

**REPORT TO:** POLICY AND RESOURCES COMMITTEE - 9 MAY, 2011

**REPORT ON:** HILLTOWN REGENERATION FRAMEWORK: REDEVELOPMENT  
OPTIONS APPRAISAL

**REPORT BY:** DIRECTOR OF HOUSING

**REPORT NO.:** 206-2011

## **1. PURPOSE OF REPORT**

- 1.1. The purpose of this report is to seek approval of the preferred means of making available the Council's development land interests in accordance with the aims of the Hilltown Physical Regeneration Framework.

## **2. RECOMMENDATIONS**

- 2.1. It is recommended that the Committee approves Option 3, the phased approach, as the appropriate route to securing redevelopment of the Maxwelltown and Derby Street areas.

## **3. FINANCIAL IMPLICATIONS**

- 3.1. Land sales will generate a financial receipt which would be retained by the City Council and used to fund works related to achieving the Scottish Housing Quality Standard. However, future redevelopment infrastructure costs are anticipated to be high given the topography and the ground conditions of both Maxwelltown and Derby Street areas.

## **4. MAIN TEXT**

### **BACKGROUND**

- 4.1. The Planning and Transportation Committee of 14 January 2008 approved the Hilltown Physical Regeneration Framework to guide the future physical regeneration of the area.
- 4.2. The Policy and Resources Committee of 26 October 2009 remitted the Director of Housing to carry out a Strategic Option Appraisal with the intention of identifying the Best Value option to secure the redevelopment of the Maxwelltown and Derby Street areas.
- 4.3. The low rise blocks in Maxwelltown have now been demolished. Following approval of the Housing, Dundee Contract Services and Environmental Services Committees of 14 June and 13 September 2010 the Maxwelltown high-rise are scheduled for demolition in July 2011. Re-housing tenants in Derby Street is ongoing with currently over 87% of Bucklemaker and Butterburn Courts vacant.
- 4.4. As well as the principal redevelopment opportunities at Maxwelltown and Derby Street there are a number of smaller brownfield sites in the Hilltown area where stand-alone redevelopment costs are likely to prohibit redevelopment. Some of these sites are owned by Dundee City Council whilst others are privately owned (see Appendix 2).

Many are in prominent locations and the opportunity to secure their redevelopment, in association with the larger scale redevelopments of the Maxwelltown and Derby Street areas, should be pursued.

## OPTIONS

- 4.5. With a focus on delivering a high quality physical regeneration, three options have been identified by the Options Appraisal Working Group.
- Option 1: Offering all Council owned sites (Maxwelltown, Derby Street and smaller sites) in one package to a single developer or developer consortium. Smaller brownfield sites could be packaged together with the larger opportunities on the basis of proximity.
  - Option 2: Subdivision and marketing of the Council owned sites at Maxwelltown and Derby Street into smaller packages for development by a variety of house builders. Smaller brownfield sites could be marketed separately or jointly with other sites as appropriate.
  - Option 3: Marketing the Council owned sites at Maxwelltown and Derby Street as two separate development opportunities to single developers or developer consortia. Smaller brownfield sites could be packaged together with the larger opportunities on the basis of proximity.
- 4.6. Due to the current economic environment the demand for development land from house builders has significantly reduced. Against this background, and given the scale of redevelopment proposed in the Hilltown, the Council must consider when best to bring development sites to market to ensure quality redevelopment and maximise receipts.
- 4.7. The marketing of sites in a limited number of phases provides opportunities for a mix of potential developers/consortia to become involved, including Registered Social Landlords, whilst providing for the efficient and co-ordinated implementation of development proposals and infrastructure delivery.
- 4.8. The Options Appraisal Working Group conclude that Option 3 presents the best process to deliver a comprehensive quality regeneration of the Hilltown sites (see Appendix 1).

## 5. POLICY IMPLICATIONS

- 5.1. This report has been screened for any policy implications in respect of Sustainability, Strategic Environment Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management. There are no major issues.
- 5.2. **Sustainability:** The redevelopment of these sites is considered to have a positive impact on the Council's Sustainability policy regarding environmental legislation, energy, water, transport, travel and the built environment
- 5.3. **Strategic Environmental Assessment:** As the various plans and guides are developed they will be screened for applicability to EU legislation.

**6. CONSULTATION**

- 6.1. Public meetings held with both the Coldside Community Forum and the Coldside LCPP suggested a local preference for Option 3.
- 6.2. The Chief Executive, Depute Chief Executive (Support Services), Director of Finance, Assistant Chief Executive, Director of City Development and all other Chief Officers have been consulted in the preparation of this report. No concerns were expressed.

**7. BACKGROUND PAPERS**

Policy and Resources Committee of 26 October 2009, Hilltown Regeneration Framework: Option Appraisal Report 385-2009.

**ELAINE ZWIRLEIN**  
**DIRECTOR OF HOUSING**

**APRIL 2011**

## APPENDIX 1

### OPTIONS

The following options were considered:

- i. Option 1: Offering all Council owned sites (Maxwelltown, Derby Street and smaller sites) in one package to a single developer or developer consortium. Smaller Council owned sites could be packaged together with the larger opportunities on the basis of proximity.
- ii. Option 2: Subdivision and marketing of the Council owned sites at Maxwelltown and Derby Street into smaller packages for development by a variety of house builders. Smaller Council owned sites could be marketed separately or jointly with other sites as appropriate.
- iii. Option 3: Marketing the Council owned sites at Maxwelltown and Derby Street as two separate development opportunities to single developers or developer consortia. Smaller Council owned sites could be packaged together with the larger opportunities on the basis of proximity.

### FINANCIAL APPRAISAL - OPTION NET PRESENT VALUE

The capital and revenue costs of each option were combined to produce cash flows for each year of the project and these were subjected to a Net Present Value (NPV) calculation, the purpose of which is to state future cash flows at today's value. The results are as follows: -

	NPV £M
Option 1	(1.001)
Option 2	(0.991)
Option 3	(0.907)

### OPTION COMPARISONS

#### Option 1:

Offering all Council owned sites (Maxwelltown, Derby Street and smaller sites) in one package to a single developer or developer consortium. Smaller Council owned sites could be packaged together with the larger opportunities on the basis of proximity.

This option could be attractive to larger developers because it would provide a significant land bank which could provide continuity of work/development over a long period and if the demolition and clearance of the Derby Street site permits, the two redevelopments could be run in tandem.

The scale of development would also afford an opportunity to attract larger national developers/consortia and/or local RSLs/developers to come together to spread the risk. However, the scale of development could exclude smaller scale local developer involvement.

The development of the larger sites should benefit in a greater co-ordination in approach to design and the provision of infrastructure and community facilities e.g. open space. This option allows linking in the Hilltown smaller sites in order to facilitate redevelopment at economic cost through cross subsidy as well as potentially relocating residents from the Derby Street area.

The successful developer/consortium would purchase an extent of land which would be developed over an envisaged 5-10 year period. It is difficult to predict how the economy, market conditions and specific elements of regeneration required may develop over this period. A Development Agreement between the Council and the preferred developer/consortia would be required to control phasing of the various elements of the proposal.

If the selection process involving community representation is followed and community considerations are within the Development Agreement then community input and involvement should continue to shape the redevelopment.

Considerable management of the Development Agreement may result if a Developer /consortia wish to negotiate terms upon entering into the contract.

Given current market conditions the Council should ensure that land was not released at too low a value and the Development Agreement should also include revaluation and an uplift or profit sharing scheme would be required.

## **Option 2:**

Subdivision and marketing of the Council owned sites at Maxwelltown and Derby Street into smaller packages and releasing for development by a variety of house builders. Smaller Council owned sites marketed separately or jointly with other sites as appropriate.

Redevelopment could comprise numerous sites by dividing Maxwelltown into four parts and the Derby Street area separated into at two parts.

This option would allow the Council control over phasing and land release as market conditions permit in order to maximise capital receipts.

Smaller sites may attract a variety of local developers that could result in a diverse and varied form of development.

The size of each development plot, without guarantee of involvement in future phases, would not generate the economies of scale to involve other undeveloped brownfield sites in the Hilltown where their own size and market demand has guarded against redevelopment.

Depending on market conditions, smaller-scale developers may not have capacity to fund development in the short term and the uncertainty of adjacent development timescales and shared infrastructure costs is unlikely to attract larger developer consortia to deliver within the time frames anticipated.

If the selection process involving community representation is followed, and community considerations are built into the requirements for each site then community involvement will continue to shape the redevelopment.

The development of individual phases within the larger sites would be more difficult to co-ordinate, perhaps leading to difficulties in the timing and funding of necessary infrastructure.

The Council's role in such an approach is likely to be more intensive, placing additional demands on staff resources.

**Option 3:**

Marketing the Council owned sites at Maxwelltown and Derby Street as two separate development opportunities to single developers or developer consortia, with smaller Council owned sites packaged together with the larger opportunities on the basis of proximity.

This option would allow comprehensive regeneration of the two principal areas, Maxwelltown and Derby Street as separate and phased projects and bringing on smaller sites to benefit from the economies of scale.

The development of the larger sites would benefit from greater co-ordination in approach to design and the provision of infrastructure and community facilities e.g. open space.

Separating both areas should attract larger national developers and/or more local RSLs/developers working together as consortia to spread risks associated with development.

Consideration should also be given to the imposition by the Council of Economic Development Burdens within the sales to secure the Council's interest in avoiding land banking and ensure phasing takes place at the appropriate time.

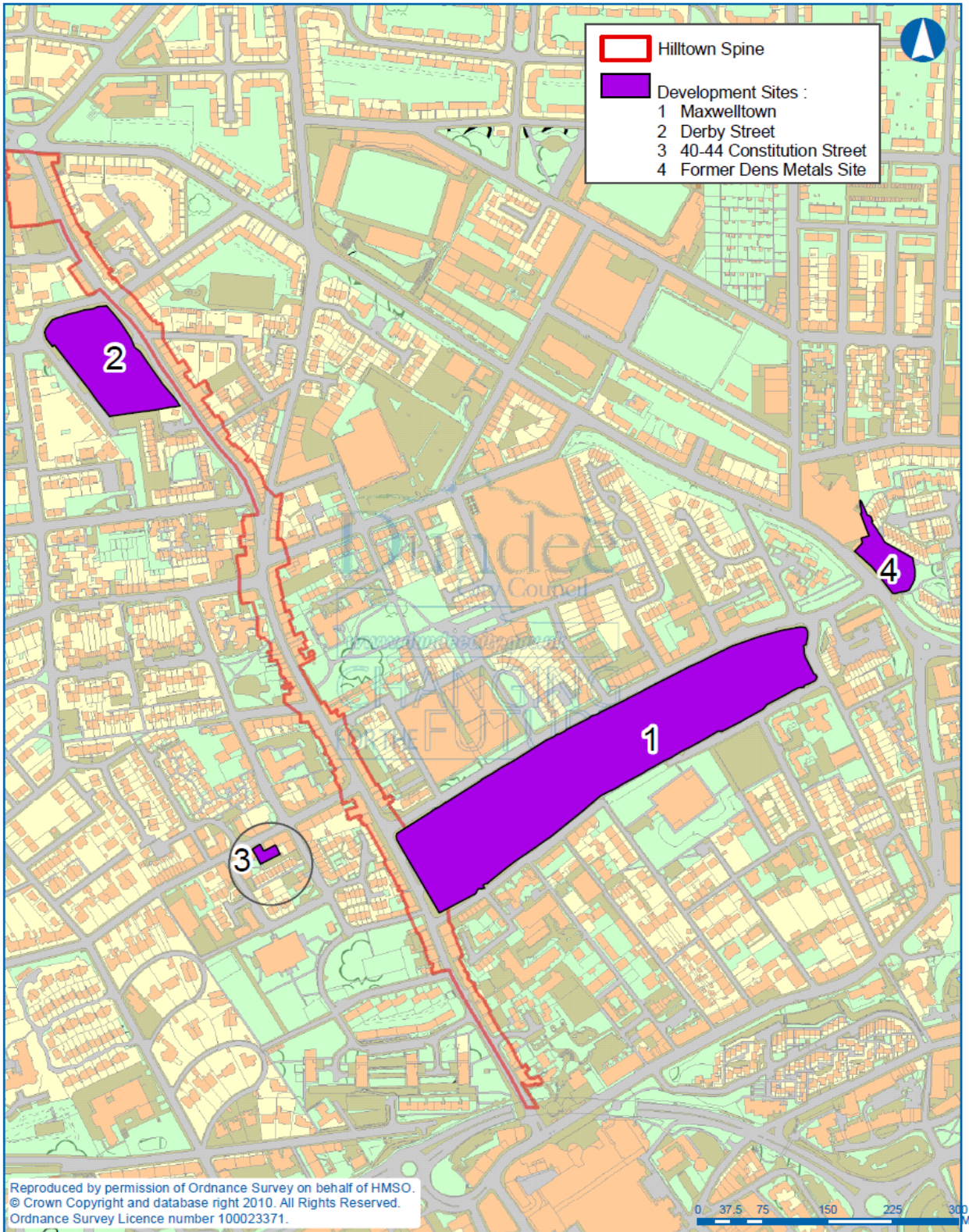
Future phasing/land release agreements based upon previous success and in consideration of the requirements and capacity of each site would provide developers with certainty of future work based upon performance.

This option fits with the timescales associated with the Maxwelltown and Derby Street sites and is more likely to ensure that the Council controls the land release process and to benefit from the best receipts in light of future market conditions.

If the selection process involving community representation is followed, and community considerations are built into the requirements for each site then community involvement will continue to shape the redevelopment.

## APPENDIX 2

### Map of redevelopment Sites



**Dundee** City Council  
**CHANGING FOR THE FUTURE**  
Tayside House,  
28 Crichton Street, Dundee, DD1 3RB

### Hilltown Spine Development Sites

Originator : Lesley Coultts

Department: City Development

Created on : 28/4/11

## APPENDIX 3

### Procuring Redevelopment

It is envisaged that the next stages to procuring redevelopment would involve:

#### **Stage 1**

The Council would create a site planning brief to promote the potential of the sites and generate developer team interest. The brief would be based upon the findings of the Hilltown Physical Regeneration Framework and broadly set out the general requirements for each site in terms of density, building form, uses, infrastructure and any open space provision etc.

The publicity associated with raising developer interest should be broad so that development consortia with the appropriate experience and track record of quality development can be attracted to submit development proposals.

#### **Stage 2**

An assessment panel comprising Coldside Councillors, Council officers and Community representatives from the Coldside Local Community Planning Partnership and the Coldside Community Forum etc should be formed to provide the guidance on the selection criteria with final selection undertaken by the Council.

#### **Draft Headings for Developer Team Assessment Criteria:**

1. **Community Engagement:** There must be appropriate consultation with the existing and emerging communities to ensure high levels of engagement and confidence are met.
2. **Design Quality:** New development will create successful, meaningful and memorable buildings and spaces that contribute to the positive image of Hilltown and Dundee.
3. **Financial Return:** Capital receipt generated from the sale of sites would be retained by the City Council and used to fund works related to achieving the Scottish Housing Quality Standard.
4. **Sustainable Construction:** New development will incorporate sustainable construction methods designed to make best use of available resources and minimise environmental damage and limit long-term maintenance requirements.
5. **Integrated Tenure:** There will be little differentiation in location, design and quality between housing for social rent and that for private sale.
6. **Infrastructure:** The regeneration will require new infrastructure including roads, community facilities, commercial premises, and open space and for these to be provided at time of need.
7. **Long-term management:** The range of tenures and dwelling types will meet a range of accommodation needs attractive to existing and new communities.
8. **Connectivity:** The design and layout should be inclusive and well connected socially and physically within the Hilltown and neighbouring areas.



9. **Promotion:** Ability to advertise the redevelopment locally and within Scotland to promote the positive changes of the Hilltown area.
10. **Recent Examples:** Examples of successful developments undertaken by consortia.
11. **Presumption against land banking** as these are important large sites that are vital to the provision of additional quality houses in the City.