

Report of Director of City Development

Report to Executive Board

Date: 18 March 2020

Subject: Disposal of the Lisbon Street Site, Leeds

Are specific electoral wards affected? If yes, name(s) of ward(s): Little London and Woodhouse	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Has consultation been carried out?	<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? Appendices 2 and 3 are exempt under access to information procedure rule number: 10.4(3)	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

Summary

1. Main Issues

- This site at Lisbon Street, formerly the site of the International Pool is outlined on the plan in Appendix 1, provides a large (2.77 acres or 1.12 hectares) brownfield site opportunity and is a key growth point. It provides an opportunity for inward investment and to create a new space in the West End district of the city centre.
- The development of the Lisbon Street site will further consolidate the continuing growth in this part of the city. In January 2020, McLaren Property secured planning permission for a 17 storey, 330,000 sq ft office development on a nearby site at Wellington Street.
- The site forms part of the Council's approved capital receipts programme. Executive Board on 20 March 2019 approved the commencement of the marketing for the disposal of the site, in accordance with the agreed planning brief.
- The marketing exercise was completed in late summer 2019 and offers have been received and these were subject to a high level review by colleagues across the Council, to determine an initial shortlisting.

- These shortlisted bids have subsequently been reviewed in more detail and this report formally recommends the acceptance of both a preferred and a reserve bid, as required by the Executive Board decision of 20 March 2019.
- The disposal and development of the Lisbon Street site will provide a timely supply into the city's construction pipeline to bring forward city centre growth as part of mixed used development. In doing so the disposal of the site will contribute to the outcomes of the Leeds Inclusive Growth Strategy, specifically the target to double the size of the city centre and in doing so increase the economic output.
- In addition, Lisbon Street was identified in the Our Spaces Strategy, as a site that had the potential to positively contribute to the quantity and quality of the city centre's public realm offer. The design response has been guided by this ambition and through the ongoing development of the scheme, the importance of the public realm and the setting will be seen as equally important to the development of the buildings themselves.

2. Best Council Plan Implications

- The disposal will result in a capital receipt to the Council that will contribute to the Best Council Plan by supporting communities and promoting sustainable and inclusive economic growth.

3. Resource Implications

- The site is surplus to Council requirements and no operational reason has been identified to justify its retention. In these circumstances, its disposal represents prudent and economic asset management, obviating holding costs associated with managing the site and therefore supports the best value objectives of the Council.

Recommendations

Executive Board is asked to:

- i) Approve the selection of the preferred and reserve bid as identified in 5.1 of the confidential appendix and reject the remaining shortlisted bids.
- ii) Request that officers progress negotiations with the preferred bidder to agree detailed heads of terms, on the basis of the offer received and enter into a suitable legal agreement.
- iii) Delegate authority for the approval of any amendment to the heads of terms relating to the offer and/or revert to the reserve bidder, to the Director of City Development, in consultation with the Executive Member for Resources.

1. Purpose of this report

- 1.1 The purpose of this report is to seek approval to select both a preferred and a reserve bid for the disposal of the Lisbon Street site and proceed to contract.

2. Background information

- 2.1 This Council-owned site at Lisbon Street, formerly the location of the International Swimming Pool is outlined on the plan in Appendix 1. The site is currently in temporary use as a surface car park, which was established as a meanwhile use pending the site being brought forward for disposal. As a significant brownfield site it presents a major opportunity to realise new development that will contribute to the continued success of the city centre through a range of appropriate uses.
- 2.2 Recent market reports have evidenced the success of development activity in Leeds with the latest Deloitte Crane Survey reporting that Leeds had broken a number of construction records in 2018, with 21 new starts, the highest since 2007. Over 800,000 sq ft of office accommodation, 2200 residential units and 2700 student bed spaces are currently under construction in the city-centre. These figures are in excess of rates experienced over recent years and have brought forward a number of development plots in the city centre.
- 2.3 Leeds has seen a number of inward investment moves which have included Burberry, Reed Smith, DAZN Group, the Government Hub and the decision of Channel 4 to relocate its HQ in the city. The analysis of the future development pipeline also indicates that there is a potential shortfall in Grade A office supply in the city from Q4 2021 into 2022, as developments such as Wellington Place are now firmly established in the city. In January 2020, McLaren Property secured planning permission for a 17 storey, 330,000 sq ft office development on Wellington Street.
- 2.4 The disposal and development of the Lisbon Street site will further consolidate the growth in this part of the city and will provide a timely supply into the city's construction pipeline to bring forward city centre growth, in line with the Leeds Inclusive Growth Strategy ambition to double the size and economic impact of the city centre and in doing so enhance connectivity with surrounding neighbourhoods to ensure all the city's residents are able to take advantage of the economic and social opportunities it presents.
- 2.5 The Lisbon Street site could form a key part of a resurgent West End to the city centre, which alongside the major redevelopment of Wellington Place, the former Yorkshire Post site and the McLaren proposals, will create a distinct new mixed use quarter with a significant element of new grade A commercial floorspace. Through high quality design and place making this emerging new West End has the potential to create an enhanced relationship with the riverside corridor to the west beyond the Inner Ring Road, where there are further redevelopment opportunities that could address the need for better connectivity, vitality and animation, enabling a stronger and more positive association with the Kirkstall Road area and surrounding communities.

- 2.6 The Leeds Our Spaces Strategy, which sets out the vision, ambition and benchmark for the design of city centre public realm, identifies Lisbon Street as a site that has the potential to contribute to the delivery of inclusive, vibrant, world-class public spaces in the city centre. It is anticipated that green infrastructure will be incorporated into the design response, which will provide opportunities to assist in addressing the impacts of climate change through the inclusion of trees, planting and surface water management.
- 2.7 The site forms part of the Council's approved capital receipts programme. Executive Board on 20 March 2019 approved the commencement of the marketing for the disposal of the site, in accordance with the agreed planning brief. The planning statement, which informed the offers and submissions, outlined the acceptable uses, including grade A offices, residential and hotel and the form of development. There is also a planning requirement for an area of civic greenspace public realm.
- 2.8 The marketing exercise was undertaken during the summer of 2019, through the Council's appointed property agent Jones Lang LaSalle (JLL), who have been working closely with the Council's internal property team. The level of interest in the site has been high, and the response from the commercial development market has been strong. Submissions have generally been well thought through and some very detailed proposals have been included in the bids. The initial closing date for offers and submissions was 27 September 2019. 17 offers and associated submissions were received.
- 2.9 The submissions were subject to a high level review by the Council's Property, Legal and Finance teams, together with a high level technical analysis by Planning and Highways Services.
- 2.10 Following this initial review, as outlined in the confidential appendix 8 bids were then examined in more detail by the Council's technical team. Relevant feedback and clarification queries were issued to the shortlisted parties and they were requested to resubmit their final offers and associated submissions by 18 November 2019.
- 2.11 All of the shortlisted parties submitted revised proposals and the vast majority of these were again, very comprehensive and of a high quality. The shortlisted submissions have been considered and scrutinised by the Council's technical team and the findings are outlined in the exempt appendix.
- 2.12 The scrutiny undertaken by officers has been further supported and informed by supplementary due diligence through more focussed and independent interrogation by external advisors. The site is capable of supporting tall buildings, indeed many of the proposed schemes had proposed development of this nature. The site is adjacent to the inner ring road, which requires particular consideration of wind considerations, as tall buildings have been proposed to be constructed. . The Council therefore appointed wind consultants RWDI and their advice is contained within the exempt appendix.
- 2.13 The Lisbon Street is one of both high value and high profile. It is crucial to the Council's medium term financial strategy and supporting the capital programme. It is a key site included in the report that was taken to Executive Board in January 2020 supporting the medium term financial strategy.
- 2.14 To further inform and support the recommendation made, it is considered advisable to undertake further financial due diligence and this work be carried out external to

the Council. The Council's appointed agent JLL has undertaken this work and further information is provided within the confidential appendix.

3. Main issues

- 3.1 It is considered that the disposal of the site is likely to generate a substantial capital receipt to the Council to support the Council's Medium Term Financial Plan. The Development of the site will also contribute to the delivery of the Leeds Inclusive Growth Strategy, specifically the outcome of doubling the size and economic impact of the city centre.
- 3.2 Executive Board gave approval on 20 March 2019 to commence the marketing for the disposal of the Council owned site at Lisbon Street, in accordance with the agreed planning statement. Executive Board also requested that a report be brought back to seek approval to both a preferred and reserve bidder.
- 3.3 Details of the bids received are outlined within the exempt appendix 2, together with the basis of shortlisting and the selection of the preferred bids. Exempt appendix 3 provides a summary of design images and plans for the recommended preferred and reserve bidder.
- 3.4 This report recommends the acceptance of both a preferred and a reserve bid, as required by the Executive Board decision, of 20 March 2019.

4. Corporate considerations

4.1 Consultation and engagement

- 4.1.1 The Executive Member for Resources has been briefed on the proposal. Ward Members were consulted on 31 January 2019 and 30 January 2020 no adverse comments or objections were received.
- 4.1.2 Both the recommended preferred and reserve bid are conditional upon securing detailed planning permission. The preferred party will therefore require to secure detailed planning permission and the usual consultation and approval process associated with the planning regime will apply.

4.2 Equality and diversity / cohesion and integration

- 4.2.1 No specific considerations arise from the immediate proposal to commence the marketing for the disposal of the site.

4.3 Council policies and best council plan

- 4.3.1 The disposal of this site supports the delivery of the Best Council Plan 2018/19 – 2021 outcomes, in particular contributing towards a number of the 12 big ideas set out in the Leeds Inclusive Growth Strategy. These include 'doubling the size of the city centre', 'working together to create better jobs, '21st century infrastructure', 'supporting places and communities to respond to economic change' and 'promoting Leeds and Yorkshire'.

Climate Emergency

- 4.3.2 This is a brownfield site in the heart of the city centre. The Planning Statement provides the policy context for future purposes consistent with the declaration of the

Climate Emergency and relevant policies as part of the Masterplan. All development proposals will be subject to detailed planning permission and this will further consider the impact this site will have on the climate. The environmental aspects of the preferred and reserve schemes are outlined in the exempt appendix.

- 4.3.3 The increase in green infrastructure as part of the public realm design will increase carbon capture, improve air quality and assist the management of water runoff during extreme weather events supporting our ambition to become carbon neutral by 2030. There may also be the opportunity to contribute to biodiversity net gains in the city centre, supporting the creation of green corridors across the city.

4.4 Resources and value for money

- 4.4.1 The disposal of the site will mean the Council will forego the income it receives from the temporary pay and display car parking of approximately £720k per annum, although expenditure savings (mainly in respect of non-domestic rates) will reduce the net loss. However, the disposal will generate a significant capital receipt and through the redevelopment of the site, provide the provision of Grade A office, student and residential accommodation, together with a hotel that will provide significant additional non-domestic rates and Council Tax revenue. The impact of the proposed sale will be reflected in the Council's medium term financial strategy.

4.5 Legal implications, access to information, and call-in

- 4.5.1 The proposal constitutes a Significant Operational Decision. The property was previously considered, as outlined above in paragraph 2.2 above, by the Council's Executive Board on 19 January 2005, at which time, Members approved, as a key decision, the disposal of the site.
- 4.5.2 In the opinion of the Head of Land and Property the preferred bid as detailed in the confidential appendix represents the best consideration that can reasonably be obtained for the property as required pursuant to the Council's legal obligations under Section 123 of the Local Government Act 1972. The information contained within the confidential appendix attached to this report relates to the financial or business affairs of a particular person and affected parties (including the authority holding that information). 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 (of appendices 2 and 3) outweighs the public interest in disclosing the information, in line with the Council's Access to Information Procedure Rules.

4.6 Risk management

- 4.6.1 There is a risk that a suitable legal agreement with the preferred bidder is not completed and documented. However, due to the due diligence work carried out in respect of the preferred bidder, their bid and their track record, this is considered unlikely.
- 4.6.2 Even if a legal agreement is entered into, economic conditions may result in the offer being withdrawn by the preferred party and the sale therefore falling through.

The financial due diligence work undertaken, as outlined within the confidential appendix will reduce but not remove this risk.

- 4.6.3 However, development interest in the site has been significant as evidenced by the level of offers received, together with the accompanying high quality of bid submissions. This is also supplemented by the selection of a reserve bid, should the preferred bid fall away, enabling the Council to continue swiftly with another suitable bid.
- 4.6.4 This is a reflection of the recent strength in the property market in Leeds, and the values achieved, particularly in the office, industrial and residential sectors, demonstrated by the new development taking place across the city.
- 4.6.5 Market intelligence indicates a wider context of confidence in Leeds city centre and evidence of significant inward investment and proposals, such as those from Burberry and Reed Smith and also the announcement of Channel 4's decision to relocate their national headquarters to Leeds. Furthermore, there has been notable increased activity in the city centre residential market and strong demand for residential development currently exists supporting the delivery of brownfield sites.
- 4.6.6 There is also a risk that there could be objections to the planning application. It is unlikely that these will be valid or material, as the Council's Planning team has considered and provided guidance to inform both the preferred and the reserve bid.

5. Conclusions

- 5.1 The Lisbon Street site is a valuable and strategic development opportunity to further enhance the growth of Leeds city centre and support the delivery of the Leeds Inclusive Growth Strategy.
- 5.2 The marketing exercise for the disposal of the site has now been concluded and offers have been received by the Council. These have been duly considered and both a preferred and reserve bid can now be recommended to Executive Board for approval.

6. Recommendations

- 6.1 Executive Board is asked to:
 - (i) Approve the selection of the preferred and reserve bid as identified in 5.1 of the confidential appendix and reject the remaining shortlisted bids.
 - (ii) Request that officers progress negotiations with the preferred bidder to agree detailed heads of terms, on the basis of the offer received and enter into a suitable legal agreement.
 - (iii) Delegate authority for the approval of any amendment to the heads of terms relating to the offer and/or revert to the reserve bidder, to the Director of City Development, in consultation with the Executive Member for Resources.

7. Background documents¹

7.1 None.

8. Appendices

8.1 Appendix 1 – Plan of the Site

8.2 Appendix 2 – Exempt appendix including accompanying schedule

8.3 Appendix 3 - Exempt – Summary of design images and plans

(Appendices 2 and 3 are exempt under access to information procedure rule number:
10.4(3))

¹ 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.