

WEST DUNBARTONSHIRE COUNCIL

Report by the Executive Director of Infrastructure and Regeneration

Housing, Environment and Economic Development Committee: 26 February 2014

Subject: Preferred Bidder for Mitchell Way Redevelopment Site, Alexandria

1. Purpose

- 1.1** The purpose of this report is to advise the Committee of the outcome of the recent tender for the Mitchell Way development site in Alexandria, set out the process to realise the development opportunity, and seek agreement to select the preferred bidder and to acquire land in third party ownership.

2. Recommendation

- 2.1** It is recommended that:

- (i) Committee notes the outcome of the tendering process and agrees to the selection of Tartan Development Ltd as the preferred bidder;
- (ii) the Head of Legal, Democratic and Regulatory Services be authorised to conclude the disposal transaction for the Mitchell Way Development opportunity by long-term development agreement, subject to such legal conditions that are considered appropriate; and
- (iii) the Executive Director of Infrastructure and Regeneration be authorised to enter into agreement with a third party landowner to purchase land within and adjacent to the Mitchell Way Development Site and the Head of Legal, Democratic and Regulatory Service be authorised to conclude the acquisition subject to such legal conditions that are considered appropriate.

3. Background

- 3.1** The Alexandria Town Centre Masterplan was adopted as supplementary planning guidance by the Housing, Environment and Economic Development Committee on 8 October 2008. The Masterplan identified Mitchell Way and adjacent land as one of six key intervention sites.
- 3.2** A report to the Housing, Environment and Economic Development Committee on 9 January 2008 granted approval to undertake such actions that would facilitate the demolition of the South of Mitchell Way.

- 3.3** A further report to the Housing, Environment and Economic Development Committee on 3 March 2010 sought agreement in principle to the HRA acquisition of five privately owned houses in Mitchell Way. The five privately owned properties were subsequently purchased by the Council HRA and all Council tenants were found suitable alternative accommodation.
- 3.4** A report to the Housing, Environment and Economic Development Committee on 7 September 2011 advised of a Notice of Title (NoT) which the Council had taken out on land with a view to regularising the title. The paper also referred to discussions being held with a long term leaseholder who is operating from the site who requires to be relocated to deliver vacant possession of the site. Terms have now been agreed to relocate the tenant to other premises within the town centre. The paper further agreed to inform Committee of the selected preferred bidder and outline the process to be followed to gain final Committee approval for the sale or ground lease of the development opportunity.
- 3.5** A report to the Housing, Environment and Economic Development Committee on 13 February 2013 authorised disposal of the full development opportunity which had previously been split into two parcels; the main disposal site and a secondary site where the Council intended to retain ownership. The paper further sought authority to obtain the consent of Scottish Ministers for the disposal of housing stock within Mitchell Way. This consent has now been obtained.
- 3.6** There remain two mid-term leaseholders within Mitchell Way, however the end of their lease and relocation fits within the development programme.
- 3.7** A separate but complementary project is currently on-going in Mitchell Way which involves public realm enhancements to the area at the end of Mitchell Way adjacent to Main Street. A report submitted to the 26 January 2011 meeting of Council, agreed to the investment of £770,000 in Alexandria Shopping Centre (excluding the disposal site). This investment will improve the quality of the shopping environment in the town centre and complement the development opportunity site, improve the town's attractiveness for investors and improve the connections between the traditional shops on Main Street and the new development in Mitchell Way.

4. Main Issues

- 4.1** The first stage of the tender process, the Pre-Qualification Questionnaire (PQQ), was issued on 22 March 2013 with a return date of 21 May 2013. This generated 32 notes of interest and resulted in the Council receiving three returns from:
- Tartan Development Ltd, (in consortium with Interserve Construction Ltd and Dunbritton Housing Association);
 - Valad Property Group, (in consortium with Balfour Beatty Construction); and
 - CCG (Scotland) Ltd, who were not part of any consortium.

The three interested parties were scrutinised on value for money, deliverability, business probity, Health and Safety and capability among other aspects.

4.2 During the course of the PQQ, a Notice of Title which the Council had lodged relating to certain areas of land within the development area was challenged by a third party landowner with the result being that the Council requires to purchase these areas of land from the third party (see Appendix 1). Council Officers appointed a representative to engage in negotiations aimed at arriving at a voluntary agreement to purchase the land from the landowner and the Council has issued a formal offer. Committee approval is being sought to conclude a deal and, if possible, purchase the land voluntarily.

4.3 The three shortlisted parties from the PQQ stage were invited to participate in the second tender stage, the Invitation to Tender (ITT). The ITT was issued on 2 August 2013 with a return date of 22 October 2013. Bids were received from the two tenderers; Tartan Development Ltd and CCG (Scotland) Ltd. A scoring panel formed of Officers from relevant sections within the Council was convened to assess the bids in relation to compliance, quality and price.

Compliance

4.4 There are a number of essential pass/fail requirements which the bidders have to meet which are:

- Delivery of a foodstore of 30,000 to 42,500 square feet gross;
- Undertaking of infrastructure and land works;
- Development of Housing (social rented and/or private);
- Demolition of all existing buildings on site;
- Addressing the site levels throughout; and
- Development appraisal and appropriate financial model.

4.5 The bids that were received raised a number of issues with regards to pass/fail requirements for which the Council sought clarifications. All of these issues have been addressed apart from CCG's proposal for the development of housing which is non-compliant. In addition, a threshold was set for assessing bids against Community Benefits requirements which CCG did not meet.

4.6 Whilst CCG's bid was marked, they failed to comply with key requirements of the procurement process and therefore the contract cannot be lawfully awarded to them. After a number of attempts to clarify the matter, it was apparent that the bid by CCG Limited was heavily caveated such that there was very limited certainty that the offer price would be paid to the Council, and indeed it was a possibility that the Council could be called on to contribute to the development. Had the CCG Limited bid been otherwise compliant, it is likely that, in line with the provisions of the Invitation to Tender, the lack of perceived deliverability of the proposals around the consideration would have resulted in the CCG score being reduced to reflect this uncertainty. The scores for the two tender submissions can be seen in Appendix 2.

Quality

- 4.7** Bids were assessed with a weighting of 70% for quality and 30% for price, reflecting the importance to the Council of achieving a quality outcome for Alexandria Town Centre. In terms of the layout, the Tartan bid offers a significant area of public realm along with strong linkages between the proposed foodstore and existing town centre which is a key objective of the Council. The civic square will be a focal point for the town centre capable of hosting events. The bid further provides a good mix and distribution of ancillary retail units and residential properties, with the bidder committed to delivering 18 residential units without Council funding. The Tartan bid also proposes carrying out improvements to the underpass linking the train station with the town centre, indicating their holistic approach to designing the scheme within the town centre. The proposed redevelopment will bring vibrancy and vitality back to the town centre and will make a significant contribution to the regeneration of Alexandria town centre. The indicative plans from the winning bidder will be displayed to Members at the Committee meeting.

Price

- 4.8** The successful bidder's offer is £500,000 based on payment expected in 2015. It is important for Members to note that a number of contractual agreements need to be resolved which may impact on this offer price. The final offer price will form part of the agreement at the conclusion of a development agreement.
- 4.9** An indicative programme for the disposal and development of the opportunity site will be provided to Members at a later date once agreed with the selected developer. It is proposed to commence negotiations with the bidder following this paper and it is anticipated that the Council will enter into a development agreement with Tartan Development Ltd by the end of this financial year.

5. People Implications

- 5.1** There is a requirement for on-going Council Legal and Procurement input into this project. There has also been significant officer input from various Council sections in progressing this project.

6. Financial Implications

- 6.1** The offer from Tartan Development Ltd is on the basis of a 125 year long term ground lease with the option to purchase upon completion of the development. Members should note that there will be no further transfer of money when the site is purchased by the bidder but that it will be done within the existing contract agreement.
- 6.2** Upon disposal of the site the council will cease to be responsible for empty rates, building insurance, security and on-going maintenance which at this stage equates to approximately £80,800 per annum. If the site is not developed the costs to the Council will increase as more properties become vacant.

- 6.3** There will be a financial implication to concluding the purchase of land from the third party landowner which would be paid out of the receipt from the successful developer. Members are asked to note that this is subject to agreement between the parties following ongoing active negotiations with the landowner.

7. Risk Analysis

- 7.1** There is a risk that the offer price from the selected bid will be reduced as a result of unforeseen changes to the development which may be required by the Council or through the planning process. Council Officers will monitor this situation once the developer commences works and scrutinise any proposed change of the offer price.
- 7.2** There is a risk that voluntary agreement to the purchase of necessary land cannot be reached with the third party landowner. This would require a Compulsory Purchase Order which would be the subject of a separate committee paper but which could impact upon the timescales for delivery of the project getting on site by 2015.
- 7.3** There is a risk that statutory consents and relevant licenses will not be obtained for the development and officers will be working closely with the developer to mitigate these risks where appropriate.
- 7.4** There is a risk that the winning bidder does not develop the site. The bid is dependent upon the developer securing a third party operator. However there will be provision within the development agreement for the Council to take back ownership of the site in the event that the bidder does not meet agreed milestones, to be determined.
- 7.5** There is a risk that the timeframe for the redevelopment of the town centre site is affected by general economic or market conditions or unknown site conditions.
- 7.6** Not moving forward with the development opportunity at this time would see a continued decline of the town centre. It would also miss this opportunity of significant investment in the town centre.

8. Equalities Impact Assessment (EIA)

- 8.1** A screening was carried out to determine this policies relevance to the general equality duty. There was possible relevance to the duty, but the subsequent Equality Impact Assessment found no likely significant negative impacts, with possible positive impact upon socio-economic duty (see Appendix 3).

9. Consultation

- 9.1** All relevant Council sections have been consulted on the bids submitted by the tenderers, including the involvement of the officers on the scoring panel. The community will have the opportunity to comment on the bidder's proposals when a Planning Application Notice (PAN) is submitted. The community was previously consulted on the redevelopment of the Mitchell Way area through the development of the Alexandria Town Centre Masterplan, the Alexandria Regeneration Forum and subsequent open days and information days throughout the development of this project.
- 9.2** The ITT document was developed based upon consultation feedback gathered throughout the development of this project. This has positively influenced many of the pass/fail elements of the project including a capped food store size, the inclusion of new housing, the removal of unpopular residential properties in Mitchell Way. In addition, the Council has also sought to ensure that bids will demonstrate good, direct connections in close proximity between the existing shops in the town centre and the new supermarket and that the development will be designed to encourage this.

10. Strategic Assessment

- 10.1** The redevelopment of Mitchell Way and surrounding area is a key stage in the regeneration of Alexandria town centre. It will contribute to the social and economic regeneration of the area and create jobs during the construction and operation of the foodstore. As such the report supports the Council's strategic priorities of improving economic growth and employability and improving local housing and environmentally sustainable infrastructure.

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Date: 18 February 2014

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Appendices:	Appendix 1 - Plan of Land in Third Party Ownership Appendix 2 - Procurement Scores Appendix 3 - Equality Impact Assessment Form
Background Papers:	<p>Report to Housing, Environment and Economic Development (HEED) Committee of 9 January 2008 entitled Alexandria Town Centre Masterplan Update</p> <p>Report to HEED Committee of 8 October 2008 entitled Alexandria Town Centre Masterplan</p> <p>Report to HEED Committee of 3 March 2010 entitled Alexandria Masterplan: Mitchell Way Marketing Brief</p> <p>Report to HEED Committee of 3 March 2010 entitled Surplus Council Housing Stock: Owners</p> <p>Report to Council of 29 January 2011 entitled the Securitisation of the Council's Non Operational Estates Portfolio</p> <p>Report to HEED Committee of 7 September 2011 entitled Alexandria Masterplan: Mitchell Way Redevelopment Site;</p> <p>Report to HEED Committee of 13 February 2013 entitled Mitchell Way Redevelopment Site: Request to extend site area to be marketed</p>
Wards Affected:	2