

New lease agreement - St George House, Leeds, LS1 3DL

Date: 10 January 2024

Report of: Land and Property

Report to: Chief Officer Asset Management & Regeneration

Will the decision be open for call in?  Yes  No

Does the report contain confidential or exempt information?  Yes  No

## Brief summary

St George House is one of the Council's prime investment properties, located in the Innovation Arc and in close proximity to Leeds General Infirmary. The property is mixed use with the majority of the accommodation comprising an office which has been let out to Global Banking School (GBS) since 2021. There are also two ground floor retail units which have been vacant since 2022. A plan(11973M) can be found in appendix 1.

Global Banking Schools' business has expanded rapidly since 2021 and they expressed an interest in the ground floor retail units. Negotiations have taken place with the tenant for a surrender of their existing lease on the basis of taking a new lease of the whole building including the retail units.

In light of the Council's financial pressure four prime investment properties were approved for consideration for disposal by Executive Board taken as a key decision, on 18 October 2023, with St George House being one of those properties.

The re-gear of the lease will improve the saleability and capital value of the property if the decision is taken to dispose of the prime investment.

## Recommendations

That approval be given to;

- a) Enter into a Deed of surrender for the Lease of St George House as detailed on the terms within the confidential appendix.
- b) Granting of a new lease of St George House including the retail units as detailed on the heads of terms within the confidential appendix.

### **What is this report about?**

- 1 The purpose of this report is to seek approval to the deed of surrender of the existing lease of the office at St George House and regrant of a new lease inclusive of the two ground floor retail units.
- 2 The ground floor retail units have been vacant for the past 12-18 months and the tenant of the office above expressed an interest in taking over both units. This has been agreed on the basis that the tenant takes a new lease of the whole of the premises.

### **What impact will this proposal have?**

- 3 This proposal will significantly reduce the Council's management costs of the building as the building will change from a multi-let to a single tenant whilst also securing additional revenue.
- 4 By regearing the lease terms, it would secure an additional lease term, increased revenue and increased capital value.

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

Health and Wellbeing       Inclusive Growth       Zero Carbon

- 5 The new lease will provide a high social impact to the city by retaining an education institution and contribution towards inclusive growth.
- 6 The tenant has also plans to undertake improvements to the property which will improve the buildings energy efficiency.

### **What consultation and engagement has taken place?**

Wards affected: Little London & Woodhouse

Have ward members been consulted?       Yes       No

- 7 Not applicable as the report relates to the usual management of the estate.

### **What are the resource implications?**

- 8 There are no resource implications to the Council as the new lease will generate additional revenue and reduce management / vacancy costs.

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

- 9 The risk is that the tenant does not enter into the lease agreement. The Council will then have to relet the units separately incurring advertisement and legal costs. This is unlikely as the tenant wants to expand their offering in the city and has remained engaged in the negotiations of the new lease.
- 10 This will impact upon the value of any potential disposal of this asset as an investment which is subject to a separate report.

### **What are the legal implications?**

- 11 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.
- 12 The Chief Officer Asset Management and Regeneration, Head of Asset Management, Technical Lead 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.
- 13 The proposal constitutes a **Significant Operational Decision** and is therefore not subject to call in.
- 14 The information contained in the Appendix attached to this report relates to the financial or business affairs of particular persons, or organisations, and of the Council. This information is not publicly available from the statutory registers of information kept in respect of certain companies and charities. It is considered that since this information is to be used as part of one to one negotiations in respect of the leases of these properties in this report, it is not in the public interest to disclose this information at this point in time. Also, it is considered that the release of such information would or would be likely to prejudice the Council's commercial interests in relation to other similar transactions of other similar properties. 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.

## **Options, timescales and measuring success**

### **What other options were considered?**

- 15 The alternative option was to try and relet the units separately. However, there would be no guarantee that suitable tenants would be found especially given the recent high turnover of tenants in these units. This is also less favourable in terms of a disposal of the property as given the nature of the property a single letting is often more attractive to investors and in turn positively impacts the capital value.

### **How will success be measured?**

- 16 Success will be measured by the completion of the legal documents.

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

- 17 The proposed timetable is before the end of the financial year with the Council officers from Land and Property and Legal responsible for its implementation.

## **Appendices**

- Appendix 1 : Plan
- Appendix 2 : Confidential

## **Background papers**

- None