

**Report of:** Head of Property Services

**Report to:** Chief Officer Asset Management and Regeneration

**Date:** February 2019

**Subject:** Land at 34 Lisbon Street/120 Wellington St Leeds LS1 4LX

Are specific electoral Wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, name(s) of Ward(s):	Little London & Woodhouse	
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?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, Access to Information Procedure Rule number:	10.4(3)	
Appendix number: 1		

## Summary of main issues

1. The freehold of the subject property is owned by the Council and is leased out by way of a 125 year lease.
2. The applicant has recently acquired the leasehold interest in the site which is currently developed as offices and has enquired to purchase the Council's freehold interest as they intend to carry out a comprehensive development in the area of which the Council's ownership forms part.
3. Negotiations have been undertaken and terms have been provisionally agreed, these are reported in the confidential appendix accompanying this report.

## Recommendations

4. The Chief Officer Asset Management and Regeneration is recommended to:

- (a) declare the subject site surplus to requirements and to approve a sale of the Council's freehold interest in the site on the terms as set out in the confidential appendix that accompanies this report;
- (b) agree that this report is made exempt to Call-In for the reasons set out in paragraph 4.5.6 in the open part of this report.

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### 1 Purpose of this report

- 1.1 The purpose of this report is to seek approval to declare the site surplus to requirements and sell the freehold interest in the site as per the terms as provisionally agreed and set out in the confidential appendix.

### 2 Background information

- 2.1 The subject site is identified on the attached plan and extends to 0.5 acre and forms part of a wider 'island site' surrounded by public highway on all sides. It is vested in City Development. It is situated in off Wellington St on the South West side of the City Centre.
- 2.2 The property currently forms part of the Council's Investment Portfolio and is within the segment identified as 'Other Investments'; rental income is however a peppercorn.
- 2.3 The site is held from the Council by way of a 125 year lease, granted in 1989 at a peppercorn rental. The purchaser acquired the long lease by assignment on 7<sup>th</sup> December 2018. The site is currently developed for offices. The leaseholder is undertaking a site assembly in order to carry out a comprehensive development of the whole island site.
- 2.4 The leaseholder approached the Council to purchase the freehold interest in order that they may secure funding to carry out a comprehensive redevelopment of the site. It is proposed that the applicant clears the whole site and builds a tower comprising of a development in excess of 300,000sqft grade A offices. This proposal has received the support of the Council's Planning Officers in advance of a planning permission being submitted.

### 3 Main issues

- 3.1 Negotiations have been undertaken with the party named in the confidential appendix and terms have been provisionally agreed which are also detailed in the attached confidential appendix.

#### 3.2 Options

##### 1. Do nothing and continue to receive the peppercorn income from the lease

This is not an option. This is opportunity to both generate a capital receipt, at a time of budget pressures and assist to facilitate investment in the city in order to

provide more Grade A office space which is required in the City in order to meet demand.

## **2. Dispose of the freehold interest on the terms provisionally agreed and detailed in the confidential appendix**

This is the recommended course of action for the reasons detailed in this report.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

- 4.1.1 Ward members have been consulted on 15<sup>th</sup> January 2019, to date no response has been received.
- 4.1.2 The Council's Executive Member for Regeneration, Transport and Planning has been consulted and has confirmed his support for a sale without restriction on the use.

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

- 4.2.1 There are not considered to be any equality and diversity / cohesion and integration issues arising from the proposal as set out in this report.

### **4.3 Council Policies and the Best Council Plan**

- 4.3.1 The disposal of this site will go towards the City's Inclusive Growth, in helping doubling the size of the City Centre and delivering investment, the property is located in the City's West End which is identified as one of the main priorities areas in the City Centre.

### **4.4 Resources and Value for Money**

- 4.4.1 Disposal of the Council's freehold interest would not result in any loss of rent as the current rent is a peppercorn but represents an opportunity to realise a capital receipt.

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

- 4.5.1 Under Part 3, Section 3E (g) of the Council's Constitution (Officer Delegation Scheme (Executive Functions)) the Director of City Development has authority to discharge any function of the Executive in relation to Asset Management.
- 4.5.2 The Chief Officer Asset Management and Regeneration, Head of Asset Management and 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.
- 4.5.3 The proposal constitutes a Key Decision. An appropriate notification has been made in accordance with the council's procedure.
- 4.5.4 The Head of Land and Property confirms that in his opinion the terms offered to the Council represent the best consideration that can be reasonably be obtained under Section 123 of the Local Government Act 1972 (or under the Housing Act 1985).
- 4.5.5 The information contained in the Appendix attached to this report relates to the financial or business affairs of a particular person, and of the Council. This

information is not publicly available from the statutory registers of information kept in respect of certain companies and charities. It is considered that since this information was obtained through one to one negotiations for the disposal of the property/land then it is not in the public interest to disclose this information at this point in time. Also it is considered that the release of such information would or would be likely to prejudice the Council's commercial interests in relation to other similar transactions in that prospective purchasers of other similar properties would have access to information about the nature and level of consideration which may prove acceptable to the Council. It is considered that whilst there may be a public interest in disclosure, much of this information will be publicly available from the Land Registry following completion of this transaction and consequently the public interest in maintaining the exemption outweighs the public interest in disclosing this information at this point in time. 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.

- 4.5.6 The terms provisionally agreed in the attached confidential appendix have been agreed on the basis that contracts are exchanged and the sale completed by the end of March 2019. For this reason it is proposed that this purchase is exempt from Call-in.

#### **4.6 Risk Management**

- 4.6.1 There is considered to be minimum risk since the purchaser approached the Council to acquire the lease and is acquiring the site unconditional and requires completion as soon as possible. In the event that the transaction does not proceed on the terms as set out in the confidential appendix, the council would remain the freeholder but would lose the capital receipt.

#### **5.0 Conclusion**

- 5.1 The proposal should be approved as it generates a capital receipt and allows redevelopment of part of the City centre in order to develop more grade A office space which there are a shortage in the City Centre.

#### **6.0 Recommendation**

- 6.1 The Chief Officer Asset Management and Regeneration is recommended to:
- (a) declare the subject site surplus to requirements and to approve a sale of the Council's freehold interest in the site on the terms as set out in the confidential appendix that accompanies this report;
  - (b) agree that this report is made exempt to Call-In for the reasons set out in paragraph 4.5.6 in the open part of this report.

#### **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.