

Abbey Mills, Abbey Road, Kirkstall, LS5 3HP

Date: 18 October 2022

Report of: Land & Property

Report to: Chief Officer Asset Management and Regeneration

Will the decision be open for call in? Yes No

Does the report contain confidential or exempt information? Yes No

Brief summary

Abbey Mills is a Grade II Listed former corn, oil and wool mill complex from the early C19. The Council acquired Abbey Mill on 6 July 1962, and the complex was Listed on 5 August 1976. The Council let the property in many units to various tenants over the years from which a rental income was generated. Latterly the buildings have become obsolete, their condition without major financial investment is not appropriate for re-letting, and since 2011 only two tenants remain. Abbey Mills is no longer an investment property to retain in a high yielding portfolio and it is appropriate to dispose for another party to invest and bring back into economic use.

Recommendations

It is recommended Abbey Mills be disposed on the open market by auction, at a reserve price to be approved in accordance with the sub-delegation scheme.

What is this report about?

- 1 This report relates to the future of Abbey Mills and the proposal that it is no longer appropriate to retain in the Council's investment portfolio and should be disposed on the open market.

What impact will this proposal have?

- 2 The disposal will be subject to the occupation of two tenants and as such the council will lose their associated rental income. The property is in need of major repair which the Council is unable to justify spending as the property even in a refurbished condition is no longer considered suitable to retain in the investment portfolio.

How does this proposal impact the three pillars of the Best City Ambition?

Health and Wellbeing Inclusive Growth Zero Carbon

- 3 The disposal will impact on the three pillars as the capital receipt realised from the sale and savings in no longer retaining ownership being used by the Council on initiatives relating to the pillars. New ownership and financial investment in refurbishing the property will directly impact

on inclusive growth as the local economic growth created by the investment could create job opportunities for local residents helping to tackle poverty. Refurbishment works should include carbon reducing measures helping to lower the City's impact on the planet and improve standards of living for neighbouring communities.

What consultation and engagement has taken place?

Wards affected: Kirkstall

Have ward members been consulted? Yes No

- 4 On 26 September 2022 the Executive Member Resources (Cllr Debra Coupar) was briefed and asked for her views on changing the method of sale from formal tender to auction. Cllr Coupar supported the change.
- 5 Kirkstall Ward Members Cllr John Illingworth, Cllr Fiona Venner and Cllr Hannah Bithell have been consulted a number of times in recent years, with the final consultation on 27 September 2022 being advised of the proposal and recommendation to dispose by auction. Cllr Venner replied on 27 September thanking for the update.
- 6 Cllr Illingworth and the Executive Member Resources (Cllr Coupar) met to discuss the proposed disposal by auction. Cllr Coupar on 26 October 2022 confirmed in writing Cllr Illingworth agreed to Abbey Mills being auctioned.
- 7 On 27 October 2022 the Head of Asset Management updated the Executive Member Resources (Cllr Debra Coupar). Cllr Coupar confirmed her continued support for the sale.
- 8 The Head of Asset Management on 28 October 2022 wrote to Cllr Bithell asking for a comment on the Officers' original consultation. Cllr Bithell confirmed her understanding of the proposal to dispose of Abbey Mills by auction.
- 9 The future of Abbey Mills was considered by Executive Board on 18 November 2020 by reference in a report 'Accelerated Capital Receipts and Estate Rationalisation' from the Director of City Development. The report provided details of the proposed next tranche of accelerated disposal properties and those being considered for release as part of the Phase 1 Core Office Review, and other vacant or void properties under review. The report was considered as a Key Decision ref D52461. It was resolved, amongst other things, 'That the recent work undertaken by Kirkstall Valley Development Trust at Abbey Mills, be noted, and that agreement be given to the property being disposed of by formal tender.' It was also minuted 'That it be noted the disposal of properties and identifying the strategic approach towards the Council's estate is the responsibility of the Director of City Development.'
- 10 Executive Board on 18 November 2020 were made aware at:
 - a) Para 3.3 - Abbey Mills in Kirkstall is a Grade II listed former mill property which has historically sat within the Council's investment portfolio. With the exception of two remaining tenants who occupy space within buildings on the entrance to the site, the main mill buildings were last occupied in 2011. Prior to this time, options were being considered to dispose of the property or secure alternative uses, and since the properties became vacant a wide range of options and delivery approaches have been considered. Most recently Kirkstall Valley Development Trust (KVDT) has explored the potential to refurbish the premises for a mix of community space and affordable housing and were granted with c£250,000 of funding from Homes England to support this feasibility work.
 - b) Para 3.3.1 - Unfortunately as a result of the work undertaken which has included building condition surveys, planning / design work and financial modelling, the trust have concluded that they are not able to progress with a scheme due to the amount of grant funding that

they would have required to support their delivery and operational model. It is with regret therefore, that the Council must now seek to dispose of the property on the open market through a tender process. A market sounding exercise undertaken in 2017 prior to KVDT's involvement suggests that there would be good interest in the property and work undertaken by KVDT including a planning preapplication submission has determined that there is scope for a transformative scheme to be delivered and options to improve the existing vehicular access and egress to the site which is a key area of concern. Whilst not a requirement of submissions, KVDT are keen to work with bidders should there be space made available for community uses. It is anticipated that marketing will commence in early 2021.

- c) Para 4.1.2 - There has been a great deal of engagement with Kirkstall Ward Members in relation to Abbey Mills over many years. There has been a great deal of aspiration to see a community led scheme come to fruition. Members have been briefed on the proposal to dispose of the property by formal tender and whilst being disappointed that we have reached this position, understand the need to sell but support reference being made in the marketing particulars to the work undertaken by KVDT and continued interest in delivery of a community facility if viable as part of an overall scheme.
- d) Para 5.2 Conclusion - This paper has provided additional detail in relation to the third tranche of properties being progressed for accelerated disposal targeting a February auction date, in addition to further disposals being brought forward in the form of industrial units held as part of the investment portfolio at Logic Leeds, as well as Abbey Mills in Kirkstall following conclusion of feasibility work undertaken by Kirkstall Valley Development Trust which indicates that their aspirations for the property could not be realised.
- e) Para 6.1 Recommendation - Note the recent work undertaken by Kirkstall Valley Development Trust at Abbey Mills and agree to the property being disposed by formal tender.

11 Earlier on 18 July 2017 the Chief Officer Economy and Regeneration approved a report as a Significant Operational Decision (ref D44630) with recommendations:

- a) The subject property be declared surplus to requirements.
- b) An initial expression of interest marketing exercise be undertaken.
- c) A budget be established to investigate the ability to secure vacant possession.

Kirkstall Valley Development Trust

12 In 2017 KVDT undertook feasibility work including building condition surveys, planning / design work and financial modelling and concluded the Trust was not able to progress with the scheme due to the amount of grant funding that would be required to support delivery and the Trust's operational model. KVDT expressed interest in forming a partnership with a new owner to take space in part of the Mills.

13 .Upon completion of the sale of Abbey Mills the Council can inform the new owner of KVDT's interest and they can decide whether to make contact to discuss the Trust's involvement in the future refurbishment scheme.

What are the resource implications?

14 There will be a small loss of rental income as detailed in the accompanying confidential appendix, a capital receipt will be realised from the sale.

What are the key risks and how are they being managed?

15 There is a risk a sale is not achieved but this is considered unlikely as there is interest in the buildings. The price realised will reflect the current condition of the buildings and major financial investment a new owner will have to make in completing a refurbishment before realising any

income or receipt from the investment. An appropriate guide price will be advertised by an appointed auctioneer and reserve price will be considered with the auctioneer taking into account the level of interest expressed. The reserve price will be approved in accordance with the sub-delegation scheme.. The auction sale will be on an unconditional basis as would the previously approved formal tender method of disposal. In the unlikely event of a purchaser not being secured at auction the reserve can be reviewed and the property re-auctioned, or alternative methods of sale considered.

What are the legal implications?

- 16 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.
- 17 The Chief Officer Asset Management and Regeneration, Head of Asset Management and Deputy 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.
- 18 The proposal constitutes a Significant Operational Decision and is therefore not subject to call in.
- 19 The Deputy Head of Land and Property confirms that in her opinion the sale by auction is the method of sale that will result in the Council fulfilling its obligation to realise the best consideration that can reasonably be obtained under Section 123 of the Local Government Act 1972 (or under the Housing Act 1985).
- 20 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 whilst there may be a public interest in disclosure, 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.

Options, timescales and measuring success

What other options were considered?

- 21 Several options for the disposal of Abbey Mills are detailed below with associated risks and reasons for dismissing.
- 22 Sale by Informal Tender on a conditional basis –This can be a time consuming method of sale and could extend the disposal process to two years or more. This method of disposal is not recommended due to the time implications in securing a planning consent.
- 23 Sale by Informal Tender on an unconditional basis –This method of disposal is not recommended due to the possibility of the purchaser delaying exchange of contracts or deciding not to complete even after exchange as the building has proved to be too great a liability to acquire.
- 24 Sale by Formal Tender –a method of sale very similar to auction but without the transparency of bids being seen in a public forum which can assist in securing a better capital receipt. For this reason a disposal by auction is favoured over Formal Tender..
- 25 Sale by Auction –Bidding is undertaken in a very transparent way with bidders aware of other bids being made. This is the advantage over a sale by Formal Tender and could encourage improved bids being made. Contracts will be exchanged immediately on fall of the hammer and completion will be on an unconditional basis within a short defined timescale.

- 26 Auction sales have proved successful. The most similar building to have been auctioned by the Council recently was Otley Civic Centre. Attempts to sell on an informal offer conditional on planning basis proved unsuccessful with the selected purchaser having difficulty proposing a scheme acceptable to planning officers. That sale did not proceed and the building was entered in an auction. The capital receipt realised from the auction sale exceeded the agreed conditional on planning price. ..
- 27 Reviewing the options available for disposal of Abbey Mills it is considered and recommended a sale by auction be pursued. This should result in a swift sale at a price which meets the Council's obligation to realise best consideration. An auctioneer would be procured by tendering by reference to the Council's Contract Procedure Rules should it be agreed Abbey Mills be auctioned.

How will success be measured?

- 28 A sale being completed.

What is the timetable and who will be responsible for implementation?

- 29 It is proposed Abbey Mills will be marketed and sold by auction within the 2022/23 financial year. Responsibility for implementation will rest with the Deputy Head of Land and Property heading the Land & Property team who will manage the disposal.

Appendices

- Confidential Appendix 1
- Plan ref 17158/J

Background papers

- There are none.