

WEST DUNBARTONSHIRE COUNCIL

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

**Housing, Environment and Economic Development Committee:
7 September 2011**

Subject: Alexandria Masterplan: Mitchell Way Redevelopment Site

1. Purpose

- 1.1** The purpose of this report is to advise the Committee of progress towards marketing land within and adjacent to Mitchell Way, Alexandria with a view to selling or leasing the site for up to 125 years and to seek agreement to the site being marketed using the appropriate mechanism to appoint a preferred developer.

2. Background

- 2.1** 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. Two redevelopment options were presented for the site; one supporting the redevelopment of Mitchell Way in its entirety and another with redevelopment focused on the south-west of the area. Both options support the creation of a food-store opportunity and replacement retail units, new residential development and significant changes to the road layout, subject to market interest.
- 2.2** During the preparation of the Masterplan, the Housing, Environment and Economic Development Committee of 9 January 2008 had granted approval to undertake actions that would facilitate the demolition of the south of Mitchell Way. Since then work has been ongoing to relocate existing commercial and residential occupiers. There are 12 commercial premises at 6 - 36 Mitchell Way of which 4 are still occupied, and there are 24 residential units of which 8 are still occupied. Appendix 1 summarises the number of residential and commercial units in each block.
- 2.3** Reports to the Housing, Environment and Economic Development Committee of 3 March 2010 noted progress towards the implementation of the Alexandria Town Centre Masterplan and specifically the marketing brief for the Mitchell Way site (Item 13) and sought agreement in principle to the acquisition of 5 privately owned houses in Mitchell Way (Item 15).

2.4 Following a Tendering Committee of 7 September 2010, Property Agents were appointed to provide property advisory services to the Council in relation to the redevelopment of the site. Since then the Agents have been working with the Council clarifying ownership issues, liaising with the Securitisation project team, developing the marketing brief and determining the scope of the redevelopment opportunity. A site plan with development boundaries has not been provided due to sensitivities regarding existing leaseholders and potential changes to boundaries following responses from the market.

2.5 A report submitted to the 26 January 2011 meeting of Council in part referred to the role of the Alexandria shopping centre in the potential securitisation project and of the likely impact of the redevelopment options on this. A budget of £770,000 was secured for Alexandria Town Centre development. This funding is to assist in making the area attractive to new retailers and to improve the public realm within the Centre.

3. Main Issues

3.1 A marketing brief is presently being finalised. The brief identifies a food-store in the region of 35,000 sq. ft, additional comparison retail space and residential accommodation as being the optimum solution for Alexandria town centre. This reflects the content of the Alexandria Town Centre Masterplan. In addition, a number of supporting documents and technical studies have been commissioned to inform the redevelopment opportunity. These are;

- Retail Impact Assessment (updated from previous study in 2005. This confirms the need for a 35,000 sq. ft food-store)
- Re-costing of Infrastructure Works
- Ground Investigation Study
- Utilities Review
- Design Work

3.2 The Council has taken a Notice of Title (NOT) to land which in its opinion has transferred to itself. Furthermore, the Keeper has accepted that the Council's NOT will be accepted as a foundation writ in any future sale. However, as the title is not fortified with ten years prescriptive possession it will therefore be open for challenge. Title indemnity insurance is an option that will be pursued if necessary.

3.3 In reference to longer term leaseholders the Council has been in discussion with one particular leaseholder. Alternative premises within the town centre which fits the business needs are currently being investigated with a view to reaching an agreement imminently.

3.4 An update on progress with the proposed marketing brief was presented to the Alexandria Regeneration Forum on 27 June 2011. A number of Forum members expressed concern that the site area intended to be marketed excluded block 4 - 18 Mitchell Way (which contains 10 flats and 5 commercial units).

- 3.5** The potential Securitisation project identified the importance of the income generated from the retail units at Mitchell Way and as a consequence the need to retain the housing units on the upper floors. However, following further investigations it was found that in detailed costings the refurbishment of the housing units was not viable, and that demolition of the entire block would be a more cost effective solution.
- 3.6** Presently, the five retail units at 6 - 18 Mitchell Way generate income of £45,000 per annum. Three of the five units are empty and could possibly remain empty due to the conditions of the units and of the housing above. In discussion with the retail advisors working on the securitisation project it is felt that a better option would be demolish block 4 - 18 Mitchell Way and for the Council to keep ownership of that site. This could enable the Council to build 2 - 3 units comprising 13,000 sq. ft in total at a future date. The estimated build cost for such units is approximately £1,140,000. The potential income from these new units is estimated at £100,000 - £120,000 per annum.
- 3.7** The Council may wish to consider in the future if the build of the new retail units should be carried out by the Council itself or by the Special Purpose Vehicle set up to deal with the securitisation project should that project go ahead.
- 3.8** In addition an estimated £291,000 would be required to refurbish the 10 flats at 4 Mitchell Way to SHQS standards, whilst complete demolition of this block (including commercial units) was estimated to cost only £82,000. The option for complete demolition is considered to be the most cost effective, based on the potential increased rental income that could be generated by the construction of new commercial units.
- 3.9** The demolition of all 24 residential properties in Mitchell Way would not present an issue to the Council's Housing Department in terms of service delivery. Tenants have continued to be relocated from 4, 20 and 40 Mitchell Way since early 2008 and all of these properties have been declared surplus to requirements. There are currently eight residents in Mitchell Way. Two of these are owner occupiers who are currently pursuing alternative accommodation. The Housing Service is working with the six remaining tenants to secure suitable alternative accommodation. In addition there are 4 homeless units in use at present. Re-provision of these units will be carried out as required in the context of wider policy in relation to homeless and temporary accommodation.
- 3.10** Significant land and infrastructure works will be required to form the development site, including the demolition of commercial and residential properties. Costs associated with this site in terms of realignment of roads and other abnormal costs will be significant in relation to the value of the site determined by private developers through our tendering process.

3.11 An indicative programme for the project is provided below:

- September 2011: Agreement with long term leaseholders.
- October 2011: Marketing the site to prospective developers (Pre Qualification Questionnaire (PQQ)) (Subject to agreement with long-term lease holders)
- November 2011: PQQ's received
- December 2011: Issue Invitation to Tender (ITT) (40 days)
- February 2012: Receive Tenders (28 days)
- April 2012: Award to Preferred developer and commence Legals
- Report progress to next available HEED committee

4. People Implications

4.1 As discussed in 3.9 above the Council Housing Service is working with the remaining residents to ensure that suitable alternative accommodation is secured.

4.2 The local community may experience temporary disruption to the service provided by the affected retail outlets and this will be managed through the development plan.

5. Financial Implications

5.1 Due to the significant levels of investment required it is envisaged that the redevelopment of this site within and adjacent to Mitchell Way would be taken forward through investment by the private sector. The Council will seek to obtain the best possible return from the redevelopment of the site while achieving the best regeneration outcome for the town centre in terms of sale or long ground lease (125 years).

5.2 The Council intends to invite the developer to demolish block 4 - 18 Mitchell Way, which would remain in the ownership of the Council. The Council wishes to assess options for the future redevelopment of the area which potentially could generate rental income as referred to in paragraph 3.6. The development of 2 or 3 commercial units totalling 13,000 sq. ft has the potential of increasing the Council's rental income from £45,000 up to £120,000 per annum.

5.3 The Council may wish to consider in the future if the build of the new retail units is to be carried out by the Council itself or the Special Purpose Vehicle set up to deal with the securitisation project should that project go ahead. The estimated build cost for such units is approximately £1,140,000.

6. Risk Analysis

- 6.1** A risk register has been developed and is currently being managed through the Covalent Risk and Performance system.
- 6.2** The Council has taken a Notice of Title (NOT) to land which in its opinion has transferred to itself. Furthermore, the Keeper has accepted that the Council's NOT will be accepted as a foundation writ in any future sale. However, as the title is not fortified with ten years prescriptive possession it will therefore be open for challenge. Title indemnity insurance is an option that will be pursued if necessary.
- 6.3** Developers and large food store operatives are aware of the Council's licensing policy. This may influence interest from the market in the development opportunity.
- 6.4** Not pursuing the development opportunity at this time would increase the chances of the continued decline of the town centre. It would also miss the opportunity of significant investment in the town centre.
- 6.5** There is a risk that the development site in the context set out proves to be commercially unattractive. The economic market for development finance remains turbulent. There is a risk that developers may experience difficulty in obtaining finance.
- 6.6** There is a risk that terminating existing long leaseholders through negotiations may not be resolved within the planned development timescale. If this is not resolved by the end of September 2011 alternative appropriate courses of action available to the Council to achieve vacant possession will be considered, including the potential to come back to Committee to seek support for a Compulsory Purchase Order (CPO) action.
- 6.7** There is a risk in the planning process in terms of potential unanticipated delays.

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

- 7.1** An equalities, health and human rights screening was carried out on this report; the report is not in itself relevant under the general equality duty as it provides an update on an ongoing process and a recommendation for possible future work; therefore an EIA is not required.
- 7.2** It is noted that the development has undergone considerable consultation during its development.
- 7.3** Re housing of Council tenants has been an element of this project and it is noted that such re housing has been carried out under the Council's allocation policy which underwent an EIA in November 2009.

7.4 It is noted in paragraph 9.2 (ii) there is a recommendation that the committee agrees that the site be marketed using the appropriate mechanism to appoint a developer. An EIA assessment will be required as part of the tender and selection process for the preferred developer.

8. Strategic Assessment

8.1 The redevelopment of Mitchell Way and surrounding area is a key stage in the regeneration of Alexandria town centre and will contribute to the social and economic regeneration of the area.

How does this project contribute to economic and social regeneration?

8.2 The project will contribute to economic and social regeneration through the introduction of a food store, new commercial units and residential properties to Alexandria town centre. This will improve the retail offer and introduce new housing to the town centre. The result will be to strengthen the vitality and viability of the town centre while increasing the amount of time the local community use and visit the town centre. Job creation from the operation of the food store and in the construction phase will also be a benefit to the local area.

How will this help make best use of our money?

8.3 The project may result in a capital receipt or revenue through a ground lease for the Council, releasing the value of a key town centre site. Sale or long term lease option of the site will transfer risk associated to development of the site to private developers.

How does it make better use of our physical and human assets?

8.4 The project will release the potential of a key town centre development opportunity and improve the range of uses provided in the town centre. The remainder of the Mitchell Way Shopping Centre comprising the site of 4 - 18 Mitchell Way and nos. 1 - 5, 7, 9, 11 - 13, 15 and 17 Mitchell Way will remain in Council ownership. Completion of new development will result in a positive impact on the value of the Council's assets.

How does it change or impact on service provision?

8.5 Housing will benefit from the removal of unpopular housing stock which has been identified as being surplus to requirements.

9. Conclusions and Recommendations

9.1 The redevelopment of Alexandria town centre will contribute significantly to the economic and social improvement of the area. The redevelopment proposal represents a major step towards this. By going to the development market on the basis of the proposed scope of redevelopment, the Council can determine the interest in the opportunity and benefit from private sector investment in the town centre.

9.2 It is recommended that the Committee:

- (i) Notes progress towards marketing land within and adjacent to Mitchell Way, Alexandria
- (ii) Agrees that the site be marketed using the appropriate mechanism to appoint a developer.
- (iii) Notes that a further report will be submitted to the spring 2012 meeting of the Committee informing them of the selected preferred bidder and outlining the process to be followed to gain final Committee approval for the sale or ground lease of the development opportunity.

Elaine Melrose

Executive Director, Housing Environmental and Economic Development

Date: 12 August 2011

Person to Contact: Jamie McCracken - Regeneration Officer, Garshake Road, Dumbarton, telephone: 01389 737215, e-mail: jamie.mccracken@west-dunbarton.gov.uk

Appendix: Appendix 1 - Property Schedule- Mitchell Way

Background Papers: Report to Housing, Environment and Economic Development (HEED) Committee of 9 January entitled Alexandria Town Centre Masterplan Update

Report to HEED Committee of 8 October 2008 entitled Alexandria Town Centre Masterplan

Report to HEED Committee of 3 March 2010 entitled Alexandria Masterplan: Mitchell Way Marketing Brief

Report to HEED Committee of 3 March 2010 entitled Surplus Council Housing Stock: Owners

Report to Council of 29 January 2011 entitled The
Securitisation of the Council's Non Operational Estates
Portfolio

Wards Affected: 2