



Report of Asset Management & Regeneration

Report to Director of City Development

Date:

Subject: Divestment - Investment Portfolio

Are specific electoral wards affected? If yes, name(s) of ward(s): Temple Newsam	<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
Will the decision be open for call-in?	<input type="checkbox"/> Yes <input checked="" 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

1. Main issues

- In November 2020 a report (Accelerated Capital Receipts and Estate Rationalisation) was approved by Executive Board that proposed the disposal of a number of investment properties at Logic Leeds; this was taken as a Key Decision.
- In February 2021 specialist investment agents were appointed via an approved Framework and were subsequently engaged to market the subject assets.
- This report is now reporting the outcome of that marketing process and sets the terms on which the council is recommended to dispose.

2. Best Council Plan Implications (click [here](#) for the latest version of the Best Council Plan)

- The sale of the assets will provide a major source of capital for the Council's financial plan as such, this report is concerning the support of the council's Financial Strategy which in turn helps to support the Best Council Ambitions of being an Efficient, Enterprising and Healthy Organisation.

3. Resource Implications

- External resources have been engaged to deliver this significant capital receipt. The specialist investment agents were appointed via the approved ESPO Framework; see 2.4 above. Legal Services have appointed external legal advice via their approved framework.

- The assets have been openly marketed and well received by the market. The details as set out in the confidential appendix are to transact at best consideration and as such offer value for money.

Recommendations

It is recommended that the council disposes of the subject assets at Logic Leeds on the terms as set out in the confidential appendix.

1. Purpose of this report

- 1.1 The purpose of this report is to seek approval to the disposal of the subject assets on the terms as set out in the confidential appendix.

2. Background information

- 2.1 In June 2016 the Council's Executive Board took a Key Decision to approve the terms for the acquisition of the industrial unit at Unit 1 Logic Leeds and for it be held in the investment portfolio in order to generate income. Since the date of its acquisition, it has been held for this purpose.
- 2.2 In April 2017, The Director of City Development took a Key Decision to acquire the site Skelton Moor Way and enter into a development agreement that enabled the site to be developed out as 3 detached industrial units. Since their completion the council has sought and obtained a letting of each unit.
- 2.3 In November 2020, Executive Board approved that the subject assets were marketed with a view to their disposal, subject to the level of interest and offers received.
- 2.4 In February 2021, an exercise to appoint an appropriately qualified and experienced investment agent took place; using the ESPO Framework (Estates Management Professional Services). Cushman & Wakefield were successful and subsequently appointed. They have since diligently gone about marketing the subject assets, working as part of a wider team with council officers and legal representation. Offers have now been sought. These are reported in the confidential appendix along with a recommendation.
- 2.5 The subject properties are extremely well regarded as an investment opportunity. The logistics asset class is currently considered very attractive given the complexities around other traditional asset classes such as retail, offices and leisure. Covid-19 has furthered these considerations of risk as retail and working habits change.
- 2.6 The subject properties are modern, built to high standards and are well placed geographically with excellent transport links. Added into that the lettings are strong with good lease terms. This has all combined to make a lot that has generated significant interest in the market from large funds looking to place capital.

3. Main issues

- 3.1 The marketing has progressed well and a number of parties have shown interest, have undertaken viewings and subsequently been granted access to the data room in order to familiarise themselves with the legal packs of information.

- 3.2 An initial round of bids was called for in order to ascertain the level of interest, which was strong. Best and final bids were then called for and the outcome of this process is set out in the confidential appendix.
- 3.3 This report now seeks approval to dispose of the subject assets on the terms as set out in the confidential appendix, which can be recommended for approval.

4. Corporate considerations

4.1 Consultation and engagement

- 4.1.1 Consultation has been undertaken in accordance with the Executive Board approval obtained in November 2020 regarding the disposal of the subject assets. The Executive Member for Resources has been informed regarding the commencement of the marketing and was subsequently consulted regarding the final bids received on 19 May 2021. They have confirmed that they are supportive of the proposal as set out in the confidential appendix.
- 4.1.2 The leaders of the opposition parties, Cllr Carter and Cllr Golton were made aware of the commencement of the marketing exercise and have been advised on the top offers received together with the intention to accept the proposal as set out in the confidential appendix.
- 4.1.3 Ward members will be aware of the decision taken at Executive board in November 2020 regarding the assets and will be advised of the outcome of the bidding prior to completion.
- 4.1.4 The Deputy Chief Officer Financial Services has been informed of the sale and is supportive of a sale at the level of receipt as set out in the confidential appendix.

4.2 Equality and diversity / cohesion and integration

- 4.2.1 There are no issues connected to the recommendation in this report.

4.3 Council policies and the Best Council Plan

- 4.3.1 A sale of the assets will provide a major source of capital for the Council's financial plan as such, this report is concerning the support of the council's Financial Strategy which in turn helps to support the Best Council Ambitions of being an Efficient, Enterprising and Healthy Organisation.

Climate Emergency

- 4.3.2 There are no specific implications relating to Climate Emergency relating to the recommendation in this report. It is however worth noting that the subject properties are built to high BREAAAM specification and this was an important consideration for the council when the assets were constructed.

4.4 Resources, procurement and value for money

- 4.4.1 External resources have been engaged to deliver this significant capital receipt. The specialist investment agents were appointed via the approved ESPO Framework; see 2.4 above. Legal Services have appointed external legal advice via their approved framework.

4.4.2 The assets have been openly marketed and well received by the market. The details as set out in the confidential appendix are to transact at best consideration and as such offer value for money.

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 Deputy 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 Significant Operational Decision and is therefore not subject to call in.

4.5.4 The Chief Officer Asset Management & Regeneration confirms that in their opinion the terms offered to the Council represent the best consideration that can reasonably be obtained under Section 123 of the Local Government Act 1972 (or under the Housing Act 1985).

4.6 Risk management

4.6.1 There is the risk that the party as recommended for approval to transact with does not complete on the deal. However, there are a number of strong bidders and as shown in the confidential appendix bidding is extremely close and in the event that the selected party does not be considered as 'performing', an under bidder can be selected.

4.6.2 There is the risk that no party proceeds to completion. This is considered extremely unlikely as the interest from numerous parties is strong and the bidding close. There are other purchasers willing and able to complete. However, in the unlikely event that no party wants to complete then the assets would remain in the Council's Investment portfolio and produce revenue.

5. Conclusions

5.1 It is concluded that the council is recommended to sell the subject properties on the terms as set out in the confidential appendix.

6. Recommendations

6.1 It is recommended that the council disposes of its assets at Logic Leeds on the terms as set out in the confidential appendix.

7. Background documents¹

7.1 None

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.