



Report of the Director of Development

Executive board

Date: 5 July 2006

Subject: Abbey Mills and St Ann's Mills Kirkstall

Electoral wards affected:

Specific implications for:

Ethnic minorities

Women

Disabled people

Narrowing the gap

Eligible for call In

Not eligible for call in
(details contained in the report)

Executive Summary

In December 2004 Executive Board considered a report about the condition of Abbey Mills and St Ann's Mills in Kirkstall and their future use as industrial units. Following a detailed option appraisal the report concluded that the best way to retain some employment units in Kirkstall, whilst at the same time bringing both sets of buildings back to their former glory was to sell Abbey Mills and invest the proceeds in St Ann's Mills. The costs, potential funding sources, and valuations involved were necessarily approximate at that point in time and officers were instructed to consult and carry out further work on the then preferred option and to report back to Executive Board before taking any further action. This report summarises the latest position on the preferred option and informs Members that this option has been seen as controversial in some quarters. The report brings to Members attention an alternative option as sponsored by one of the Ward Members and seeks the Board's views as to whether it supports the service related aspirations contained in that option. Notwithstanding the forecast increased cost of delivering the previously recommended option the report indicates that there are nevertheless funding sources available which could make that preferred option deliverable, and seeks Members approval to officers continuing to investigate that option, again with a further report back to this Board.

The report makes it clear that the preferred option and the aspirations of the Ward Member are not necessarily mutually exclusive and seeks the Board's views as to whether the Ward Member's service aspirations should be taken into account of as a part of this project.

1.0 PURPOSE OF THIS REPORT

- 1.1 The purpose of the report is to update Members on the latest position regarding proposals to remodel/refurbish Abbey Mills and St Ann's Mills Kirkstall. The report provides updated costings and valuations for the St Ann's Mills site and requests that the Board re-affirms its commitment to continue to explore the previously preferred option of selling Abbey Mills and reinvesting the proceeds in St Ann's Mills

2.0 BACKGROUND

- 2.1 The Council owns two sets of buildings in Kirkstall known as Abbey Mills and St Ann's Mills. Both are operated by the Development Department as small industrial units (SIU's) although St Ann's Mills is now largely void of tenants and Abbey Mills is only around 35% occupied.
- 2.2 Asset Management surveys in August 2003 identified backlog maintenance of £626,000 (Abbey Mills) and £433,000 (St Ann's Mills) and given that it was felt unlikely that the Council would make such sums available from mainline capital resources given its other investment priorities, a report was taken to Executive Board in December 2004 (Appendix A) which considered options for funding the refurbishment/remodelling of the two mills.
- 2.3 The report began by making the case for the Council retaining some employment units in Kirkstall but also stressed that ideally these needed to be modern purpose built/remodelled units and/or managed workspace suitable for the twenty first century. It was acknowledged that this aspirational goal might mean that there would, overall, be a reduction in the number of Council owned units in Kirkstall, but that the retained units would be of a much higher quality than was currently the case.
- 2.4 The key objectives then, proposed to Executive Board in the December 2004 paper, were to retain some high quality Council units in Kirkstall, whilst at the same time seeking to ensure that both sets of mill buildings were brought back to their former glory, through investment by the Council and/or the private sector, but minimising the requirement for investment by the Council. The full list of assessment criteria to be applied to any proposals to ensure that the key objectives were met, are identified in paragraph 3.2 of Appendix A. As a part of this paper Members are requested to re-affirm their endorsement of the associated key objectives.
- 2.5 Four options were considered:-
- (i) Retain and refurbish both sets of buildings
 - (ii) Dispose of both sites and use the capital receipts to support the mainline Capital Programme
 - (iii) Dispose of St Ann's Mills and reinvest the capital receipt in Abbey Mills
 - (iv) Dispose of Abbey Mills and reinvest the capital receipt in St Ann's Mills

A full options appraisal was carried out and is detailed in Appendix A. It concluded at paragraph 3.8 that, based upon the assessment criteria:

'option 4 – dispose of Abbey Mills and reinvest the capital receipt at St Ann's Mills – would appear to be the best option'.

The Director of Corporate Services carried out a discounted cashflow (DCF) exercise on the four options to see if a DCF would support this view. The results of the DCF were given at paragraph 3.9 in the report and did indeed appear to support the choice of option 4 (but of which more later – see section 4).

2.6 The preferred option was anticipated to allow for public realm works at both Abbey and St Ann's Mills and the initial costings provided at paragraph 6.1 in that report were as follows:-

	£000's		Total
	St Ann's Mills	Abbey Mills	
Refurbish Mill building	1,200		1,200
Extra storey and pitched roof to Mill building	420		420
Other buildings	200		200
Landscaping/Riverside walkways	250	250 *	500
Pedestrian bridge over river	<u>50</u>	—	<u>50</u>
Subtotal	2,120	250	2,370
Fees at 12%	255	30	285
Removal costs/compensation/cost of voids		200	200
Total	<u>2,375</u>	<u>480</u>	<u>2,855</u>

*City Council allowance over and above any developer S106 contribution

These costings were only preliminary ones and Members were requested to provide funding for further feasibility work so as to firm up these costings. The report also acknowledged that the scale of investment required at St Ann's Mills, and the cashflow implications might necessitate the Development Department having to seek a private sector partner for the project.

2.7 The above, along with other miscellaneous matters relating to other properties in Kirkstall known as 649 Kirkstall Road and Abbey Villas led to Executive Board approving the following courses of action:-

- (i) The retention of small industrial units in the Kirkstall Valley at the St Ann's Mills site.
- (ii) The opening of formal negotiations with the tenants of Abbey Mills regarding a relocation to St Ann's Mills.
- (iii) The marketing and disposal of Abbey Mills
- (iv) The ring-fencing of the Council's element of the Abbey Mills capital receipt to the refurbishment of St Ann's Mills
- (v) Negotiations with the NW ALMO regarding the entitlement of the ALMO to a share of the capital receipt from the Abbey Mills site.
- (vi) Consultation with the Kirkstall community regarding the preferred form of public realm works at the site of Abbey Mills and St Ann's Mills.

- (vii) The demolition of 649 Kirkstall Road and the re-use of the materials in the new developments.
- (viii) The injection into the Capital Programme of a sum of £100,000 for feasibility and design work on the preferred option.
- (ix) The seeking of expressions of interest in a partnership for the redevelopment of the St Ann's Mills site.
- (x) Officers to further develop the proposals contained in this report and to bring back a more detailed report when designs have been prepared and costed to RIBA stage D and the results of the marketing of the Abbey Mills site are known.

3.0 PROGRESS TO DATE

- 3.1 649 Kirkstall Road was demolished in February 2005 and the stone has been securely stored in a vacant unit at Abbey Mills.
- 3.2 Following discussions with the NW ALMO a decision has been taken to exclude Abbey Villas from any disposal of the Abbey Mills site. However, it is hoped that a concurrent refurbishment of these NW ALMO properties will be possible when Abbey Mills is refurbished.
- 3.3 Negotiations have commenced with the tenants of Abbey Mills with regard to their relocation to St Ann's Mills.
- 3.4 The draft planning brief for Abbey Mills has been produced and has been the subject of a 3 month public consultation, along with, but separate to, the wider proposals for the two sites. The results of the consultation on the draft planning brief are given in Appendix B. Because of the strong challenge to the proposals from one Ward Member (see 'Matters in Dispute' below) it has not been felt appropriate to progress the marketing of Abbey Mills prior to this report back to Executive Board.
- 3.5 Architectural Design Services have produced further analysis of the works required at St Ann's Mills but the costings are not yet completed to RIBA stage D because the exact form of the development is not yet determined.
- 3.6 Initial without prejudice discussions have taken place with private sector SIU/ managed workspace operators. With the support of the Executive Member for Development a speculative bid was also made to seek to secure some capital funding from Yorkshire Forward for the St Ann's Mills proposals. The opportunity to make the bid came about at short notice when Yorkshire Forward contacted local authorities in the region to say that funds were to be made available for incubator type employment units. The Council is not obligated to progress the bid and should funding be offered by Yorkshire Forward a paper will be brought back to Executive Board for consideration.

4.0 MATTERS IN DISPUTE

- 4.1 One of the Kirkstall Members has opposed the proposals since before the December 2004 Executive Board report. Accordingly he has sought to challenge the option appraisal and related matters using the democratic avenues available to him and this has led to the delay in bringing the results of the feasibility and consultation work back to this Board. The following is a chronology of events since December 2004:-

- (i) 10 January 2005 – December 2004 Executive Board report called in by Scrutiny Board (Development Services). Following detailed discussion and the presentation of evidence the Board voted unanimously to release for implementation the decisions taken at the Executive Board.
- (ii) An Internal Audit investigation (at the request of the Ward Member) of the quality of information provided to Executive Board. The investigation concluded that the Executive Board report had been broadly fit for purpose.
- (iii) An External Audit investigation (at the request of the Ward Member) which focused specifically upon the discounted cashflow (DCF) calculation. External Audit identified a number of errors not highlighted in the Internal Audit report. They also challenged some of the assumptions made in the DCF. The Executive Summary from the External Audit report is contained in Appendix C. Members are asked to note that the report has been considered at Corporate and Governance Audit Committee with regard to the lessons to be learned and a further report will be taken back to that Committee. For the purposes of this report Members should be aware that External Audit re-cast the DCF using their own assumptions and correcting the errors identified. The outcome of this exercise is that option 4 from the December 2004 report to Executive Board remained the best option from a DCF perspective, but option 2 – sell both properties – becomes a close second.

Given that the DCF model is very sensitive to minor changes in some of the assumptions (eg future rent levels) the Auditors pointed out that Members may have wished to have focused more upon this option along with the ultimately preferred option. However, officers have pointed out that the sale of both properties does not achieve one of the key objectives which is to retain some Council owned employment units in Kirkstall.

Officers apologise to Executive Board for the errors in the DCF but do not believe that they are material in the context of the Executive Board decision which was taken and knowledge of the errors would not have changed the officer recommendation at the time. That is, option 4 remains the preferred option.

- (iv) Request for Access to Information.
During the last 18 months requests for information from the Ward Member concerned generated over 400 e-mails. Requests were received under the Freedom of Information Act and also under the Members' need to know provisions. Ultimately the Director of Development has taken the view that some of the requests for information have been unreasonable and this combined with a mis-use of information previously supplied has led to a refusal to supply certain other information. A special Appeals Committee made up of Executive Board Members considered the appeal against refusal of access to two particular documents on the 17 and 18 January 2006 and concluded that the appeal be denied for one document and that appellant did not have a statutory right of appeal for the other, although in this latter case it was ruled that the appellant did have a need to know in terms of the final draft of the document. The full minutes of this Appeals Committee are given in Appendix D. More recently on the 19 June 2006 a second Appeals Committee upheld the decisions of the Director of Development regarding three other sets of documents.

- (v) Complaint to the Ombudsman – The Ward Member has complained to the Ombudsman regarding the Council’s approach to him on this matter. The Ombudsman has declined to take on a complaint from the Ward Member on the basis that he appears to be complaining in his capacity as a Councillor (use of the term ‘my constituents’ in his submission) and there are other channels for such complaints. The Ward Member is seeking judicial review of the Ombudsman’s decision.

4.2 The matters which the Ward Member disputes are many and varied and are not all capable of being listed here. However, some of the more significant areas of dispute are:-

- (i) That the December 2004 report to Executive Board was deliberately misleading. In particular ‘over egging the pudding’ in terms of the amount of capital works needed on the two sets of buildings.
- (ii) That officers have proposals for the two sites which were not disclosed to Members in the Executive Board report.
- (iii) That other valid options for the two sets of buildings were not put forward
- (iv) That public consultation was deliberately skewed by officers so as to garner support for the preferred option.
- (v) That officers altered draft plans for a new access/egress to/from the Abbey Mills site so as to make an (alleged) unsafe proposal appear safe.
- (vi) That officers misled Executive Board with regard to the type of employment units to be retained in Kirkstall.

4.3 Officers refute these allegations, though the issue of the type of employment units to be retained in Kirkstall is worthy of further debate. The December 2004 report made references to (i) small industrial units (SIUs) and (ii) managed workspace. It did not refer to (iii) incubator units, but did focus upon the need for high quality employment units to support young businesses in the new Millennium. The more recent officer emphasis on incubator units has arisen due to a possible partnership with Yorkshire Forward, the Leeds Chamber, and Leeds Met. The nature of the three types of employment unit is explained more fully in Appendix L and Members are asked to note that they do differ significantly in terms of the amount of business support provided to the fledgling businesses. However, they do share the same overall objective of protecting and creating employment opportunities. Members are asked to support, therefore, the exploration of all three types of unit in the search for a solution to the issues at St Ann’s Mills.

4.4 It will be apparent from the foregoing that the proposals for the two sites, in the view of one Ward Member, are seen as controversial. Despite constant reassurances from officers the Ward Member remains resolute in his views about the proposals and officers roles in moving them forward. The other two Ward Members, while not supportive of all aspects of the course of action approved by Executive Board, have not been as vocal in their opposition to the proposal.

4.5 The Ward Member has a preferred option of his own for the two sites which he does not believe has been given due consideration by the Executive Board. In order, therefore, to try and bring closure to the events of the last 18 months officers have invited the Ward Member (see letter at Appendix E) to provide a written submission giving details of his preferred way forward, and this is contained in Appendix F. A summary of this proposal is given in section 6 below.

5.0 CONSULTATION

5.1 Property Proposals For Both Sites

5.1.1 The views of the Ward Members are detailed above and in section 6 below.

5.1.2 The Council's wider proposals for both Abbey and St Ann's Mills as agreed in the December 2004 Executive Board report, were made available for public consultation at the same time as the Abbey Mills planning and development brief. A leaflet (see Appendix G) setting out the proposals accompanied the Abbey Mills planning and development brief and was also placed in key public buildings. The leaflet could also be accessed via the Council's website. Members of the public were invited to contact the Development Department if they had any comments to make.

5.1.3 In addition to the above, the Development Department commissioned an independent market research company from the Council's approved framework, to undertake a sample survey of Kirkstall residents.

5.1.4 The survey comprised 1000 residents, evenly distributed throughout the Kirkstall Ward selected at random by the company. 600 postal questionnaires were sent out and 400 door to door interviews were conducted.

5.1.5 The key objectives of the survey were to establish whether Kirkstall residents supported, opposed or were neutral towards the Council's overall proposals and also to determine how strongly residents felt towards such matters as retaining employment generating facilities within the Kirkstall Valley, preserving the mill buildings, the proposed uses for both Mills, and being consulted on environmental improvements.

5.1.6 In summary, the survey concluded:-

- the majority (73%) agreed that the buildings should be fully restored and preserved
- support was strong for small businesses, 74% agreeing that workspace should be retained within the area
- over half agreed that the workspace should be located at St Ann's Mills. A further third expressed no strong view.
- most considered that they would not be affected by the Council's proposals (63%)
- 89% considered that they should be able to influence environmental improvements

5.1.7 A full report has been completed by the consultants, and a summary and conclusion is contained in Appendix H. The consultant's full report is available for viewing in the Members' library.

5.2 Draft Planning Brief for Abbey Mills

5.2.1 The draft planning and development brief underwent a lengthy period of public consultation starting on the 11 January 2006 and ending on 31 March 2006.

5.2.2 Copies of the draft brief were extensively circulated to interested parties and copies were placed in the local libraries and a range of other publicly accessible locations in the area. It was also made available for the public on the City Council web-site. Furthermore, a staffed public exhibition on the draft brief was also held at Kirkstall Leisure Centre in February.

5.2.3 From this extensive consultation, a total of 5 completed comment forms were received from members of the public on the content of the draft brief. Four of these were objections to the proposals and one person expressed support for the proposal in principle. Further to these, objections to the proposals were also received from all the Kirkstall Ward Members. Extensive comments on the brief were made by Councillor Minkin (on behalf of all three Kirkstall Ward Members), and detailed comments on the proposals were made by Councillor Illingworth.

5.2.4 The main issues raised by the objectors related to the loss of employment use at the Abbey Mills site and the proposals for a new site access to cater for the refurbishment. The concerns raised relating to the proposed new access raised focus on highway safety and the implications this new access would have on trees and listed structures.

5.2.5 Further details of the consultation on the draft planning brief are given in Appendix I. This provides a response to the points raised by representations and indicates where changes are proposed to the brief as a consequence. Where further change is not proposed then reasons are given. A copy of the revised brief is attached at Appendix J and Members are asked to approve this revised version so that the marketing of the site can proceed. Members should note that the draft brief included a number of access options, not including use of the existing access which is the Ward Members' preferred solution. A response on the comments on the various options is provided in Appendix K. It is appropriate that the revised brief should identify the preferred option and in this case officers are of the view that on balance the option which minimises tree loss, although having a slightly reduced visibility splay is to be preferred.

5.2.6 Notwithstanding the preferred location of the access/egress as shown in the planning brief it is recommended that the Abbey Mills site should be marketed asking for solutions based around that proposal, but also offering developers the opportunity to put forward, in addition to their main bid, schemes based around other, perhaps more innovative access/egress solutions.

5.2.7 One Ward Member has requested that the Council commission a ROSPA safety audit on the proposed new access/egress.

A ROSPA is an audit that assesses how the management of health & safety is dealt with within an organisation. It is not used to assess a project or scheme.

Road safety audits are carried out on highways schemes to identify safety problems with the objective of minimising the number and severity of road accidents. An audit is not a check on compliance with design standards. When a scheme is being considered a design team determine what standards the scheme needs to adhere to and where relaxations can be allowed. When a scheme has been determined the Road Safety Audit procedure is then implemented, stage 1 being the initial audit before detailed design is carried out.

Officers are of the view that the Council's current approach to addressing road safety issues is the correct one and that a ROSPA in this case is unnecessary.

6.0 SUMMARY OF THE WARD MEMBER PROPOSAL

6.1 The Ward Member proposal can be summarised as:-

6.1.1 St Ann's Mills

Longer term use for leisure/community purposes in connection with the proposed Kirkstall Valley Park (KVP) and the West Leeds Country Park (WLCP). A long term, full repairing lease, for the lowest possible rent is requested by the Kirkstall Valley Park Group. Uses might include canoeing, fishing, walking, cycling and natural history pursuits. In particular an aspiration for a white water canoeing facility on the river Aire is stated. This might involve using boulders from the nearby forthcoming Kirkstall Hill excavation to create the obstacle course in the River Aire. The St Ann's Mills building could be used for canoe storage and repair, changing accommodation, refreshment, garaging and for a wildlife visitor/interpretation centre. There might also be space for community groups.

In the short to medium term the proposal is to use the buildings as a Community Punishment Centre, providing free labour to develop the KVP and WLCP. This would build upon the current Home Office scheme which operates further down the valley at Burley Mills Allotments, but would also explore new ways of treating offenders. In good weather the offenders would work outdoors in the park supervised by Home Office staff and in bad weather they would work indoors building park furniture etc. They would also receive teaching in basic literacy and numeracy as well as specific employment skills. Some of this may be provided by the FE Colleges.

As the park approaches completion Community Punishment would undertake a phased withdrawal from St Ann's Mills leaving predominantly leisure uses on the site.

The claimed benefits of the proposal are that it utilises free labour. Materials and other costs may, it is proposed, be met from S106 agreements with local developers.

6.1.2 Abbey Mills

The proposal here is to retain the buildings in Council ownership, leave the existing tenants in situ, and carry out minor repairs with a view to creating a possible mixed use development. This might include some incubation units and sheltered accommodation for frail, elderly or mentally or physically disabled people. The intention would be to carry out a redevelopment which 'washed its face' in financial terms but would not necessarily generate any significant profit. The proposals are stated to generate low car usage.

6.2

Officer Comments on the Ward Member Proposal

6.2.1 The proposal builds upon the KVP and WLCP proposals which are supported in principle by the Council. However, there is no option appraisal provided which supports the view that retention of Abbey Mills and use of St Ann's Mills for Community Punishment (and subsequently leisure uses) is the only and best way to deliver the parks and leisure facilities. There may be other ways of providing accommodation which are more appropriate. From a planning perspective mixing community and industrial units on the site at St Ann's Mills creates a number of difficulties.

6.2.2 While indications of informal discussions with potential partners are given there are no formal letters of support offering resources accompanying the Ward Member proposal. These would be required from the Home Office, West Yorkshire Police, the Environmental Agency, and the FE Colleges amongst others.

6.2.3 The proposals for the buildings differ from the officer proposal in one fundamental way. The officer proposal seeks a full restoration of both sets of buildings to a high specification. This has been the Council's asset management philosophy for some years now where major refurbishment is undertaken. The existing problems at Abbey Mills and St Ann's Mill result from the minimalist approach taken to building maintenance in the past and officers do not believe that to continue with such an approach in the case of these two sets of buildings is in the best interests of the residents of Leeds. The proposal from the Ward Member suggests limited investment in the buildings on the basis that they are essentially fit (in their current condition), for the purposes which he proposes.

6.2.4 Learning and Leisure Department currently has visitor attractions at both Armley Mills and Kirkstall Abbey, less than a mile east and west of St Ann's Mills respectively, and has no aspiration to operate a visitor/interpretation centre at St Ann's Mills. While the Kirkstall Valley Park Group may have an aspiration to manage such a facility the impact upon other visitor attractions would need to be considered.

6.2.5 It is acknowledged that it has been difficult for the Ward Member to fully develop his proposals without access to professional and technical resources, and that consequently desirable, accurate financial information is not available for his preferred option, and there is certainly not enough information to carry out a detailed discounted cash flow comparison of this option with those others of the Council. It is suggested therefore, that at this stage, Members may wish to limit their consideration of the proposal to whether:-

(i) The service aspects of the proposals are desirable in terms of the

Council's key objectives and, if so:

- (ii) Whether Executive Board wishes to instruct officers to explore ways of delivering these service benefits in Kirkstall, either on the lines proposed by the Ward Member, or through other means.

7.0 LATEST POSITION

7.1 Officers have firmed up the brief for the remodelling of St Ann's Mills and this has been costed by Architectural Design Services (ADS). Members should note that these costings are still only early estimates, based in many cases upon costs per square metre. As such, therefore, they still fall well short of the level of accuracy provided when schemes are costed to RIBA stage D, which would normally be the stage at which costings are brought to Executive Board for approval. As such therefore they should be treated with caution, and significant contingencies have been included in the figures accordingly by ADS. Lambert Smith Hampton (LSH) who have supplied revised property valuations for St Ann's Mills, have also provided some outline refurbishment costs for the buildings. Their figures are based heavily upon those of recent similar schemes in which they have been involved, along with a, perhaps, more optimistic view of the level of contingency required. The comparative figures for St Ann's Mills are:-

	£000s		
	December 2004 Executive Board Report	Current Forecasts	
		ADS	LSH
Refurbish Mill building	1,200	2,370	1,890
Add extra storey	420	810	650
Other buildings	200	930	370
Demolition/CCTV etc	-	190	190
Landscaping/riverside walkways	250 *	250 *	250 *
Pedestrian bridge over river	<u>50</u> *	<u>50</u> *	<u>50</u> *
Subtotal	<u>2,120</u>	<u>4,600</u>	<u>3,400</u>
Fees at 12%	255	550	410
TOTAL	<u>2,375</u>	<u>5,150</u>	<u>3,810</u>

* = Allowance rather than forecast cost

7.3 Members will note, therefore, that forecast costs have increased significantly since the December 2004 report. Opinions vary between the consultants, but it would appear that forecast costs have increased from £2.34m to somewhere in the range £3.8m to £5.1m depending upon assumptions about contingencies, quality of build, and current build costs per square foot. It would appear, therefore, that the original aspiration of officers to deliver a scheme at St Ann's Mills funded only through the sale of Abbey Mills along with unsupported (prudential) borrowing may not be possible. Indeed, rather than 'over-egging the pudding' in terms of the refurbishment costs for St Ann's Mills it would seem that earlier costings may have been optimistic/understated. Members will note that these higher estimates of cost

will have implications for all options utilising the St Ann's Mills buildings including that proposed by the Ward Member.

- 7.4 At the same time, informal advice received from Architectural Design Services regarding Abbey Mills would suggest that the cost per square foot of refurbishing that set of buildings would continue to exceed that at St Ann's Mills because of the building's condition, complex layout, and Grade II listing.
- 7.5 If the Council is to avoid having to sell both sets of buildings then it would appear that some third party capital will be essential as part funding for the restoration of St Ann's Mills.
- 7.6 Abbey Mills Valuations
- 7.6.1 Abbey Mills has been valued by the same external agents in March 2004 and May 2006. The valuations are summarised below:
- Abbey Mills Valuation 2004
- Market value residential (excluding new build) £900,000
 - Market value residential (including Abbey Villas and new build) £1,650,000
 - Market value mixed use (incorporating live work space) £450,000
 - Market value existing use £300,000
- Abbey Mills valuation 2006
- Market value residential – assuming new access (excluding new build) £1,220,000
 - Market value residential – assuming new access (including new build but excluding Abbey Villas) £1,590,000
 - Market value residential use – assuming new access (incorporating live work space) £680,000
 - Market value existing use £470,000
- 7.6.2 Since the 2004 valuation it has been established that the Council will retain Abbey Villas (the residential site adjoining Abbey Mills) and this property was therefore not included in any of the 2006 valuations. For the purpose of clarity, the 2006 valuation "Market Value Residential – assuming new access (including new build)" refers to a possible 8 additional units that it might be possible to construct on the existing Abbey Mills site, in the event that a developer obtained planning permission at some future date. The current planning brief assumes no new build units and offers will be invited on this basis.
- 7.6.3 The 2006 valuations show that land and property values have increased since 2004. The residential valuations have been undertaken with reference to the draft planning and development brief for the site. This has enabled such factors as the number of permitted units and the possible provision of a new access road to be included in the valuation, therefore these valuations should more accurately reflect the likely costs associated with the development.

The highest value is residential use and despite the restriction on unit numbers (between 30 and 40 is quoted in the planning and development brief) and other increased development costs, the value has increased as a result of the strong residential market over recent years.

7.7 St Ann's Mills Valuation

7.7.1 The St Ann's Mills valuations were carried out in September 2004 and June 2006.

St Ann's Mills valuation 2004

- Market value reflecting opportunity for conversion to office use – Mill building only (including additional storey) £1,125,000
- Market value reflecting opportunity for new build office use (land to rear of mill building in isolation) £990,000
- Market value reflecting opportunity for new build industrial (land to front of mill building in isolation) £52,000
- Total market value of site based on the above £2,167,000
- Market value of site reflecting existing use £375,000 – (subject to limitations)

St Ann's Mills Valuation 2006

- Market value reflecting opportunity for conversion to office use – mill building only (including additional storey) £665,000
- Market value reflecting opportunity for new build office use (land to rear of mill building in isolation) £910,000
- Market value reflecting opportunity for new build industrial (land to front of mill building in isolation) £52,000
- Total market value of site based on the above £1,617,000
- Market value of site reflecting existing use £120,000 (subject to limitations)

7.7.2 The 2004 valuations show a range of higher values because they were undertaken without the benefit of the feasibility study that was completed earlier this year and included full Stage 1 checks (site survey investigations including drainage, electrical, gas, ground conditions, contamination etc).

7.7.3 The agents have advised that for the purpose of the valuation a rate of £17 per square foot, exclusive of service charge, has been adopted. This rental represents the rate at which the private sector would reasonably expect to let office accommodation at St Ann's Mills.

7.7.4 Managed workspace in the Kirkstall/Burley area is currently successfully letting at £17.59, exclusive of service charges and £27.49 per square foot inclusive. These rates appear high, but as with the proposed incubation scheme at St Ann's Mills, the units tend to be small, generally between 2-4 people capacity and therefore command higher rents because the overall cost of the unit (because of its size) is affordable.

- 7.7.5 Despite the increase in rental values, the high building conversion costs detailed at paragraph 7.2 are reflected in the lower 2006 valuation of the mill building (£665,000). The value of the new build land at the rear of the mill building, (£910,000) is also reduced, because of additional costs associated with the possible development of this land, including highway improvements and the requirement for a new substation.
- 7.7.6 Industrial rents have increased since the 2004 valuation, however the value of the new build industrial land (at the front of the mill building) has remained the same (£52,000). This is because Planning officers have indicated that they would require any new industrial units to have natural stone cladding, the cost of this negates any increase in the land value.
- 7.7.7 The existing use valuations are subject to limitations because the mill building, if it were to continue in existing use, would require the electrical switchgear to be replaced at a cost of approximately £300,000. This had the effect of reducing the 2004 existing use value from £375,000 to £75,000 and in 2006 from £420,000 to £120,000 respectively.

8.0 DISCUSSIONS WITH YORKSHIRE FORWARD

- 8.1 Incubation units fit within the Y&H Regional Economic Strategy (RES). In particular:
- Objective 2 (higher business birth & survival rates that create a radical improvement in the number of competitive businesses that last).
- Objective 6 (ensure and utilise the regions infrastructure of physical and environmental assets)
- Objective 1 (grow the regions businesses, focusing on key clusters).
- 8.2 In 2004 Yorkshire Forward contracted the West Yorkshire Enterprise Partnership (WYEP) to deliver the West Yorkshire Incubation Network (WYIN) within the sub region.
- 8.3 Yorkshire Forward have a funding package to fund new incubation programmes.
- 8.4 WYIN have put forward a £24m package of 12 possible capital incubation projects for consideration by Yorkshire Forward. As a result of the speculative bid made by officers St Ann's Mills is one of these proposals. Yorkshire Forward is currently undertaking a review to look at the existing and planned incubation programmes within West Yorkshire and is likely to make a decision in respect of a possible £3m capital contribution to the St Ann's Mills scheme in late summer. Clearly, if this bid is successful, then with a capital receipt from the disposal of Abbey Mills the original aspiration for high quality employment units at St Ann's Mills could be deliverable.

8.5 If the St Ann's scheme is successful, the incubator would link into the existing Leeds Met incubation programme and act as a business accelerator unit to provide grow-on incubation space for their existing clients. Leeds Chamber would also assist with the management of the facility. In order to ensure the incubation centre was sustainable, some of the rental generated would need to be contributed towards some of the operational costs, though tenants would be required to pay a service charge in addition to the rent. The exact figures regarding how rental income would be shared by the partners would need to be agreed if the application to Yorkshire Forward is successful.

9.0 WITHOUT PREJUDICE DISCUSSIONS WITH OTHER PROVIDERS

9.1 Partnership in St Ann's Mills – officers have held without prejudice discussions with three private sector industrial unit/incubation unit providers regarding the possible redevelopment of St Ann's for incubation. All three organisations have established incubation programmes and have a track record of carrying out developments. One of these three has a large portfolio and significant funds as a result of a partnership with a large pension fund. Another has a very large portfolio and is the sustainable regeneration wing of well known Fund Manager with considerable assets at its disposal. One has invested heavily in Holbeck Urban Village. Talks have been positive and some have indicated they would like the opportunity to develop both Mills and are also interested in the prospect of the SIU portfolio partnership which the Council is currently exploring.

10.0 DISCOUNTED CASH FLOW

10.1 Given the continuing uncertainties regarding future refurbishment costs and the uncertainties regarding possible Yorkshire Forward funding or other partnership funding it is not felt prudent to seek to revise the discounted cashflow at this point in time. Supporting this view is the fact that it is also not possible at this time to quantify the capital and revenue costs associated with the Ward Member proposal. However, officers have noted the recommendation in the External Audit report that a revised DCF calculation needs to be carried out for the various options and it is proposed that this should be done and brought back to this Board when there is more certainty regarding costs and funding streams.

11.0 OPTIONS

11.1 Following the further work carried out on the previously approved option, and the receipt of the proposal put forward by the Ward Member, and assuming that the key objectives set down in paragraph 2.4 are once more endorsed, the following options are available:-

- (i) Do nothing/minimum investment option on both sites. This option might facilitate the proposal put forward by the Ward Member but would not address the significant deterioration in the buildings or the need for quality employment units in Kirkstall. It does not, therefore meet the key objectives of the Council.
- (ii) Sell both sites. This option would provide significant funding to support the Capital Programme and would, over time, through third party investment, restore the buildings to their former glory. It would not, however guarantee that employment units were retained in Kirkstall. Notwithstanding this a lease to a third party or partner could satisfy this requirement (see option (v) and (vi) below).

- (iii) Identify the required capital from the Mainline Capital Programme to deliver the original preferred option. Given other pressures this is not felt to be likely.
- (iv) Await the outcome of the bid to Yorkshire Forward for £3m of funding. If successful, such a sum of money, combined with a capital receipt from the disposal of Abbey Mills, would enable a scheme to be delivered at St Ann's Mills.
- (v) Seek to formalise a partnership with one of the private sector providers of incubator units. Early discussions with these providers suggest that they have the capital to invest in St Ann's Mills subject to them receiving a satisfactory share of rental income. Within such a partnership the influence of the Council over lettings policy and management of the units may be restricted.
- (vi) Include one or both of Abbey/St Ann's Mills in the greater SIU portfolio for which a partner is currently being sought. If the two sites are not seen by the prospective partners as sufficiently attractive in their own right then incorporation into the greater SIU portfolio for discussion with potential partners might be more appropriate.

11.2 None of the above options preclude the Council also pursuing the service objectives as set down by the Ward Member, albeit that under some options the specific use of the St Ann's Mills building would not be possible. Members are therefore requested to consider whether they wish officers to seek to deliver some of those objectives as a part of this project.

12.0 RISK ANALYSIS

12.1 Members will note from the foregoing that there still remains a degree of uncertainty about the fundability of a number of the options available. The main risk, therefore, is that the buildings, which are now largely empty, continue to deteriorate and may be subject to vandalism or arson. They would also begin to have an unwelcome impact upon the Kirkstall environment and would be unsuitable for use as quality employment units. In mitigation, the options detailed above suggest that there are a number of opportunities to address these issues and to achieve the Council's stated objectives. In particular, options (iv) and (v) and (vi) above all appear to offer the prospect of a successful outcome, albeit that the certainty of success for any one option or combination of options is difficult to forecast. It is recommended, therefore, that in terms of the refurbishment of St Ann's Mills, in particular, these three options should be fully explored.

12.2 On balance therefore, officers recommend that the Council continues to evaluate the previously recommended option of selling Abbey Mills and investing the proceeds in St Ann's Mills, but that a further report be brought back to this Board, incorporating a fully revised discounted cashflow, before any final decision is taken. As a part of this next phase of work Abbey Mills would be marketed to determine more accurately its value.

13.0 EQUALITY

- 13.1 The proposed works to the retained St Ann's Mills will make these premises completely DDA compliant.
- 13.2 The Development Department continues to seek the views of SIU tenants and non-tenants regarding the preferred form of business support which they require, with the aim of delivering a tenant and employee mix in the SIUs which is representative of the wider Leeds community.

14.0 LINKS TO CORPORATE OBJECTIVES

- 14.1 The proposed scheme scored 140 when tested against the Capital Scoring Matrix approved by Executive Board. This matrix assesses schemes in terms of their contribution towards the achievement of corporate objectives. The minimum score for inclusion in the Capital Programme is 110.
- 14.2 In particular, the proposals are relevant to the Vision theme of 'Competing in a Global Economy' with its focus areas of economic competitiveness and access to employment. The proposal is targetted on reducing unemployment which is a key priority associated with this Vision theme.

15.0 RECOMMENDATIONS

- 15.1 Members are requested to:-

(i) Again endorse the objectives of the exercise as set out in paragraph 2.4 of this report.

- 15.2 Members are requested to agree that:

(ii) The Council await the outcome of the bid to Yorkshire Forward for capital funding for St Ann's Mills. If this is successful, then officers be required to bring back a further report to this Board outlining the details of any proposal.

(iii) Should the bid to Yorkshire Forward be unsuccessful then officers be instructed to formally seek a private sector partner for the proposals and to then report back to this Board.

and

(iv) Should no suitable private sector partner be identified for this specific proposal, to include St Ann's Mills in the greater SIU portfolio for which a private sector partner is currently being sought.

- 15.3 Members are requested to approve:

(v) The revised planning brief for Abbey Mills attached at Appendix J.

(vi) That Abbey Mills be marketed so as to determine its value more accurately for use in a future, more detailed project justification.

15.4 Members are requested to consider:

- (vii) Whether they wish to support any of the service aspirations outlined by the Ward Member in Appendix F and summarised in section 6 of this report, and if so, to instruct officers to work with the Ward Members and local community to seek to deliver these aspirations, albeit not necessarily through the use of the St Ann's Mills building.