

**Report of :** Head of Property Services  
**Report to :** Acting Chief Asset Management Officer  
**Date:** 29 July 2013  
**Subject:** First White Cloth Hall, 98 to 101 Kirkgate – Proposed Acquisition

|   |   |  |
|---|---|--|
| Are specific electoral Wards affected?  | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No            |
| If relevant, name(s) of Ward(s):  | City & Hunslet                          |  |
| Are there implications for equality and diversity and cohesion and integration? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No            |
| Is the decision eligible for Call-In?   | <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> No |
| Does the report contain confidential or exempt information?                     | <input type="checkbox"/> Yes            | <input checked="" type="checkbox"/> No |
| If relevant, Access to Information Procedure Rule number:                       |   |  |
| Appendix number:  |   |  |

### Summary of main issues

1. The First White Cloth Hall is the most important historic building in Leeds. It is Grade II\* listed building and in a seriously dilapidated condition.
2. The building, and several other adjoining buildings are owned by City Fusion. In the current economic climate City Fusion has been unable to bring forward a refurbishment scheme for their properties and the condition of the First White Cloth Hall continues to deteriorate.
3. The Heritage Lottery Fund has offered substantial financial assistance towards the refurbishment of the First White Cloth Hall, but City Fusion is unable to secure the balance of funding required. Due to the historical significance of the building the Principal Conservation Officer and Programme Manager (Major Projects) has recommend that the Council acquires the building to secure its future as the Council has access to finance to bring about its refurbishment and reuse. The owner is prepared to transfer the property to the Council.

### Recommendations

4. It is recommended that negotiations be entered into for the acquisition of the First White Cloth Hall. Detailed terms will be reported to the Acting Chief Asset Management Officer when provisionally agreed with the owner for consideration.

## **1 Purpose of this report**

- 1.1 The purpose of this report is to recommend that negotiations be opened with City Fusion for the Council's acquisition of the First White Cloth Hall. It is the most historically important building in Leeds and its future is in jeopardy due to its seriously dilapidated condition. Without substantial repair the building could be declared unsafe and could even collapse.
- 1.2 The owner is unable to undertake the repair works and cannot bring forward an economically viable refurbishment scheme in the current economic climate. The future of this building can be assisted by the Council acquiring it.

## **2 Background information**

- 2.1 The latest estimates for the restoration of the First White Cloth Hall (FWCH) are approximately £2.1m. There is grant available to help to undertake this work from the Heritage Lottery Fund (£500,000 has been secured) and English Heritage (£250,000 for which an application process has begun). It is clear, however, from recent negotiations with City Fusion that the company does not see this building as a priority for their business. Their focus is currently on the restoration of 83 to 89 Lower Kirkgate. Without considerable investment by the owner it is unlikely other commercial funding will be forthcoming for the FWCH due to the high costs of refurbishment when compared to the capital value of the completed building.
- 2.2 As the building that initiated Leeds' regional pre-eminence it has significant historic value as witnessed during the recent visit of the Chair of English Heritage, Baroness Andrews, to the site. The preservation of the building is essential due to its historical importance and its potential role in kick starting other regeneration within Lower Kirkgate. What remains of the building is currently stable but is unlikely to remain so over the next five years without further intervention.
- 2.3 The Council has two main ways of securing the restoration of the FWCH. A repairs notice could be served on the owner to force the return of the building to the state it was when Listed. Failure to comply with the notice would in effect trigger a compulsory purchase order. Before embarking on this option the Council would need to have its own restoration plans for the building in place whether this was to be delivered through a development partner or not. A repairs notice is normally the final option after all the others have been exhausted.
- 2.4 The second option is for the Council to acquire the building. An Option Agreement could be entered into with the owner which would give the Council (or a nominated trust) time to undertake the preparatory work necessary to secure a scheme that is viable. After this period the council (or a nominated trust) could secure a long leasehold (150 years) interest in the FWCH at peppercorn rent. This arrangement could be of sufficient interest to secure sources of funding that are not available to City Fusion.

## **3 Main issues**

- 3.1 City Fusion has undertaken internal and external surveys of the exant FWCH and developed a cost schedule that was updated by NPS (Leeds) in March 2013 as a desktop exercise. The cost schedule revised by NPS was informed by a statement of conservation significance produced by the Council's Principal Conservation Officer. As a result it is estimated that it may cost some £2.1m to fully refurbish the remaining parts of the building and rebuild the wing which had to be demolished as it was beyond repair.

3.2 City Fusion is prepared to enter into negotiations with the Council for the building to be transferred to the Council. Following recent discussions its bank has also agreed to the transfer in principle but wants to limit the timing of the option to 18 months. It is proposed an Option Agreement be exchanged between the Council and City Fusion to provide the Council with a period of time in which detailed investigations can be undertaken to conclude whether a refurbishment will be financially viable and the building acquired. Should the outcome be positive, then City Fusion proposes granting the Council a long lease.

3.3 The funding that will help to restore the FWCH are part of the Lower Kirkgate THI which has two main components, the capital works facilitated through grant aid to match private sector investment and complementary activities including public realm improvements, training and awareness raising. The capital investment will be prioritised as follows in order to secure the re-use of vacant commercial space together with the repair and restoration of historical building fabric:

|                        |  |
|------------------------|--|
| <b>HIGH - Critical</b> | 98 - 100 Kirkgate (First White Cloth Hall)                             |
| <b>MEDIUM - Target</b> | 83, 84, 85, 86, 87, 88/89, 90, 91, 92, 93, 94, 95, 96, 97 Kirkgate     |
| <b>LOW - Reserve</b>   | 1 - 2, 3, 5, 7, 9 to 11 Call Lane and 1, 3 - 5, 7B and 11 Crown Street |

3.4 The most critically important project within the THI is the repair and restoration of the 1710 First White Cloth Hall (see Appendix 2 Photo 1) which is arguably Leeds' most important building as it is here that the city's mercantile culture began. Its restoration has not been possible by City Fusion on a purely commercial basis given the level of restoration required. This risk and the potential need for additional action by the Council was highlighted in the 11 April 2012 Lower Kirkgate THI Executive Board report.

3.5 What remains of the structure has been made weathertight and secure, but it is in a fragile state and requires significant investment in the next few years to ensure its long term survival. The FWCH cost appraisal, whilst not yet fixing the final scheme design and costs, has identified a preferred scheme which is a full restoration of the remaining part of the building with a rebuilt west wing in keeping with what remains of the east and south wings, with a view to creating retail on the ground floor and offices on the first floor. These are uses for the building that are considered currently to yield the highest rental level.

3.6 The remainder of the Kirkgate frontage (83 - 97 Kirkgate) has been given target property status. It is made up of 15 individual properties, although the majority (9) are owned by City Fusion, with six other independent owners. The ambition is to refurbish these properties, many of which are vacant or underused, with a particular emphasis on repairing and restoring the Kirkgate frontage. The rear of the Kirkgate buildings are in a similar state of disrepair, but here the scope of works will be largely restricted to tackling structural problems pending the redevelopment of the car park and the remodelling of the back walls. Including the First White Cloth Hall a fully active Lower Kirkgate could accommodate an additional 28 to 80 jobs depending on the configuration and use of the upper floors.

3.7 Call Lane and Crown Street are regarded as reserve and therefore have a lower priority in the scheme due to the lower heritage need and a better general state of repair. Public realm improvements to Kirkgate (and Pine Court) and the ginnels through the site would also be enhanced by the THI by complementing the planned highway maintenance programme in that area.

## **4 Corporate Considerations**

### **4.1 Consultation and Engagement**

4.1.1 The Executive Member (Development and the Economy) and City and Hunslet Ward Members have been consulted. Councillor Lewis (Executive Member), and Councillors Nash and Davey (Ward Members) have responded supporting the Council's proposals with respect to developing an option agreement with City Fusion.

### **4.2 Equality and Diversity / Cohesion and Integration**

4.2.1 The THI grant application process will mirror that of the existing Armley and Chapeltown THI schemes where the Council's monitoring standards are used to retrospectively evaluate the performance of applications from different groups. However, the proposed THI was subject to an equality screening and this concluded that the training will potentially give rise to equality impacts in terms of the selection of candidates for training. These have been outlined as part of a separate 'Skills for the Future' Executive Board report planned for 4<sup>th</sup> September 2013.

### **4.3 Council Policies and City Priorities**

4.3.1 The project will support the delivery of the following City Priority Plan priorities:

4.3.2 **Improve skills:** The Lower Kirkgate THI project will contribute to the achievement of the City's Priority Plan target to enhance skill levels and increase employment by up-skilling local SME contractors through the provision of bespoke NVQ3 qualifications and short courses.

4.3.3 **Protecting the distinctive green character of the city:** The FWCH is on the Buildings at Risk Register and is regarded as one of the most important buildings in the city. The restoration of the FWCH will help to enhance the distinct heritage character of Leeds' first street whilst supporting city centre conservation area policy as defined within the LDF and the emerging conservation area review.

4.3.4 **Improve housing conditions and energy:** Sustainability: Historic buildings are inherently sustainable by their very nature and if carbon targets are to be met, the continued use of historic buildings is vital. The upgrading of historic buildings to modern standards can be approached sympathetically to improve the energy performance of a building whilst retaining the special character that makes a positive contribution to its locality. Achieving sustainability and respects for the heritage inherent within the pre-1919 building stock requires the requisite skillset and guidance. Therefore, the project supports supplementary planning guidance 'Building for Tomorrow Today – Sustainable Design and Construction' (LCC 2011).

### **4.4 Resources and Value for Money**

4.4.1 The acquisition will be by agreement with each party bearing their own costs. The Council will incur officer and legal costs, and also professional fees in commissioning surveys. The total fee estimate for the scheme (including preliminaries) is some £274,000 of which £97,700 is subject to grant aid should a scheme materialise during the lifetime of the THI. Previous fees have been funded by development grant from the Heritage Lottery Fund, English Heritage and the Council.

4.4.2 Grant funding has already been allocated to the property by the Heritage Lottery Fund (£500,000) and an application to English Heritage for £250,000 has begun, but it has already been concluded there will be a shortfall of c.£1.4m in funding to complete a refurbishment. The property will be refurbished to a standard that can be let and usual town centre uses will be appropriate. It is anticipated that a rental income will be secured from the building which should be sufficient to finance prudential borrowing by the Council. There is a risk, however, that the building is not let immediately and there is no income to cover the cost of borrowing.

#### **4.5 Legal Implications, Access to Information and Call In**

4.5.1 **The City Council has legal authority to bid for and implement the provisions of the Lower Kirkgate TH1 under its well-being powers within the Localism Act 2011 (the '2011 Act'). Section 1 of the 2011 Act allows local authorities to do anything they consider likely to promote the economic, social and environmental well-being of their area unless explicitly prohibited elsewhere in law.**

4.5.2 Under Part 3 Section 3E Paragraph 2(a) of the Council's Constitution (Officer Delegation Scheme (Executive Functions)) the Director of City Development has authority to discharge any function of Executive Board in relation to the management of land (including valuation, acquisition, appropriation, disposal and any other dealings with land or any interest in land) and Asset Management.

4.5.3 The Acting Chief Asset Management Officer has authority to take the decisions requested in this report under Executive functions 1 and 10 (specific to the Director of City Development) of the Director of City Development's sub delegation scheme.

4.5.4 The proposal constitutes a significant operational decision and is therefore not subject to call in.

#### **4.6 Risk Management**

4.6.1 At this stage authority is being sought to enter into one to one negotiations for the acquisition of the property. There is a risk that City Fusion does not agree terms, but this is low as the company is keen to transfer the liability to another party. The Council's investigations may conclude the refurbishment costs are higher than initially estimated and the level of prudential borrowing may have to be increased. Bearing in mind the nature of the building (300 years old, Grade II\* Listed in a seriously dilapidated condition) the risk of costs increasing is considered to be high. It may be concluded the risk in acquiring the building and undertaking the refurbishment is too high and should not be undertaken. This will become clear during the option period when the Council can undertake detailed investigations and surveys.

### **5 Conclusions**

5.1 It can be concluded that the most likely way of securing the future of the First White Cloth Hall is that the Council should enter into negotiations for its acquisition and further investigations into its condition be undertaken.

### **6 Recommendations**

6.1 It is recommended that the Council enters into negotiations with City Fusion for the acquisition of the First White Cloth Hall.

## **7 Background documents<sup>1</sup>**

7.1 There are none.

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<sup>1</sup> The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.