

WEST DUNBARTONSHIRE COUNCIL

Report by the Executive Director of Housing, Environmental and Economic Development

Housing, Environment and Economic Development Committee: 29 March 2011

Subject: Proposed sale of Kippen Dairy Site, Main Street, Alexandria to Cordale Housing Association Limited

1. Purpose

- 1.1** This report advises the committee on the progress in negotiating the sale of the Kippen Dairy site to Cordale Housing Association Limited (CHA) and seeks approval to sell the Kippen Dairy site to CHA.

2. Background

- 2.1** On 3 March 2010, a report was submitted to the Housing, Environment and Economic Development Committee outlining the progress made regarding the vision for the Kippen Dairy site, the progress with negotiations with the owners of land outwith the ownership of the Council, and the scope of the overall development.
- 2.2** Since then there has been discussions with the Housing Association and the Development Management Section of Planning Services and the Housing Service on the style and mix of homes to be provided on the site. The Housing Association have commissioned the District Valuer to act on their behalf in agreeing the capital valuation with the Estates Section.

3. Main Issues

- 3.1** CHA has, since September 2009 been working closely with the local community and established the Central Alexandria Project Management Group in November 2009.
- 3.2** The role of the group is to support the development of the feasibility study for the Kippen Dairy site consistent with the development brief agreed between the Council and CHA.
- 3.3** Discussions within the group have progressed well and the original view was that the site could support a possible development of 55 units that included a range of house types and sizes. This model has now been re-defined and resulted in a reduction in unit provision to 40 high quality, flatted, terraced, quarter villas and semi-detached houses for rent.

This plan has been produced in consultation with the Housing Service to ensure that the type, mix and size of house reflects local needs and demands.

- 3.4** In principal, agreement has been reached with Cordale that in addition to existing agreements that allow West Dunbartonshire Council to nominate up to 50% of first time lets, this project will facilitate the wider regeneration of Alexandria Town Centre and as a consequence CHA will give priority to tenants and owners affected by future development plans.
- 3.5** It had previously been agreed by all parties that the development did not require the land owned by others in order for the proposed development to proceed.
- 3.6** The Housing, Environment and Economic Development Committee had previously agreed that the Kippen Dairy site, excluding the land not in the ownership of the Council be sold to CHA at the market value after detailed Planning Consent for the residential development had been obtained.
- 3.7** In February 2010 the Scottish Government published outline proposals for the “Innovation and Investment Fund”. This fundamentally changes the current mechanism for social housing investment across Scotland from 1 April 2011 insofar as funds will not be allocated on a regional basis but to individual projects following a competitive process. A more detailed report on the implications of this for West Dunbartonshire will be presented to Committee on 6 April 2011. As a consequence and to secure certainty in funding of this acquisition to support future development it is prudent to consider concluding the sale by 31 March 2011 in advance of the change to funding mechanism.
- 3.8** CHA has been instrumental in producing revised development proposals that are market aligned and that can be delivered timeously.
- 3.9** The Estates Section has concluded negotiations with CHA and the District Valuer at a gross price of £500,000 for the sale of the site. Deductions for a contribution to site abnormalities, which include items such as removal of foundation from the previous development, diversion of services, road widening, site investigation amounting to an agreed level of £41,000 against a claimed figure of £95,500 have to be deducted from this figure and this results in a net receipt to the Council of £459,000.
- 3.10** The agreement negotiated between the Estates Section and CHA allows for deduction in respect of the installation of a gas membrane, inert capping to the garden areas, and vibro improvement, if these items are to be required following the receipt of a site investigation, including bore holes and chemical analysis. The Council’s consultants and internal Contaminated Land Section both state that the risk of this being required is low, however the agreement is that this cost would be shared 50:50 with CHA up to a maximum exposure to the Council of £55,500. This will be monitored and agreed between the Council and CHA’s consultants.

- 3.11** Given the time constraints in respect of funding it will not be possible for CHA to submit a detailed planning application and obtain consent in the time available. As a consequence it is proposed to sell the Kippen Dairy site with the requirement for a transfer to be completed on CHA's receipt of the detailed planning condition removed. While this proposal is contrary to the decision of the committee on 3 March 2010 the change in the funding landscape could not have been foreseen at that time.
- 3.12** The previous requirement for CHA to have obtained detailed planning consent was to protect the Council's position whereby CHA could have secured the site and thereafter undertaken a different development. Legal mechanisms such as Standard Securities, Development Ground Leases, or Economic Development Burdens and a Standard Security could have been negotiated to secure the Council's interest but these have been resisted by CHA. However, CHA has secured support for the development of the site from Scottish Government and will identify the site as a development priority in its future bids to the Innovation and Investment Fund in May 2011. As a consequence of the conditions attached to the Scottish Government funding and assurances from CHA it is considered unlikely that CHA will seek to land bank the site or seek to promote an alternative development to that sought by the Council and in the circumstance it is proposed to sell the site to CHA without any formal legal obligations on CHA in the sale contract as to the timings or design of the development of the site.

4. People Implications

- 4.1** There are no other significant people implications from this proposal other than the resources required by the Estates Section of HEED and Legal Services to negotiate and formalise terms.

5. Financial Implications

- 5.1** There was a capital receipt forecast within the Capital Plan for 2011/12 of £700,000 however given the change in market conditions and the significant reduction in Scottish Government funding for projects of this type it is extremely unlikely that the Council could still expect this receipt to be achieved. The proposal offered by the sale to CHA offers the best realisable price in the market at the current time, and conforms to the District Valuers' valuation of 15 March 2011.
- 5.2** There is the potential that there will be a subsequent repayment to CHA should there be contaminants or poor bearing land structure found following the result of the Soil Investigation. As stated above in 3.10 this could result in a repayment to CHA of £55,500. The Council have agreed to bear necessary title insurance costs in relation to the site.

6. Risk Analysis

- 6.1** As stated in 3.10 and 5.2 above there is the risk that the Council may have to repay to CHA up to £55,500 should the site investigations deliver an adverse result. However the Council has limited its exposure by sharing the cost with CHA.
- 6.2** The previous requirement for CHA to have obtained detailed planning consent was to protect the Council's position whereby Cordale could have secured the site and thereafter undertaken a different development. For the reasons set out at 3.12, it is considered unlikely that CHA will seek to land bank the site or pursue an alternative development proposal.

7. Equalities, Health & Human Rights Impact Assessment (EIA)

- 7.1** No significant issues were identified in a screening for potential equality impact of this measure.

8. Conclusions and Recommendations

- 8.1** In conclusion it is recognised that by selling the site to CHA at this time, the Council will assist in the delivery of 40 flatted and semi detached social housing units to Alexandria and receive a capital receipt now which may not be deliverable in the financial year 2011/12.
- 8.2** It is recommended that the Committee:
- a) authorise the Executive Director of Housing, Environmental and Economic Development to conclude negotiations with Cordale Housing Association Limited at a price of £459,000 despite planning consent not having yet been secured, subject to the condition that Cordale Housing Association shall be responsible for meeting the Council's legal and estates fees, expenses and outlays, together with stamp and registration dues and any associated VAT
 - b) authorise the Executive Director of Housing, Environmental and Economic Development where necessary to repay to Cordale Housing Association Limited an amount not exceeding £55,500 should gas capping, Vibro improvement or inert capping be required to the garden ground areas as provided for following the Site Investigation; and

- c) authorise the Head of Legal, Administrative and Regulatory Services to conclude the transaction subject to such legal conditions that are considered appropriate.

A handwritten signature in black ink, appearing to read 'Elaine Melrose', with a long horizontal line underneath it.

Elaine Melrose
Executive Director of Housing, Environmental and Economic Development
Date: 24 March 2011

Person to Contact: Stuart Gibson - Acting Team Leader, Assets and Estates, Garshake Road, Dumbarton, G82 3PU, telephone 01389 737157, email: stuart.gibson@west-dunbarton.gov.uk

Appendix: None

Background Papers: Housing, Environment and Economic Development Committee 3 March 2010 - Progress report on the sale of Kippen Dairy Site, Main Street, Alexandria to Cordale Housing Association Limited

Wards Affected: 2