

**Report of Director of City Development**

**Report to Executive Board**

**Date: 25 July 2018**

**Subject: Redevelopment of former Kirkstall District Centre**

Are specific electoral wards affected? If yes, name(s) of ward(s): Kirkstall	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: 10.4.3 Appendix number: 2	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

**Summary of main issues**

1. The redevelopment of brownfield land for housing supports the delivery of the Best Council Plan outcomes, in particular that everyone lives in good quality affordable homes within a clean and well cared for environment. It also support delivery of a number of big ideas set out in the Inclusive Growth Strategy in particular 'supporting places and communities to respond to economic change'. Additionally, it supports the ambition and priorities set out in the Leeds Health and Well-being Strategy.
2. Much of the former Kirkstall District Centre site has been derelict for over 15 years, with only Harvard Mills and a few other small retail units occupied. The site was acquired by Tesco who submitted a planning application in 2011 for a new supermarket. However, due to changes in the retail sector, the proposals have not been pursued and Tesco instructed agents to market the site for disposal.
3. As shown in Appendix 1, Tesco continue to own the freehold of the eastern part of the site (shaded blue) and have a long lease from the City Council for the western part of the site (shaded orange) which includes Harvard Mills, and parade of shops fronting onto Kirkstall Lane and associated car parking which is accessed from Beacroft Street.
4. Tesco has marketed its interest in the site, however redevelopment is not without its challenges in particular due to its topography which slopes steeply from Kirkstall Hill to the A65. Equally, access is constrained due to the importance and volume of traffic using the A65 and Kirkstall Lane.

5. A number of developers have approached the Council about alternative development proposals giving its freehold interest. Proposals have predominantly focused on retail schemes, but these have not been deemed appropriate due to the scale and type of retail activity which would see high volumes of car bourn visitors, but have equally proven difficult to deliver from a viability perspective due to Tesco's land value expectations.
6. In 2017, Artisan Real Estate UK Limited proposed a residential development scheme as part of Tesco's latest marketing of the site. This provides a timely and exciting opportunity to redevelop a brownfield site in a prime and highly visible location to deliver a scheme currently proposed to include 266 apartments and 35 town houses.
7. To deliver the scheme, the developer requires land currently owned by the Council and leased to Tesco.

## **Recommendations**

Executive Board is asked to:

- i) Note the positive progress achieved in securing a redevelopment scheme for land in the heart of Kirkstall;
- ii) Declare all Council owned land within the site red line boundary shown in Appendix 1, including that Leased to Tesco, operationally surplus.
- iii) Approve the disposal of the Council's freehold interest in land forming the site to Artisan Real Estate UK Limited on the draft terms set out in confidential appendix 2; and
- iv) Delegate the approval of the final disposal boundary and terms to the Director for City Development with the concurrence of the Executive Member for Regeneration, Transport and Planning.

## **1. Purpose of this report**

- 1.1 The purpose of this report is to update Executive Board on the development schemes emerging for the former Kirkstall District Centre site and to seek approval to the draft terms of disposal of the Council's land interests which form part of the site.

## **2. Background information**

- 2.1 Kirkstall District Centre sits to the east of the A65. Once vibrant, the centre included a number of businesses including post office, public house, library and independent discount supermarket. Many of these businesses/ uses have closed and the site now creates a negative image of the area and does little to contribute to the local economy and surrounding neighbourhoods. The site is highly prominent due to its location at a busy crossroads between the A65 and Kirkstall Lane and has a substantial impact on nearby residents. Equally, due to the brownfield nature of the site and its accessibility to local facilities as well as the city centre via the A65 bus corridor and Headingley railway station, identifying a development solution has been a priority. This supports the delivery of policies set out within the Core Strategy which seek to prioritise the redevelopment of brownfield sites in such accessible locations.
- 2.2 The site itself presents a number of redevelopment challenges including topography which slopes steeply from east to west with a high point on Kirkstall Hill. The level changes have been overcome through the construction of some significant retaining walls which either need to be accommodated or dealt with as part of any redevelopment scheme. Any work to these structures will be extremely costly due to their size and as such it is prudent for development schemes to incorporate them positively. This is a substantial challenge for any scheme both constraining design and adding to costs.
- 2.3 Access to the site is also not without its difficulties due to the volume of traffic already using the various routes throughout the area. This means that access can only realistically be taken from Beacroft Street to the south of the site.
- 2.4 Following acquisition of the site, Tesco submitted a planning application for a new supermarket in 2011. However, due to the changes in the retail sector this did not progress and as a result Tesco began the process of marketing of the site in 2014. As shown on the plan at Appendix 1, Tesco own the freehold of the eastern part of the site (shaded blue) and have a long lease from the City Council for the western part of the site (shaded orange). Whilst the Library has been declared surplus to operational requirements, the remainder of the Council owned land remains operational and must be declared surplus prior to any disposal.

## **3. Main issues**

- 3.1 As the City Council has the freehold interest in a large part of the site, a number of developers have approached the Council to discuss their proposals. This has further highlighted the challenges which impact on deliverability, both from a technical and viability perspective. The majority of the schemes proposed have been retail led, but the retail focus for Kirkstall has effectively shifted to the east of the A65, with Morrisons, Matalan and the new Kirkstall Bridge retail park all located within this area, with the latter including a number of notable stores including M&S, Home Bargains and Smyths Toys. As such, the proposals for the district centre site

predominantly focused on warehouse style retailing with concerns raised by ward members around the acceptability of such schemes given their potential to provide only limited benefits to local residents and the very real risk to substantially increase the number of vehicles in the area causing increased levels of traffic congestion.

- 3.2 In 2017, Artisan Real Estate UK Limited approached the Council about a residential scheme for the site. Artisan have a track record of delivering residential and mixed use schemes across the Country and have shared proposals for 266 apartments and 36 town houses for the Kirkstall site. The scheme also includes a small element of commercial space located at the junction of Kirkstall Lane and Kirkstall Hill, opposite which is a newsagent and a number of takeaways. There is an opportunity for this junction to become a focal point for retail/ service provision targeted towards the local community and therefore serving a different market to the larger retail space to the west of the A65.
- 3.3 The scheme will be targeted at young professionals due to its relative affordability, proximity and accessibility to the city centre and nearby facilities. The scheme will incorporate affordable housing to meet planning requirements and through bringing such a quantum of new residential units to the area will help to support and sustain local facilities including Kirkstall Leisure Centre which sits opposite the site on Kirkstall Lane.
- 3.4 In summer 2017, initial pre-application discussions took place with the Local Planning Authority. Whilst already well thought through some suggestions have been made around how further improvements could enhance the proposals. However, the scheme is respectful of the surrounding area and care has been taken to ensure that distant views of the site from across the Kirkstall Valley are positive. The scheme successfully deals with the topography and levels of the site through innovative use of undercroft parking and well placed garden areas and open space.
- 3.5 Council owned land fronting onto the A65 Commercial Road, is not currently proposed for inclusion within the scheme. However, through consultation with ward members the development potential of some of this land has been identified to create a stronger relationship between the site and the wider area. Should any additional Council land be included in the sale, it is proposed that this would be subject to the approval of the Director of City Development in consultation with Ward Members and with the concurrence of the Executive Member for Regeneration, Transport and Planning.
- 3.6 Subject to approval of the recommendations set out in this report, it is proposed that further pre-application discussions take place including a presentation to plans panel for their comments prior to a planning application being lodged.
- 3.7 This scheme is a positive step forward to securing the redevelopment of the Kirkstall District Centre site and the Kirkstall ward members are supportive of the progress which has been made to date given the positive impact that this will have for Kirkstall. There is a window of opportunity to ensure that the redevelopment scheme is realised and the Council has been working proactively with Artisan to agree terms for the sale of the Council's freehold interest. The sale of the Council's land is required to ensure that funding can be secured by Artisan to deliver the scheme. Equally, there is no benefit in the Council retaining a long term interest in the site. The proposed terms are set out in confidential appendix 2.
- 3.8 Subject to Executive Board approving this report, the further planning pre-application discussions set out above will take place over the summer with a

planning application then being submitted in the autumn. Subject to approval, development will commence in 2019/20.

#### **4. Corporate considerations**

##### **4.1 Consultation and engagement**

4.1.1 The Executive Member for Regeneration, Transport and Planning has been briefed on the proposals and regular discussions have taken place with the Kirkstall ward members who are supportive of the scheme. Consultation with local residents has not yet taken place, but this will be progressed prior to a planning application being submitted.

##### **4.2 Equality and diversity / cohesion and integration**

4.2.1 An Equality, Diversity, Cohesion and Integration screening has been completed. This identified that there are no impacts which require further consideration in relation to the disposal of the Council's land to Artisan.

##### **4.3 Council policies and best council plan**

4.3.1 The redevelopment of brownfield land for housing supports the delivery of the Best Council Plan outcomes, in particular that everyone lives in good quality affordable homes within a clean and well cared for environment. It also support delivery of a number of big ideas set out in the Inclusive Growth Strategy in particular 'supporting places and communities to respond to economic change'. Additionally, it supports the ambition and priorities set out in the Leeds Health and Well-being Strategy.

4.3.2 The proposed development scheme by Artisan will provide much needed housing in Kirkstall, but will also deliver a high quality redevelopment scheme on a prominent site adjacent to the A65 which is a major transport corridor into the city centre.

##### **4.4 Resources and value for money**

4.4.1 Details of the proposed terms for the disposal of the Council's interest to Artisan is set out in the Confidential Appendix. The Council currently receives a rental income of £34,449pa for the ground lease. As a result of the freehold sale this income will be lost, but this is considered to be acceptable given the wider benefits achieved through the emerging redevelopment proposals.

##### **4.5 Legal implications, access to information, and call-in**

4.5.1 The information contained in the Exempt Appendix 2 attached to this report relate to the financial or business affairs of a particular person, and of the Council. This information is not publicly available from the statutory registers of information kept in respect of certain companies and charities. It is considered that since this information is subject to one to one discussions with Artisan, it is not in the public interest to disclose this information at this point in time.

4.5.2 Also it is considered that the release of such information would or would be likely to prejudice the Council's commercial interests in relation to other similar transactions in that prospective purchasers of other similar properties would have access to information about the nature and level of consideration which may prove acceptable

to the Council. It is considered that whilst there may be a public interest in disclosure, much of this information will be publicly available from the Land Registry following completion of this transaction and consequently the public interest in maintaining the exemption outweighs the public interest in disclosing this information at this point in time. It is therefore considered that this element of the report should be treated as exempt under Rule 10.4(3) of the Access to Information Procedure Rules.

## **4.6 Risk management**

- 4.6.1 If this disposal were not to proceed the opportunity to see a comprehensive redevelopment of Kirkstall District Centre site could be lost and there would be significant uncertainty of any other schemes emerging. The sale will be conditional on planning and development commencing within a defined period, providing the Council with some control to ensure a scheme is realised.

## **5. Conclusions**

- 5.1 The Kirkstall District Centre site, was once a vibrant focal point for residents in Kirkstall but is now an eyesore in a prominent location.
- 5.2 Whilst Tesco drew up proposals in 2011 for a scheme, this has not progressed and the site has been marketed.
- 5.3 A number of potential schemes have emerged over the last 3 years, but have struggled to gain traction on viability grounds due to substantial site constraints, in particular topography and access, but also due to the mix of uses proposed.
- 5.4 In 2017, Artisan Real Estate UK Limited shared proposals with the Council for an innovative residential scheme which deals with the topographical challenges to deliver over 300 residential units in a high quality setting. To deliver the scheme, Artisan required the Council to sell its freehold interest which it holds in part of the site.
- 5.5 Subject to the proposed terms being agreed, Artisan will further progress their pre-application planning discussions, including a presentation to Plans Panel with a view to submitting a planning application in the autumn. Subject to approval of the planning application on site works will commence in 2019/20.

## **6. Recommendations**

- 6.1 Executive Board is asked to;
- 6.2 Note the positive progress achieved in securing a redevelopment scheme for land in the heart of Kirkstall;
- 6.3 Declare all Council owned land within the site red line boundary shown in Appendix 1, including that leased to Tesco, operationally surplus.
- 6.4 Approve the disposal of the Council's freehold interest in land forming the site to Artisan Real Estate UK Limited on the draft terms set out in confidential appendix 2; and
- 6.5 Delegate the approval of the final disposal boundary and terms to the Director for City Development with the concurrence of the Executive Member for Regeneration, Transport and Planning.

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

7.1 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.