



Name of meeting: Cabinet
 Date: 31 July 2017
 Title of report: John Smith's Stadium site Huddersfield. Request to restructure existing lease arrangements

Purpose of report

To consider a request from Kirklees Stadium Development Ltd (KSDL) to restructure the existing lease arrangements in respect of the John Smith's Stadium site to facilitate The HD One development

Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?	Yes. Income of more than £250k
Key Decision - Is it in the Council's Forward Plan (key decisions and private reports?)	Yes
The Decision - Is it eligible for call in by Scrutiny?	Yes
Date signed off by Strategic <u>Director</u> & name	Naz Parkar - 20.07.17
Is it also signed off by the Service Director for Finance, IT, and Transactional Services?	Debbie Hogg - 19.07.17
Is it also signed off by the Service Director - Legal Governance and Commissioning?	Julie Muscroft - 18.07.17
Cabinet member portfolio	Cllr Graham Turner - Corporate

Electoral wards affected: Dalton

Ward councillors consulted: Yes

Public or private: Public report with Private Appendix

Paragraph 3 of part 1 to schedule 12A of the Local Government Act 1972 as amended by the Local Government (access to Information) variation order 2006 contains information regards the financial or business affairs of any person including the Council. It is not in the public interest to disclose the information in the private appendix as disclosure could adversely affect the overall value for money and compromise the confidentiality of the bidders and the council .The public interest in maintaining the exemption outweighs the public interest in disclosure of the information in terms of accountability, transparency in spending public money and openness in council decision making.

1. Summary

KSDL currently have a long lease, with a balance of over 100 years outstanding, from the Council on the site off Bradley Mills Rd that was developed in the 1990's to provide the Stadium, the leisure facilities at the north end of the site and the ancillary infrastructure e.g. car parks. The HD One is a major project to develop the wider Stadium site to provide a regional leisure destination. As part of the preparation work for the development, KSDL have requested that the Council restructures the existing leases to provide three new leases to cover the discrete areas of the site planned as part of the HD One development and for the new leases to be for a period of 250 years to meet funder expectations.

2. Information required to take a decision

- 2.1 KSDL currently have a long lease on the site of the John Smith's Stadium and associated facilities. The lease was granted in 1993 and is for a 150 year term. The lease allowed the Stadium and the other current facilities on site to be developed over a period of time in the 1990's. KSDL is a partnership between Huddersfield Town Association Football Club (HTAFC), Huddersfield Giants Rugby League Football Club (HRLFC) and the Council, all of which hold an equity stake in KSDL.
- 2.2 For the last ten years or so KSDL have been developing a plan for further development of the site around the existing facilities at the Stadium site. The motivation being a desire to utilise the site more intensively to both increase the income streams available to KSDL, thus allowing the infrastructure of the Stadium which is now over 20 years old to be renewed and potentially reducing the rental charges to the two clubs.
- 2.3 The development proposals are now branded as The HD One and aim to create a regional leisure destination, with the anchor attraction of an outdoor Snowsports Centre (SSC) and associated restaurants and leisure facilities. The development also includes a 3/4star hotel to serve both the Stadium site and to meet the wider need for a Business Class hotel in the Huddersfield area. Cabinet will be aware that the Council has agreed in principle, subject to appropriate due diligence, to provide loan facilities for both the SSC and the hotel developments.
- 2.4 The overall proposals for The HD One have now progressed to a point at which discussions with prospective occupiers, investment partners and commercial funders are close to being finalised. As part of these discussions, it has become clear that the potential funders will require an extended term for the leases that KSDL is able to provide to them over and beyond that provided by the existing lease. The consensus appears to be, that a term of 250 years would allow the optimal funding terms to be secured by KSDL.
- 2.5 KSDL have therefore requested that the Council consents to granting three new 250 year leases for the following areas of the site. These are set out in the Plan attached at Appendix 1.
- i. The site occupied by the existing Stadium and the existing developments at the north end of the site i.e. North Stand leisure facilities and cinema referenced A in Appendix 1. The intention is that the lease for this part of the site would be retained by KSDL.
 - ii. The site of the proposed hotel referenced B in Appendix 1. The intention is that this lease will transfer at some point, to the development vehicle,

- a joint venture between KSDL and a specialist hotel development company that will deliver the hotel scheme.
- iii. The remainder of the site subject to the existing lease and a parcel of existing Council owned land which did not form part of the existing lease, referenced C and D respectively at Appendix 1. This part of the site is essentially the footprint for The HD One development and would transfer to another development vehicle, a joint venture between KSDL and a private sector investor, which will deliver the scheme.

2.6 Clearly given the benefits that the planned developments at the Stadium site would bring to the local economy and the ongoing financial security of KSDL, officers are of the view that the Council should agree to the request by KSDL to restructure the leases as described above.

2.7 As part of the transaction there will be payments to be made by KSDL to reflect the amendments to the existing lease structure that have been requested. In summary these would be;

- i. a payment to reflect the consideration payable due to the fact that the new leases are for a much longer term than the existing and will facilitate commercial development of the wider Stadium site.
- ii. a payment for the additional parcel of Council land which will be included in the revised lease.
- iii. payment of the balance outstanding on the existing lease payments and the associated interest

Further detail re the above is set out in Appendix 2 to this report.

3. Implications for the Council

3.1 Early Intervention and Prevention (EIP)

N/A

3.2 Economic Resilience (ER)

The HD One scheme will make a significant contribution to the economy of Kirklees both in terms of the additional Business Rate income that will be generated and the wider impact on the economy of creating a regional leisure destination and business class hotel with the resultant impact on visitor spend and the creation of employment opportunities.

3.3 Improving Outcomes for Children

N/A

3.4 Reducing demand of services

N/A

3.5 Legal/Financial or Human Resources

If Cabinet is minded to support the request from KSDL, Legal resources will be required to progress the revised lease arrangements.

The payments due to the Council from the various transactions are set out at 2.7 above and in Appendix 2.

4. Consultees and their opinions

Cllr Mather queried the need to extend the terms of the existing lease which is explained at 2.4 above and the approach to the respective valuations which is covered at 2.6 of the Private Appendix to the report.

5. Next steps

The detailed terms of the restructured leases will be agreed with KSDL.

6. Officer recommendations and reasons

6.1 That the proposal from KSDL to restructure the existing property leases at the Stadium site and dispose of the additional Council land as set out at 2.5 above be accepted.

6.2 That the Strategic Director, Economy and Infrastructure and the Service Director Legal, Governance and Commissioning be authorised to negotiate and agree the terms of the new leases.

6.3 That the Service Director, Legal, Governance and Commissioning be authorised to enter in to and complete all documentation necessary to implement the requested lease restructure.

6.4 The reasons for this are that without the lease restructure, KSDL and their partners would be unlikely to be able to secure funding for the HD One development, meaning it may never happen. By supporting the lease restructure, the HD One development becomes much more a certainty with the associated benefits of becoming a regional leisure destination complimenting the recent promotion of Huddersfield Town AFC to the Premiership League. The development will also bring in additional business rates and contribute to the wider economy, whilst also generating employment opportunities through the development stages and more permanently, as and when the development is completed.

7. Cabinet portfolio holder's recommendations

The portfolio holder, Cllr Graham Turner supports the officer recommendations and would ask that Cabinet do the same.

8. Contact officer

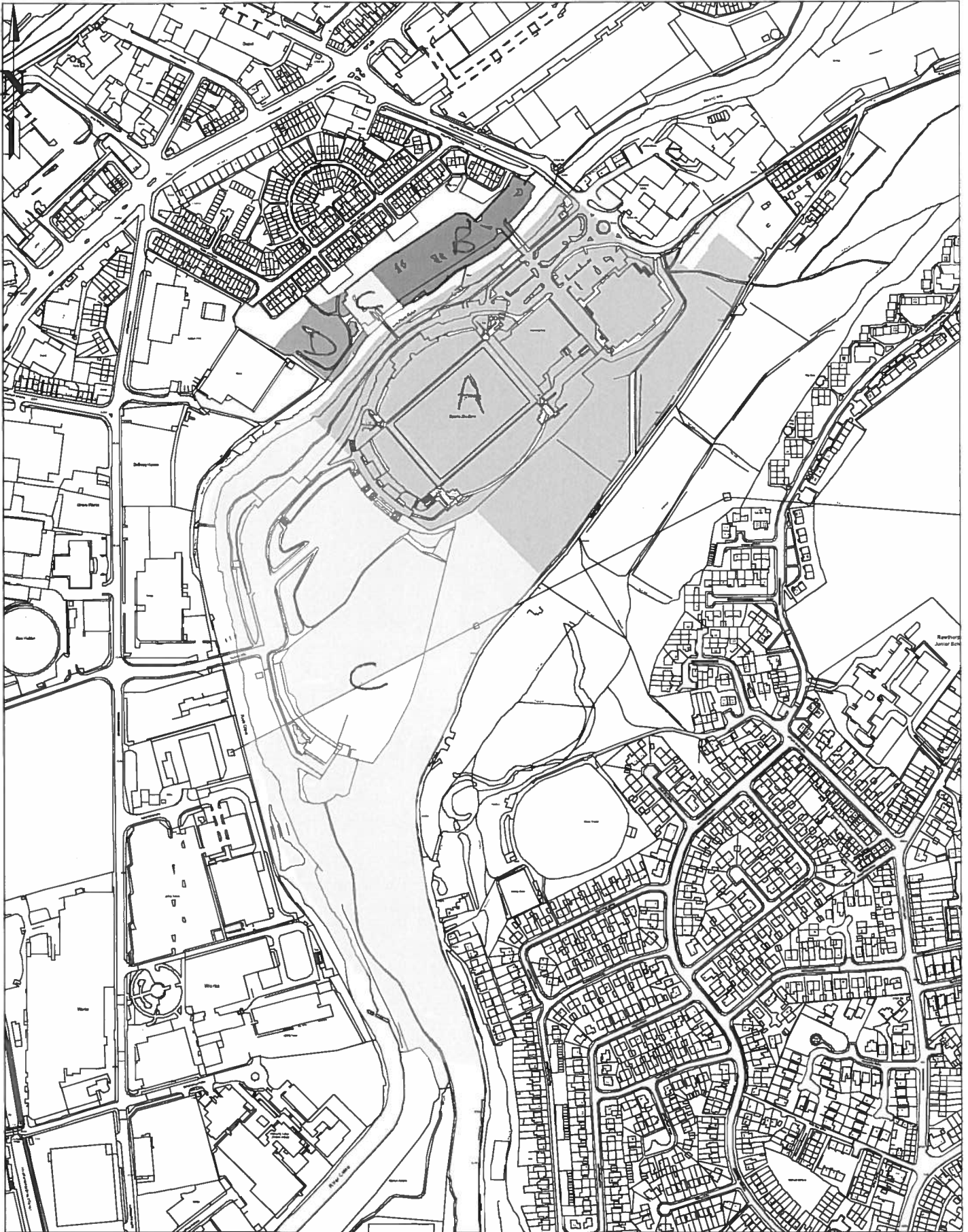
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9. Background Papers and History of Decisions

N/A

10. Service Director responsible

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**PHYSICAL RESOURCES
& PROCUREMENT**

Plan No: 17-0306

Scale: 5000

Required by:

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