

**Report of the Directors City Development and Environment and Neighbourhoods
Report to Executive Board**

Date: 11th April 2012

Subject: Lower Kirkgate Townscape Heritage Initiative

Are specific electoral Wards affected? If relevant, name(s) of Ward(s): City & Hunslet	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input checked="" type="checkbox"/> Yes	<input 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: 4	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

Summary of main issues

1. In 2010, the Heritage Lottery Fund (HLF) awarded the Council a Stage 1 approval to support the regeneration of Lower Kirkgate (see Appendix 1) through a Townscape Heritage Initiative (THI). The THI consists of a 5 year programme of capital investment in commercial properties backed by grant aid and private sector match funding. The next step in the process is for a Stage 2 bid to be submitted. This is now ready for submission and the report seeks approval to submit it to the HLF. The bid is for £1.505m. The report also seeks to allocate £668k earmarked from the capital programme to match fund the planned HLF investment. If the bid is successful some elements of the initiative would begin in October 2012 and run for a period of 5 years. Each grant would require a separate approval.
2. The City Council has recently announced a programme to tackle derelict sites and buildings, the grade II* First White Cloth Hall is significant among these, being arguably Leeds' most important building at risk. A successful Lower Kirkgate THI will provide the means to restore the First White Cloth Hall and help to kick start the ongoing regeneration of a run down part of the city centre whilst attracting in the region of £4m in private investment.

Recommendation

3. Executive Board is recommended to agree to the submission of a Stage 2 bid to the Heritage Lottery Fund for the Lower Kirkgate THI; agree that the City Council acts as accountable body for the THI; and to give authority to spend £668k on the works outlined in this report.

1 Purpose of this report

- 1.1 The report seeks Executive Board approval to submit a Stage 2 bid to the Heritage Lottery Fund (HLF) to confirm the Lower Kirkgate Townscape Heritage Initiative. In addition, agreement is sought for the Council to act as grant administrator and accountable body for the operation of the THI, together with authority to spend up to £668k on the works outlined in this report.

2 Background information

- 2.1 Leeds already has two THI schemes (Armley and Chapeltown) and if Lower Kirkgate is approved it will be the only city in England with three THI schemes. The Stage 1 now needs to be confirmed by a successful Stage 2 bid which has to be submitted by 26th April 2012. Following discussions with the HLF, the Stage 2 bid will also include repairs to the First White Cloth Hall, increasing the grant level to £1.505m. The following section outlines the rationale for choosing Lower Kirkgate, the purpose and benefits of the THI together with the role of the Council.
- 2.2 Kirkgate is Leeds' first street and there is evidence of an Anglo-Saxon settlement in the area. The buildings that can be seen today illustrate the city's 19th century development, making the site one of major historic value. The fabric of the street has deteriorated over many years with many properties vacant or underused, in contrast with its surroundings. The lack of investment is in part due to the additional cost associated with the refurbishment of heritage rich buildings and by the blighting effect of the First White Cloth Hall.
- 2.3 The Lower Kirkgate THI will address both by bridging the funding gap between the cost of repairing historic buildings and the potential return on the investment. The scheme proposes to undertake a full restoration of the grade II* listed First White Cloth Hall building during the first two years of the THI programme.
- 2.4 In addition to the physical changes the THI will also benefit Lower Kirkgate, the city centre and neighbouring communities through:-
 - changing perceptions of the area which will be seen as an attractive area to walk through and shop, thus increasing footfall and confidence in existing local businesses;
 - increasing economic activity, job creation and retention. It will make available vacant units and increase available floorspace to accommodate new businesses with the potential to provide an independent retail offer largely unavailable elsewhere in the city centre;
 - providing jobs in the construction industry and training in heritage construction.
 - stimulating interest in the City's heritage and tourism potential;

- securing in the region of £4m of private sector investment into Lower Kirkgate and the creation of between 28-80 jobs depending on the configuration units.

2.5 The City Council’s role has been to facilitate the regeneration project. With the successful THI, the Council will act as accountable body and grant administrator, appraising development proposals put forward by building owners. The Council would enter into a contractual relationship with each building owner to facilitate retrospective grant payments if the proposal passes the appraisal and once the quality of work and the value of the construction activity had been checked. Each building owner would be liable for any cost over-runs.

3 Main issues

3.1 The THI has two main components the capital works facilitated through grant aid to match private sector investment and complementary activities including training and awareness raising. The capital investment will be prioritised as follows in order to secure the re-use of vacant commercial space together with the repair and restoration of historical building fabric:

HIGH - Critical	98-100 Kirkgate (First White Cloth Hall)
MEDIUM - Target	83, 84, 85, 86, 87, 88/89, 90, 91, 92, 93, 94, 95, 96, 97 and 103/104 Kirkgate
LOW - Reserve	1-2, 3, 5, 7, 9 to 11 Call Lane and 1, 3-5, 7B and 11 Crown Street

3.2 The most critically important project within the THI is the repair and restoration of the 1710 First White Cloth Hall (see Appendix 2 Photo1) which is arguably Leeds’ most important building as it is here that the city’s mercantile culture began. The property is owned by a property company, City Fusion, which has been unable to bring about a scheme which would work on a purely commercial basis, given the level of restoration that is likely to be required.

3.3 What remains of the structure has been made weathertight and secure, but it is in a fragile state and requires significant investment in the next few years to ensure its long term survival.

3.4 The FWCH appraisal, whilst not yet fixing the final scheme design and costs, has identified a preferred scheme which is a full restoration of the FWCH with a rebuilt west wing in keeping with what remains of the east and south wings (see Appendix 2 Photo2), with a view to creating retail/leisure a use that would yield the highest rental. To maximise the use of available internal floorspace, servicing would be external to the main building and a glazed roof may be installed over the courtyard to increase available tradable space. This option may ultimately prove cost prohibitive and all parties have acknowledged that in the value engineering phases some compromises may have to be made to stay within the budget. These cost risks may threaten delivery and the appropriate mitigation is discussed within the confidential appendix.

- 3.5 A narrow ginnel has been proposed west of the FWCH to encourage pedestrian footfall through the site exploiting desire lines between Kirkgate Market, the Corn Exchange, Call Lane and the Vicar Lane bus station. It would also afford glimpses of the Corn Exchange roofscape from Lower Kirkgate. However, whilst in townscape terms this solution would be attractive, a better commercial solution might be to use this as part of the new build development at 101/103 Kirkgate and use the FWCH as the main route through the site. This will be tested as the scheme is firmed up.
- 3.6 The remainder of the Kirkgate frontage (83-104 Kirkgate) has been given target property status. It is made up of many individual properties, although the majority are vested in a single property company, City Fusion, which also owns the FWCH. The ambition is to refurbish these properties, many of which are vacant or underused, with a particular emphasis on repairing and restoring the Kirkgate frontage. The rear of the Kirkgate frontage is in a similar state of disrepair, but here the scope of works will be largely restricted to tackling structural problems pending the redevelopment of the car park and the remodelling of the back walls. Including the First White Cloth Hall a fully active Lower Kirkgate could accommodate an additional 28-80 jobs depending on the configuration and use of the upper floors.
- 3.7 Call Lane and Crown Street are regarded as reserve and therefore have a lower priority in the scheme due to the lower heritage need and a better general state of repair. Public realm improvements to Kirkgate and the ginnels through the site would also be enhanced by the THI by complementing the planned highway maintenance programme in that area.

Training and Awareness Raising

- 3.8 Training and education is central to the achievement of the THI scheme's aims and objectives. As a consequence a training plan is being prepared in partnership with Construction Yorkshire and Employment Leeds that seeks the following outcomes as part of the overall THI project:-
- to provide unemployed graduates with experience in heritage management;
 - to improve the skills and knowledge of individuals employed in the local construction sector including contractors/subcontractors;
 - to provide training for young people not in education, employment or training, and the unemployed generally who are interested in developing a career in heritage construction in addition to work experience;
 - to encourage property owners and individuals to consider the use of sustainable products and services and to introduce energy efficient methods;
 - to increase knowledge and awareness of the heritage of the Kirkgate area and to promote opportunities for the understanding and the enjoyment heritage in Kirkgate and the surrounding area

Management and Timescales

- 3.9 The Stage 2 Bid must be submitted by 26th April, otherwise the Stage 1 approval will lapse. If successful, it is proposed to launch the THI to coincide with the Leeds Loves Shopping festival in October 2012. The critical milestones are outlined below:

Submit Bid	26 April 2012
HLF decision on Stage 2	26 July 2012
Scheme Delivery Starts	October 2012
First White Cloth Hall (enabling works commence)	October 2013
Scheme Ends	October 2017

4 Corporate Considerations

4.1 Consultation and Engagement

4.1.1 Ward Members, City Centre Plans Panel, Inner South Area Committee [21st March 2012], Richmond Hill Forum and a range of heritage organisations including English Heritage, Leeds Civic Trust and the West Yorkshire Archaeological Advisory Service (WYAAS) have also been consulted on the proposals. In the discussions and subsequent correspondence with the organisations that responded to the consultation the response has been generally supportive and no objection has been raised to the establishment of the THI.

4.1.2 In May 2011 a public consultation was undertaken to find out what the public thought about the Lower Kirkgate and Kirkgate area and what improvements they would like to see. Over 260 people responded highlighting considerable support for the THI's building repair programme and for training that focuses principally on young people.

4.2 Equality and Diversity / Cohesion and Integration

4.2.1 The grant application process will mirror that of the existing THI schemes where the Council's monitoring standards are used to retrospectively evaluate the performance of applications from different groups. However, the proposed THI was subject to an equality screening and this concluded that the training will potentially give rise to equality impacts in terms of the selection of candidates for training. Therefore, if the proposals are agreed, a full EIA on the training proposals will consider impacts on potential recipients.

4.3 Council Policies and City Priorities

4.3.1 In addition to complimenting the Growth Strategy, development within the THI will be shaped by the planning policy encapsulated within the recently approved Lower Kirkgate Planning Statement (see Plan 2). The Planning Statement identifies basic objectives for the sensitive regeneration and restoration of Lower Kirkgate in accordance with local, regional and national planning, heritage and regeneration policies. The Statement also proposes the following vision for Lower Kirkgate:-

- working collaboratively with key local stakeholders, businesses and communities;
- reinforce, preserve and enhance the strong identity, character and distinctiveness of the area, its buildings and how they are used;
- invest in good sustainable design;
- re-connect and restore confidence in Lower Kirkgate as a place at the heart of City Centre activity;
- act as a catalyst to close the gap between neighbouring areas within and around the City Centre.

4.4 Resources and Value for Money

4.4.1 The City Council funding required to match fund the bid was identified as part of the capital programme review in the autumn/winter of 2010/11. If the bid is successful the £668k of Council match funding will lever in £1.505m from the HLF with up to a further £4.3m from the private sector. Without the THI it is highly unlikely that this additional inward investment to Leeds would materialise.

4.4.2 Capital Funding and Cash Flow

Authority to Spend required for this Approval	TOTAL £000's	TO MARCH 2011 £000's	FORECAST				
			2012/13 £000's	2013/14 £000's	2014/15 £000's	2015/16 £000's	2016 on £000's
LAND (1)	0.0						
CONSTRUCTION (3)	80.0					80.0	
FURN & EQPT (5)	0.0						
DESIGN FEES (6)	220.0		39.0	39.0	40.0	61.0	41.0
OTHER COSTS (7)	1873.0		61.0	304.0	440.0	309.0	759.0
TOTALS	2173.0	0.0	100.0	343.0	480.0	450.0	800.0
Total overall Funding (As per latest Capital Programme)	TOTAL £000's	TO MARCH 2011 £000's	FORECAST				
			2012/13 £000's	2013/14 £000's	2014/15 £000's	2015/16 £000's	2016 on £000's
LCC Supported Borrowing	668.0		30.7	105.4	147.6	138.3	245.9
Heritage Lottery Fund	1505.0		69.3	237.6	332.4	311.7	554.1
Total Funding	2173.0	0.0	100.0	343.0	480.0	450.0	800.0
Balance / Shortfall =	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Parent Scheme Number: 16275 / 000 / 000

Title: Lower Kirkgate Townscape Heritage Initiative

Revenue Effects

4.4.3 There are no direct revenue effects envisaged by the project. The funding within the capital funding and cashflow table incorporates staff costs and overheads for one

PO graded officer to manage the day to day running of the scheme at a cost of £199,960 over 5 years with 62% of this cost funded by the Heritage Lottery Fund.

4.5 Legal Implications, Access to Information and Call In

- 4.5.1 The City Council has legal authority to bid for and implement the provisions of the Lower Kirkgate THI under its well-being powers within the Local Government Act 2000 (the '2000 Act'). Section 2 of the 2000 Act allows local authorities to do anything they consider likely to promote the economic, social and environmental well-being of their area unless explicitly prohibited elsewhere in law.
- 4.5.2 THI schemes are compatible with the State Aid provisions under Article 87(3) d) of the EC Treaty. On 27th May 2003 the then European Commission (NN 11/2002) considered the impact of THI's and found that in cases where the retention or appropriate repair of historic assets entails additional costs part or all of which are to be funded through grants, they are seen to preserve heritage without affecting trading conditions and competition and are therefore compatible with the State Aid provisions.
- 4.5.3 The information in Appendix 4 of this report has been identified as exempt because it contains information which relates to City Fusion Ltd as a business and its release may prejudice their commercial interests and withholding the information is considered to outweigh the public interest benefit or its release.
- 4.5.4 Further risks, in addition to those outlined in section 4.6, are identified in the confidential Appendix 4 attached to this report which relate to the financial or business affairs of the Council. Disclosure of those risks would be prejudicial to the interests of the Council. It is considered that the public interest in treating this information as confidential outweighs the public interest in disclosing it and that these elements of the report should be treated as exempt under Rule 10.4.3 of the Access to Information Procedure Rules. The report is subject to call in.

4.6 Risk Management

- 4.6.1 A separate risk log has been prepared and has been updated throughout the bidding process. The main risks are as follows:-
- one company (City Fusion) owns the First White Cloth Hall and about 75% of the remaining properties, which puts more risk in the scheme. To mitigate against this risk the City Council has asked the owner to prepare a masterplan to demonstrate how City Fusion will refurbish their properties within the scope of the THI programme and relevant planning policy. In addition the owners have prepared a detailed cost plan, survey and development appraisal specifically for the First White Cloth Hall in order to provide some additional certainty over costs and construction risk. Costs and surveys have also been prepared for the non-First White Cloth Hall buildings within the THI. Much of this work is more than

would be expected of a THI at this stage of development but it has been sought in order to minimise risk at this and at subsequent stages in the development process. These documents have been reviewed by the City Council and its advisors including English Heritage and the West Yorkshire Archaeological Advisory Service. In conclusion it is felt that the plans as proposed are sufficiently robust and provide a suitable basis for submitting the stage 2 bid. It should also be noted that no public funding will be released without the appropriate cost checks, architects certificates and legal, financial and planning agreements being secured. Despite the risks associated with having one main owner the benefit, if the scheme is successful, is that the impact is likely to be comprehensive, avoiding the pepper-potting that can occur where ownerships are fragmented. The ownership position also means that the Council will need to ensure that the interests of the smaller landowners are represented fully and this has been done through regular correspondence and face to face briefings;

- in addition to the capital constraints facing the Council the private sector is also facing challenging times as the economy emerges from recession. However, given the focus on distinctive and independent retailers in contrast with much of the City Centre offer together with the availability of THI support it is thought, following discussions with owners and traders, will be sufficient to stimulate private investment in Lower Kirkgate.
- all THI projects carry the risk that should the critical properties fail to be delivered then HLF could clawback all or some of the funding. This action can be mitigated by demonstrating that all reasonable steps have been taken to secure development and participation by owners and occupiers.

5 Conclusions

- 5.1 Securing the successful rejuvenation of an area which has suffered market failure is complex. However, the funding opportunities available are unlikely to be repeated in the near future. During that time the fabric of Leeds' first street is likely to have deteriorated further even with the use of the Council's planning and building regulations powers. Restoration of the First White Cloth Hall would secure Leeds' most important building at risk. The opportunity to help create a critical mass of independent retailing and to revitalise vacant floorspace for the benefit of the local economy would send a positive message about the resolve of the Council and its partners to support economic prosperity despite the challenges posed.

6 Recommendation

- 6.1 Executive Board members are recommended to:-
- a. agree to the submission of a Stage 2 bid to the Heritage Lottery Fund for the Lower Kirkgate THI;
 - b. that the City Council acts as accountable body for the THI; and,

c. to give authority to spend £668k on the works outlined in this report.

7 Background documents¹

7.1 The following background documents are available for reference:

- Kirkgate Character Area Appraisal (Draft)
- Kirkgate Conservation Management Plan (Draft)
- Lower Kirkgate Planning Statement (adopted 2011)

¹ The background documents listed in this section are available for inspection on request for a period of four years following the date of the relevant meeting. Accordingly this list does not include documents containing exempt or confidential information, or any published works. Requests to inspect any background documents should be submitted to the report author.

Appendix 1: Ariel Photograph of Lower Kirkgate



Appendix 2: First White Cloth Hall (existing and as proposed)



Photo 1: First White Cloth



Photo 2: First White Cloth Hall as proposed (courtesy of Ian Tod Studio)

