

Report of Land and Property

Report to the Chief Officer Asset Management and Regeneration

Date: 17 December 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. On 25 July 2018 Executive Board approved (Minute Ref 46 (a) to (d)) the disposal of the Council's legal interest in the Kirkstall District Centre, to facilitate a comprehensive redevelopment proposal by Artisan Real Estate UK Limited.
2. This decision also confirmed that the Council land involved is surplus to operational requirements and approved the key terms of this transaction, with the final detailed terms delegated to the Director of City Development with the concurrence of the Executive Member for Regeneration, Transport and Planning.
3. The detailed terms have now been agreed in principle and approval is sought so that the disposal and the redevelopment can progress.

Recommendations

4. The Chief Officer Asset Management and Regeneration is asked to:
 - i) Approve the provisionally agreed heads of terms as set out in the confidential appendix, noting that the purchase will now be made by Artisan Leeds Kirkstall Limited.
 - ii) Note the progress made by Artisan in respect of the land owned by Tesco, which forms part of the overall site (as shown on plan Ref 18600/U).

1. Purpose of this report

- 1.1 The purpose of this report is to secure approval of the Chief Officer Asset Management and Regeneration, to the provisionally agreed detailed heads of terms as outlined in the confidential appendix. This follows on from the Executive Board report, which gave approval to the principle of the disposal.

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. The site 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 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.
- 2.5 As shown in accompanying plan 18600/U, 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) which includes Harvard Mills, and parade of shops fronting onto Kirkstall Lane and associated car parking which is accessed from Beacroft Street.
- 2.6 Tesco has marketed its interest in the site, however redevelopment has its challenges as indicated above.
- 2.7 A number of developers have approached the Council about alternative development proposals giving the Council's 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-borne visitors.

- 2.8 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.
- 2.9 To deliver the scheme, the developer requires land currently owned by the Council and leased to Tesco. Artisan exchanged contracts with Tesco in September on their share of the land, for the acquisition of Tesco's freehold and leasehold interests. Once acquired, Artisan will be able to merge the relevant freehold and leasehold interests. Artisan are planning to submit a planning application in approximately March 2019.

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 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 and positive dialogue has continued and a well received local public consultation event took place on 20 November 2018. 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 under croft parking and well placed garden areas and open space.

- 3.5 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. 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 detailed terms are set out in confidential appendix.
- 3.6 Subject to the approval of the draft detailed terms, Artisan will submit a planning application in approximately March 2019 and 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. A public consultation event took place on 20 November 2018 and a website for the development has been launched by the developer.

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 for the ground lease as set out in the confidential appendix. 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 Under Part 3, Section 3E(g) of the Council's Constitution (Officer Delegation Scheme (Executive Functions)) the Director of City Development has authority to discharge any function of the Executive in relation to Asset Management.
- 4.5.2 The Chief Officer Asset Management and Regeneration, Head of Asset Management and Head of Land and Property have authority to take decisions in relation to Asset Management as delegated in the Director of City Development's sub delegation scheme.
- 4.5.3 The proposal constitutes a significant operational decision and is therefore not subject to call in.
- 4.5.4 The Head of Land and Property confirms that in his opinion the terms agreed for the sale of the interest represent the best consideration that can reasonably be obtained under Section 123 of the Local Government Act 1972 (or under the Housing Act 1985).
- 4.5.5 The information contained in the Appendix attached to this report relates 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 was obtained through one to one negotiations for the disposal of the property/land then it is not in the public interest to disclose this information at this point in time. 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. 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.

- 5.2 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.
- 5.3 On 25 July 2018 Executive Board approved headline terms for the disposal of the Council's legal interest in the site and these have now been finalised in more detailed form for consideration under the delegated powers of the Director City of Development.
- 5.4 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 The Chief Officer Asset Management and Regeneration is asked to:
- i) Approve the provisionally agreed heads of terms as set out in the confidential appendix, noting that the purchase will now be made by Artisan Leeds Kirkstall Limited.
 - ii) Note the progress made by Artisan in respect of the land owned by Tesco, which forms part of the overall site (as shown on plan Ref 18600/U).

7. Background documents¹

- 7.1 None.

¹ 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.