



**The Appendix of this report is Exempt/Confidential under
Access to Information Procedure Rules 10.4 (3)**

Report of : DIRECTOR OF CITY DEVELOPMENT

To : Executive Board:

Date: 16 JULY 2008

Subject: SOVEREIGN STREET/CRITERION PLACE

Electoral Wards Affected:

CITY & HUNSLET



Ward Members consulted
(referred to in report)

Specific Implications For:

Equality and Diversity

Community Cohesion

Narrowing the Gap

Eligible for Call In



Not Eligible for Call In

(Details contained in the report)



Executive Summary

Members of Executive Board in April 2004, approved the financial offer and supporting scheme proposals for the Sovereign Street site and agreed to appoint Simons Developments as the Council's preferred developer.

The Director of Development subsequently entered into contractual negotiations for the disposal of the site and worked with Simons and technical officers from the Council in working up the scheme proposals, with a view to taking these forward in a planning application which would ultimately receive permission.

Contracts were duly exchanged in June 2006 on a conditional basis. The conditional period has now expired and the Council could terminate the contract. Due to the prevailing economic climate and the consequential downturn in the property market, Simons have recently submitted a revised offer, together with amended scheme proposals for the site.

The purpose of this report is therefore to advise Members of the revised offer and scheme proposals, together with the options available to the Council in respect of this site. The confidential part of this report provides the detail of the original offer and the revised offers which have been made, together with other confidential information.

It is proposed that the information in the confidential appendix to this report will be

designated exempt under Access to Information Procedure Rule 10.4 (3) on the basis that this is information relating to the business affairs of all parties identified in the report and of the Council, and that in all the circumstances of this case, the public interest in maintaining the exemption outweighs the public interest in disclosure.

1.0 Purpose of This Report

- 1.1 The purpose of this report is to advise Members of the current situation relating to the disposal of the Council owned city centre development site at Sovereign Street.
- 1.2 The sale was approved by Members of Executive Board in April 2004 and negotiations in respect of the sale contract have been ongoing with officers of City Development and the selected preferred developer, Simons Developments Ltd (Simons) since that time.
- 1.3 Simons have recently submitted a revised offer with amended scheme proposals (detailed in the confidential appendix annexed to this report) and the purpose of those papers is therefore to advise Members of this offer, together with the options available to the Council in respect of this site.

2.0 Background Information

- 2.1 Immediately subsequent to a public exhibition of the three shortlisted schemes, in the Civic Hall, on 7 April 2004 a report¹ was presented to Executive Board by the Director of Development together with a confidential appendix², detailing the financial offers and scheme proposals submitted by the interested parties. Members agreed that the financial offer and scheme proposals submitted by Simons, should be accepted and that Company chosen as the Council's preferred developer.
- 2.2 The centrepiece of Simons proposed scheme were to be twin storey towers, one of which comprised 47 storeys and the other 29 storeys. The scheme was to comprise the following elements:
 - i) 161 bed hotel with ground floor restaurant and bar facilities.
 - ii) 301 residential apartments.
 - iii) 33,000 sq ft of small retail units and A3 space.
 - iv) Approximately 307 car parking spaces.

The affordable housing element was to comprise of 15% of the total number of residential units which would have been discounted. A mixture of 1-2 bed units were to be sold to a housing association by way of a long leasehold agreement.

- 2.3 The original heads of terms which comprised Simons final and best offer made in December 2003 and approved by Executive Board in April 2004 are detailed in the confidential appendix attached to this report.
- 2.4 Solicitors were duly instructed with regard to the proposed sale and during the course of the negotiations in respect of the draft sale contract a number of issues arose, which necessitated changes being made to the provisionally agreed heads of terms. These changes were approved by the Chief Asset Management Officer on 5 April 2006³ and are also summarised in the confidential appendix.

2.5 Contracts in respect of the sale of the site to Simons were duly exchanged on 29 June 2006 on a conditional basis. The conditional period of thirty months was divided into two periods, as follows:

- i) Initial Condition Period.
- ii) Principal Condition Period.

2.6 Simons subsequently requested a six month extension to the initial condition date, from the date of potential determination of the contract on 28 December 2006. The extension was considered in a report⁴ to the Chief Asset Management Officer who gave approval to the proposal on 15 December 2006.

2.7 The further extension was granted to satisfy the Initial Conditions and the Principal Conditions in the sale contract, and in particular the submission of a planning application by 29 March 2008.

2.8 Ward Members were consulted in writing with regard to the proposed sale of the site on 2 October 2002 and no responses were received.

3.0 Main Issues

3.1 The Council has previously agreed to sell its site at Sovereign Street on the terms approved by Executive Board on 7 April 2004 and subsequently by the Chief Asset Management Officer on 5 April 2006 and 15 December 2006.

3.2 At the time of selection at the Executive Board meeting on 7 April 2004, the offer from Simons was considered to represent the best consideration that could reasonably be obtained under Section 123 of the Local Government Act 1972 (or under the Housing Act 1985). The Council has a legal obligation to obtain the best consideration that can reasonably be obtained in disposing of land, unless the Council is entitled to do otherwise by virtue of the consent of the Secretary of State pursuant to General Disposal Consents.

3.3 Following the expiry of the extended Initial Conditional Period on 29 March 2008, Simons submitted a revised offer for the site, together with amended scheme proposals. They have not satisfied the conditions in the contract and had not prepared and submitted a planning application.

3.4 The confidential appendix, referred to in paragraph 1.3 above, contains financial and other confidential information relating to Simons offers. This information relates to the financial or business affairs of this particular Company, and of the Council. This information is not publicly available from the Statutory registers of information kept in respect of certain companies or charities. It is considered that since this information was obtained through the negotiations with Simons, which were conducted on a confidential basis, then it is not in the public interest to disclose this information at this point in time.

3.5 There are a number of options available to the Council in respect of this site, and these are listed below for Members consideration:

- i) Continue to negotiate with Simons on the basis of the revised conditional offer recently received.

- ii) Invite Simons to submit an unconditional offer for the site. An unconditional offer would be an offer with no conditions attached to it and future control over the scheme proposals would be via the planning process.
- iii) Remarket the site, either immediately or at some time in the future, inviting offers and scheme proposals.
- iv) Terminate the contract with Simons and continue to use the site for car parking, which generates substantial revenue income (detailed in the confidential appendix) by virtue of the rents received on an annual basis from the two car park operators.

3.6 A full risk analysis of each of the options is set out in the confidential appendix, together with a recommendation.

4.0 Implications for Council Policy and Governance

4.1 The Sovereign Street site has remained undeveloped since the demolition of the former Queens Hall in 1989. It has subsequently been operated as a car park and let on leases to two car park operators. If the site is eventually redeveloped, it will provide the opportunity to add to the regeneration of this part of the city and create links to the river and city centre, as well as creating substantial investment in this part of Leeds. Any future redevelopment proposals would assist with the Council's objectives of 'Going up a League', 'Closing the Gap' and providing new job opportunities.

5.0 Legal and Resource Implications

5.1 The main legal implication relates to the Council's obligation to obtain 'best consideration' that can reasonably be obtained. This has previously been referred to in 3.2 earlier in the report.

5.2 Resource implications arise from the sale of the site which would result in the car parking income being lost. The current revenue income generated from the rents received from the two car park operators is detailed in the confidential appendix.

6.0 Conclusions

6.1 A considerable amount of time has elapsed since Simons offer was approved in April 2004 by Executive Board. Members' decision at the time gave a commitment that the site would be withdrawn from the market and the Council would proceed to sell the site to Simons, subject to satisfactory terms being agreed. No planning application was submitted and Simons eventually submitted a revised offer and amended scheme proposals.

6.2 Members will now be invited to consider the information incorporated in the confidential section of the report, which sets out the options and also contains a recommendation by the Director of City Development.

7.0 Recommendation

7.1 This is set out in the confidential appendix.

Foot notes

1. Sovereign Street – Selection of offer, scheme and preferred developer. Report to Executive Board on 7 April 2004 by the Director of Development.
2. Sovereign Street – Selection of offer, scheme and preferred developer. Schedule of offers and comments circulated by the Director of Development. This appendix was marked Exempt/Confidential under Access to Information Procedure Rule 10.4 (9).
3. Sovereign Street – Amendments to proposed heads of terms. Report to Chief Asset Management Officer which was approved on 5 April 2006.
4. Sovereign Street – Extension to the condition date. Report to the Chief Asset Management Officer, which was approved 15 December 2006.