is recommended Executive Board approves the Council entering into an Option Agreement for the disposal of land at Belgrave Gardens, and authorises the Director of City Development to approve the final terms of the transaction under delegated powers.
- 1.4 The report also updates Executive Board on the broader regeneration programme for the Grand Quarter, including the marketing of 26-32 Merrion Street and the steps taken towards a potential submission to the Heritage Lottery Fund.

## **2 Background information**

- 2.1 On 21 October 2015 Executive Board considered a report entitled 'The Regeneration of the New Briggate Area' which outlined opportunities for the regeneration of the area around New Briggate. The report identified how the Council and other Stakeholders could re-energise the area which would support the competitiveness of the Leeds Grand Theatre and Opera House and other local businesses, improve connectivity to Lovell Park, the prime retail quarter and the Victoria Gate phase 2.
- 2.2 The report stated specifically there would be opportunities to dispose of the Council owned vacant building 26 to 32 Merrion Street and land at Cross Belgrave Street (referred to in this report as Belgrave Gardens). Executive Board was advised that the disposal of land at Cross Belgrave Street would result in the improvements being made to public realm and help provide a more fitting environment for the Grand Theatre, one of the city's principal cultural and heritage jewels, in time for our bid to be European Capital of Culture. It will help us to achieve some of our priorities for both the Best Council Plan and the City Council's Breakthrough Project 'World-class events and a vibrant city centre that all can benefit from'. The area of land at Belgrave Gardens is shown on the attached plan.
- 2.3 At the 21 October 2015 meeting Executive Board approved:
  - (a) That 26-32 Merrion Street be declared surplus and marketed, with the property added to the capital receipts programme. In addition, it was also agreed that the approval for the terms of any such disposal be delegated to the Director of City Development;

- (b) That in principle support be given to the invitation of proposals for the potential development of the pay and display car park and the re-ordering of the public open space at Belgrave Gardens, for further consideration by the Council, in order to provide an additional capital receipt;
- (c) That officers be requested to undertake an initial 'expressions of interest' marketing exercise for the lease of 34-40 New Briggate (i.e. the vacant shops under The Grand and Howard Assembly Rooms) with a reverse premium payment available (as detailed within the exempt Appendix to the submitted report);
- (d) That officers be requested to develop an initial feasibility scheme for improvements to the public realm of New Briggate and the immediate surrounding area;
- (e) That officers be requested to continue partnership working and improvements to the public realm in order to stimulate the regeneration of this area, and to develop options above and beyond the 'match funding' of any contribution by the Council;
- (f) That officers be requested to report back to Executive Board on progress in due course; and
- (g) That it be noted that the Head of Land and Property will be responsible for the implementation of matters relating to resolutions a), b) and c) above and that the Head of Strategic Projects, City Development, will be responsible for the implementation of matters regarding resolutions d), e) and f) above.

2.4 This report provides an update to Executive Board on progress undertaken to date and in particular:

- Potential sale of land at Belgrave Gardens;
- The sale of 26-32 Merrion Street; and
- Broader regeneration programme for the Grand Quarter.

### **3 Main issues**

#### **3.1 Potential sale of land at Belgrave Gardens**

3.2 In respect of proposals to sell and develop the car park and land at Belgrave Gardens it can be confirmed that negotiations have progressed between Council officers and Wade Lane Development Limited (WLDL) for the disposal of the land. Development proposals have been advanced by WLDL and a formal pre-planning application meeting has been held with Planning Officers. In principle the development of the site is acceptable, subject to on-going amendments to the scheme, but it is considered a scheme can be finalised to form a subsequent planning application.

- 3.3 WLDL is incurring considerable costs in advancing the scheme proposals and costs will continue to mount. The company requests the Council to now exchange an Option Agreement for the acquisition of the land which will afford WLDL a level of protection and confidence to continue incurring costs in anticipation of completing the acquisition of the site. This is a reasonable request for the Council to consider in dealing with a development and transaction of this nature.
- 3.4 The Council is dealing with WLDL on an exclusive arrangement rather than bringing the site to the market due to the legal interest the company already has in the site. Further details of this legal interest are contained in the confidential appendix to this report.
- 3.5 The plan accompanying this report shows an extensive area of land owned by the Council, including the adopted highway St Alban's Place. WLDL's development proposals include extensive areas of public realm being constructed which will improve the environment and pedestrian links. WLDL would develop the building and construct the public realm by virtue of a Development Agreement exchanged with the Council which would permit access to the whole site shown on the plan. Upon satisfactory completion of the development WLDL would acquire the freehold interest in the footprint of the building, with all other land remaining in Council ownership and control. A commuted sum for future maintenance of the newly created public realm will be provided by WLDL.
- 3.6 The confidential appendix also details terms offered to the Council by WLDL. These will be subject to further negotiation as scheme proposals are developed with Planning Officers, but form the basis of a minimum financial package the Council would receive when completing the sale if WLDL exercises its option. Briefly, the development proposals comprise a building of c.16 storeys on the area of underused open space off Cross Belgrave Street, known as Belgrave Gardens and part of the adjoining parking and display car park. The remaining area of open space will be reconfigured and greatly improved, with improved pedestrian access through making better links to surrounding areas. The number of car parking spaces to be returned to the car park is a matter for further consideration as the scheme develops. WLDL will construct the building for an operator of high quality student accommodation catering for the overseas market. The completed building will accommodate c.400 students.
- 3.7 The sale of 26-32 Merrion Street**
- 3.8 In relation to resolution (a), the marketing of 26-32 Merrion Street, at the 21 October 2015 Executive Board meeting it can be confirmed that marketing of the properties has taken place and offers were received by a closing date of 6 May 2016. A good response was received and brief details of the offers and number received are contained in the confidential appendix accompanying this report.
- 3.9 Broader Regeneration Programme for the Grand Quarter**
- 3.10 In relation to resolutions (d) and (e) referred to in paragraph 2.2 above, the development of a regeneration vision to enhance New Briggate and continuation of partnership working, the Council has engaged with local businesses and property owners on the potential for improvements to the area that would lift its

appearance through restoration of heritage features, better manage the balance of pedestrian and vehicular uses through the area and support greater private sector investment in retail properties and spaces above shops. The grant funding intervention will potentially create employment opportunities through the conversion of vacant upper floor spaces along New Briggate, enhancement and re-use of the vacant shop units at the Grand Theatre and Opera House and training opportunities as part of the heritage training skills element of the grant programme. The grant scheme also maintains and will eventually enhance the vitality and viability of the area in the long term.

- 3.11 The regeneration of the heritage assets within the area could be supported by the creation of a Townscape Heritage Initiative (THI). This would help to support and finance building restoration and repairs, together with improvements to the public realm. To explore this option the Council has submitted an initial THI grant project enquiry form (an expression of interest) to the Heritage Lottery Fund (HLF) for the New Briggate area, referred to as the Grand Quarter. This is effectively a non-binding expression of interest to seek views on the potential scope of a Heritage Lottery Fund project and for their guidance on the submission of a Stage 1 application. If supported, a Stage 1 application could be made in August 2016, to enable a programme of delivery from 2018/19 onwards, subject to confirmation of match funding requirements. Feasibility studies are progressing in relation to options for improvements to the public realm and targeted property enhancements along New Briggate to provide for a comprehensive environmental uplift, and the outcome of these will inform the future detail of a THI grant application should this go forward.
- 3.12 The 21 October 2015 Executive Board report noted that Belgrave Gardens could “provide a receipt to re-cycle into the wider New Briggate improvement scheme” and this remains a consideration and a potential source of match funding for any THI grant application to the HLF. This confirmation of any Council match funding would be needed for a Stage 2 application to progress.
- 3.13 If the Council receives a Stage 1 approval from the HLF, a further report will be brought back to Executive Board to set out the possible scope of a detailed Stage 2 grant application and any implications to be considered in respect of the potential financial contribution from the Council.

## **4 Corporate considerations**

### **4.1 Consultation and engagement**

- 4.1.1 Ward Members have been consulted regarding Belgrave Gardens, being advised the proposal is for a student accommodation development with a capacity of c.400. One Ward Member responded, copying her colleagues, advising her support to the proposal as the building will act as a noise barrier to the inner ring road and stating sufficient money should be allocated to the improvement of Belgrave Gardens as there is a desperate shortage of parks in the city centre.

## **4.2 Equality and diversity / cohesion and integration**

4.2.1 Equality and diversity / cohesion and integration screening was undertaken for the report to Executive Board on 21 October 2015 and is attached as an appendix. A separate screening for this report is unnecessary.

4.2.2 The sale of the Belgrave Gardens land will contribute to funding regeneration of New Briggate. This will benefit the local business and residential communities and will not have any detrimental effects on equality and diversity. As part of the development an improved quality area of green space will be provided.

## **4.3 Council policies and best council plan**

4.3.1 Development of Belgrave Gardens will transform this area of land with the capital receipt realised from the sale contributing to the regeneration of New Briggate. The New Briggate regeneration will transform vacant units into active leisure/retail units, stimulating the regeneration of this area and supporting the continued success of the Grand Theatre. The proposals in this report support the council's aspiration for Leeds to become a compassionate, caring city that helps all its residents benefit from the effects of the city's economic growth, as set out in the Best Council Plan 2016/17. The proposals contribute to the Best Council Plan outcomes and priorities for 2016/17 around economic growth, enhancing the quality of our public realm and hosting world class events, and the associated breakthrough project, 'World-class events and a vibrant city centre that all can benefit from.

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

4.4.1 The recommendation to enter into an Option Agreement is likely to result in the underused Belgrave Gardens being redeveloped in part with the remainder being upgraded, and provide financial support to the New Briggate regeneration proposals. The wider New Briggate regeneration may lever in additional funding from other sources and should result in increased business tax revenue.

## **4.5 Legal Implications, access to information and call In**

4.5.1 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 a particular organisation and of the Council. It is considered that the public interest in maintaining the content of the appendix as exempt outweighs the public interest in disclosing the information due to the impact that disclosing the information would have on the Council and third parties.

## **4.6 Risk management**

4.6.1 In agreeing to enter into the Option Agreement for the sale of the land the Council is likely to realise a capital receipt which can contribute to the wider New Briggate regeneration proposals, and achieve major improvements to the Belgrave Gardens open space. There is a risk that the sale does not eventually complete, but this is considered to be minimal as WLDL is currently progressing development proposals at risk which demonstrates a commitment to the scheme.

Should the Council not enter into the Option Agreement there is a risk that the current proposal would not be progressed and the Council not obtaining a capital receipt to reinvest in the regeneration aspirations of the area.

## **5 Conclusions**

- 5.1 It can be concluded that the sale of the land at Belgrave Gardens is an opportunity for the Council to realise a capital receipt from the site which can contribute to the New Briggate regeneration. A sale will also result in a substantial development of high quality student accommodation and improved public realm. It is concluded that a recommendation can be made to Executive Board to enter into the Option Agreement with WLDL for the sale of land at Belgrave Gardens with terms for the disposal being delegated to the Director of City Development to approve.
- 5.2 Disposal and development of this site would help kick-start and complement emerging wider proposals for the regeneration of New Briggate.

## **6 Recommendations**

- 6.1 It is recommended that Executive Board approves:
- (i) The Council exchanging an Option Agreement with Wade Lane Developments Limited for the sale of land at Belgrave Gardens on the terms detailed in the accompanying confidential appendix;
  - (ii) That Officers negotiate final terms for the disposal of Council owned land at Belgrave Gardens, and for the disposal of the Council's freehold reversionary interest in Belgrave House, Commerce House and Warwick House, and that final terms for the disposals are approved by the Director of City Development under delegated powers; and
  - (iii) That subject to an encouraging response to the Expressions of Interest by the Heritage Lottery Fund (HLF), authorise the Director of City Development, in liaison with the Executive Member (Regeneration, Transport and Planning), to submit a Stage 1 bid to the Heritage Lottery Fund in support of a heritage-led regeneration programme for the Grand Quarter.

## **7 Background documents<sup>1</sup>**

- 7.1 There are none.

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<sup>1</sup> 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.