



## **BCPP Joint Committee**

**Date of Meeting:** 6<sup>th</sup> June 2017

**Report Title:** Update on Property Search

**Report Sponsor:** Lead Officer People Sub Group – Nick Orton,  
Project Manager - Steve Halford

### **1.0 Executive Summary:**

- 1.1 This report provides an update on the search for office accommodation for BCPP Limited.
- 1.2 A property agent has been appointed to help source and acquire an office to rent in the Leeds area. Officers from the Project Team and the property agent have viewed 22 properties in the city centre and 3 at an out of town business park. Insufficient parking to meet the needs of all prospective staff makes out of town business parks impractical. Seven city centre properties have been selected for further viewing / consideration.

### **2.0 Recommendations:**

- 2.1 The Committee is asked to note the report and advise whether they would like to participate in viewings once a final shortlist of properties has been decided upon.

### **3.0 Background:**

- 3.1 Following a targeted procurement process, WSB Property Consultants LLP were appointed to help source an appropriate property for BCPP Limited. WSB has been tasked with:

- Providing assistance in finalising BCPP's property requirement
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- Sourcing appropriate properties for consideration by BCPP in central and outer Leeds
- Assisting BCPP in selecting and securing the chosen property
- Negotiating acceptable terms on the property
- Where necessary liaising with BCPP's legal representatives (Eversheds Sutherland)

3.2 WSB were given the following outline property requirement:

- Leeds location – either city centre or out of town business park
- Office accommodation for 60 staff (initially around 40, expected to grow to 60 over 18 months or so)
- Open plan main space plus meeting rooms, ideally a flexible layout
- Excellent ICT connectivity
- Would consider good quality refurbished space as well as new space

3.3 The initial outline timetable WSB provided for acquisition of the property was as follows:

- We will firm up a brief with you defining the parameters of your requirement including location, size and specification. You have broadly outlined the key points in your tender request but more detail will be necessary – (Week 1 - 3 April 2017)
  - We will issue a search to all local property agents, developers and targeted building owners and property investors - (Week 3-4 April 2017)
  - We will prepare a schedule of properties that meet your needs within the context of the agreed brief - (Week 1-3 May 2017)
  - A number of properties can then be short listed for viewings – generally we suggest limiting these to say 6 or so depending upon the location criteria - (Week 4 May 2017)
  - We will arrange and undertake viewings of the initial short listed options with you - (Week 1-3 June 2017)
  - We then review your preferred options and together we agree the strategy for taking forward negotiations - (Week 4 June to week 1 July 2017)
  - Once your preferred property has been selected terms are negotiated on your behalf with the Landlord or their agent - (July-August 2017)
  - Detailed Heads of Terms are then prepared and solicitors instructed - (August - Sept 2017)
  - We monitor progress on your behalf liaising with BCPP's legal representatives (Eversheds Sutherland) along with the landlord's agent to ensure your required time scales are met. (Sept - Nov 2017)
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- 3.4 Robin Beagley, partner at WSB, met with members of the project team to discuss the property requirements in more detail. This included investigating whether the possibility of buying, instead of leasing, a property was a viable alternative. It quickly became apparent that while there is a thriving market in office space to lease in and around Leeds, there were no suitable properties for sale, and given the need to acquire a property within the next six to nine months, buying a property was not a possibility. After the scoping meeting Robin Beagley provided an initial list of 32 properties for lease in Leeds that matched the outline requirement – 24 in the city centre and 8 in business parks on the outskirts of Leeds. Following further discussion it was agreed that an initial assessment day would be arranged in which 25 properties would be viewed – 22 in the city centre and 3 in the Thorpe Park business park.
- 3.5 Initial discussions with the property adviser had confirmed the major difficulty relating to office space located out of town was how employees would access the property. Parking spaces are restricted by planning requirements within modern business parks and public transport to them is typically poor. This can mean, for example, that office space large enough for 60 people on a business park will only have around 20 parking spaces. Solutions other businesses use to deal with this issue involve promotion of car-sharing schemes or provision of company transport to and from the business park. Neither of these options appear practical for BCPP and consequently it seems likely that a business park location will not be appropriate as it will not facilitate the recruitment and retention of staff. Nevertheless, it was felt important to still consider several business park properties in the initial assessment day, primarily to get an understanding of the nature of the properties available in those locations.
- 3.6 The property advisor recommended a typical space requirement for a modern office with its own independent facilities and meeting room space was around 100 square foot per individual. Working on the assumption that most of the staff will be largely office based, it would still be possible to apply an 8:10 desk ratio to take account of the time individuals would be away from the office (for example holidays or working flexibly from home). However it would also seem prudent to acknowledge that allowing some capacity for future growth would be reasonable – particularly in illiquid investments which will drive a significant proportion of the expected savings from pooling. Assuming an initial head count of around 60, an 80% desk occupancy ratio and a 20% growth potential gives a required area of  $100 \text{ square feet} \times 60 \times 80\% \times 120\% = 5,760 \text{ square feet}$ . The properties identified were all around this area, or were larger but subject to subdivision to a similar sized area. The exact size requirement will become clearer as a clearer picture of the staffing requirement comes through from the work on the BCPP operating model. This work should be advanced enough to inform the final choice of property.
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- 3.7 Officer Operations Group members Mark Lyon, Fiona Miller, Steve Barrett, Steve Halford and Nick Orton were present on the initial assessment day (11<sup>th</sup> May 2017) accompanied by Robin Beagley of WSB. A list of the properties viewed on the initial assessment day is included in Appendix A, including details of the rent, service charge and rates for each property, brief comments on suitability and an indication of whether they property would be kept on the list for further consideration.
- 3.8 All of the city centre properties are within a 10 minute walk of the train station, and the expectation is that most staff would use public transport if a city centre location is chosen. A small number of parking spaces are available to rent with most city centre properties at a typical additional rent of around £2,500 a year per space. This compares with a season ticket cost for NCP's Leeds centre car parks of around £1,800 a year.
- 3.9 Office space is usually provided as what is effectively a blank canvas – an open space into which interior walls can be added as needed. More detail on the potential room layouts, including meeting rooms, break-out areas and the need for a separation of private markets and public market activity, has been provided to WSB to allow the agents at selected properties to space plan the areas.
- 3.10 Property selection is not technically a reserved matter requiring shareholder agreement, and would ordinarily be a matter for the company board to decide. However, property costs form a significant part of the overall budget for BCPP Limited: the initial strategic plan (which will include the annual budget for the company) requires 100% shareholder approval, with subsequent revisions requiring shareholder majority (75%) approval. The cost of leasing the property will form a significant part of the initial (and subsequent) budgets. As the company board has not yet been formed and given the significance of the property decision to the ongoing budget of the company, it is appropriate for shareholders, and the Joint Committee, to be involved in the final decision relating to property selection.
- 3.11 Appendix A shows a significant range of prices between the remaining options, and it should be noted that WSB has advised that there will be room for negotiation with the landlords on price and on the rent-free period that is typically provided as part of a lease commitment of 5 years or more.
- 3.12 The list of outline costs for the project included within the July 2016 submission to Government listed 'IT and infrastructure' which would be 'predominantly premises and IT' as an estimated ongoing cost of between £900,000 and £1,300,000 a year. Further clarification of the budget is required
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to determine the split of costs between IT, property and any other items that could constitute infrastructure. The prices listed for suitable office space in Appendix A suggest a budget of £300,000 a year for property will be sufficient and savings could realistically be expected against a budget set at that level.

- 3.13 Price should not be the only criterion when selecting an office location. The quality of a property and the ambience of the immediate environment it is situated in can have a significant bearing on the recruitment and retention of staff. The lighting and layout of an office also has a significant impact in this area, and it is important that an office space can be adapted to provide a modern working environment. Nevertheless, as a body which is ultimately publicly owned and funded it is important that BCPP demonstrates value for money in the lease terms eventually negotiated.

#### **4.0 Next steps:**

- 4.1 Officers will continue to work with the property agent to further refine the list of potential properties. This will include obtaining space-planning information from the agents at each potential property.
- 4.2 Viewings and negotiations will progress as outlined in line with the timetable set out at paragraph 3.3 above.
- 4.3 In the absence of a full company board, Joint Committee members will be consulted and the shareholders will confirm the final decision on property choice.

#### **5.0 Conclusion:**

- 5.1 The abundance of available office space in Leeds city centre, and the strength of covenant of BCPP Limited's shareholders means it should be possible to negotiate a deal that represents good value for money.
- 5.2 In the absence of a full company board, Joint Committee members will be consulted and the shareholders will confirm the final decision on property choice.

#### **6.0 Report Author:**

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Property	Size (sq. ft.)	Annual costs (subject to negotiation) (£)					Notes	Outcome
		Rent	Rates	Service Charge	Total (per sq. ft.)	Total		
1 East Parade	6,430	21.50	8.75	6.80	37.05	238,232	Good option - competitive price	Second Visit
10 South Parade	5,600	26.00	8.25	4.65	38.90	217,840	Good offering, new install, including kitchen, fronted glass. Expect to get deal on rent	Second Visit
Toronto Square	8,871	25.00	9.64	6.06	40.70	361,050	Subject to sub-division but reasonable c.5,500 to 6,000 sqft option available	Second Visit
St Pauls House	6,534	26.00	8.75	5.25	40.00	261,360	Subject to sub-division. Good, attractive park location, older building but still practical	Second Visit
21 Queen Street	6,469	24.00	9.00	4.50	37.50	242,588	Narrow floorplates but reasonable option	Second Visit
34 Lisbon Street	4,953	18.50	6.00	TBC	24.50	121,349	Rent 17.50, rates 6 sc prob 3 = 26.50. Good cheaper option. Columns close to windows	Second Visit
Riverside West	5,350	20.00	11.00	6.21	37.21	199,074	Good option. Landlord is private individual - rent & sc & rates = £37sq ft but could negotiate down (est to £35)	Second Visit

Property	Size (sq. ft.)	Annual costs (subject to negotiation) (£)					Notes	Outcome
		Rent	Rates	Service Charge	Total (per sq. ft.)	Total		
No.1 Whitehall (BNY Mellon)	6,684	24.00	10.40	6.00	40.40	270,034	Good option, but would consider only if direct lease from landlord could be arranged. Currently offered as sub lease from BNY Mellon until 2026 - provides no tenancy protection.	Further information required - can it be leased directly?
3150 Upstairs, Century way, Thorpe Park	4,090	5.00	7.33	TBC	22.33	91,330	Not enough parking. Keep on second viewing list if out of town option should be retained. However parking / transport issues for current and future staff likely to rule out any out of town location.	Further information required - service charge outstanding - can parking issue be resolved?
6 East Parade	8,008	25.00	6.75	3.55	35.30	282,682	Subject to sub-division, would want front of building?	Doesn't meet requirements
29 East Parade	5,419	24.50	9.30	5.50	39.30	212,967	Low running costs, energy efficient, doughnut shape, no raised floor (comms). Removed from possibles owing to restrictions caused by layout	Doesn't meet requirements
1 City Square	6,000	25.00	11.22	8.25	44.47	266,820	Dark interior. Impressive location and frontage but too expensive	Doesn't meet requirements
1 Park Row	9,527	25.00	9.00	6.00	40.00	381,080	Subject to sub-division - sub-division not attractive option	Doesn't meet requirements

Property	Size (sq. ft.)	Annual costs (subject to negotiation) (£)					Notes	Outcome
		Rent	Rates	Service Charge	Total (per sq. ft.)	Total		
Phoenix/Gallery House	5,750	16.50	7.22	6.23	29.95	172,213	poor comms, wall trunking,	Doesn't meet requirements
City Exchange	4,829	19.50	8.68	7.13	35.31	170,512	Good price, central, other gov't agency in occupation but too small	Doesn't meet requirements
Pinnacle	5,100	21.00	7.95	6.37	35.32	180,132	Large columns restrict layout flexibility	Doesn't meet requirements
Park Row House	4,939	16.50	10.60	6.00	33.10	163,481	Bad layout, lighting poor	Doesn't meet requirements
Yorkshire House	6,060	21.50	8.11	7.50	37.11	224,887	low ceiling, secondary glazing	Doesn't meet requirements
76 Wellington Street	5,293	22.50	8.00	6.00	36.50	193,195	Currently occupied by DWP - awkward space	Doesn't meet requirements
Apsley House	10,360	19.50	8.61	4.95	33.06	342,502	Subject to sub-division - sub-division not attractive option	Doesn't meet requirements



Property	Size (sq. ft.)	Annual costs (subject to negotiation) (£)					Notes	Outcome
		Rent	Rates	Service Charge	Total (per sq. ft.)	Total		
Platform	5,000	26.00	TBC	TBC	26.00	130,000	Extensive rebuild still underway. Expected to come to market at rent of £28 sqft - record high rent for Leeds. Too expensive	Doesn't meet requirements
No.1 Whitehall	5,998	24.00	11.00	6.21	41.21	247,178	Across two floors, too expensive?	Doesn't meet requirements
120 Wellington Street	6,100						Additional option added on the day. Second floor, one small lift, pillars at end of room restricting flexible use of space	Doesn't meet requirements
3320 Century Way, Thorpe Park	6,158	17.00	5.97	8.50	31.47	193,792	Not enough parking? Not best out of town option	Doesn't meet requirements
1175 Century Way, Thorpe Park	5,414	18.00	6.09	4.64	28.73	155,544	Not enough parking? Not best out of town option	Doesn't meet requirements

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