

**REPORT OF THE DEVELOPMENT DEPARTMENT  
REPORT TO: EXECUTIVE BOARD  
DATE: 15 DECEMBER 2004**

**SUBJECT: ABBEY MILLS AND ST ANN'S MILLS KIRKSTALL**

|  |  |
|--|--|
| <b>Electoral Wards Affected:</b>                                       | <b>Specific Implications for:</b>  |
|  | Ethnic Minorities           ○  |
|  | Women                           ○  |
|  | Disabled People               ○  |
| Executive Board Decision <input type="checkbox"/> Eligible for call in | <input type="checkbox"/> Not Eligible for call in (details contained in the report) <input type="checkbox"/> |

**1.0 PURPOSE OF THE REPORT**

- 1.1 The purpose of the report is to make proposals regarding the refurbishment/remodelling of Council property at Abbey Mills and St Ann's Mills, Kirkstall, so as to assist in the regeneration of the Kirkstall Valley.

**EXECUTIVE SUMMARY**

The report considers the need for capital investment at the Abbey Mills and St Ann's Mills small industrial units. It examines a number of options to achieve the required investment and also considers total cessation of the service. On balance the report concludes, that due to other service pressures, mainline capital is unlikely to be made available to resolve the issues and that the preferred option is to dispose of the more valuable Abbey Mills site and to re-invest the proceeds at St Ann's Mills

**2.0 BACKGROUND**

- 2.1 Abbey & St Ann's Mills form part of the City Council's Small Industrial Unit (SIU) portfolio. The SIUs consists of 13 industrial estates comprising 248 units which was originally developed in the late seventies/early eighties to provide accommodation for new/small businesses. Most of the estates were developed in inner city areas (within a 3 mile radius of the city centre). The SIUs were originally developed as a way of tackling high unemployment since in the late seventies the private sector was considered to be "risk averse" in developing small units at an affordable price in these areas. The Council with assistance from various Government/EU funding programmes therefore filled the gap in provision by developing it's own portfolio of small units.

Though the investment climate has significantly improved over the last twenty five years there is still a need for the Council to influence the small unit market. Recent research conducted by the Development Department has demonstrated that there is a shortage of small units available in the City on terms which are affordable and sufficiently flexible for new/small businesses particularly in "City Fringe" locations. In fact there is evidence to suggest that the economic success of Leeds is actually driving out lower value uses (such as small industrial units) in favour of higher value developments. A current survey of available industrial premises in the Kirkstall area indicates that only one unit of less than 1000 sq ft is available and only 6 non-Council units of between 1000 and 5000 sq ft. A recent baseline study on the City Growth Area, which includes Armley/Kirkstall, indicates that there is little industrial/commercial accommodation under 5000 sq ft coming forward in these residential communities.

- 2.2 Members will recall that in May 2004 Executive Board received a report about proposals for the creation of a new Kirkstall Valley Park, to be based, in part, upon land owned by the City Council, and that the Board gave its support, in principle, to further feasibility work being carried out on those proposals.
- 2.3 A planning framework is being prepared for the area between the City Centre and the Kirkstall railway viaduct and an overall framework is being considered for the Kirkstall Centre. This will have regard to the proposals from Allders and the Pinnacle Group (Kwik Save site), the LIFT scheme proposed for Kirkstall Hill, and the redevelopment of Abbey Mills and St Ann's Mills. In the interim officers are carrying out a co-ordination role and will produce detailed guidance as required. A framework has been produced for Kirkstall Forge and pre-application discussions are underway.
- 2.4 Notwithstanding the above studies, decisions are needed on some specific issues in the Kirkstall Valley which cannot await the final outcome of the above exercises. In particular, these concern Abbey Mills and St Ann's Mills (marked A and S respectively on the attached plan at Appendix 1) – two SIU sites operated by the Council. Neither of these sites have purpose built industrial units, being, as they are, based in and around old mill buildings which date from the nineteenth century. Consequently the individual units do not generally meet the requirements of modern day small or start-up businesses and they do not meet the specification set by the Development Department for the evolution of the service which is predicated upon the creation of small, ideally purpose built accommodation and/or managed workspace.

The St Ann's Mills site offers the potential to contribute to the proposed Kirkstall Valley Park if sensitively remodelled with associated public realm works (river crossing, riverside walkway etc).

- 2.5 The units at Abbey Mills and St Ann's Mills are 37% and 83% occupied at the present time, with annual rent rolls of £21,520 and £20,500 respectively. In total over the two sites there are 8 small businesses employing 49 people. One major occupier of space at St Ann's Mills is intent upon leaving the site. The empty units are in such a poor condition that it would not be prudent to seek to relet them without first investing significant sums of capital.

2.6 Full surveys of the two sites in August 2003 by the Asset Management Service of the Development Department have identified backlog maintenance totalling £626,000 (Abbey Mills) and £433,000 (St Ann's Mills) respectively. These figures need to be updated for inflation and fees added. If the Council was to invest such sums at the two sites on backlog maintenance alone it would be unlikely to improve the functionality of the industrial units since the works identified are of essentially a wind, weather tight and health and safety

nature. However, it is acknowledged that the main three storey mill building at St Ann's Mills (see photograph at appendix 3(ii) might, because of its large, uniform floor plates, lend itself well to some kind of remodelling if any additional funding was available.

2.7 Neither site is easily upgradeable to meet the requirements of the Disability Discrimination Act. Consequently, Members will appreciate that in order to continue to operate both sites the Council would need to invest something in the order of £2m in capital refurbishment works with no guarantee that the units created would all be appropriate for modern day requirements and as a consequence, therefore, all be lettable. Such a refurbishment is estimated to increase the combined rent rolls by some £70,000 per annum.

2.8 There is currently no specific provision within the Capital Programme for expenditure on these two sites, although some general provision for dealing with backlog maintenance across Council departments does exist within the Asset Management Capital Programme.

2.9 St Ann's Mills has no specific land use allocation in the UDP. Policy GP3 stresses that on unallocated land the existing land uses will remain the dominant land use of an area. The existing use of the mill is light industrial (B1c). Consequently, employment use would be considered acceptable in principle. Abbey Mills is also used for light industrial but could support residential and/or office use. Accordingly the Council has had independent valuations carried out which value the sites at £375,000 (St Ann's Mills) and £1,650,000 (Abbey Mills).\*

2.10 The Council is therefore faced with the challenge of creating some high quality, purpose built SIUs in the Kirkstall area to protect those businesses already operating there, and to create some scope for growth, and also, bringing up to standard buildings on the two sites so as to contribute to the regeneration of the Kirkstall community. This report now goes on to examine a number of options for delivering these objectives.

### 3.0 **OPTION APPRAISAL**

3.1 The Council has no other sites available in the Kirkstall area which are suitable for the reprovisioning of these SIUs.

Consequently the following options are now examined:-

- (i) Make available £2m of Capital Programme resources and retain/refurbish both sites for SIUs.

\* Abbey Mills existing use value (light industrial) is only £300,000. A mixed use 'living over the shop' valuation of Abbey Mills produces a value of only £450,000.

- (ii) Dispose of both sites and use the receipts to support the mainline Capital Programme.
- (iii) Dispose of St Ann's Mills and re-invest the capital receipts in Abbey Mills.
- (iv) Dispose of Abbey Mills and re-invest the capital receipts in St Ann's Mills.

3.2 The options are assessed against the following criteria:-

- (i) Ability to create and protect jobs in the Kirkstall area through the provision of appropriate, modern small industrial units.
- (ii) Extent of call upon the existing Capital Programme resources or the enhancement thereof.
- (iii) Ability to address backlog maintenance on both sites.
- (iv) Ability to support/fund public realm works on both sites.
- (v) Extent to which the proposals are complementary to the Kirkstall Valley proposals.
- (vi) Extent to which the rent roll is protected/enhanced.
- (vii) Extent to which the Council retains control.

3.3 **Option 1** – make available £2m of Capital Programme resources and retain/refurbish both sites for SIUs.

3.3.1 As previously stated, no specific Capital Programme provision exists for the required works. The Council's Asset Management Group does have available some £3m through to 2006/07 for backlog maintenance works but given the other pressures on this budget is able to recommend only that a maximum of £200,000 be released for these purposes.

The advantages and disadvantages of this option are therefore:-

3.3.2 Advantages:-

- (i) Retains both sites in full Council control
- (ii) Maximises, in the short term, the square footage available for letting as SIUs.
- (iii) Protects existing Kirkstall businesses, albeit, in somewhat inappropriate buildings.

3.3.3 Disadvantages:-

- (i) Requires an unfunded injection of at least £1.8m into the Capital Programme.
- (ii) Little visible investment in the two sites as a result of incurring this expenditure, and hence little impact upon local physical regeneration, with the buildings continuing to appear tired.
- (iii) The expenditure includes no remodelling and therefore would leave the Council with a collection of inappropriately sized/shaped units, which would continue to be difficult to let.

- (iv) No budget available for public realm works (river crossings/riverside walkways etc. at the two sites).
- (v) The extra rent roll generated (£69,670pa) would not justify the net £2m capital investment.

**3.4 Option 2** – Dispose of both sites and use the capital receipts to support the mainline Capital Programme.

3.4.1 Sale of the two sites might realise a figure in the region of £2,025,000 (£1,650,000 for Abbey Mills, £375,000 for St Ann's Mills).

3.4.2 Advantages:-

- (i) Contribution to Capital Programme resources.
- (ii) Likely improvement of Abbey Mills site for residential, along with some associated public realm works.
- (iii) Possible private sector improvement of St Ann's Mills as industrial units.

3.4.3 Disadvantages:-

- (i) Loss of all Council operated SIUs in this area of Kirkstall. Paragraph 2.1 of this report explains the rationale for Council intervention in this aspect of the local economy.
- (ii) No guarantee of protection for existing businesses operating from the two sites.
- (iii) Loss of current rent roll of £42,000 per annum
- (iv) No guarantee of significant improvement of St Ann's Mills or associated public realm works (eg river crossing, riverside walk).

**3.5 Option 3** - Dispose of St Ann's Mills and re-invest the capital receipts in Abbey Mills.

3.5.1 Advantages:-

- (i) Retains sufficient square footage at Abbey Mills to accommodate existing tenants from both sites
- (ii) May help to protect current rent roll
- (iii) Would result in some improvements to Abbey Mills although these would not be significant due to the low value of the capital receipt receivable for the St Ann's Mills site.
- (iv) Possible private sector investment in St Ann's Mills

3.5.2 Disadvantages:-

- (i) Lower site value of St Ann's Mills limits scale of investment at Abbey Mills.
- (ii) Nature of works at Abbey Mills would be essentially dealing with backlog maintenance with no ability to consider the remodelling/refurbishment of the site or to deal properly with DDA issues. Consequently, the Council would be left with units which would continue to be inappropriate for their use.

- (iii) There would be no visible improvement of the Abbey Mills site, and no budget for public realm works. As such there would be little contribution to the physical regeneration of the valley.
- (iv) No guarantee of any investment or public realm works at St Ann's Mills once in private hands.
- (v) Reduction in total square footage available for Council run SIU sites in Kirkstall.
- (vi) Abbey Mills is a grade II listed building which will never lend itself well to industrial use (eg difficulty in incorporating an industrial goods lift).

### 3.6 **Option 4** - Dispose of Abbey Mills and re-invest the capital receipts in St Ann's Mills.

#### 3.6.1 Advantages:-

- (i) Maximises capital receipts available for re-investment in small industrial units in Kirkstall.
- (ii) Eliminates backlog maintenance at St Ann's Mills and also allows significant remodelling/refurbishment leaving the Council with modern, appropriate units.
- (iii) Facilitates the complete refurbishment of the 3 storey stone building on the St Ann's Mills site with the opportunity to also replace the fourth storey and pitched roof lost in a fire some years ago, if viable. The value of the spare development land at St Ann's Mills would increase as a result of the upgrading of the site.
- (iv) Retained site can accommodate all tenants intending to remain on the two current sites.
- (v) Rent roll protected and enhanced.
- (vi) Budget would support Council funded public realm works at both St Ann's Mills and Abbey Mills.
- (vii) Likely major private sector refurbishment of Abbey Mills for either residential or office use. There have already been unsolicited approaches from prospective buyers for Abbey Mills.
- (viii) More appropriate use (residential and/or office) of the key Abbey Mills site adjacent to Kirkstall Abbey

#### 3.6.2 Disadvantages:-

- (i) Loss of control of Abbey Mills site
- (ii) Initial reduction in total square footage available for Council run SIUs in Kirkstall, although the supply could be replenished through development of spare land at St Ann's Mills.

3.7.1 In terms of their ability to meet key objectives the merits of the four options can be summarised in the table below.

| Options<br><br>Budgets/Objectives  | 1                 | 2               | 3                                       | 4                                       |
|--|-------------------|-----------------|---|---|
|  | Retain both sites | Sell both sites | Sell St Ann's Mills, retain Abbey Mills | Sell Abbey Mills, retain St Ann's Mills |
| Asset Management budget available (£000s)  | 200               | -               | 200                                     | 200                                     |
| Capital receipts available (£000s)   | -                 | 2,025           | 375                                     | 1,650                                   |
| Contribution to capital programme (£000s)  | -                 | 2,025           | -                                       | -                                       |
| Backlog maintenance to be addressed (£000s)  | 1,060             | -               | 626                                     | 433                                     |
| Sufficient budget to cover backlog maintenance on retained properties.                     | N                 | Y               | N                                       | Y                                       |
| Sufficient budget to cover remodelling/refurbishment and DDA issues on retained properties | N                 | Y               | N                                       | Y                                       |
| Sufficient budget to cover public realm works at St Ann's Mills                            | N                 | Y               | N                                       | Y                                       |
| Sufficient budget to provide public realm works at Abbey Mills                             | N                 | Y               | N                                       | Y                                       |
| Likely that both sites will contribute to physical regeneration of Kirkstall               | N                 | Y               | N                                       | Y                                       |
| Retention of sufficient quantity of Council SIU space in Kirkstall                         | Y                 | N               | Y                                       | Y                                       |
| Retention of sufficient quality of Council SIU space in Kirkstall                          | N                 | N               | N                                       | Y                                       |
| Rent roll protected  | Y(?)              | N               | Y(?)                                    | Y(?)                                    |
| Guaranteed protection of existing tenants  | Y                 | N               | Y                                       | Y                                       |
| Retains both sites in Council control  | Y                 | N               | N                                       | N                                       |

capital receipts at St Ann's Mills - would appear to be the best option. In summary, this would leave the private sector to completely refurbish Abbey Mills (with associated section 106 contributions for public realm works, supplemented by Council funded works). The capital receipts generated, when taken with the Asset Management contribution to backlog maintenance, would allow a major refurbishment of St Ann's Mills, bringing these units up to modern day standards. There would also be sufficient monies remaining for public realm works at St Ann's Mills. With the impending departure of one of the St Ann's Mills tenants there would be sufficient space at St Ann's Mills, under the proposals, to accommodate all other tenants who currently occupy the two sites. The proposals provide the opportunity to make a significant contribution to the physical regeneration of the Kirkstall Valley and would be consistent with the proposals to create the new Kirkstall Valley Park adjacent to the St Ann's Mills site.

- 3.9 The Director of Corporate Services has carried out a discounted cash flow exercise for each of the four options and the net present values produced are as follows:-

|          |                               | <b>NPV (£m)</b> |
|----------|-------------------------------|-----------------|
| Option 1 | - Retain both sites           | 1.37            |
| Option 2 | - Sell both sites             | 2.04            |
| Option 3 | - Sell St Ann's, retain Abbey | 2.20            |
| Option 4 | - Sell Abbey, retain St Ann's | 2.91            |

This analysis therefore also supports the choice of option 4 as the way forward. Option 4 is, therefore, the one recommended to Executive Board.

#### 4.0 **THE PROPOSALS IN PRINCIPLE (subject to consultation and planning)**

- 4.1 Planning officers and the Civic Architect continue to be consulted about the proposals. A scheme on the following lines could form the basis of consultation with the Kirkstall community.

#### 4.2 **Abbey Mills**

Refurbishment for residential and/or offices.

Some limited demolition of later, poor quality additions to the property.

Some new build adjacent to the river.

New egress from the site further from the main signalled crossroads than the current access/egress.

New publicly accessible spaces within the site thus helping to re-establish the heart of the Kirkstall Village.

Riverside walkways as appropriate.



Complete refurbishment of the 3 storey stone building, possibly re-instating the former 4<sup>th</sup> storey and pitched roof. Remodelling of the same to provide smaller floor plate managed workspace more appropriate to the needs of small businesses and the aspirations of the Development Department.

Demolition/rebuilding/relocation of some of the smaller stand alone units to facilitate a later, more strategic redevelopment of the site.

Strengthening of the existing bridge over the goit.

New pedestrian footbridge over the river to the site proposed for the nature reserve element of the new Kirkstall Valley Park.

Riverside walkways as appropriate.

## 5.0 ISSUES

### 5.1 Tenant Holding Over

5.1.1 One tenant at St Ann's Mills is liable for dilapidation costs under the terms of his lease. An estimate of these costs is given in the confidential section of this agenda. It is not believed that the tenant has the means to meet such costs and any attempt to pursue him for them would be likely to result in the winding up of his business which employs 12 people. The tenant is currently holding over. Given that the departure of this tenant would facilitate the proposal above, and that he intends to relocate to alternative premises in the Kirkstall environs, thus protecting the existing jobs, it is necessary to consider whether he should be allowed to surrender his lease, without meeting his dilapidations obligations. This issue is discussed further in the confidential section of this agenda.

### 5.2 Vesting of Land

5.2.1 Some of the land at Abbey Mills is vested in the Neighbourhoods and Housing Department (see plan at appendix 2(i)). Ideally to achieve the optimum redevelopment solution on this site this land would be included in the proposals. Agreement will therefore be required with the Department of Neighbourhoods and Housing and the North West ALMO. Initial discussions indicate that both are supportive in principle of the proposals, subject to a satisfactory apportionment of the capital receipts generated by the site.

### 5.3 649 Kirkstall Road

5.3.1 649 Kirkstall Road is a small Council owned, stone built, detached house on two storeys totalling some 1,260 sq ft (see plan at Appendix 1, site K). The building dates from the late nineteenth century and is of some local historic interest. Unfortunately, because of its remote location and the fact that it has been unoccupied now for 13 years the building has been severely vandalised. Estimates suggest that it would cost in the order of £150,000 to restore the house (which is relatively small in terms of floor area) back to a habitable form. There is very poor vehicular access to this property from Kirkstall Road and this makes the property unattractive to potential buyers. There is, therefore, a strong possibility that even if the Council was to restore this building it would find it extremely difficult to protect it from further vandalism pending any disposal. The building is currently secured but continues to represent a health and safety risk and continued inaction is not an option.

is any requirement for a building in this location (eg visitor centre) and no demand has been identified. Similarly, there is no sponsoring department for any third party/voluntary sector use. In reality, the building is unsuitable, because of its design and the lack of parking space, for anything other than residential use.

5.3.3 As a result of the above – that is, the health and safety position, the risk of investing over £150,000 in the property with no guarantee of a future disposal, and the associated risk of further vandalism, officers are of the view that the property should be demolished. The Civic Architect, who has visited the site, supports this view, and has proposed that the materials could be re-used on the St Ann’s Mills or the Abbey Mills site. Demolition is estimated to cost in the region of £15,000 and would be the subject of a report to the Council’s Asset Management Group seeking support for the allocation of funding.

**6.0 FINANCIAL IMPLICATIONS OF THE PREFERRED OPTION**

6.1 The capital cost of the works proposed are estimated as:-

|  | <b>£000's</b>  |             |              |
|--|----------------|-------------|--------------|
|  | St Ann’s Mills | Abbey Mills | Total        |
| 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       | —              | <u>200</u>  | <u>200</u>   |
| Total  | <u>2,375</u>   | <u>480</u>  | <u>2,855</u> |

\*City Council allowance over and above any developer S106 contribution

6.2 The capital receipt from the disposal of Abbey Mills is expected to be in the region of £1.65m.

6.3 A contribution towards backlog maintenance of £0.2m could be made available from the Asset Management priority major maintenance budget.

6.4 A fully refurbished St Ann’s Mills with an additional floor added to the main mill building is estimated to produce a rent roll of £271,000 per annum - £229,000 in excess of the current rent roll from the two sites and £159,000 in excess of that which could be delivered by carrying out the more basic upgrading of both sites if they were to be retained. This latter sum would support prudential borrowing of £1.67m.

**£000's**

|   |             |
|---|-------------|
| Capital receipts                            | 1.65        |
| Asset Management priority major maintenance | 0.20        |
| Prudential borrowing                        | <u>1.67</u> |
| Total                                       | <u>3.52</u> |

6.6 Members will note therefore that potential total funding of £3.52m exceeds capital required of £2.85 by some £0.67m. This surplus will be needed to cover any capital payment to NW ALMO to reflect its interest in the Abbey Mills site and to enable it to declare the site surplus to its requirements (see paragraph 5.2).

6.7 **Capital Value of the Completed Development** - The current value of St Ann's Mills is £375,000. The total capital invested in the Mills under the preferred option (paragraph 6.1) excluding public realm works is £2.04m. The value of the completed development is estimated to be £3.25m. It will be noted, therefore, that the capital value of the completed development does justify the financial investment if the proposal was to be appraised on a purely commercial basis.

## 7.0 RISK ANALYSIS

7.1 The main risk associated with the two sites in question is that if no capital investment is made then the sites will:-

- (i) Remain non DDA compliant.
- (ii) Increasingly become a health and safety risk.
- (iii) Become increasingly difficult to let, with the consequent impact upon rent roll.
- (iv) Not contribute to the regeneration of the Kirkstall area.

To avoid these risks this report proposes the pursuance of option 4 – sell Abbey Mills and re-invest the proceeds in St Ann's Mills.

7.2 The risks associated with this option are:-

- (i) Failure to secure a buyer for Abbey Mills – from the unsolicited enquiries received for these premises to date officers are confident that there will be significant market interest in this site.
- (ii) Capital cost over-runs at St Ann's Mills. The estimates provided in this report allow for the usual provision of contingency sums. However, should tenders exceed the estimates then the specification would be reviewed to identify potential cost savings. In particular, the provision of the fourth storey in the old mill building would be tested again against rent roll assumptions.
- (iii) Failure to be able to re-let the new accommodation created at St Ann's Mills. Officers are confident that significant demand exists for the right type of units. However, it is also possible that the risk on re-letting could be passed to a private sector partner and this is discussed further at Section 9.

8.1 The three Kirkstall Ward Members have been briefed on the proposals and their views are as follows:

- (i) Two Members are supportive of the broad thrust of the proposals. That is, to dispose of Abbey Mills and to reinvest the proceeds at St Ann's Mills. These two Members also reluctantly support the demolition of 649 Kirkstall Road but expressed regret that this had become inevitable as a result of previous inaction by the Council.

With regard to the disposal of Abbey Mills, one of these two Members did have a preference for a mixed use 'living over the shop' solution for the site but acknowledged that the lower disposal value (£450,000) this would attract made delivery of the overall proposals much more difficult.

The support of these two Members for the broad proposals was caveated as follows:

- (a) That there would be ample time for Ward Members to comment upon the detailed planning briefs as they emerge. This is not a problem.
  - (b) That there should not be intensive development on the Neighbourhoods and Housing land at Abbey Mills. One Member expressed a desire for a sizeable part of this land to be incorporated into the adjacent Kirkstall Abbey Park grounds. The merits of this will be addressed at the planning brief stage and after consultation with the Parks and Countryside Service. This will ultimately be a decision for Executive Board since it may affect the value of the disposal and also increase future revenue maintenance costs.
  - (c) That there should be no new through road created between the Allders site and the Abbey Mills site (by bridging the river). Such a new road is not currently envisaged.
  - (d) That officers revisit the defined boundary for the Abbey Mills disposal and consider, in consultation with Ward Members, whether this should be extended slightly to include the pocket park and one other small problem building on the site. Officers can comply with this request.
  - (e) Maintaining public access to the river on both sites is of paramount importance and a pedestrian bridge at St Ann's Mills, connecting the site to the proposed Kirkstall Valley Park, is essential.
  - (f) The public realm works are an essential part of the proposal in that they seek to address the key issue of community regeneration.
- (ii) One Member did not support the proposals, objecting to both the Abbey Mills\St Ann's Mills elements and also to the demolition of 649 Kirkstall Road. He put forward an alternative proposal as follows:
    - (a) Retain both Abbey Mills and St Ann's Mills
    - (b) Consider some disposals to existing tenants at Abbey Mills to generate some (small) capital receipts and to develop a mixed economy solution on that site. He was advised that officers could not, from a property management perspective, support adhoc disposals within the greater Abbey Mills site.

house local community groups, perhaps paying a market rent.

- (d) Retain No 649 Kirkstall Road for community use.

Officers' general view on the alternative proposal for the three sites is that it does not address the pressing issue of the condition of the buildings. It raises very little capital and could significantly increase the demand for revenue support from community groups. When viewed in the context of the ongoing community centre review it would exacerbate the problem of community groups with limited funding of their own being moved into poorly maintained and inappropriate buildings.

- 8.2 Overall then, there is support in principle from two Ward Members, subject to the caveats at 8.1 (a) to (f), with the other Ward Member being opposed to the proposals. This Ward Member has made a counter proposal which is not supported by officers because it is not believed to provide a deliverable route to solving the main problem, ie the poor condition of the buildings.
- 8.3 It is proposed that there should be full consultation with the Kirkstall community upon the preferred public realm works at Abbey Mills and St Ann's Mills (budget allowed £530,000 plus fees) and any S106 monies from the developer of Abbey Mills. Any proposals would be consistent with those emerging from the Kirkstall Valley Park consultation.

## 9.0 CASHFLOW IMPLICATIONS

- 9.1 The proposed way forward seeks investment of up to £2.855m of capital resources prior to the delivery of a capital receipt from the disposal of the Abbey Mills site. This would create a cash flow pressure within the existing Capital Programme. The revenue implications of any prudential borrowing might also prove difficult for the Development Department to contain during the period when the newly refurbished units at St Ann's Mills are empty and being remarketed. If a private sector partner could be identified to provide the capital for investment at the St Ann's Mills site, in exchange, for example, for a share of the rent roll, then this might obviate the need for the Council to find the capital required for the works in advance of the disposal of Abbey Mills, and thus also ease any revenue pressures.
- 9.2 Clearly, any such partnership would need to have regard to the objectives set down at paragraph 3.2. If the delivery of these objectives could be safeguarded through the partnership then this is an approach which would be supported by officers. Executive Board is therefore requested to support the exploration of such avenues in parallel with the proposal for a more traditional, Council funded scheme.

## 10.0 EQUALITY

- 10.1 The proposed works to the retained St Ann's Mills will make these premises completely DDA compliant.
- 10.2 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.

- 11.1 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.
- 11.2 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 targeted on reducing unemployment which is a key priority associated with this Vision theme.

## 12.0 **SUMMARY AND CONCLUSIONS**

- 12.1 Backlog maintenance at St Ann's and Abbey Mills stands at over £1m. Along with required DDA works and the need for major refurbishment the total bill is likely to exceed £2m. Even if such capital investment is made the industrial units on these sites will not meet modern day requirements and the rent roll is not anticipated to increase significantly as a result of the investment. No provision for such capital works currently exists within the Capital Programme.
- 12.2 'Do nothing' is not an option. The units are proving increasingly difficult to let and health and safety and DDA issues are increasingly becoming of concern.
- 12.3 Whilst it is important to retain some small industrial units in the Kirkstall area and to protect the jobs which currently exist on the two sites this report acknowledges that, due to other service pressures, it is unlikely that the Council would seek to fund all of the necessary works from mainline capital. Consequently, this report proposes a solution which, other than for a £200,000 contribution from the Asset Management priority major maintenance capital scheme, is essentially self-financing. Of the options considered only the disposal of Abbey Mills, with the proceeds re-invested in St Ann's Mills, can fulfil this criterium. This is, therefore, the option recommended to Members.

## 13.0 **RECOMMENDATIONS**

- 13.1 Executive Board is requested to agree the following principles:-
- (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 sites 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.

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.

- 13.2 Executive Board is asked to instruct officers regarding the dilapidations issue at St Ann's Mills.