

WEST DUNBARTONSHIRE COUNCIL

Report by Executive Director of Housing, Environmental and Economic Development

Council: 28 January 2009

Subject: Cordale Housing Association - Proposed Acquisition of Kippen Dairy Site

1. Purpose

- 1.1** To inform Members that a formal legal offer has been received from Messrs T C Young, Solicitors, acting on behalf of Cordale Housing Association Limited, to purchase land at Main Street/ North Street, Alexandria from West Dunbartonshire Council.
- 1.2** To seek Council approval for the recommendations contained within Section 8 of this report.

2. Background

- 2.1** On 2 November 2005 the Community Safety and Environmental Services Committee agreed that the Director of Development and Environmental Services be authorised to sell 1.83 acres or thereby of land at Main Street/ North Street, Alexandria (the "Kippen Dairy Site") on the open market for private residential use subject to a closing date.
- 2.2** On 2 August 2006 the Community Safety and Environmental Services Committee subsequently agreed to delay the disposal of this land at Main Street/North Street, Alexandria (the "Kippen Dairy Site") until a more comprehensive planning brief for this site and the surrounding area had been developed.
- 2.3** Consultants were appointed to aid the preparation of this brief and a Regeneration Forum was established to oversee the preparation of a masterplan. The consultants preparing the masterplan undertook extensive public consultation and the masterplan was adopted as supplementary planning guidance by the Housing, Environment and Economic Development Committee in October 2008.

2.4 On 15 January 2009 Messrs T C Young, Solicitors submitted a formal legal offer on behalf of Cordale Housing Association Limited to purchase land at Main Street/ North Street, Alexandria for £675,000 by 31 March 2009, subject to obtaining funding from the Scottish Government by 17 March 2009 together with numerous other conditions. Cordale Housing Association Limited also submitted a letter to the Chief Executive, dated 19 January 2009 stating that they would build 30 flats and 12 terraced houses for social rent for the purchase price of £675,000. Alternatively they advised in this letter that they would build 22 flats and 8 retail units at a reduced purchase price of £600,000.

3. Main Issues

3.1 West Dunbartonshire Council does not own all the land within the boundaries of the site at Main Street/ North Street, Alexandria. The site contained now demolished tenements, as well as roads and footways which have been stopped-up. At the time of demolition a full legal title was not obtained to all of the tenements, and on stopping-up, parts of the roads and footways may have reverted to the former proprietor. Legal Services have identified the full extent of these gaps, enabling the Council to enter into negotiations and/or indemnity arrangements to purify the title. In the event that this is unsuccessful a compulsory purchase order could be promoted.

3.2 Section 74 of the Local Government (Scotland) Act 1973 imposes a duty on Local Authorities not to dispose of land for a consideration less than the best that can reasonably be obtained. The Council also requires to demonstrate Best Value in terms of sound management of resources including land, and in its use of review and options appraisal. In the event that a Council wishes to sell land at less than the market value then the consent of the Scottish Ministers is required. Prior to granting such consent Scottish Ministers require Councils to submit full information on values, the reasons why the land is being sold at less than the market value and other information to demonstrate that the proposal represents Best Value.

3.3 In light of the foregoing there are effectively three methods of disposing of ground:-

- a) Sale on the open market, which provides clear evidence that the best price has been obtained.
- b) Negotiation of terms with a single purchaser where the purchaser has a special relationship with the land which means that they are the only purchaser or a purchase by them will maximise the value. Examples might be the sale to a sitting tenant or where a neighbouring proprietor owns part of the site and the Council's ownership could not be independently developed.

c) Sale at less than market value where a full options appraisal has been undertaken and this represents overall Best Value. In those circumstances the consent of the Scottish Ministers will be required, who will require full details of such options appraisal.

3.4 In this particular case there is an existing Council decision to sell the site on the open market and there are a number of potential purchasers. The price offered by Cordale Housing Association Limited does not represent the best consideration reasonably achievable and no options appraisal has been carried out. It is therefore difficult to demonstrate Best Value and may be difficult to obtain Scottish Ministers consent to a disposal at less than market value. Council will also recall criticisms by Audit Scotland in the January 2008 progress report of the Council's decision to transfer Renton Community Education Centre at nil cost into community ownership. In that case, Audit Scotland noted that:-

"No papers were submitted to support the motion, which overturned a previous decision to dispose of the property on the open market. There was no robust review of the implications of this new decision. This decision has significant resource implications for the Council as it would forego a capital receipt for the property." To agree to the present offer from Cordale Housing Association would risk further criticism from Audit Scotland when they return in March 2009.

3.5 The proposed offer of £675,000 by Cordale Housing Association is significantly below the open market value of this site. The current open market value of the site is £850,000 assuming residential development of the site. The value would be higher if the site was purchased for commercial development. Other parties have expressed interest in this site including a Housing Association and retailers.

3.6 In the adopted Dumbarton District Local Plan the Kippen Dairy site is located within Alexandria Town Centre and is partly identified as within the existing town centre and partly as a housing development opportunity. In the West Dunbartonshire Finalised Draft Local Plan, following a pre-inquiry modification agreed at Planning Committee on 4 November 2008, the site is identified for residential or mixed residential/commercial use. An objection to the local plan seeking for the site to be identified as suitable for a wider range of uses is being considered by a Scottish Government Reporter, whose recommendation to the Council is due in April 2009.

3.7 The Alexandria Town Centre Masterplan, referred to in paragraph 2.3 above, seeks to re-introduce a grid pattern within central Alexandria by extending Alexander Street through the Kippen Dairy site to give the area a clearer structure and encourage pedestrian access to the River Leven. The proposals submitted by Cordale Housing Association do not allow for this configuration to be achieved nor do they take account of the relationship with future development opportunities in this wider area.

- 3.8** In addition, in overall design terms this is a very significant development site within central Alexandria and the proposed layout appears weak in terms of massing and building lines.
- 3.9** The Council's Roads Section has advised that an area of land fronting the development site on Main Street, Alexandria would require to be set aside for a future junction improvement at Main Street/ Bank Street to facilitate the Alexandria Town Centre Masterplan. A minor improvement to the Main Street/ North Street junction commensurate with the scale of the proposed development would also be required.
- 3.10** The Council's Roads Section having considered the layout attached to the formal offer submitted on behalf of Cordale Housing Association Limited, are also of the opinion that significant alterations to the provisional design would be necessary to ensure compliance with current road access and parking design standards.

4. Personnel Issues

- 4.1** None

5. Financial Implications

- 5.1** Financial implications are generally outlined in Section 3.

6. Risk Analysis

- 6.1** As noted in Section 3.4 above, no options appraisal has been carried out in relation to a disposal to a single purchaser. There is a risk that the Council could be criticised by Audit Scotland if Best Value is not achieved.

7. Conclusions

- 7.1** Acceptance of the offer submitted by Cordale Housing Association Limited for the purchase of the site at Main Street, Alexandria would be contrary to previous Committee decisions.

8. Recommendations

- 8.1** **The Council is asked to agree:**

- a) **That the formal legal offer submitted by Messrs T.C. Young, Solicitors, on behalf of Cordale Housing Association Limited to purchase land at Main Street/ North Street, Alexandria be refused.**

- b) That delegated authority be given to the Executive Director of Housing, Environmental and Economic Development to negotiate and agree the purchase price of the remaining legal interests within the boundaries of the site and thereafter authorise the Head of Legal, Administrative and Regulatory Services to conclude these transactions subject to such legal conditions considered appropriate.
- c) That following the purchase of all remaining legal interests and the production of a comprehensive development brief by Planning Services, the Executive Director of Housing, Environmental and Economic Development be authorised to advertise the site for sale on the open market subject to a closing date.
- d) That delegated authority thereafter be given to the Executive Director of Housing Environmental and Economic Development in consultation with the Head of Legal, Administrative and Regulatory Services to conclude the transaction subject to such Legal conditions considered appropriate.

Elaine Melrose

Executive Director of Housing, Environmental and Economic Development

Date: 21 January 2009

Person to Contact: William Gibson, Section Head of Estates, Council Offices, Garshake Road, Dumbarton, G82 3PU, telephone: 01389 737156, e-mail: william.gibson@west-dunbarton.gov.uk

Appendices: None

Background Papers: Committee Report of 02 November 2005
Committee Report of 02 August 2006

Ward Affected: Ward 2