

## Disposal of former St Nicholas School, 349 Gorgie Road, Edinburgh

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### Finance and Resources Committee

27 January 2009

#### 1 Purpose of report

- 1.1 To recommend the terms and conditions for the sale of St Nicholas Special School, 349 Gorgie Road, Edinburgh.

#### 2 Summary

- 2.1 As part of the Special Schools Initiative, two new Special Schools have been constructed on new sites, to replace the educational services provided by the St Nicholas and Kingsinch Schools. Part of the funding package for the new schools is to be provided from the capital receipt realised from the sale of part of the site of the former St Nicholas School at 349 Gorgie Road.
- 2.2 The former school site was advertised for sale in late Summer 2007 when 24 offers were received, with the disposal to Mactaggart and Mickel approved by the Finance and Resources Committee of 13<sup>th</sup> November 2007. Missives were about to conclude in July 2008 when Mactaggart and Mickel withdrew from the sale due to their lack of confidence in the residential property market.
- 2.3 Dunedin Canmore Housing Association's (DCHA)'s bid in late Summer 2007 ranked one below Mactaggart and Mickel. DCHA were therefore approached to establish if they were still interested in the site. Whilst the residential property development market has slowed substantially there is still demand from Housing Associations looking for suitable sites.
- 2.4 DCHA is one of the Council's three preferred partner registered social landlords and this report seeks authority to proceed with the disposal which will provide a development of approximately 95 affordable houses.

#### 3 Main report

- 3.1 The subjects of disposal comprise a site extending to 0.530 hectares (1.31 acres) or thereby as shown hatched on the attached indicative plan.

- 3.2 Following the marketing of the site over the Summer in 2007, twenty-four offers were received. The offer of £4,819,250 (gross) was made by Mactaggart and Mickel and they were selected as the preferred developer. The offer was subject to a number of suspensive conditions that would eventually considerably reduce the purchase price including obtaining planning consent on terms acceptable to the purchaser, reductions for affordable housing (25%) and other Section 75 obligations, reductions for extraordinary ground/site costs and clear Title report. These are normal suspensive conditions for a sale of this nature where there is uncertainty over the final planning position and little information available on the underlying ground conditions. These normally result in a long lead-in time before the seller receives a net capital receipt for the site.
- 3.3 Prior to concluding the Missives in July 2008, Mactaggart and Mickel withdrew from the transaction quoting the deteriorating market conditions and the ongoing global financial uncertainty.
- 3.4 Given the passage of time and the substantially different market conditions the Council commissioned independent consultants to carry out a development assessment and look at disposal options available to the Council for the St Nicholas' site in the current economic climate. This report concluded that the increase in development costs (in terms of financial costs and the increased time required to sell sites and clear debts) is pushing land values down. Further, in looking at the options available to re-market the site, the report advised against an open market transaction at this time.
- 3.5 Consequently, the Council opened up discussions with the original underbidder, DCHA, to establish if an early capital receipt to the Council could be secured, whilst at the same time securing the site for 100% affordable housing units. If achievable, this proposal would also meet the Council's further corporate aspiration of providing an increased supply of land for affordable housing. Provisional main Heads of Terms have subsequently been agreed as detailed below.
- 3.6 A purchase price of £2,850,000 payable on the date of entry which is anticipated during the 2008/09 financial year.
- 3.7 The purchase price is based on the assumption that planning consent will be granted for 95 affordable residential units. Clawback and overage provisions will be incorporated into the Missives to protect the Council's interests.
- 3.8 The offer is subject to the purchaser being satisfied with the ground conditions of the site following survey. Abnormal costs, if any, may be deducted from the purchase price once they have been determined and agreed between the purchaser and the Council.
- 3.9 The purchase price may be reduced in respect of Section 75 contributions.
- 3.10 The purchaser will pay a contribution towards the Council's reasonably incurred legal and other costs associated with concluding the transaction.

#### **4 Financial Implications**

- 4.1 A capital receipt of £2,850,000, subject to final agreement on abnormal costs and clarity on the final consented scheme will be secured in the financial year 2008/09. The capital receipt will be credited to Children & Families Capital Investment Programme.

#### **5 Environmental Impact**

- 5.1 None. The site for sale has already been cleared by the Council.

#### **6 Conclusions**

- 6.1 The sale will bring a capital receipt to the Council in the 2008/9 financial year, and will enable the site to be developed for 100% affordable housing, thus supporting this element of Council policy.

#### **7 Recommendations**

- 7.1 It is recommended that Council approves the sale of the site of the former St Nicholas' School to Dunedin Canmore Housing Association on the above terms.



**Dave Anderson**  
Director of City Development

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Appendices	1 Location Plan
Contact/tel/Email	Gill Hunter – Estates Surveyor Tel: 529 6528
Wards affected	Fountainbridge/Craiglockhart, 9
Single Outcome Agreement	Supports National Outcome 8 – We have improved the life chances for children, young people and families at risk. Supports National Outcome 10 – We live in well-designed, sustainable places where we are able to access the amenities and services we need. Supports National Outcome 12 – We value and enjoy our built and national environment and protect it and enhance it for future generations.
Background Papers	Report to Finance and Resources Committee on 13 November 2007.



NORTH

100

GORGIE PARK ROAD

<b>• EDINBURGH •</b> THE CITY OF EDINBURGH COUNCIL	
CITY DEVELOPMENT EDINBURGH	
Surplus Site St. Nicholas Special School Gorgie Road Edinburgh	21/11/2008
DATE	21/11/2008
SURVEYED BY	F. McDonald
DRAWN BY	F. McDonald
FILE NO.	NT 227VA/886 C

348 to 386

GORGIE ROAD

ALEXANDER DRIVE

66

347

2 to 8

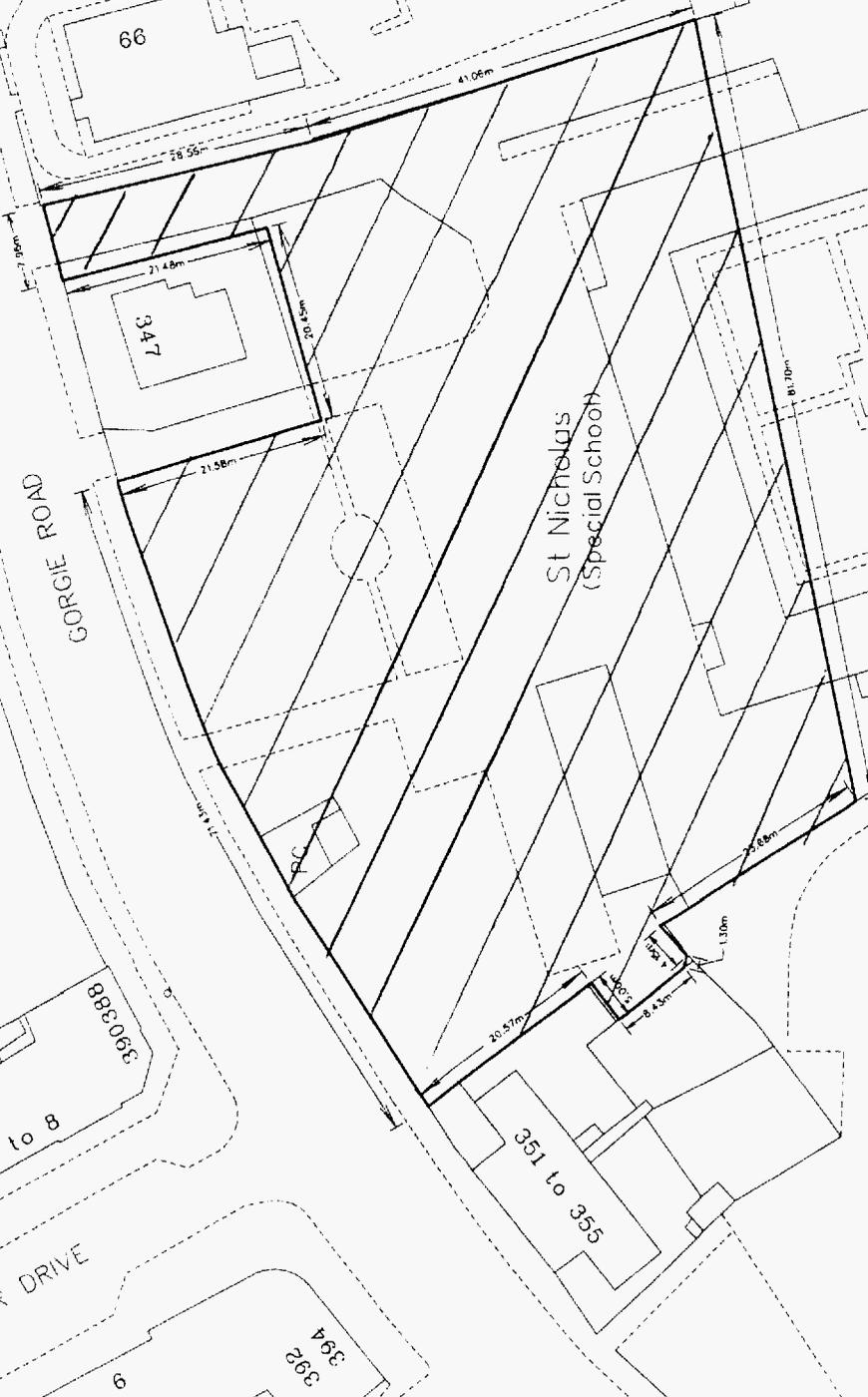
880388

392  
394

St Nicholas  
(Special School)

351 to 355

357



AREA SHOWN OUTLINED RED - 0.530ha (1.31 Acre), or thereby

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