

**Name of meeting:** Cabinet  
**Date:** 22 January 2019  
**Title of report:** Kingsgate Phase 2 - request for funding from the Property Investment Fund

**Purpose of report** To consider a request for loan support from the Property Investment Fund towards the remodelling of the Kingsgate Centre

<b>Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?</b>	<b>Yes</b> Expenditure in excess of £250k
<b>Key Decision - Is it in the <a href="#">Council's Forward Plan (key decisions and private reports?)</a></b>	<b>Yes</b>
<b>The Decision - Is it eligible for call in by Scrutiny?</b>	<b>Yes</b>
<b>Date signed off by Strategic Director and name</b>  <b>Is it also signed off by the Service Director - Finance - (S151 Officer)?</b>  <b>Is it also signed off by the Service Director - Legal Governance and Commissioning?</b>	<b>Karl Battersby - 08.01.2019</b>  <b>Eamonn Croston - 11.01.2019</b>  <b>Julie Muscroft - 09.01.2019</b>
<b>Cabinet member <a href="#">portfolio</a></b>	<b>Cllr Graham Turner Corporate</b> <b>Cllr Peter McBride Economy</b>

**Electoral wards affected:** Newsome

**Ward councillors consulted:** Cllr Karen Allison, Cllr Andrew Cooper, Cllr Julie Stewart-Turner

**Public or private:** Public Report with Private Appendix

#### **GDPR**

There is no personal data contained in this report.

## **1. Summary**

Cabinet are asked to consider a request for support, via a loan from the Property Investment Fund, towards a scheme to remodel the Kingsgate shopping centre to provide a cinema and restaurant facilities in addition to existing retail units.

## **2. Information required to take a decision**

The Kingsgate Centre is a focus for retail activity in the town centre and houses many of the “big name” retailers such as Next and Waterstones.

The retail market has seen significant changes in recent years as much retail activity has moved online. This has had a significant impact on many town and city centres including Huddersfield and Kingsgate. These challenges have been demonstrated recently in the acquisition of the House of Fraser group by Mike Ashley’s Sports Direct and the proposed closure of many stores, including flagships such as the one at the former Kendals in Manchester city centre.

It is now accepted that department stores are no longer viable in their current format outside a limited number of locations e.g. London.

In order to secure the future of the large retail space occupied by House of Fraser within the Kingsgate centre, the developer is proposing a comprehensive redevelopment of the space to create a mixed leisure and retail development within the existing House of Fraser unit. This would consist of a premier quality cinema, restaurant complex and a remodelled department store.

The Kingsgate Centre is a key focus of the retail offer for Huddersfield Town Centre. It is also adjacent to complimentary leisure uses. The offer provided by Kingsgate also needs to be viewed in the context of the wider masterplanning of the town centre which is currently being progressed, this includes public realm improvements to Cross Church Street. Kingsgate is therefore very likely to remain a key development within the town centre for the foreseeable future and is arguably inextricably linked with the overall future health and sustainability of the town centre.

Full Council at its meeting held on 15 November 2017, agreed to support the creation of a Property Investment Fund (PIF) of £25m, the intention of which was to allow the Council to support redevelopment schemes with loan funding. The scheme is focussed on supporting proposals which provided wider benefits to support the Council’s regeneration objectives. Whilst the loan funding would be provided on as close to commercial terms as possible and at an interest rate which allowed the Council to cover its own cost of borrowing and generate a surplus as a risk contingency, the Council can also take a view on the wider benefits of any proposals in a way which a purely commercial lender would not be prepared to do as part of their risk assessment of proposals.

Standard banking finance is not available to support the full cost of the remodelling of Kingsgate due to the overall uncertainty in the retail market, in particular in relation to House of Fraser. The details of the requested funding are set out in the private appendix to this report.

The importance of Kingsgate to the retail offer in Huddersfield, combined with its strategic location in the town centre near other leisure uses, thus creating a retail and leisure hub, supports the case for funding from the Property Investment Fund. The proposal to remodel the centre to include a cinema and restaurant uses will increase the time and money that people spend in the town centre – it has been demonstrated by research that a strong catering offer will have this effect. The proposal will help to stabilise the uncertain retail environment in which the Kingsgate centre is currently operating.

Research undertaken by WD, the developer, indicates that the redevelopment of the centre will increase sales of comparison goods (i.e. non food retail) by 8%, and that a catering “user” will spend 37% more than a non catering “user”.

### **3. Implications for the Council**

#### **3.1 Working with People**

This is a proposal for the Council to work with the developer of the Kingsgate centre in an enabling role by providing development finance, rather than the Council undertaking direct works. WD are working proactively to respond to changes in the retail environment and diversify the uses of the centre. In turn this has the benefit for Kirklees citizens of aiming to ensure the sustainability of the town centre, and a vibrant leisure offer which is open to everyone.

A further benefit is that WD has committed to using a local contractor and a local supply chain, subject to overall tender costs, and to utilising local labour as far as possible during the construction. There is therefore a positive impact for the economy of Kirklees.

#### **3.2 Working with Partners**

The revitalisation of Huddersfield town centre is a key outcome of the Kirklees Economic Strategy.

As set out in (3.1) above, developer WD is working with the Council to respond to changes in the retail environment. The Kingsgate centre is a focus of retail activity in the town centre, adjacent to complementary leisure uses. This proposal will help to stabilise the current retail environment, by diversifying the use of the anchor unit within the shopping centre, which might otherwise be likely to close. The proposals will contribute to the wider vision for the town centre which is currently being developed, including proposals to improve Cross Church Street. It will add to the vibrancy of the town centre and help provide more varied uses, including a quality cinema which has the potential to serve as a destination for visitors.

#### **3.3 Place Based Working**

N/A

#### **3.4 Improving Outcomes for Children**

No direct impact.

### **3.5 Other Impacts**

#### **Legal/Financial or Human Resources**

Subdivision of the House of Fraser unit is likely to result in an increase in rateable value, thus increasing the income being received by the Council.

Appropriate legal and finance resources will be required to carry out detailed due diligence and enter in to the necessary legal documentation for the loan.

The offering of a loan by the Council inevitably involves some financial risks, and these are considered in the private appendix. These risks need to be considered in the context of the strategic importance of Kingsgate to the town centre.

### **4. Consultees and their opinions**

#### **Ward members**

Ward members have been consulted. One point of feedback was received regarding the original Council approval of the PIF. Feedback has been provided about the original Council report (15 November 2017, link provided in section 7 below) which sets out the overall aims and objectives of the PIF.

#### **Cabinet members**

The Portfolio Holders for Resources and Economy are supportive of the proposals brought forward by WD Kingsgate. They feel that diversifying the use of the Kingsgate centre is strategically important for the town centre, and links to other leisure uses in the area and that it responds positively to changes in the retail environment.

### **5. Next steps**

If Cabinet is minded to support the proposal, officers will then carry out appropriate due diligence and prepare the necessary legal documentation to facilitate the loan.

### **6. Officer recommendations and reasons**

- 6.1 That Cabinet agrees to a loan from the Property Investment Fund for the remodelling of the Kingsgate Centre in accordance with the details set out in the private appendix.
- 6.2 That the Strategic Director, Economy and Infrastructure in consultation with the Portfolio Holder for Corporate, having sought appropriate advice from the Service Director Legal, Governance and Commissioning, and the Service Director Finance be authorised to carry out appropriate due diligence on the proposal to offer a loan from the PIF.
- 6.3 That the Service Director Legal, Governance and Commissioning be authorised to enter into any documentation required to agree the Property Investment Fund loan and to protect the Council's position as lender.

## 7. Cabinet portfolio holder's recommendations

Councillor Graham Turner said "I support these proposals to diversify the use of the Kingsgate centre to respond to changes in the retail environment. The proposals will contribute to the creation of a leisure hub in an area which is strategically important to the town centre and with strong pedestrian links to the University. It is important that we work with partners to ensure we have the best possible offer for our residents in our ever changing town centres".

Councillor Peter McBride said "I support the proposal to offer a loan to diversify the uses in the Kingsgate centre. The strategic importance of the district's town centres cannot be understated, and I am pleased that the Council is able to support schemes such as this with loan finance".

The Cabinet portfolio holder recommends:

- 7.1 That Cabinet agrees to a loan from the Property Investment Fund for the remodelling of the Kingsgate Centre in accordance with the details set out in the private appendix.
- 7.2 That the Strategic Director, Economy and Infrastructure in consultation with the Portfolio Holder for Corporate, having sought appropriate advice from the Service Director Legal, Governance and Commissioning, and the Service Director Finance be authorised to carry out appropriate due diligence on the proposal to offer a loan from the PIF.
- 7.3 That the Service Director Legal, Governance and Commissioning be authorised to enter into any documentation required to agree the Property Investment Fund loan and to protect the Council's position as lender.

## 8. Contact officer

Adele Buckley - Head of Strategic Assets and Regeneration  
[adele.buckley@kirklees.gov.uk](mailto:adele.buckley@kirklees.gov.uk)  
(01484) 221000

Liz Jefferson - Strategic Partnership Lead - Regeneration Delivery  
[liz.jefferson@kirklees.gov.uk](mailto:liz.jefferson@kirklees.gov.uk)  
(01484) 221000

## 9. Background Papers and History of Decisions

Cabinet Report - Property Investment Fund - 31 July 2017  
<https://tinyurl.com/ychy56qg>

Council Report - 15 November 2017  
<https://tinyurl.com/yd4q384h>

## 10. Strategic Director responsible

Karl Battersby  
Strategic Director - Economy and Infrastructure  
[karl.battersby@kirklees.gov.uk](mailto:karl.battersby@kirklees.gov.uk)  
(01484) 221000