

Proposed Appointment of Development Manager, George Street Regeneration

Date: 6 March 2023

Report of: Asset Management and Regeneration

Report to: The Director of City Development

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

Brief summary

The City Council has a long-held ambition to regenerate George Street which forms the northern boundary of Kirkgate Market a Grade 1 Listed Building, opposite the Victoria Gate development, providing a link from the city centre to Leeds Central Bus Station and beyond to the recently refurbished Leeds Playhouse and the new developments on Quarry Hill.

Executive Board in December 2017 agreed a proposal submitted by Town Centre Securities Plc (TCS) to progress a joint venture with the Council to bring forward a redevelopment of the low grade, low-rise vacant shop units and former Market Service offices to deliver an apart-hotel on the upper floors with ground floor commercial units below. The proposal was submitted in response to an Official Journal of the European Union (OJEU) Competitive Dialogue procurement exercise.

In accordance with the requirements of the Competitive Dialogue procedure, TCS presented a revised proposal to the Council for the development of the site to include a 143-bed hotel, with commercial units and possibly a Council operated gym at ground floor level. Executive Board in September 2022 approved a revised delivery structure for the regeneration of George Street, with the Council taking the role of developer of the hotel and ground floor commercial units/gym with the proposal to retain TCS as the Council's Development Manager for the delivery of the project.

This report seeks approval to the appointment of Town Centre Securities Plc as the Development Manager for the George Street regeneration project on terms that have been provisionally agreed with TCS as presented in Appendix 1 of the report, which has been identified as Exempt/Confidential under Access to Information Procedure Rules 10.4(3).

The project supports the Council's pillars of Inclusive Growth and Health and Wellbeing of the Best City Ambition.

Recommendation

- a) The Director of City Development is requested to approve the appointment of Town Centre Securities Plc as the Council's Development Manager for the delivery of the George Street regeneration project on terms detailed in Appendix 1 of the report.

What is this report about?

- 1 This report seeks approval to appoint TCS as the City Council's Development Manager to help deliver the Council's long-held ambition to regenerate George Street and create both a new 'front door' to Kirkgate Market and improve connectivity and linkage with the Victoria Gate development, Leeds Central Bus Station and beyond to the new developments on Quarry Hill.
- 2 Executive Board at its meeting in December 2017 agreed a proposal submitted by TCS in response to an OJEU Competitive Dialogue procurement exercise to progress a joint venture with TCS to bring forward a redevelopment which would deliver a 126 bed apart-hotel with ground floor commercial units. Planning and Listed Building consent for the proposed apart-hotel development was granted in September 2018, though such consent has now expired.
- 3 With the onset of the pandemic in March 2020, the proposal as formed was no longer considered deliverable by TCS. In particular, the covenant strength of the proposed apart-hotel operator was not considered sufficient to underwrite the development risk of the proposal and, thereafter, like many mixed-use commercial schemes nationally the scheme stalled, pending a reassessment of the position once the post-pandemic position became clearer. With the recovery from the pandemic now underway, officers have worked with TCS to reassess and identify a viable development proposal for the site, that can work in a post pandemic property market, which remains more risk averse and, where the covenant strength of the occupier of the completed development is fundamental to the project's success.
- 4 Against this background and, in accordance with the requirements of the Competitive Dialogue procedure, TCS presented a revised proposal to the Council for the delivery of the site to include a 143-bed hotel, with commercial units and possibly a Council operated gym at ground floor level. TCS also identified a national hotel operator interested in taking a lease of the hotel element of the completed development. Whilst in their submission, TCS confirmed their interest in working with the Council to bring forward and deliver a scheme for the redevelopment of George Street, they advised that they no longer wished to be party to a Joint Venture with the Council as originally proposed in 2017, but rather proposed that they be retained as the Council's Development Manager to bring forward both the operator of the hotel and the subsequent delivery of the project on site.
- 5 In September 2022, the Council's Executive Board approved amongst other things the revised delivery structure for the regeneration of George Street as proposed by TCS and, that the Director of City Development be authorised to take all subsequent decisions that may be necessary for the delivery of the regeneration of George Street with the concurrence of the Executive Member for Infrastructure and Climate.
- 6 This report seeks approval for the appointment of TCS as the Council's Development Manager for the delivery of the George Street regeneration project on terms detailed in Appendix 1 of the report which is Exempt/Confidential under Access to Information Procedure Rules 10.4(3).

What impact will this proposal have?

- 7 Despite the impact nationally of the Covid-19 pandemic on retail and leisure activities, the city centre has undergone a positive change over the last five years with the regeneration of the Eastgate Quarter, the on-going refurbishment works in Kirkgate Market, the completion of the Victoria Gate development and the mixed-use development on Quarry Hill. The proposals for the redevelopment of George Street will continue to enhance the area, consolidating the city centre as the region's key retail and leisure hub and creating a positive and attractive retail and leisure destination for both residents and visitors to the city.

How does this proposal impact the three pillars of the Best City Ambition?

Health and Wellbeing

Inclusive Growth

Zero Carbon

- 8 The recommendation contained in the report will help bring forward the redevelopment of George Street and contribute to the Council's pillars of Inclusive Growth and Health and Wellbeing. It is envisaged that the scheme will provide both training and employment opportunities during the construction phase and, thereafter, in the completed development. The proposal for a Council operated gym will provide the opportunity for people visiting, living, and working in the city centre to utilise and experience an affordable local authority health and fitness service which the Council does not currently provide in the city centre.

What consultation and engagement has taken place?

Wards affected:

Have ward members been consulted? Yes No

- 9 The Executive member for Infrastructure and Climate has been consulted and is supportive of the recommendation contained in the report.
- 10 The Council's Procurement and Commercial Services has been consulted on the content and recommendation contained in the report

What are the resource implications?

- 11 The terms provisionally agreed with TCS to act as the Council's Development Manager to bring forward and conclude negotiations with the proposed hotel operator and the subsequent delivery of the project on site are detailed in Appendix 1 of the report which has been identified as Exempt/Confidential under Access to Information Procedure Rules 10.4(3).
- 12 The fee payable to TCS as Development Manager for the project will be funded from existing Capital Scheme No. 32554/GEO.

What are the key risks and how are they being managed?

- 13 There is a risk that additional project costs may arise post contract award which cannot be contained with the project budget. In the current volatile market this risk cannot be completely mitigated. The Development Manager working with the retained design team will lead on presenting options to the Council to identify budget savings that would not prejudice the legal agreement concluded with the hotel operator.
- 14 There is a risk that Planning and Listed Building consent may not be granted for the revised scheme proposals. The risk will be mitigated by the Development Manager working with the design team to ensure that the proposed building footprint, general arrangement, height and scale, materiality and quality of finishes accords as closely as possible to the previously consented scheme.

What are the legal implications?

- 15 The proposal contained in the report constitutes a Significant Operational Decision and is not subject to Call In.
- 16 The information in Appendix 1 of this report has been identified as Exempt/Confidential under the Access to Information Procedure Rules 10.4(3). The public interest in maintaining the exemption in relation to the confidential Appendix outweighs the public interest in disclosing the information and financial details which, if disclosed, would adversely affect the business of the Council and the business affairs of TCS
- 17 The Competitive Dialogue Procedure has been ongoing since 2016 and, it is considered that continuing the process, as opposed to abandoning it and seeking to appoint TCS directly via another route is the most advantageous in terms of minimising the risk of any potential procurement challenge to the Council

from other parties in terms of the proposed change in the method of delivery of the redevelopment of George Street. Overall, the potential risk of a challenge is considered to be low.

- 18 In order to mitigate this risk further, a Contract Award Notice will be published setting out the reasons as to why it is still appropriate to appoint TCS to deliver this scheme given their considerable background knowledge of the site and project as a whole, that they are aware of and have delivered on other projects with the proposed hotel operator and, they are aware of the technical specification required of the national hotel operator that they brought to the project. TCS is well equipped to negotiate the terms and conditions of engagement on behalf of the Council of the wider design team to be appointed directly by the Council to ensure the successful delivery of the project in a timely manner and, which accords with the requirements of the proposed hotel operator.

Options, timescales and measuring success

What other options were considered?

- 19 The abandonment of the Competitive Dialogue Procedure was considered but the appointment of TCS as the Council's Development Manager will result in the culmination of the Competitive Dialogue procedure to secure the redevelopment of George Street. It is not considered feasible to appoint another company via a mini competition from an approved framework to undertake the role, as this would significantly impact on the programme, add cost to the project and could result in the hotel operator withdrawing from the project as, at the date of report preparation, there is no legal commitment on the part of the hotel operator to proceed, though they are keen to conclude an Agreement for Lease and Lease with the Council on terms agreed by the Council's Executive Board and which the Development Manager has a key role in bringing to a timely conclusion.

How will success be measured?

- 20 Early completion of the Agreement for Lease and Lease and subsequent contract award for the build works, to be delivered on time and to budget.

What is the timetable and who will be responsible for implementation?

- 21 The indicative high level strategic development programme is as follows:

- Conclude Agreement for Lease and Lease; March 2023
- Secure Planning and Listed Building Consent; June/July 2023
- Appoint Contractor for Build Works; September/October 2023
- Start on Site; January 2024
- Completion of Works; July 2025

- 20 The Director of City Development will be responsible for implementation of the recommendation in the report.

Appendices

- Appendix 1, Exempt/Confidential under Access to Information Procedure Rules 10.4(3)

Background papers

- None