

Report of Deputy Head Land and Property

Report to Director of City Development

Date: 28 May 2021

Subject: Disposal of the Lisbon Street Site, Leeds – Final terms

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 type="checkbox"/> Yes <input checked="" 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, is a large (2.77 acres or 1.12 hectares) brownfield site opportunity and 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 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.
- On 18 March 2020, Executive Board approved the selection of the developer and acceptance of their offer as detailed within the confidential appendix. Executive Board also delegated the authority regarding any amendment to the final heads of terms to the Director of City Development, in consultation with the Executive Member for Resources.

- Negotiations on the final terms have progressed to the extent that approval is now required to the details as set out in the confidential appendix to enable a legal contract for the disposal to be exchanged.

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

The Director of City Development is asked to:

- i) Approve the final terms as identified in the confidential appendix 2 to enable an exchange of contract with the Council's selected purchaser.

1. Purpose of this report

- 1.1 The purpose of this report is to seek approval to the detailed terms for the disposal of the Lisbon Street site.

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 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.
- 2.3 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.

- 2.4 The marketing exercise was undertaken during the summer of 2019, through the Council's appointed property agent Jones Lang LaSalle (JLL), who worked closely with the Council's internal property team. The 17 submissions received 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.
- 2.5 Following this initial review, 8 shortlisted 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. The shortlisted submissions have been considered and scrutinised by the Council's technical team. The scrutiny undertaken by officers was further supported and informed by supplementary due diligence through more focussed and independent interrogation by external advisors.
- 2.6 Executive Board, on 18 March 2020, considered the submissions and technical analysis and a developer and bid offer was duly selected, together with a reserve. Contract negotiations have taken place with the selected developer and final detailed terms have now been provisionally agreed. A Contract needs to be exchanged between the Council and the developer in order that the developer can submit a planning application and the transaction can proceed as set out within the confidential appendix.

3. Main issues

- 3.1 The disposal of the site will 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 On 18 March 2020, Executive Board approved the selection of the developer and acceptance of their offer as detailed within the confidential appendix. Executive Board also delegated the authority regarding any amendment to the final heads of terms to the Director of City Development, in consultation with the Executive Member for Resources.
- 3.3 This report recommends the acceptance the detailed final terms for the disposal of the Lisbon Street site to enable an exchange of contract. This will enable the developer to submit their planning application and the transaction can proceed as set out within the confidential appendix.
- 3.4 The developer has submitted a planning pre-application and in accordance with usual process and a number of workshops have been held with Planning Services. The pre-application went before Plans Panel on 19 May 2021 and was positively received.
- 3.5 There is a change to the redline boundary of the site to be sold, which is reduced to reflect an area of land to be retained by the Council, as will form part of the adopted highway network. This comprises the area of land that will provide a replacement

ramp/stairs arrangement which connects to the pedestrian bridge over the inner ring road and the footpath/cycleway, which runs adjacent to the inner ring road.

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 30 January and 23 November 2020. Ward Members requested a more detailed briefing and this was undertaken on 3 December 2020 and 29 April 2021. No adverse comments or objections were received.
- 4.1.2 The selected bid is conditional upon securing detailed planning permission. The preferred developer 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 (pre Covid levels), 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. Executive Board approved the selection of the preferred and reserve bid on 18 March 2020. The site was also included in the report that went to Executive Board on 10 February 2021, detailing the Council's Capital Receipt Programme.
- 4.5.2 In the opinion of the Deputy 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. Further advice has been obtained from JLL and this is included within the confidential appendix 3.
- 4.5.3 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 ultimately 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 and the structure of the transaction, as outlined within the confidential appendix will reduce but not remove this risk. The precise impact of Covid-19 is particularly difficult to predict on the development sector both in Leeds and the wider UK property market.
- 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.
- 4.6.4 The selected developer will also prepare more detailed scheme proposals which will be informed by the evolution of design and market demand brought about by the pandemic.
- 4.6.5 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 Planning Authority considered

and provided guidance to inform the selection of the preferred bid. Dialogue has been undertaken, following a planning pre application submission, between the developer and the Planning Authority to inform a compliant planning application. The pre-application went before Plans Panel on 19 May 2021 and was positively received.

- 4.6.6 The selected bid was originally also conditional upon securing a satisfactory ground investigation survey. This risk has now been alleviated as the developer has completed this work of due diligence following suitable intrusive investigation works on site and no substantive issues arose.

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 Detailed terms for the disposal of the site to the Council's selected developer have been agreed and can now be recommended to the Director of City Development for approval.

6. Recommendations

- 6.1 The Chief Officer Asset Management & Regeneration is asked to:
- i) Approve the final terms as identified in the confidential appendix to enable an exchange of contract with the Council's selected developer.

7. Background documents¹

- 7.1 None.

8. Appendices

- 8.1 Appendix 1 – Plan of the Site
- 8.2 Appendix 2 – Exempt appendix
- 8.3 Appendix 3 – Exempt - Supplementary advice from JLL

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.