

**Report of Director of City Development**

**Report to Executive Board**

**Date: 21 March 2018**

**Subject: Proposed Opera North Capital Works, Leeds Grand Theatre – Premier House**

Are specific electoral wards affected? If yes, 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 type="checkbox"/> <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

**Summary of main issues**

1. The Council needs to ensure that the cultural infrastructure across the city is fit for purpose and that its cultural organisations are both resilient and sustainable. Executive Board at its meeting in October 2015 approved a report that outlined the issues and opportunities regarding the regeneration of the area around New Briggate identifying how, through a number of regeneration proposals, the Council and other stakeholders could re-energise the area, thereby supporting the competitiveness of the Leeds Grand Theatre and Opera House (the Grand Theatre), Opera North and other local businesses. Executive Board also agreed that an initial ‘expression of interest’ marketing exercise of the vacant shop units at 34-40 New Briggate should be undertaken, accepting the principle that a reverse premium of £750,000 was likely to be required to contribute to the cost of their refurbishment, funding structural works that would normally fall to the landlord to bring the units to a condition suitable for letting for restaurant/bar use.
2. Subsequently, in October 2016 Executive Board was advised that Opera North had developed proposals incorporating the vacant shop units that would deliver the Council’s aspirations for the properties, bringing them back into use for restaurant/bar use as part of a wider scheme seeking funding from Arts Council England involving work to the Howard Assembly Room (above the vacant shops) and Premier House, office accommodation owned and occupied by Opera North.

In June 2017, Opera North was advised that their application for funding to the Arts Council had been unsuccessful.

3. Opera North has continued to develop proposals for the proposed refurbishment of the vacant shops, the Howard Assembly Room and Premier House. This report summarises the scheme proposals, the estimated costs, funding and programme for the proposed works and, seeks approval to the payment and Authority to Spend of a reverse premium of up to £750,000 from Capital Scheme No. 32615 to Opera North having regard to the significant capital investment they propose to make in the vacant shop units; the proposed variations required to both the Grand Theatre and Opera North's demised areas to allow the works to proceed and, the terms provisionally agreed with Opera North for their lease of the shop units at 34-40 New Briggate.
4. The long-term sustainability of Opera North, which this proposal supports, is vital not only to the regeneration of the immediate area but to ensure it continues to contribute to the city's cultural profile whilst also enhancing the opportunities for young people in the city through ground breaking initiatives such as In-harmony.

## **Recommendations**

5. Executive Board is recommended to:
  - (a) Approve the leasing of 34-40 New Briggate to Opera North Ltd at a market rent and to offer a rent free period from the commencement of the new lease, the rent free period being determined against the landlord's improvements that Opera North make relative to the rental value of the premises once the scheme has been developed on terms detailed in confidential Appendix 1 of the report, with the remaining areas to be leased to Opera North at a peppercorn rent as per their existing lease.
  - (b) Approve the payment of a reverse premium of up to £750,000 to Opera North in order to make the future occupation of the shop units at 34-40 New Briggate commercially viable, on terms detailed in confidential Appendix 1 of the report;
  - (c) Approve Authority to Spend up to £750,000 from Capital Scheme No. 32615 as the reverse premium payable to Opera North;
  - (d) Subject to the agreement of both Leeds Grand Theatre and Opera House Ltd and Opera North, to authorise variations to their respective leased areas to allow the delivery of the proposed Opera North works;
  - (e) Subject to consultation with the Executive Member for Economy and Culture to authorise the Director of City Development to negotiate and approve the final terms of all legal agreements associated with the proposed delivery of the Opera North capital project in accordance with the Council's officer delegation scheme;
  - (f) Note the actions required to implement the decisions, the proposed timescale to progress the proposed works as detailed in the report and, that the Director of City Development will be responsible for the implementation of the decisions.

## **1.0 Purpose of the report**

- 1.1 The purpose of the report is to seek Executive Board's support for the proposed Opera North works to refurbish the vacant shop units at 34-40 New Briggate for restaurant/bar use, to improve access to the Howard Assembly Room above (properties in the ownership of the City Council) and the adjacent Premier House (owned by Opera North) which forms the headquarters for Opera North. It also seeks approval to the payment and Authority to Spend of a reverse premium of up to £750,000 to Opera North recognising the significant investment it proposes to make in the vacant shop units.
- 1.2 In order to deliver the proposed works, Executive Board is also requested to approve the proposed variations to both Leeds Grand Theatre and Opera North's leased areas and, the terms provisionally agreed with Opera North for their lease of the shop units at 34-40 New Briggate.

## **2.0 Background Information**

- 2.1 Leeds Grand Theatre and the adjacent Howard Assembly Room has good claim to be regarded as one of the most important theatre buildings outside London. Completed in 1879, the historical significance of this Grade 2\* Listed Building is as the earliest, most complete surviving theatre complex from what was called the 'heroic age of British theatre construction'.
- 2.2 Since its foundation in 1978, the Grand Theatre and adjacent Assembly Rooms and latterly Premier House has been Opera North's home for the production and performance of opera, music, learning and education. In 2005, the theatre was upgraded to provide enhanced facilities to the auditorium, front and back of house areas, a new stage house with modern technical platform (flying system and get in). New rehearsal and production accommodation for use by Opera North were added to Premier House. Subsequently, the renamed Howard Assembly Room was refurbished to create a flexible performance space and rehearsal room primarily for use by Opera North.. A new mezzanine floor level and wooden balconies were added and a direct link to the Grand Theatre (the Grand Hall) was restored. It has enabled a distinctive cultural programme that is not available elsewhere in the city
- 2.3 It is acknowledged that New Briggate presents many challenges to pedestrians and some of the businesses located there both in terms of place-making and how the space functions including relatively narrow pavements with very high levels of footfall particularly during the rush hour and before and after performances at both the Grand Theatre and the Howard Assembly Room.
- 2.4 Executive Board at its meeting in October 2015 agreed to start to address these issues to create a more positive, sustainable future for the area by working in partnership and making best use of Council's assets. This included seeking expressions of interest for the vacant units at 34-40 New Briggate with a reverse premium being available in recognition of the poor condition of the four retail units.
- 2.5 Subsequently, Executive Board at its meeting in October 2016 was advised that Opera North had developed proposals for the vacant retail units that fulfilled the

Council's aspirations for the properties, bringing them back into use as a restaurant/bar, providing a new front door for the Howard Assembly Room and, supporting Opera North's vision to open the Assembly Room to more public performances/events and workshops. The proposals noted above formed part of a multi-million pound bid to the Arts Council, larger and more significant than was envisaged through the expression of interest process noted in paragraph 2.4 above. Consequently, Executive Board agreed to lease the vacant units at 34-40 New Briggate to Opera North at a market rent to be approved, subject to the grant application to the Arts Council being successful and securing planning approval for the proposed works. Executive Board also noted that the £750,000 held in the capital programme to finance the reverse premium was no longer required to fund the landlord's contribution to the improvements to 34-40 New Briggate and, instead that this funding should contribute towards complementary public realm improvements proposed as part of the wider regeneration of the New Briggate area.

### **3. Main Issues**

- 3.1 In June 2017, Opera North was advised that its application for funding from the Arts Council had been unsuccessful. Opera North has, however, continued to develop proposals for the refurbishment of the vacant shops, the Howard Assembly Room and Premier House that will not only enhance the resilience of the company by extending and improving the existing buildings to deliver new facilities for artists, children and young people's learning and engagement, but which will also act as the catalyst to the Council's public realm and regeneration aspirations for New Briggate and the surrounding area.

#### **Opera North Scheme Proposals**

- 3.2 The retail units at 34-40 New Briggate are vacant and, as part of the lease arrangements with Opera North for the Howard Assembly Room above, the Council has to pay a proportion of the service charge costs for the maintenance of the overall building. The condition of the units impacts on their viability and is detrimental to the overall ambience of the street.
- 3.3 Under the proposals developed by Opera North, it is proposed (subject to securing all statutory consents) that the vacant retail units will be refurbished for restaurant/bar use to serve patrons of the Grand Theatre, Howard Assembly Room and non-theatre goers. The refurbished units along with the theatre's current reception area will also provide a dedicated entrance to the 300 seat capacity Howard Assembly Room, negating the need to enter the Howard Assembly Room via the Grand Theatre, allowing both venues to operate independently and simultaneously of each other.
- 3.4 The proposals seek to create a new three storey vertical circulation space in the alleyway between the vacant retail units and the Grand Theatre building. The space would accommodate a new stair and lift to serve the new development and would be enclosed with a glazed roof, which together with the introduction of glazing into the bridge links between the theatre and the Howard Assembly Room will bring natural light into the completed development. This new 'atrium' will provide access to a lobby leading directly into the Howard Assembly Room.
- 3.5 Opera North currently uses the Howard Assembly Room for orchestral

rehearsal space, limiting the amount of time it can be used for performances/events. The wider Opera North proposals seek to establish a dedicated education suite within Premier House and, the construction of a two-storey rehearsal space for the orchestra on top of Premier House. The purpose of this extension is to alleviate the Howard Assembly Room's dual role of 'practice and perform', allowing a substantial increase in the performance/events programme in the venue, thus enabling the company both to become more financially resilient and enhance its substantial education provision i.e. the company delivers an inclusive programme of high quality music education and performance opportunities that encourage young people from all backgrounds to engage with the arts and, through doing so deliver wider benefits such as increased self-confidence, aspiration and engagement in formal learning. Freeing up space in the Howard Assembly Room by relocating orchestral rehearsal to Premier House will help to further this important educational work.

3.6 In order to deliver Opera North's proposals a number of complex building and commercial issues need to be addressed between the City Council as owner of the vacant shop units and the theatre estate, Opera North as the Council's tenant of the Howard Assembly Room and key cultural partner in the city and, Leeds Grand Theatre as the Council's tenant of the theatre building as follows;

(i) It is proposed that the shop units at 34-40 New Briggate be leased to Opera North as part of a new lease at a market rent for a period of years equivalent to that remaining on their current lease of the Howard Assembly Room. Having regard to the significant capital investment that the company intends to make in the premises. it is proposed to offer a rent free period, the length of such rent free period to be determined against the landlord's improvements that Opera North make relative to the rental value of the premises once the scheme has been developed. The terms for Opera North's lease of the units are detailed in confidential Appendix 1 attached to the report.

(ii) Having regard to the current condition of the empty retail units to offer a reverse premium of up to £750,000 to Opera North in order to make the future occupation of the units for restaurant/bar use commercially viable on terms which are detailed in confidential Appendix 1 attached to the report.

(iii) It is proposed that subject to the agreement of both Leeds Grand Theatre and Opera House Ltd and Opera North that their existing lease areas be varied as required to allow the delivery of the proposed works.

3.7 Subject to securing Council support for the proposed capital works, Opera North's indicative strategic development programme (still subject to review) envisages that their Planning/Listed Building application will be submitted in May 2018. Assuming all statutory consents are secured and legal agreements completed with regard to potential demise changes, work is scheduled to start on site in November 2018, with completion in January 2020.

3.8 If Executive Board is minded to support the proposals detailed in paragraph 3.6 (i) to (iii) above, the scheme proposed by Opera North whilst providing greater financial resilience for the company would also help meet the Council's aspirations not only for the vacant shop units but also act as a catalyst for the

sustained regeneration of the wider area. It is, however, recognised that at this time the precise terms of Opera North's proposed occupancy of the vacant shop units, along with the terms on which the proposed reverse premium is to be paid and, any required changes to either Leeds Grand Theatre or Opera North's demised areas remain to be concluded. As such, it is proposed that authority to approve the final terms of all legal agreements required to deliver the proposed works be delegated to the Director of City Development in accordance with the Council's officer delegation scheme and in concurrence with the Executive Member for Economy and Culture.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

4.1.1 The Executive Member for Economy and Culture has been consulted and is supportive of the recommendations contained in the report.

4.1.2 The Leeds Grand Theatre Board has been consulted and has re-affirmed its general support for the Opera North scheme proposals, but is unable to provide a legal commitment at this time, as it advises that it has only had sight of conceptual design proposals and the actual scheme design remains to be concluded. The Grand Theatre Board advise that with regard to potential demise changes to their leased area, that further discussions are required with Opera North.

4.1.3 Under the terms of the funding agreements concluded between the City Council and the Arts Council and the Heritage Lottery Fund (HLF) for grant support for the earlier transformation scheme, their consent is required to any proposed changes to lease terms impacting on the Grand Theatre and the Howard Assembly Room. Once any changes to the respective demise areas are agreed with the Leeds Grand Theatre and Opera North, the Arts Council and the HLF's consent to such changes will be sought.

4.1.4 Briefings on the Opera North scheme proposals and the associated property related issues have been offered to the City and Hunslet Ward Members. Ward Member comments received on the proposals contained in the report will be reported to the meeting of the Executive Board.

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

4.2.1 An Equality and Diversity / Cohesion and Integration screening document was prepared and considered by Executive Board at its meeting in October 2016, a copy of which is detailed in Appendix 2 of this report.

4.2.2 The Opera North proposals will benefit the local businesses, act as the catalyst for further regeneration initiatives and will not have any detrimental effects on equality and diversity.

### **4.3 Council policies and Best Council Plan**

4.3.1 Transforming vacant units into a restaurant/bar, stimulating the regeneration of this area and supporting the continued success of the Howard Assembly Rooms. This regeneration would support the City Council's Breakthrough project, *'World class events and a vibrant city centre that all can benefit from'*

which contributes to the Best Council Plan ambition for Leeds to be a compassionate city that helps all its residents benefit from the effects of the city's economic growth and improved outcomes.

- 4.3.2 Support for Opera North and the Grand Theatre to maintain and develop their respective roles within the city is in line with Culture being one of the seven priorities of the Best Council Plan updated for 2018/19 – 2020/21 and adopted by the City Council in January 2018.

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

- 4.4.1 Opera North's design team estimate that the cost of the construction works is £11.76m inclusive of fees and contingency, but exclusive of fitting out works and fixtures, furniture and equipment. Opera North advise that if the Council support the payment of a reverse premium as a contribution toward the cost of refurbishing the retail units the construction cost of the project is underwritten.

- 4.4.2 Members of Executive Board should note that the funding of a reverse premium as a contribution toward landlord's improvements at 34-40 New Briggate, is currently identified in the Capital Programme (Capital Scheme No. 32615) as a contribution towards complementary public realm improvements as part of the wider regeneration proposals for the New Briggate area.

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

- 4.5.1 The decision is eligible for call-in.

- 4.5.2 The Appendix to the report is Exempt/Confidential under Access to Information procedure Rules 10.4 (3). The public interest in maintaining the exemption in relation to the confidential Appendix outweighs the public interest in disclosing the information and financial details which, if disclosed would adversely affect the business of the Council and the business affairs of an individual organization.

#### **4.6 Risk Management**

- 4.6.1 There is a risk that the cost of the capital scheme proposals exceeds the budget available. This risk cannot be completely mitigated, but if it was to arise the Opera North design team would need to review the scheme proposals to achieve a budget compliant scope of works. Any agreement to lease the vacant shop units and make a reverse premium to Opera North or vary the demised areas of Leeds Grand Theatre and Opera North will be dependent upon all statutory consents for the proposed works being secured.

#### **5.0 Conclusions**

- 5.1 The regeneration of New Briggate and its surrounding streets will be facilitated by the transformation of vacant units at 34-40 New Briggate into a restaurant/bar, provide a front door for the 300 seat Howard Assembly Room supporting Opera North's vision to open this successful venue up for more public performances, making the company more financially resilient as well as enhancing the delivery of its substantial education programme that encourages young people from all backgrounds to engage with the arts.

## **6.0 Recommendations**

6.1 Executive Board is recommended to:

- a) Approve the leasing of 34-40 New Briggate to Opera North Ltd at a market rent and to offer a rent free period from the commencement of the new lease, the rent free period being determined against the landlord's improvements that Opera North make relative to the rental value of the premises once the scheme has been developed on terms detailed in confidential Appendix 1 of the report, with the remaining areas to be leased to Opera North at a peppercorn rent as per their existing lease.
- b) Approve the payment of a reverse premium of up to £750,000 to Opera North in order to make the future occupation of the shop units at 34-40 New Briggate commercially viable, on terms detailed in confidential Appendix 1 of the report;
- c) Approve Authority to Spend up to £750,000 from Capital Scheme No. 32615 as the reverse premium payable to Opera North.
- d) Subject to the agreement of both Leeds Grand Theatre and Opera House Ltd and Opera North, to authorise variations to their respective leased areas to allow the delivery of the proposed Opera North works.
- e) Subject to consultation with the Executive Member for Economy and Culture to authorise the Director of City Development to negotiate and approve the final terms of all legal agreements associated with the proposed delivery of the Opera North capital project in accordance with the Council's officer delegation scheme.
- f) Note the actions required to implement the decisions, the proposed timescale to progress the proposed works as detailed in the report and, that the Director of City Development will be responsible for the implementation of the decisions.

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

7.1 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.