

Finance and Resources Committee

2.00 p.m, Wednesday, 13 May 2015

Proposed Sale: Boroughmuir High School, Viewforth, Bruntsfield

Item number	7.19
Report number	
Executive/routine	Executive
Wards	10 – Meadows/Morningside

Executive summary

The City of Edinburgh Council on 12 December 2013 approved the budget for construction of the new school at Fountainbridge. Part of the funding of the new school would be provided by the receipt from the sale of the existing school site at Viewforth. To dovetail with the new school opening for the 2016/17 school year, marketing of the existing site commenced at the end of November 2014.

At the closing date of 23 February 2015, 20 bids were received from 15 parties and an evaluation exercise was then carried out.

This report summarises the outcome of the bidding process, and seeks Committee approval to sell the property to the highest bidder, CALA Management Limited, on the terms and conditions outlined in the report.

Links

Coalition pledges	P17
Council outcomes	CO7 , CO8
Single Outcome Agreement	SO1

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Recommendations

It is recommended that Committee:-

- 1.1 Notes the marketing and selection process carried out to arrive at the preferred bidder; and
- 1.2 Approves the disposal of the existing school site to CALA Management Limited (CALA), on terms and conditions as set out in this report, and on other terms and conditions to be agreed by the Acting Director of Services for Communities and in consultation with the Head of Legal Risk and Compliance.

Background

- 2.1 The City of Edinburgh Council, on 12 December 2013, approved that £5m from the proceeds of the sale of the existing school site would be used as part funding for the new school at Fountainbridge.
- 2.2 The existing school, as shown outlined red on the attached plan, was built between 1911-1913 and is category B listed. The purpose-built high school also lies within the Marchmont, Meadows & Bruntsfield Conservation Area and is situated on a gross site area of 0.88 Ha (2.18 acre) or thereby.
- 2.3 To minimise future holding costs, the strategy was for the Council to divest from the property interest as close as possible to the decant to the new school. Taking into account the opening of the new school is programmed for summer 2016, marketing commenced late November 2014. All parties which noted interest received a marketing pack containing the original construction drawings, current layout drawings, asbestos report, title information, utilities plans and building condition reports. All interested parties were also given access to undertake viewings/inspections by their design teams. The Planning Service provided further guidance on proposed uses.
- 2.4 The marketing exercise produced in excess of 30 notes of interest, the majority from residential developers and a number from developers of student accommodation.
- 2.5 At the closing date of 23 February 2015, 20 bids were received from 15 parties. The bids were analysed against a number of criteria including the level of

receipt, deliverability, and compliance with planning and affordable housing policy (where applicable).

- 2.6 All bids were assessed for planning risk with detailed feedback provided by the Planning Service as part of the evaluation process.

Main report

- 3.1 The fifteen parties that bid at the closing date were: -

- Hadley/Mace;
- Kingsford Estates;
- Development Direct/CNA Metals;
- Calmont Group;
- CALA Management Ltd;
- FM Group;
- Sundial Properties;
- Quatermile Ventures;
- Ashford/Square & Crescent;
- AMA;
- Out of The Blue (Community Bid);
- Duddingston House/McCarthy & Stone/ESP;
- City & Country;
- Buccleuch;
- Study Inn.

- 3.2 The bids were evaluated against a number of key criteria as follows:

- Price, including any overage provision;
- Proposed Use;
- Conditions attached to the bid;
- Planning Risk - Sensitivity to listed nature of main building and surrounding conservation area;
- Adherence to Affordable Housing Policy;
- Certainty of Net Receipt – Treatment of abnormal costs/Guaranteed Minimum Price etc; and
- Deliverability – Funding and timescale for concluding missive, planning process, net capital receipt.

- 3.3 Using this criteria, the bids were analysed to calculate an (i) adjusted net price allowing for known deductions such as section 75 obligations and abnormal costs, and as a further check, (ii) weighted net price, allowing for planning risk. This enabled the bids to be compared on a like for like basis.
- 3.4 The majority of the bidders provided financial information with their proposals to demonstrate that they were of the appropriate financial standing to undertake their respective schemes.
- 3.5 Two parties provided bids that were insufficient in detail to undertake a full analysis.
- 3.6 Following a detailed analysis of the bids, the offer received from CALA Management Limited is considered to provide the best offer to the Council in terms of the criteria outlined in paragraph 3.2.
- 3.7 The offer from Cala Management Ltd is as follows:
- Price: £14.525m subject to a minimum guaranteed net price of £13m, payable in two tranches.
 - Overage: 50% of additional profit where average sales rate exceeds £405/per sq ft.
 - Use: 100 residential apartments comprising one, two and three bedrooms.
 - Conditions: Planning, title, structural survey and abnormal ground costs.
 - Costs: The Council's reasonable legal and professional fees are included in the gross price.
- 3.8 CALA Group is an established residential developer with a head office in Scotland, and well known in the Edinburgh area. In 2013, CALA Group was purchased by Patron Capital, Legal & General and Electra, bringing a significant level of new investment to the business.
- 3.9 A wholly owned subsidiary of CALA Group, CALA Management Limited, will purchase the site.
- 3.10 In terms of capital receipt, the CALA bid contained the highest gross price, the highest net price and the highest weighted price, when adjusted for planning risk.
- 3.11 All bids were for commercial conversion, however, a conditional offer was received from 'Out of the Blue Arts and Education Trust'. The proposed use was to provide a community facility to house artists' studios, multi art form classes and workshops, theatre performances, exhibitions, arts market, participatory arts projects, cafe and rehearsal space. The offer is in the sum of £6.245m, however, it is subject to funding, with no further detail provided. Further, there are a number of planning conditions that are not acceptable to the Council. For

these reasons, and the fact that the bid is significantly lower than the proposed preferred bidder, this bid is not recommended for acceptance.

Measures of success

- 4.1 The success of the sale will be the creation of a capital receipt from the disposal of the existing school to part fund the construction of the New Boroughmuir High School at Fountainbridge and the renovation of a listed building into high quality residential apartments.

Financial impact

- 5.1 A capital receipt of £8m will be obtained in financial year 2016/17 and a guaranteed minimum receipt of £5m in financial year 2017/18.
- 5.2 From the first tranche payment, £5m has been approved as a contribution towards the construction of the new school facility. The remaining receipt in 2016/17 and 2017/18 will be considered as corporate receipts, and prioritised by the Council as part of the future budget setting process.
- 5.3 An ongoing and considerable maintenance liability will be removed from the Council's revenue budget.

Risk, policy, compliance and governance impact

- 6.1 There is a risk the purchaser does not receive planning permission for the proposed development. This will result in increased maintenance costs and lead to delay in realising a substantial capital receipt.

Equalities impact

- 7.1 The disposal will lead to the redevelopment of a prominent and historic institutional building within a city centre site. This will enhance the feeling of security for neighbouring residents and promote health and well-being.
- 7.2 The redevelopment of the site will create economic benefits to Edinburgh, and create employment, which will enhance the right of residents to productive and valued activities.
- 7.3 The redevelopment of the site will have a temporary adverse effect on the surrounding residential area, however, this will be mitigated as much as possible by any contractor. The potential level of investment in the site, and the end result, will justify any short-term adverse impacts.

Sustainability impact

- 8.1 The proposed development will incorporate all modern sustainable methods of construction and will meet current building standards.

Consultation and engagement

- 9.1 A full consultation process will be undertaken as part of the planning application for the proposed development.

Background reading/external references

City of Edinburgh Council 12 December 2013 – New Boroughmuir High School.

John Bury

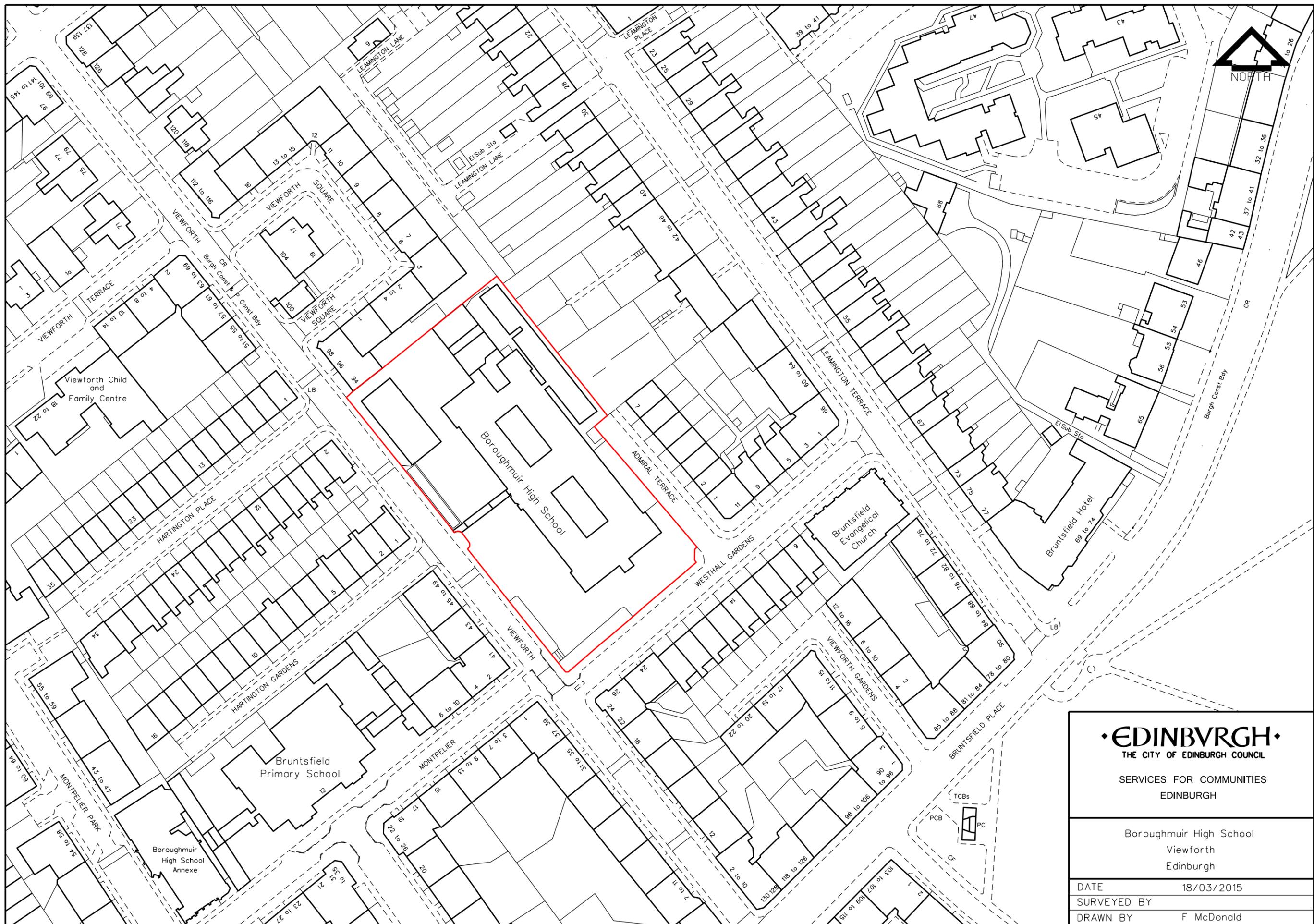
Acting Director of Services for Communities

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Links

Coalition pledges	P17 – Continue efforts to develop the city's gap sites and encourage regeneration.
Council outcomes	CO7 – Edinburgh draws new investment in development and regeneration. CO8 – Edinburgh's economy creates and sustains job opportunities.
Single Outcome Agreement	SO1 – Edinburgh's Economy Delivers increased investment, jobs and opportunities for all.
Appendices	Location Plan.



AREA SHOWN DELINEATED RED - 0.880 ha (2.175 Acre), or thereby

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SERVICES FOR COMMUNITIES EDINBURGH	
Boroughmuir High School Viewforth Edinburgh	
DATE	18/03/2015
SURVEYED BY	
DRAWN BY	F McDonald
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