



Appendix 1 to this report is exempt/confidential under Access to Information Rule 10.4. (3)

Report of the Director of City Development

Executive Board

Date: 27th July 2011

Subject: Development Proposals for the Sovereign Street Site

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 re

EXECUTIVE SUMMARY

The Council owned Sovereign Street site represents a high profile development opportunity in the City Centre that has the potential to contribute to the economic prosperity of Leeds, and maintain the city's reputation as the region's economic 'powerhouse'. It is currently used as a temporary 'Pay and Display' public surface car park. The site's potential redevelopment has been under review following Executive Board's rejection of the previous development proposal in July 2008. The site holds the potential to incorporate a high quality greenspace at its heart that responds to the aspirations which were identified in the City Centre Vision Conference 2008.

In light of this, the Council produced an updated draft Planning Statement to guide future development proposals that captures the site's potential to create an innovative and well designed environment, in a premium area of the city. The Statement also highlights the sites potential to integrate the first new component of high quality greenspace as part of the greening of the city centre southwards towards the River Aire and beyond into Leeds South Bank and the proposed City Centre Park. It also outlines proposals for the phased delivery of the site, with individual development plots, that seeks to mitigate the risks associated with the delivery of large scale development in the current economic climate. Consultation on the document was completed in March 2011.

1.0 Purpose of the Report

1.1 The purpose of this report is to inform Executive Board about the outcome of the consultation on the Draft Planning Statement for the site and the progress made to date on the potential to create a new city centre greenspace, in conjunction with a mixed use development at this location.

1.2 The report seeks Executive Board approval to:-

- the revised Planning Statement as a guide to future development proposals for the Sovereign Street site;
- the Heads of Terms agreed with KPMG and their preferred developer for the purchase of part of the site for the development of their new Leeds office headquarters;
- grant of a further 6 month exclusivity period, for KPMG and their preferred developer to finalise their due diligence on the site and to complete the Development Agreement;
- commence the marketing of the two remaining development sites upon completion of the Development Agreement with KPMG;
- the principle of utilising part of the KPMG receipt in order to deliver the proposed greenspace;
- the Council utilising the powers of appropriation from highways to planning purposes to allow easements and other rights to be overridden pursuant to S237 of the Town and Country Planning Act 1990 on the proposed KPMG (Site A);
- an injection into the Capital Programme and the authority to spend up to £100k of feasibility funding for the design brief and scheme development to enable the procurement of the new greenspace.

2.0 Background

2.1 The Sovereign Street site, despite remaining undeveloped since the demolition of the Queens Hall in 1989, is one of Leeds most high profile development opportunities. Following on from the first City Centre Vision Conference in 2008 and Executive Board in February 2009, consideration has been given as to how this site could be developed more imaginatively and in line with the City Council's aspirations to extend the potential of the city centre into the South Bank area. The city centre also has a shortage of quality greenspace which could be addressed by providing a quality greenspace at the heart of Sovereign Street, incorporating new city centre greenspace into any future proposals. This approach has been guided by:-

- an audit of city centre greenspace, highlighting issues in relation to the quantity and quality of existing spaces;
- the rejection of the Simon's Developments Ltd scheme by Executive Board in 2008, known as Criterion Place;

- the recognition of growing economic difficulties and the need to re-stimulate the development market in Leeds;
- and the realisation that wholesale development opportunities would be difficult to deliver without investment confidence or pre-let to tenants with a strong covenant.

2.2 In view of this position, Executive Board in July 2010, gave approval to the preparation of an revised Planning Statement for Sovereign Street for consultation. It is proposed that the Statement will be adopted for development management purposes as non-statutory planning guidance and will provide:-

- a starting point for the consideration of new development proposals for the site;
- the potential to deliver a new high quality green infrastructure in the city centre;
- the identification of individual development plot locations, which will allow a phased delivery to take place in the current economic climate.

2.3 In addition, Executive Board also gave approval to progress negotiations with a potential pre-let office occupier, to develop one of the plots on the site to KPMG, who subsequently authorised the release of their name into the public domain, as part of the first phase of the comprehensive development of the site. This approach was deemed to provide significant benefits to the Council as it could:-

- 'kickstart' the development of the site in line with the revised Planning Statement;
- provide an early capital receipt for part of the site which could contribute to the layout of common infrastructure and greenspace on the site;
- secure a high quality development for a well respected local employer;
- identify any site constraints in relation to the potential occupier's preferred location.

2.4 To enable scheme development to take place and provide security for the occupier whilst feasibility works were undertaken, an exclusivity period of 9 months was granted, this will expire 31 July 2011.

3.0 Main Issues

3.1 Revised Planning Statement

3.1.1 Sovereign Street provides an outstanding opportunity to create an innovative and well designed environment in a premium area of the city. It also provides the prospect of consolidating City Centre uses by overcoming the physical and visual barrier of the railway line through the opening up of new pedestrian routes, linking with the office and retail quarters to the north, with the Riverside Area and beyond to the South Bank, Clarence Dock and Holbeck Urban Village.

3.1.2 In July 2010, Executive Board resolved that the Sovereign Street site has the potential to integrate the first component of high quality City Centre greenspace that could respond to the aspirations identified at the Leeds City Centre Vision Conference

2008. A revised Planning Statement has now been prepared and consultation undertaken in response to the resolution of Executive Board and is attached at Appendix 1. This sets out development potential and design principles for new buildings, streets, connections and green open space, in order to form a distinctive place at the heart of Leeds City Centre, close to the railway station and the riverside. The document was subject to public consultation for 4 weeks from February to March 2011, involving local stakeholders including residents, businesses, interest groups and appropriate statutory agencies. Key themes arose from the consultation exercise and have been considered in the revised document as follows:

3.2 Uses

- 3.2.1 Given its central, sustainable location, the site should be principally developed for primarily office use, with scope for ancillary retail, food and drink and leisure uses. Hotel and residential uses would also be acceptable, subject to further flood risk assessment. These complementary city centre uses would ensure life and vitality throughout the day, particularly the active frontages around the proposed greenspace. Public multi-storey short stay car parking for shoppers and visitors would also be encouraged by the revised Planning Statement.

3.3 Urban design including green public space and pedestrian connections

- 3.3.1 Indicative building plots A, B, and C have been identified in the draft Planning Statement. These have been positioned to enhance key views into the site from the Conservation Area in the east, from Neville Street in the west. High quality architectural and landscape design and coherence between all three buildings and the greenspace, especially the design of taller elements of the site (potentially Plot B) is essential. The maximum indicative heights of Plot C have been reduced from 5-9 storeys to 5-7 storeys, following consultation feedback, enabling a more sympathetic response to the historic buildings on the southern side of Sovereign Street.
- 3.3.2 The consultation response highlights the need for north-south pedestrian routes through the site, with a central public space, as a focal point for connections to the waterfront and beyond to the future City Centre Park on the South Bank. With regard to connections to the north, the aspiration for improvements to Swinegate and via additional routes through the arches are supported by the revised Planning Statement and Network Rail, however are beyond the scope of this planning brief and would be dependent on future commercial interest and delivery.
- 3.3.2 Strong support has been expressed for the provision of a high quality urban greenspace, particularly one delivered within the first phase of development at the site. This would give much needed amenity south of the railway viaduct in this location, and act as a 'stepping stone' to the waterfront and the future City Centre Park on the South Bank.

3.4 Movement

- 3.4.1 Some consultation responses perceived that the loss of the existing surface car parking at the site would have negative implications. There is an existing public multi-storey car park at the site to serve visitors and shoppers. Further car parking provision may be promoted within the proposed development plots to support the viability and vitality of the prime shopping, office and riverside quarters.
- 3.4.2 Pedestrian linkages between South Bank across the River Aire to Sovereign Street and the City Centre would be enhanced by a pedestrian link across the river. In

recognising this ambition two possible routes for a bridge are identified in the Statement. The first is on the site of the Concordia Bridge located east of Sovereign House. The other is located further west between Sovereign House and Victoria Mill/Brasserie Blanc. A chain of well-connected greenspace starting at Sovereign Street, crossing the River Aire, and continuing on the South Bank, will provide significant steps towards the vision for the development of a city centre with the waterfront at its heart.

3.5 Flood Risk

- 3.5.1 Flood risk is an important consideration in the redevelopment of this site. The Planning Statement has been updated following further consultation with the Environment Agency on this matter.

3.6 Sustainability

- 3.6.1 Executive Board resolved in July 2010 that the Sovereign Street site should be an exemplar in sustainable development. The Planning Statement also states that development should integrate building and greenspace design in order to adapt to the challenges of flood risk and climate change, and implement other sustainability measures in relation to energy use, biodiversity, and waste management.

3.7 Scope

- 3.7.1 A number of representations received made reference to important issues that are outside the scope of this Planning Statement, such as wider City Centre transportation policy. Such issues are being given consideration by officers, however the scope of the planning statement set out at Executive Board July 2010 was to prepare a brief to incorporate the provision of mixed use development, greenspace and car parking, which responds to the flood alleviation issues on the site.

3.8 South Bank

- 3.8.1 Complementary to the work prepared for Sovereign Street is the Draft Planning Statement for South Bank. It was agreed by Executive Board on 21 July 2010 for consultation purposes following consultation with major landowners in the area. It aims to provide clarity for developers in terms of development expectations, aspirations and scale of planning obligations, and for the Council in achieving its aspirations for promoting the City Centre Park, both as a destination in its own right, and as a catalyst for the reconnection of the South Bank to the City Centre and surrounding neighbourhoods. The Statement proposes an overall vision for the area, with the aim:

'To transform the South Bank of Leeds City Centre into a distinctive, vibrant, well connected and sustainable business and a residential community which has at its heart a new City Centre Park. The new park will act as a catalyst for the regeneration and place-shaping of the South Bank of Leeds City Centre, by creating a transformational, vibrant and outward-facing public space that also defines the context for the broader redevelopment of the area, and connects to the surrounding communities in the Aire Valley, Hunslet, Richmond Hill, Beeston Hill and Holbeck.'

- 3.8.2 Officers are in discussion with the landowners Carlsberg, Asda, McAleer and Rushe to address the consultation responses and revise the framework prior to bringing it to Executive Board for adoption later in the year.

3.9 Heads of Terms agreed with KPMG

3.9.1 Heads of Terms have now been provisionally agreed with KPMG for the sale of a development plot (Plot A appendix 2) on the Sovereign Street site to their preferred developer which will only be conditional upon the grant of a detailed planning consent and pre-let of the completed building to KPMG. The draft Heads of Terms are detailed within the confidential appendix.

3.10 Appropriation

3.10.1 The Council has been in discussion with KPMG regarding the appropriation from highways to planning purposes of Plot A at Sovereign Street. The impact of utilising appropriation powers is that third party rights over the site, not just rights to light, are overridden. The purpose of appropriating Council land is to provide a developer with protection that any party who claims to have rights over the Council are unable to prevent the developer from proceeding. Once appropriated, any party which claims, and can prove that they have rights over the Council's land is limited to being paid compensation for these rights that would be interfered with by the development taking place rather than being able to stop the development taking place. The appropriation therefore removes the risk of the development being stopped and would lead only to compensation being paid for the rights that are claimed. At this time the Council is appropriating rights in relation to Plot A. When proposals are developed for the greenspace and Plots B & C, appropriation for these sites will also be required to override any rights and restrictive covenants that may exist over these areas and therefore any potential claim for compensation for injurious affection. The planning framework for appropriation is detailed in 5.5.

3.11 Programme

3.11.1 Subject to Executive Board's approval, the proposed timetable to progress the transaction to completion is as follows:-

Complete the Development Agreement with KPMG and Sovereign Leeds Ltd	31 October 2011.
Work up design to RIBA stage D and submit planning application	February 2012
Grant of detailed planning permission and Judicial Review Period.	September 2012
Trigger Notice served to complete the ground lease, and Capital Receipt paid.	June 2013
Let building contract (18 month construction programme)	July 2013
Council procures greenspace works.	September 2013
Practical completion of KPMG's building	December 2014
Council completes Greenspace works	March 2015
KPMG complete fit out works and move staff into building	June 2015

3.11.2 Under the development agreement mechanism provisionally agreed, the Council is not funding any of the proposed greenspace works until after payment has been received for the site, apart from some initial internal costs for design work.

3.12 Greenspace

3.12.1 The revised Planning Statement promotes Sovereign Street as a distinctive 'place' at the heart of the City Centre. The cohesive place shaping element of the site is the high quality greenspace. It is proposed that out of a total 1.16ha, the public open space provision will be 0.65ha, over 50% of the site.

3.12.2 In order to deliver the city's aspirations of, high quality greenspace, consideration is being given to the procurement of an international design competition. This will provide the opportunity for innovative design proposals and solutions to come forward, that will take account also of the ongoing development on the site from all of the individual schemes as the move forward. A design brief is currently being prepared for this design competition and a route for the procurement and timetable for this will then be established. The funding for the greenspace could be delivered through the receipt from the first phase of the site development use of part of the KPMG receipt to fund this. The likely cost, using current benchmark schemes, is estimated to be in the region of £2 - £2.5 million. In order to develop the design brief and to undertake feasibility work and sketch scheme development to enable the procurement of the design competition, funding of up to £100k will be required over the next 2 years.

3.13 Marketing of the remaining two development sites

3.13.1 KPMG's interest in plot A has resulted in a number of unsolicited enquiries from both occupiers and developers about the remaining two development sites, which is particularly encouraging in the current economic climate. Parties who have formally expressed their interest include office occupiers from the professional sector; hotel operators and car park operators. A marketing campaign may well bring forward more. It is proposed that a formal national marketing campaign is undertaken for plots B & C as soon as the Development Agreement has been completed with KPMG around September 2011. The marketing will be carried out in conjunction with the approved Planning Statement for the site. Expressions of interest will be invited from both occupiers and developers, and will include the confirmation of their space requirements. The Council can then analyse the various requirements and decide the basis upon which to invite 'Best Bids'. In order to compensate the Council for the loss of short term car parking income from the site, it is proposed that the marketing material will confirm that the Council may be seeking a mixture of capital receipts and revenue from any disposal.

3.13.2 The bids will then be reported back to Executive Board in early 2012 so that Members can assess the options.

4.0 Implications for Council Policy and Governance

4.1 The development proposals including the creation of a new greenspace for high quality development at Sovereign Street will assist the Council in achieving several of its objectives, notably:-

- **Enterprise and Economy** - Increased international competitiveness through marketing and investment in high quality infrastructure and physical assets, particularly in the city centre
- **Culture** – Enhanced cultural opportunities through encouraging investment and development of high quality facilities of national and international significance
- **Health and Wellbeing** – Reduced health inequalities through the promotion of healthy life choices and improved access to services.

The Council's new Vision 2010-2030

By 2030, Leeds will be internationally recognised as the best city in Britain – a city that is fair, open and welcoming with a prosperous and sustainable economy, a place where everyone can lead safe, healthy and successful lives.

It is proposed to consult Ward Members prior to Executive Board and any comments raised will be reported at the Executive Board meeting.

A significant amount of consultation has been undertaken in relation to the development of the revised Planning Statement, with local residents, Ward Members and key stakeholders. Ward members were also sent a copy of the DPS during the consultation period in February.

5.0 Legal and Resource Implications

- 5.1 The information contained in the confidential appendix attached to this report relates to the financial or business affairs of a particular person, and of the Council. It is considered that since this information was obtained through one to one negotiations for the disposal of the property/land then it is not in the public interest to disclose this information at this point in time. It is considered that whilst there may be a public interest in disclosure, much of this information will be publicly available from the Land Registry following completion of this transaction and consequently the public interest in maintaining the exemption outweighs the public interest in disclosing this information at this point in time. 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.
- 5.2 The disposal of plot A to KPMG and their preferred developer will generate a substantial capital receipt, which is identified in the confidential appendix. Part of the receipt will be required to fund the proposed greenspace. There will be further capital receipts and/or revenue income as and when the two remaining development plots are developed.
- 5.3 The Council currently receives an income from the surface car park, which it operates as a long stay 'Pay and Display' car park; the projected net income for the current financial year is £825,000, however, please note it is unlikely that this income will cease before July 2013 and a cash flow analysis is outlined in the confidential appendix.
- 5.4 A projected cash flow analysis has been developed for the likely receipts – capital and combined capital and revenue for the site and highlights the potential receipts and expenditure over the next 5 years. It is contained within the confidential appendix.

5.5 Appropriation

- 5.5.1 Under Section 122 (1) of the Local Government Act 1972, the Council may appropriate any land which belongs to it and which is "no longer required for the

purpose for which it was held immediately before the appropriation". The Sovereign Street site is currently held for highways purposes specifically for car parking. At its meeting 21st July 2010 the Executive Board approved an updated Draft Planning Statement for the site, thereby confirming that the site is no longer required for the purpose for which it is currently held.

5.5.2 Such an appropriation can be for any purpose for which the Council is authorised to acquire land by agreement. Under Section 227 of the Town and Country Planning Act 1990 the Council may acquire by agreement any land it requires for a purpose for which it could compulsorily acquire land under Section 226 of that Act.

5.5.3 The purposes specified in Section 226 are "if the authority think that the acquisition will facilitate the carrying out of development, re-development or improvement on or in relation to the land", or if the land is "required for a purpose which it is necessary to achieve in the interests of the proper planning of an area in which the land is situated". However, the Council could not acquire land for the former purpose unless it thought that the development, re-development or improvement is likely to contribute to the achievement of the promotion or improvement of the economic, social or environmental well-being of its area. The requirement for new quality greenspace towards and to the south of the River Aire was highlighted by the City Centre Vision Conference in 2008.

5.5.4 In view of this position, the Council gave consideration to how it can bring forward high quality greenspaces in the city-centre, utilising its own landholdings which would be complementary to longer-term proposals for a City-Centre Park. On 13th February 2009, Executive Board agreed that, Sovereign Street, potentially deliver new city centre greenspace which enhance the well-being benefits of the proposed development by:-

- improving connectivity in the city centre to and beyond the River Aire;
- providing a high quality environment which balances the recreational needs of visitors, residents and workers;
- functioning as a new civic space in its own right;
- facilitates the delivery of new commercial developments that frame the greenspace and support its financial viability;
- enhances the reputation of Leeds and the city centre as a liveable environment;
- is designed with sustainability, climate change and flood alleviation in mind.

5.5.5 Where land has been acquired or appropriated for planning purposes, Section 237 authorises the construction of a building and / or the carrying out of work on that land, and the use of that land, in accordance with planning permission and effectively authorises the overriding of any rights and restrictive covenants attached to the land subject to the beneficiary being paid compensation for injurious affection. Appropriation and overriding under S237 of the Town and Country Planning Act 1990, relating to Plot A, is addressed within the confidential appendix.

6.0 Conclusions

6.1 The vision to transform the Sovereign Street site into a high quality mixed use development centred around a quality greenspace, which will make a significant contribution to the quality and vibrancy of the city centre. There is a very real possibility of the balance of the site being developed out over the next five years which will positively contribute to the Leeds economy.

7.0 Recommendations

7.1 Executive Board is requested to note the progress made in relation to the development proposals for the Sovereign Street site and:-

- approve the revised Sovereign Street Planning Statement as a guide to future development proposals for the Sovereign Street site;
- approve the draft Heads of Terms agreed with KPMG and Sovereign Leeds Ltd in the confidential appendix for site A and delegate authority to the Acting Director of City Development to negotiate the detailed terms;
- grant a further six month exclusivity period, for KPMG to complete their due diligence on the site and to complete the Agreement for lease;
- commence the marketing of the two remaining development sites upon completion of the Development Agreement with KPMG expected in September 2011;
- the principle of using part of the KPMG receipt to deliver the proposed greenspace;
- the Council utilising the powers of appropriation from highways to planning purposes to allow easements and other rights to be overridden pursuant to S237 of the Town and Country Planning Act 1990 on the proposed KPMG (Site A);
- an injection into the Capital Programme and the authority to spend up to £100k of feasibility funding for the design brief and scheme development to enable the procurement of the new greenspace.

Background Papers

Sovereign Street Planning and Development Brief 2002

Executive Board Report 'City Centre Park' – February 2009

Sovereign Street Feasibility Report 2009

Executive Board Report 'Development Proposals for the Sovereign Street Site' July 2010

Draft Planning Statement for Sovereign Street February 2011