

10.00am, Thursday 28 June 2018

India Quay Update – referral from the Housing and Economy Committee

Item number

Report number

Executive/routine

Executive

Wards

9. Fountainbridge/Craiglockhart

Council Commitments

[1](#), [2](#), [10](#), [11](#)

Executive Summary

On 7 June 2018 the Housing and Economy Committee considered a “B” agenda report by the Executive Director of Place on India Quay which provided further information on the ability to deliver more social rented accommodation within the scheme, the ability of the Council to secure owner occupation in perpetuity on the parts of the site that the Council intends to sell to a development partner, the findings from the ‘soft market’ testing undertaken in relation to Plot E2, and the project management arrangements.

Terms of Referral

India Quay Update – referral from the Housing and Economy Committee

1. Terms of Referral

- 1.1 In agreeing the delivery strategy for India Quay in March 2018, the Housing and Economy Committee asked that certain matters should be given further consideration.
- 1.2 The Committee on 7 June 2018 heard deputations from Tollcross Community Council and the Fountainbridge Canalside Initiative (FCI).
- 1.3 It then considered a report by the Executive Director of Place which provided further information on the ability to deliver more social rented accommodation within the scheme, the ability of the Council to secure owner occupation in perpetuity on the parts of the site that the Council intends to sell to a development partner, the findings from the 'soft market' testing undertaken in relation to Plot E2, and the project management arrangements.
- 1.4 The Committee agreed:

Motion

- 1) Committee agrees recommendations 1.1.1, 1.1.2 and 1.1.4 in the report.
- 2) In relation to recommendation 1.1.3, Committee
 - i. Agrees the proposed approach to the delivery of the development of plot E2, set out in paragraph 3.14 of the report, in principle, subject to due diligence of the proposed office development.
 - ii. Delegates the final decision to the Executive Director of Place in consultation with the Convener and Vice Convener of Housing and Economy Committee, and one Housing and Economy political spokesperson from each party.
- 3) Committee agrees to work with EICC on their future development needs
 - moved by Councillor Kate Campbell, seconded by Councillor Lezley Marion Cameron

Amendment

To defer the decision to the next meeting of Committee for further information on the relationship between the shareholder and the Arms Length External Organisation, and communications that had taken place between the Council and Edinburgh International Conference Centre in respect of deputation requests.

- moved by Councillor Rose, seconded by Councillor McLellan

Voting

The voting was as follows:

For the motion - 7 votes

(Councillors Kate Campbell, Cameron, Key, Miller, Munro, Rae and Work)

For Amendment - 4 votes

(Councillors Jim Campbell, Lang, McLellan and Rose)

Decision

- 1) To approve the motion by Councillor Kate Campbell.
- 2) In terms of Standing Order 28, the requisite number of members required that the decision be referred to the Council as a recommendation.

2. For Decision/Action

- 2.1 The Council is invited to consider the recommendations of the Housing and Economy Committee.

Background reading/external references

Housing and Economy Committee, 7 June 2018

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3. Appendices

Appendix 1 – Report by the Executive Director of Place

Housing and Economy Committee

10.00am, Thursday, 7 June 2018

India Quay – update

Item number	
Report number	
Executive/routine	Executive
Wards	9. Fountainbridge/Craiglockhart
Council Commitments	1 , 2 , 10 , 11

Executive summary

In agreeing the delivery strategy for India Quay in March 2018, the Committee asked that certain matters should be given further consideration.

This report provides further information on the ability to deliver more social rented accommodation within the scheme, the ability of the Council to secure owner occupation in perpetuity on the parts of the site that the Council intends to sell to a development partner, the findings from the 'soft market' testing undertaken in relation to Plot E2, and the project management arrangements.

A finalised development strategy is now proposed and the consideration of the Committee.

India Quay – update

1. Recommendations

- 1.1 It is recommended that the Committee:
 - 1.1.1 Agrees the proposed increase in the proportion of social housing provided on plots W3 and W4.
 - 1.1.2 Notes the limitations in relation to ability to restrict a home owner from renting out their property and agrees that all possible steps will be taken through the procurement process.
 - 1.1.3 Agrees the proposed approach to the delivery of the development of plot E2 set out in this report.
 - 1.1.4 Agrees the project management and resourcing arrangements set out in this report.
 - 1.1.5 Notes that a further report will be provided to Housing and Economy Committee in November reporting on the finalised district heating strategy and providing a programme update.

2. Background

- 2.1 India Quay refers to 4.7 hectares of cleared brownfield land in Fountainbridge acquired by the Council in 2012. The new Boroughmuir High School has been developed on 1.2 hectares leaving 3.5 hectares of surplus land comprising plot E1; plot E2; and plots W1–W4 as shown in Appendix 1. Planning consent was granted in June 2016 for the development of 340 homes; 11,621 sqm of office space; 11,858 sqm of cultural space; 6,765 sqm of hotel space; 4,476 sqm of retail/services space; and 345 parking spaces (reference: [14/02814/PPP](#)). Detailed planning consent was granted in December 2016 for 434 homes (an increase of 94 – 28% – on the masterplan), 3,063 sqm of retail/office space, and 146 parking spaces on plots W1-W4 (reference: [16/03321/AMC](#)).
- 2.2 On 27 March 2018, the Finance and Resources Committee approved the disposal of plot E1 of India Quay to Vastint Hospitality BV. This transaction gives 0.57 hectares of land to Vastint on which it proposes to take forward a residential development incorporating business space, space for social enterprises, and retail units on the ground floor. As part of the transaction, the Council has carried

out an excambion with Vastint which creates a more logical ownership boundary between plot E2 and Vastint's land, facilitating the development of both sites. Vastint has submitted a proposal of application notice (PAN) for the site in question and is expected to submit a full planning application later this year.

- 2.3 On 22 March 2018, the Housing and Economy Committee was presented with recommendations for taking forward the development of the remainder of India Quay. The Committee resolved to:
- 2.3.1 Take forward a mixed-tenure housing development on plots W1-W4 while continuing to explore options to increase the proportion of social housing delivered on site and measures to ensure that housing developed for mid-market rent and home-ownership is retained for that use.
 - 2.3.2 Take forward an office-led development of plot E2 via a conditional sale or the appointment of a development partner.
 - 2.3.3 Receive a further report on the approach to delivering the development of plot E2, to include an exploration of options for complementary development with the assumption being residential; to indicate how the de-risking of the development via the introduction of complementary uses could support the delivery of a mix of class 4 uses as specified in the Fountainbridge Development Brief; and to keep open the option for direct delivery and longer-term ownership as an alternative to a conditional sale of the plot.
 - 2.3.4 Receive an update report on progress towards delivering a district heating scheme within not less than two cycles.
 - 2.3.5 Recognise that should the proposed site for the expansion of Boroughmuir High School prove unsuitable plots W1-4 would potentially need to be reconsidered as part of a range of alternatives.
 - 2.3.6 Receive an update report on project leadership arrangements within one cycle, to include an identification of key roles and capacity required.

3. Main report

Plots W1-W4

- 3.1 The Housing and Economy Committee has approved a mixed tenure development on plots W1-W4 of India Quay in line with the consented masterplan. It is anticipated that 435 homes and 3,063 sqm of ground-floor commercial space can be delivered on the site.

Housing tenure mix

- 3.2 Demand for social rented homes in the area is very high, with an average of 304 bids, compared to a city-wide average of 160. The housing mix on plots W3 and W4 has been reviewed to reflect the request from Committee to increase the proportion of social housing delivered on site. The proposed revised mix is outlined below:

Housing tenure mix on plots W3 and W4		
Tenure	Current homes	Proposed homes
Social rented	75	112
Mid-market rent	37	32
Market rent	64	32
Total	176	176

- 3.3 The proposed tenure mix shows an increase of 37 (50%) in the number of social rented homes whilst still providing homes for mid-market and affordable market rent. This increase in social rented homes will require additional grant funding from the Affordable Housing Supply Programme. Resources are available within the programme, but is likely to be the maximum number of units that can be accommodated without having an impact on the delivery of new social rented homes elsewhere in the city. The social rented homes will be owned and managed by the Council, whilst it is the intention that the mid-market and market rented homes will be owned and managed by the Council's new housing delivery limited liability partnerships (LLPs).
- 3.4 These changes are not expected to impact on the overall capital receipt from the sale of the remaining plots to a private housing developer and, in turn, the receipt paid to the General Fund from the Housing Revenue Account. The capital receipt is required to cross-subsidise the delivery of the affordable homes and will also enable the development risk to be shared with the private sector.

Retention of units for mid-market rent and owner-occupation

- 3.5 On 22 March 2018, Committee requested that officers explore measures to ensure that homes developed for mid-market rent and home ownership are retained for that use.
- 3.6 It is intended that the housing for mid-market and market rent will be owned and managed by the Council's new housing delivery LLPs. These homes will be let using a private residential tenancy agreement which makes clear provision against subletting without the written permission of the landlord. The managing agent will carry out regular inspections to ensure that this is the case.
- 3.7 Independent legal advice has been commissioned to evaluate the options available to the Council in terms of imposing conditions that may restrict the use of private housing to sole or principal homes only (eliminating the ability for these properties to be used as short term or holiday lets). The legal advice focused on

the framework of both property and planning law. From a property perspective it would be problematic for the Council to impose an enforceable burden which prohibits owners from privately letting. As the Council intends to sell land for private development it will not own the properties and would not have any entitlement to enforce a burden.

- 3.8 Detailed planning consent for India Quay was granted in December 2016. Consequently, the opportunity to impose additional planning conditions has passed. Even if this was not the case, imposing conditions that prohibited letting out of private residential properties through either planning conditions or section 75 obligations is likely to be vulnerable to successful legal challenge. The advice taken is that this is not a method of control that could be used.
- 3.9 There is however an opportunity for this issue to be partly addressed through the procurement of a private development partner. The development agreement that is put in place could contain a clause that restricts multiple sales to individual purchasers at the first point of sale. This has been put in place in other Council-led housing developments in Gracemount, Pennywell and North Sighthill. This measure would make it more challenging for a single individual or organisation to purchase multiple units for use as short term/holiday lets.
- 3.10 The legal advice received by the Council has suggested that a more holistic response to the issue of short term/holiday lets would be to introduce a wider licensing regime for private lettings and holiday accommodation lettings. The Council has asked the Scottish Government to introduce such a licensing regime and the short-term let member-officer group is continuing to develop detailed proposals for further discussion with Scottish Government.

Plot E2

- 3.11 The Housing and Economy Committee has approved the Council bringing forward plot E2 for an office-led development by way of conditional sale or the appointment of a development partner.
- 3.12 A “soft marketing” exercise was undertaken by Council officers in April 2018. This is a process often used to gauge interest in a development opportunity before taking a final decision to sell land. In this case it was used to solicit views from the development community on the opportunities for plot E2 and the most effective model for delivery. Officer contacted 14 parties who had already expressed an interest in the site. Ten responses were received all of which were positive about the development potential of the plot. The key findings of this exercise are as follows:-
- 3.121 That the plot may be viewed as ‘peripheral’ as a location for Grade ‘A’ office space and that a corporate led model may not be suitable especially if the development has to compete with the Haymarket proposals for tenants.

- 3.122 That the plot does represent a good opportunity for a mixed office scheme offering more flexible space that would be suitable for the emerging tech sector and small businesses.
 - 3.123 That complementary development, whether residential or hotel, may be beneficial provided it does not impact on the critical mass required for the office proposals to be viable and should be an integral part of the proposed scheme.
 - 3.124 That the continued support of the Council as a development partner would be preferable in ensuring delivery of the proposals.
 - 3.125 Some respondents also indicated that they would be willing to work with the Council to deliver the whole masterplan including plot E2.
- 3.13 A deputation from the Edinburgh International Conference Centre Ltd. (EICC), the Council arm's length company responsible for operating the Edinburgh International Conference Centre, spoke at the 22 March 2018 Housing and Economy Committee. The EICC has also responded to the exercise and has proposed that the EICC work with the Council to develop a hotel on all of plot E2 or on part of it. There are a number of options for the delivery of a hotel but it would ultimately be sold or leased to the EICC to provide bed spaces for conference attendees and to generate income as part of the wider business plan for the EICC. While recognising the points put forward by the EICC, officers have a number of concerns about the Council taking forward the development of a hotel, including:
- 3.13.1 Bringing forward a hotel development on all of the E2 plot would be incompatible with the direction already given by Committee.
 - 3.13.2 Developing a hotel on all of plot E2 would leave inadequate space for the delivery of the minimum quantum of office space required by the planning condition, which would require securing a new masterplan consent, delaying delivery.
 - 3.13.3 The development of a hotel by the Council would carry significant risks. As the EICC is an arm's length company of the Council, the Council would be exposed to financial risks during both the development and operation phase.
 - 3.13.4 The appointment of a development partner could be made in order to share in the financial risk although this would impact on the future income secured by the EICC.
 - 3.13.5 It may be possible to deliver a smaller hotel alongside an office although this will be more challenging from both a design and delivery perspective if this is not integral to the office proposal. From a design perspective delivering two buildings might reduce the overall square meterage of development that could be achieved compared with a single building. From a viability perspective it would be a separate development with the income going to the EICC rather than assisting the viability of the overall scheme.
 - 3.13.6 There are five hotels currently at various stages of development or planning in the area.

Plot E2 – Recommended Approach

- 3.14 The recommended option for plot E2 is to procure a development partner in order to secure the delivery of a modern workspace aimed at providing for the needs of emerging tech sector and smaller business. This will be taken forward in co-ordination with the procurement exercise for plots W1-W4. As referenced in the Business Bulletin there is a pressing need for more business space in the city and the tech sector now represents a significant proportion of this demand. This is a clear area where intervention is appropriate and is in line with the objectives of the emerging Economy Strategy. It is not envisaged that hotel or residential development will be required to cross subsidise the office use and may create design challenges if taken forward as separate developments. Any complementary development will be restricted to residential use and would be ancillary in nature. It is anticipated that development on plot E2 could commence in 2020.

Boroughmuir High School

- 3.15 There is a requirement to expand the new Boroughmuir High School due to ongoing pressures on the roll. The preferred site for the expansion is a vacant plot of land between the existing school building and 81–85 Dundee Street. The Council has commissioned design work to determine whether extending the school on this site is feasible.

Enabling works

- 3.16 The EDI Group Limited has previously tendered for a contractor to carry out site wide enabling works, including sewer diversions and works to the retaining walls. A lead bidder was identified through this process. Given the changes agreed to the housing mix and delivery approach it is proposed that this scope is revisited to determine the most efficient programme for delivering the works. To comply with procurement legislation, once the revised scope is agreed there will be a tender process to appoint a contractor to deliver the works. There are several contractor frameworks available which can be used for this purpose and to allow the works to commence during 2018/19.

Project management and resourcing

- 3.17 A programme management framework has been established and is set out at Appendix 2. This includes senior representation from the Place, Resources, and Communities & Families directorate. An experienced, Senior Construction Project Manager has been appointed to co-ordinate programme delivery for the Council. There is existing capacity within the Council to resource the programme team. The internal programme team will be supported by a design team who will progress designs for plots W1–W4 and E2 to allow a procurement exercise to be undertaken for the appointment of a development partner.

Next Steps

- 3.18 The next step will be to report to the Finance and Resources Committee in October 2018 where approval will be sought for the financial case and the procurement approach. A report will then be provided to the Housing and Economy Committee in November seeking agreement on the finalised district heating strategy and providing a project update. Thereafter, the procurement exercise will be run and Committee agreement will be sought next calendar year for the award of contract(s).

4. Measures of success

- 4.1 By 2025 at the latest, India Quay has been fully developed to deliver a mix of residential and commercial buildings in line with the approved masterplan and other relevant planning guidance and Council policies.
- 4.2 The Council has realised a positive return on its initial acquisition of India Quay from its development and/or disposal.

5. Financial impact

- 5.1 This section has been removed for publication due to the confidential nature of the content.

6. Risk, policy, compliance and governance impact

- 6.1 The development strategy for India Quay has been developed with regard to the Council's policy objectives.
- 6.2 The governance arrangements and project team that have been put in place will ensure compliance with all aspects of law and Council policy.
- 6.3 The proposals will be reported to the Finance and Resources Committee for scrutiny before works on site are taken forward.

7. Equalities impact

- 7.1 The revised proposals for plots W3 and W4 would deliver 112 homes for social rent, helping disadvantaged groups in need for social housing. The homes would meet a range of needs, including families and single people. This would help address homelessness with approximately 60% of social homes in Edinburgh being let to people who are homeless. It is expected that up to 12 homes would be fully wheelchair accessible. All flats would have lift access, helping make them suitable for people with mobility issues.

8. Sustainability impact

- 8.1 The impacts of this report in relation to the three elements of the Climate Change (Scotland) Act 2009 Public Bodies Duties have been considered, and the outcomes are summarised below.
- 8.2 The proposals in this report will help achieve a sustainable Edinburgh, reduce carbon emissions and increase the city's resilience to climate change impacts. An Energy Strategy will be developed for the site, including consideration of the optimal use of renewable energy solutions as well as a district heating network. The affordable housing designs have been developed to meet the higher (silver) levels of energy efficiency and carbon emissions for building standards. Low energy light fittings will be incorporated throughout the public realm and sustainable travel will be encouraged through the provision of around 500 cycle spaces.
- 8.3 The emerging designs for the E2 office building included elements such as a gas-fired combined heat and power system; enhanced daylight penetration via high windows; 180 cycle parking spaces; electric vehicle charging points; and multiple new trees, with the office building designed to meet BREEAM "excellent" standards. It is anticipated that some of these design elements could be incorporated into the final designs for the E2 development.
- 8.4 In response to consultation with the Fountainbridge Sounding Board Council officers are considering the opportunity for enhanced green-space within the Fountainbridge neighbourhood.

9. Consultation and engagement

- 9.1 The agreed proposals for India Quay were shared, and next steps outlined, with the Fountainbridge Sounding Board on 27 March 2018. The Fountainbridge Sounding Board is a forum established in 2013 as a means of consultation and engagement between the local community and investment/development partners. It is attended, hosted and chaired by the ward councillors for Fountainbridge/Craiglockhart (though the group is not formally constituted nor is it a formal member-officer working group); representatives of Tollcross Community Council, the Fountainbridge Canalside Initiative, Grove Community Garden, and Re-Union Canal Boats; and developers with projects in the area. The Fountainbridge Sounding Board is supportive of the revised proposals, particularly the move away from build-to-rent to homes for sale and increased affordable housing. The Board has asked if there is scope to introduce additional green-space within the development in place of paved/hardstanding areas and has also asked about community space within the development. Council officers

are considering how these requests can be fulfilled. The community will continue to be involved as the project progresses.

- 9.2 The revised proposals for India Quay remain in line with the consented masterplan which was the subject of extensive consultation. Additional consultation on plot E2 will be undertaken as part of the statutory planning process, as will the development proposals for plot E1 now being taken forward by Vastint Hospitality BV.
- 9.3 Council officers have engaged with Edinburgh International Conference Centre Ltd. to discuss their proposals for the development of a hotel on plot E2 servicing the Edinburgh International Conference Centre. The outcome of this dialogue is reflected in the above report.
- 9.4 Consultation has been undertaken with the market to assess developer interest in plot E2. The outcome of this dialogue is reflected in the above report.

10. Background reading / external references

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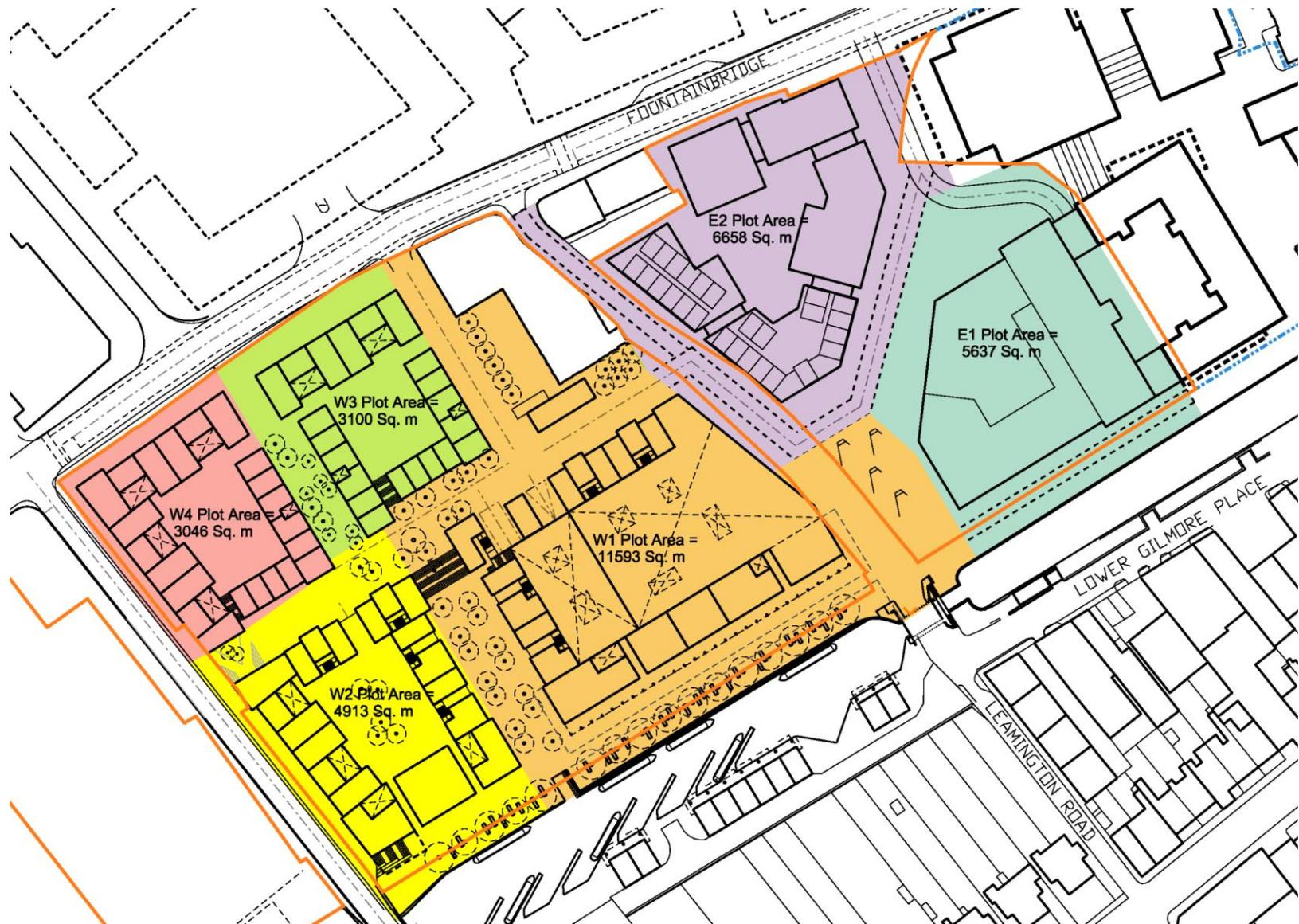
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11. Appendices

1 – India Quay site plan

2 – Programme management framework

Appendix 1 – India Quay site plan



Appendix 2 – Programme management framework

