

Economy Committee

10.00 a.m, Tuesday, 23 June 2015

10-28 Dewar Place/44-50 Torphichen Street – Proposed Disposal Strategy

Item number	7.7
Report number	
Executive/routine	
Wards	11

Executive summary

The purpose of this report is to consider the options for the disposal of the site at 10-28 Dewar Place/44-50 Torphichen Street following the collapse of the proposed sale to Manor Property Ltd.

The report considers the options available to progress the development of the site and seeks approval to transfer the site to the EDI Group Ltd.

Links

Coalition pledges	P17
Council outcomes	CO7 , CO8 , CO19
Single Outcome Agreement	SO1

10-28 Dewar Place/44-50 Torphichen Street – Proposed Disposal Strategy

Recommendations

It is recommended that Committee:

- 1.1 Approves to offer the transfer of the site, at 10-28 Dewar Place/44-50 Torphichen Street, to the EDI Group Ltd;
- 1.2 Refers the decision to Finance and Resources Committee for ratification; and
- 1.3 Notes that the terms and conditions of the proposed transfer will be reported to the Finance and Resources Committee in due course.

Background

- 2.1 The Council owned land at Dewar Place/Torphichen Street extends to 0.114 ha (0.28 acre), as shown outlined red on the attached plan. It forms a prominent city centre gap site on the edge of the Exchange district, and has been vacant since the previous tenements were demolished in 1994.
- 2.2 Since that time, various attempts to dispose of the site have failed due to a combination of complex title issues, planning requirements with the adjoining privately owned property, and site conditions relating to the presence of railway tunnels beneath the site.
- 2.3 Miller Developments (MD) owns the adjoining site, shown outlined blue on the attached plan. In 1998, the former owners of that site obtained planning permission for residential development. Consequently, the planning advice at that time was that development on the Council's site would be significantly restricted due to the need to protect the residential amenity of the adjacent site. Consequently, the former owners of MD's site, with Council consent, obtained planning consent for office development over both sites.
- 2.4 This led to the Council entering into an agreement with MD to sell the sites jointly. Following a joint marketing exercise, the Economy Committee, on 17 September 2013, approved the sale of both sites, to Manor Property Ltd for hotel use, and the legal process was subsequently progressed with MD.

Main report

- 3.1 In late 2014, MD advised it was withdrawing from the sale due to lack of progress with Manor, primarily due to protracted discussions in connection with title issues during which time, market conditions had improved significantly.

- 3.2 The current position offers the Council the opportunity to review the disposal strategy in terms of current policy, including a review of the planning position.
- 3.3 In view of this, and MD's withdrawal from the joint sale, the Council has now advised Manor Property Ltd that it will not proceed with a sale in isolation. The Economy Committee authorised a joint sale and, due to changing circumstances relating to planning and market conditions, the terms agreed with Manor are no longer considered to be best value.

- 3.4 There are currently three main options for disposal as follows:

Market the Site for Disposal

- 3.6 Market conditions have substantially improved since the original transaction was approved in 2013. The previous planning permission for offices is extant but latterly, demand has been primarily for hotel use. The site lends itself to hotel use rather than as modern offices as floor plate design is challenging due to the tunnels below. Any variation of the consent would be treated as a new application.
- 3.7 As the main railway tunnels from Haymarket to Waverley lie beneath the northern section of the site, any building over or near the tunnels will require the consent of Network Rail. To obtain this will involve detailed surveys including structural and condition surveys. This process is long and costly and is likely to take over a year at an estimated cost of £200,000.
- 3.8 Whilst there is a high level of interest in the site, primarily for hotel use, the lack of certainty relating to the extent and cost of works required to the tunnels limits the number of offers and certainty of price.
- 3.9 In order to market the site with greater certainty, it would be desirable for the Council to undertake the surveys with the associated risks, costs and delay. Currently, the Council does not have the financial resources to do this nor can justify the risks involved.

Disposal to the EDI Group Ltd

- 3.10 Given the complex issues outlined above and the requirement to forward fund the tunnel investigations, EDI could add value so as to maximise development potential. EDI has the potential to access funding that would allow the tunnel investigations to be undertaken prior to any marketing exercise.
- 3.11 The site provides a major development opportunity in the city centre and the emerging planning situation with regards to the Exchange 2 Masterplan, in connection with the Scottish Power site opposite, could allow EDI the opportunity to engage with Scottish Power to ensure a comprehensive and holistic development solution for the area. Alternatively, EDI could negotiate a fresh approach in a joint venture with MD.
- 3.12 Initial discussions have taken place with EDI which has confirmed interest in either purchasing the site or entering into a development management agreement. If Committee is minded to approve this option, Heads of Terms will

be agreed and reported to the Finance and Resources Committee for approval in due course. This would also require EDI Board approval.

Disposal to Miller Developments

- 3.13 Since withdrawing from the sale to Manor, MD has approached the Council with a view to purchasing the site on the basis that it receives 15% developers profit with the ultimate purchase price being split 80% to the Council and 20% to Miller (as per the original transaction).
- 3.14 While combining the two sites would create a slightly larger site and potentially create a better designed product, as a result of the planning review, matters would have to be renegotiated with MD. A transfer of the site to EDI would not prohibit MD from being involved, if a mutually acceptable deal could be agreed between EDI and MD.

Conclusions

- 3.15 In view of the historic and existing challenges of the site, the availability of EDI as a potential funding source, with the potential to bring added value as part of a wider masterplan, should result in an acceleration of the development and financial return to the Council. Consequently, it is proposed that the site be transferred to the EDI Group Ltd on terms and conditions to be agreed.

Measures of success

- 4.1 The proposed sale will enable the Council to generate a substantial capital receipt and secure the development of a prominent gap site in the city centre.

Financial impact

- 5.1 A capital receipt to the Capital Investment Programme in the financial year 2016/17.

Risk, policy, compliance and governance impact

- 6.1 The site has significant constraints in terms of the railway tunnels. By transferring the site to EDI, the Council minimises its exposure to risk while still realising a capital receipt.

Equalities impact

- 7.1 The development of this site will have a beneficial impact on the rights to physical security and productive and valued activities.
- 7.2 By transferring the site to EDI rather than on the open market, there may be a potential negative impact on the rights of interested parties. Given the wider benefits in the transfer to EDI, this potential impact is held to be proportionate and justifiable.

Sustainability impact

- 8.1 Construction on a currently vacant site will have a negative impact on carbon emissions, which will be mitigated by the building being constructed to modern standards.
- 8.2 Reusing a brownfield site in the city centre is a more sustainable approach than the use of greenfield or less central sites.

Consultation and engagement

- 9.1 The development of the site will be subject to consultation through the planning process.

Background reading/external references

N/A

John Bury

Acting Director of Services for Communities

Contact: Lesley Turner, Senior Estates Surveyor

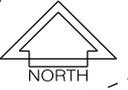
E-mail: lesley.turner@edinburgh.gov.uk | Tel: 0131 529 5954

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. CO19 – Attractive Places and Well Maintained – Edinburgh remains an attractive city through the development of high quality buildings and places and the delivery of high standards and maintenance of infrastructure and public realm.
Single Outcome Agreement	SO1 – Edinburgh’s Economy Delivers increased investment, jobs and opportunities for all.
Appendices	Location Plan

Torphichen Street
Education Centre
27

Canning House



TORPHICHEN STREET

40

Local Govt
Offices

Electricity Offices
and Depot

DEWAR PLACE

DEWAR PLACE LANE

29 27 25

29

8

2

PH

176 to 180

174

Conference House

152

MORRISON STREET

135 to 139

to 127

CITY DEVELOPMENT
329 HIGH STREET
EDINBURGH EH1 1PN

LAND AT 10-28 DEWAR PLACE AND
44-50 TORPHICHEN STREET
EDINBURGH
AREA = 0.114Ha (0.28acres)

LAND SURVEY SECTION

SURVEYED BY MB,AR
DRG.NO. A4/128
O.S. REF. NT2473
DRAWN BY MB
DATE 16/8/13

SCALE
N.T.S.

•EDINBURGH•
THE CITY OF EDINBURGH COUNCIL