

**Name of meeting:** Cabinet  
**Date:** 19<sup>th</sup> January 2021  
**Title of report:** Kingsgate Phase 2 - 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

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?	Yes
Key Decision - Is it in the <a href="#">Council's Forward Plan (key decisions and private reports?)</a>	Yes
The Decision - Is it eligible for call in by Scrutiny?	Yes
Date signed off by <u>Strategic Director</u> & name	David Shepherd – 18/12/20
Is it also signed off by the Service Director (Finance)?	Eamonn Croston – 21/12/20
Is it also signed off by the Service Director for Legal Governance and Commissioning?	Julie Muscroft – 21/12/20
Cabinet member <a href="#">portfolio</a>	Cllr Peter McBride – Regeneration  Cllr Graham Turner - Corporate

**Electoral wards affected:** Newsome

**Ward councillors consulted:** Cllr Karen Allison, Cllr Andrew Cooper, Cllr Susan Lee Richards

**Public or private: Public (Appendix 2 in private)**

Appendix 2 of this report is in private in accordance with Schedule 12A of the Local Government Act 1972, as it contains information relating to the financial and business affairs of a third party. It is considered that disclosure of the information would adversely affect WD Ltd and therefore the public interest in maintaining the exemption, which would protect the rights of an individual or the council, outweighs the public interest in disclosing the information and providing greater openness in the council's decision making.

**GDPR –** GDPR has been considered and there is no personal data contained in this report

## 1. Summary

- 1.1 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, food and leisure facilities in addition to existing retail units. A scheme of support was approved by Cabinet on 22<sup>nd</sup> January 2019, but as there have been changes to the proposals and the retail environment in the last 2 years, this report updates information and seeks a new authority.

## 2. Information required to take a decision

- 2.1 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.
- 2.2 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. Their challenges have been exacerbated by the global pandemic, as seen in recent events as Debenhams and Arcadia group face collapse.
- 2.3 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 development within the existing House of Fraser unit. This would consist of a premier quality cinema, restaurant complex and other leisure uses.
- 2.4 The Kingsgate Centre is a key focus of the retail offer for Huddersfield Town Centre. It is also adjacent to complementary leisure uses. The offer provided by Kingsgate also needs to be viewed in the context of the Huddersfield Blueprint, which 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.
- 2.5 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. Such schemes would be focussed on supporting proposals which provided wider benefits to support the Council’s regeneration objectives. Loan funding would be provided on equivalent commercial terms on a scheme by scheme basis, that would ensure the Council at least covers its own cost of borrowing inclusive of an appropriate risk contingency. The nature of the PIF means that the Council would be prepared to fund priority capital schemes that meet wider strategic regeneration benefits in a way which a purely commercial lender would not be prepared to do as part of their overall risk assessment of proposals.
- 2.6 The standard banking finance available to support the cost of remodelling of Kingsgate is very limited due to the overall uncertainty in the retail market. The details of the requested funding are set out in the private appendix to this report.
- 2.7 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 complex and other leisure 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.

- 2.8 Research undertaken by WD, the developer, indicates that the redevelopment of the Kingsgate 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”.
- 2.9 The Portfolio Holders for Corporate and Regeneration have been consulted and 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.

### **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 Kingsgate 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**

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 and link to delivery of the Huddersfield Blueprint, 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**

Not applicable

#### **3.4 Climate Change and Air Quality**

The Kingsgate Centre is in a sustainable location in the town centre, which can be accessed via public transport, avoiding the need for customers to travel to out of town locations by car.

As part of the Huddersfield Blueprint vision of developing living town centres, it's sustainability will be increased by the proposed development of residential uses within the town centre, which will enable people to live, shop and enjoy leisure opportunities without relying on the car for transportation.

Electric vehicle charging points will be provided in the car park as part of the redevelopment scheme.

It is more energy efficient to redevelop the existing centre for leisure use, than start a brand new development with the associated call on construction materials.

### **3.5 Improving outcomes for children and young people**

No direct impact

### **3.6 Other (eg 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 the Kingsgate Centre to the town centre.

## **4 Next steps and timelines**

- 4.1 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 with a view to construction work starting in mid 2021.

## **5 Officer recommendations and reasons**

- 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.
- That the Strategic Director, Growth and Regeneration, in consultation with the Portfolio Holder for Corporate and Portfolio Holder for Regeneration, 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, including due diligence on WD's latest business plan.
- 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.

The reasons for this recommendation are that the loan will support the ongoing sustainability of the Kingsgate Centre by diversifying the uses in the Centre. This in turn will support the long term health of Huddersfield town centre, and the delivery of the Huddersfield Blueprint, which is a Council priority.

## **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:

- 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.
- That the Strategic Director, Growth and Regeneration, in consultation with the Portfolio Holder for Corporate and Portfolio Holder for Regeneration,, 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, including due diligence on WD’s latest business plan.
- 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**

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**9. Background Papers and History of Decisions**

Cabinet – 22<sup>nd</sup> January 2019  
Council – 7<sup>th</sup> November 2017

**10. Service Director responsible**

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