

North Lanarkshire Council Report

Communities and Housing Committee

approval noting

Ref PH/TM

Date 13/02/19

Orrs Building, South Bridge Street, Airdrie

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Executive Summary

The purpose of this report is to seek committee approval to potentially acquire completed new build flats as part of the new supply programme to enable the demolition and redevelopment of the former Orrs department store in Airdrie to proceed. The building is in a prominent location within the town centre and has been vacant for a number of years, contributing to the decline of the town centre. Its demolition and re-development of the site is a key priority in the town centre regeneration programme.

Recommendations

It is recommended that the Committee:

1. Approve the proposal to potentially purchase 20 flats, on completion, from the future developer of the Orrs building, EDS (Turnkey) Limited, subject to due diligence and a satisfactory legal agreement being concluded.
2. Note that this will be subject to a further report to Committee in due course to approve the proposed acquisition.

Supporting Documents

Council business plan to 2020 The proposal contributes to meeting the council's Business Plan Priority Outcome of Improving Economic Outcomes and Opportunities, including the specific objective of supporting the provision of access to high quality housing.

1. Background

- 1.1 The regeneration of North Lanarkshire's town centres and their redevelopment as modern high quality, mixed use spaces with a much stronger focus on residential provision is one of the key objectives of North Lanarkshire's Economic Regeneration Delivery Plan.
 - 1.2 The Orrs building is in a strategic location within Airdrie town centre and has been lying vacant for a number of years. It was acquired in 2008 by Clyde Valley Housing Association (CVHA) with grant from the Scottish Government for demolition and redevelopment to provide 2,000 sq ft of commercial space on the ground floor and 14 flats above. The project secured planning permission in 2009, although this has since lapsed. Unfortunately the project has not been able to progress due to a funding shortfall in relation to the development of the commercial premises, and an inability to secure a temporary access agreement with neighbouring owners, and in particular the Staging Post pub, to allow the necessary scaffolding to be erected while the demolition is undertaken. Various options were explored but no viable option was available to progress the project as originally planned. CVHA marketed the property for sale in 2016 and although one offer was received the sale subsequently fell through.
 - 1.3 In February 2017 the Housing and Social Work Committee agreed that should CVHA not be able to find an alternative viable solution for the Orrs building then the council should consider options for its acquisition, including potential use of Compulsory Purchase Order powers if required. It was noted that should council acquisition be proposed then this would be the subject of a future committee report.
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2. Report

- 2.1 Following discussion with the council and Scottish Government regarding the best way forward, CVHA again marketed the building for disposal, with the potential option that CVHA could acquire the completed residential units. Any disposal is likely to be at a low, or nil, value, and therefore CVHA will require Scottish Government approval to write off the grant that was originally expended on the acquisition. Scottish Housing Regulator approval will also be required for the disposal of an asset.
- 2.2 The marketing exercise resulted in one prospective purchaser who has experience in redevelopment of town centre sites, and also has property interests in the building adjoining Orrs, coming forward. CVHA have been working through due diligence with the prospective purchaser, and the intention was that CVHA would dispose of the building for a nominal sum, and then acquire the completed residential units as 'off the shelf' acquisitions at open market value following the demolition and redevelopment of the site. However, the market valuations provided by the District Valuer to CVHA for the completed units, fall short of the estimated cost of construction of the flats, taking into account the complexities of the re-development. CVHA are therefore not in a position to purchase the completed units as the open market value falls short of what the developer can afford to sell them for. As the developer would be unable to sell the properties on the open market, due to the low valuations, the sale cannot proceed as originally planned.

- 2.3 A revised design with costs was submitted to Clyde Valley in September 2018 which increased the project to 20 flatted units by increasing the building to 4 storeys. The development will include commercial units on the ground floor which will be retained by the developer. In principle the proposals are acceptable to Planning, however the developer will require to formally submit a planning application for both the demolition and the new development.
- 2.4 As a way forward it is proposed that the council explore entering into an agreement with the developer to acquire the 20 completed residential units as part of the council's new supply programme, subject to completion of due diligence and a satisfactory legal agreement to minimise risk to the council.
- 2.5 In addition to contributing to the regeneration of Airdrie town centre, the proposal would also help meet housing need and support the re-provisioning plans which include the demolition of flats in Holehills and Northburn Place. It is worth noting that this project will not proceed if the council do not take it forward as all other options have been exhausted and the only remaining option would be for the council to CPO the building, including the ground required for access, and re-develop the site itself, including the commercial/retail space. This is likely to take much longer and be more expensive than the current proposal of acquiring completed flats from the developer. It is therefore proposed that the Council explore the possibility of acquiring the flats on completion.
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3. Equality and Diversity

3.1 Fairer Scotland

Increasing the supply of new, affordable housing will help address inequality by providing access to good quality, affordable accommodation that is accessible and energy efficient.

3.2 Equality Impact Assessment

An Equality Impact Assessment has been conducted for the Delivery of additional housing stock via the New Supply Team and the contribution to Local Housing Strategy, Strategic Housing Outcomes.

4. Implications

4.1 Financial Impact

The total cost for this development is £3.2m equating to £160k per unit. A full value for money appraisal and comparison with other council new build sites has been carried out and given the level of abnormal issues with the development of this site, costs are considered justifiable.

It is unlikely that any Scottish Government grant will be available for this project as funding of £0.750m has already been paid for acquisition and fees. If after exploring the implications of acquiring the flats it is decided to proceed then the cost will be met from the Councils Housing Revenue Account.

4.2 **HR/Policy/Legislative Impact**

Legal Services are providing advice regarding the proposed approach for the acquisition of the completed flatted units.

4.3 **Environmental Impact**

The environmental impact of this development will be addressed through the statutory consent process.

4.4 **Risk Impact**

4.4.1 The financial risk to the council is considered to be low as it is anticipated that the council would enter into a Suspensive Missive with the Developer for a fixed price on completion of all units within a realistic timescale. There is a risk however that should the developer not complete the works for some reason, then the site could remain undeveloped and a blight on the town centre.

4.4.2 The due diligence which will be conducted will mitigate or minimise potential risks to the council.

5. **Measures of success**

5.1 The measure of success will be the redevelopment of a prominent but derelict town centre building in Airdrie and the cost effective delivery of 20 new homes for rent to address housing need in a central location.

- Delivery of projects within budget
- Quality of housing delivered
- Contribution to Town Centre regeneration.



Pamela Humphries
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