

**FALKIRK COUNCIL**

**Subject: DENNY TOWN CENTRE REGENERATION:  
UPDATE REPORT**  
**Meeting: EXECUTIVE**  
**Date: 24 FEBRUARY 2015**  
**Author: DIRECTOR OF DEVELOPMENT SERVICES**

**1.0 INTRODUCTION**

- 1.1 The purpose of this report is to advise of progress of the Denny town centre regeneration project including the results of the recent Stage 2 Regeneration Capital Grant Fund (RCGF) bid made by the Council and submissions made by prospective developers for the Phase 2 site. Progress is outlined with regard to:

- Phase 1 Development
- Phase 2 Development
- Phase 3 Development
- War Memorial
- Icecream Architecture (ICA) - Public Art
- Communication

**2.0 BACKGROUND**

- 2.1 The Executive considered reports providing updates on Denny town centre regeneration on 29 April and 17 June 2014 covering issues including the development timescale, site assembly progress and relocation of the War Memorial.
- 2.2 The Executive approved the terms of a further report on 30 September 2014 which introduced the potential of Regeneration Capital Grant Fund (RCGF) support for the project where the Council had been invited to proceed to a second stage bid following a successful first stage submission. Members agreed the Phase 1 construction start date of April 2015 to meet RCGF bid criteria and in November 2014 the Council was advised that the bid had been successful.
- 2.3 The Council approved its capital programme budget report on 11 February 2015 which includes a revised budget for the Denny Town Centre Regeneration project including the £1.4m RCGF contribution.

### 3.0 PHASE 1

#### *Development Programme*

- 3.1 The project has reached an important stage. The Council has progressed on the demolition of the existing Church Walk blocks with all blocks now removed. The tendering process for the first phase of works for the new town centre is on progress and a contractor is expected to be appointed in March 2015. An indicative timescale for the project's delivery is set out below. This will be subject to confirmation once the contractor has been appointed and may also be affected by factors outwith the control of the Council or contractor (e.g. utility issues).

Date	Description
April 2015	Construction phase commences for Phase 1
September 2016	Relocate retailers and library staff from portacabins to Phase 1 development. Relocate occupiers of the octagonal building.
July 2017	Completion of Phase 1 work including demolition of octagonal building and completion of town square.

#### *Site Assembly*

- 3.2 Legal agreements have been concluded with existing tenants resulting in the following commitments to units in Phase 1:

Unit 1 – Lloyds Pharmacy  
Unit 4 - Cafe Anton  
Unit 6 - Boots  
Unit 7 - TSB Bank (to be formally concluded)  
Unit 11 – Library

Interest from other parties for accommodation in Phase 1 has been expressed and will be progressed by the Council's appointed retail agents once negotiations are concluded with TSB and the phase 2 marketing has been concluded.

#### *Temporary Retail Village*

- 3.3 The provision of temporary accommodation during the development period has been important in helping to retain existing businesses. The library, Café Anton, Lloyds Pharmacy and Boots have all settled into portacabins enabling them to sustain operations during the build phase.

#### *RCGF Award*

- 3.4 The Council recently submitted a Stage 2 RCGF Bid for £1.4m relating to the Phase 1 development. The Scottish Government, in liaison with Cosla, approved this bid in November last year with the funding to be utilised, in accordance with the bid submission,

during financial year 2015/16. Following the Executive's approval in September, Phase 1 is therefore programmed to start early in April 2015. The funds are an important contribution to the scheme as finalised costs for delivery of the project cannot yet be determined.

#### **4.0 PHASE 2 DEVELOPMENT**

- 4.1 SGM, commercial property agent, was appointed by the Council to market and attract commercial interest in the Phase 2 site and give advice on the submissions received. Following a closing date at the end of August, two interests were identified and their proposals assessed by SGM in liaison with Council officers.
- 4.2 The Council's Supplementary Planning Guidance (SPG) "Delivery of the Denny Eastern Access Road (DEAR)" document identifies that a contribution will be required by the town centre scheme towards the delivery of the DEAR. This is because redevelopment of Denny Town Centre is predicted to result in impacts on traffic flows at Denny Cross, and approximately 22% of hourly flows on the DEAR will be generated by the town centre redevelopment. The existing masterplan consent suggests a contribution of £1.41m for the town centre, with £351k for Phase 1. The £351k has been included in the project budget for Phase 1. The balance of contribution from the town centre redevelopment (approximately £1.059m) towards DEAR is required from Phase 2 and 3. On the basis of expected floorspace developed in Phases 2 and 3, the sum indicatively apportioned to Phase 2 is approximately £750k. Phase 3 would require to meet the cost of the balance, being approximately £309,000. It should be noted that these figures are indicative at this stage, and the final figures will depend on the outcome of discussions with purchasers, finalised layouts for Phases 2 and 3 and the cost of DEAR.
- 4.3 The assessment of offers for phase 2 has confirmed that neither party's offer included provision for payments towards the DEAR, and was based on the value of the land. It is clear from discussions with both parties that they would not wish to proceed with their offer if they were expected to make a payment towards DEAR over and above a payment for the land. Furthermore, following the marketing exercise, SGM have confirmed that it is unlikely the market value of the site would be such that additional payments for DEAR would be secured. The Council cannot therefore progress either offer for Phase 2 on the basis the purchaser will meet DEAR contributions over and above the purchase price.
- 4.4 Denny town centre regeneration is a key Council priority and has secured RCGF support from Scottish Government. To enable the redevelopment scheme to proceed alternative options to meet the DEAR costs have been identified. The Council can choose to progress Phase 2 on the basis of the following options:
- 1) Re-market the site with an obligation for a contribution towards DEAR being payable in addition to the land purchase price;
  - 2) As with Option 1 except market the site on completion of Phase 1 in 2017
  - 3) The Council takes responsibility for any balance outstanding for Phase 2's contribution to the DEAR and proceeds to remarket the site on this basis.

4.5 In assessing the above three options, the main elements are:

*Option 1:* may provide additional interest but, from advice given by the Council's agent, SGM, the cost of meeting the DEAR contribution over and above the land purchase price is likely to remove all interest in the site.

*Option 2:* the advantage of delaying the site development is that future offers may be improved upon in price, design or delivery as a consequence of the Phase 1 completion. However this is not guaranteed and the disadvantages are that:

- there may be less interest in the site with the continuing financial burden of the DEAR contribution.
- the Phase 2 site would lie undeveloped for an extended period
- the opportunity to attract additional retailers to Phase 1 as a consequence of a Phase 2 commitment is lost
- the opportunity to integrate the design and development of Phase 1 and 2 is lost
- delaying site development would not be consistent with Denny town centre regeneration's status as a key priority for the Council.

*Option 3:* the sale proceeds from Phase 2 will be applied towards the DEAR contribution. Should these not be sufficient to meet the total amount of the contribution then the Council will provide additional funds to meet any shortfall. The Council would not seek additional upfront payments from the developer to meet DEAR contributions. On the basis of the previous marketing exercise, this will be more attractive to the market and is likely to deliver at least the two offers already in place, re-submitted but may also provide an opportunity for additional interest.

4.6 The Council has previously approved the delivery of the Denny town centre regeneration scheme as a key strategic project. Without the relevant contribution to DEAR being available, the Phase 2 project cannot proceed. It is suggested that there is merit in proceeding with Option 3 as it would be consistent with the Council's objectives, and would enable the early delivery of the town centre regeneration scheme. This will require the Council to commit proceeds of the sale of Phase 2 towards the DEAR, and to funding any shortfall in the DEAR contribution payable in respect of Phase 2 of the Denny town centre regeneration project. Whilst no additional upfront payments would be sought from purchasers, there may be an opportunity to secure an overage payment from the developer of Phase 2 to help fund any shortfall. This will be subject to negotiation with the preferred purchaser. The contribution for Phases 2 & 3 is approximately £1.059m. The Council's contribution in respect of Phase 2 will be a proportion of this cost. The exact level can only be confirmed once the details for development of phases 2 and 3 are finalised.

4.7 The approved DEAR SPG requires payments of contributions from a number of different developments, including Denny town centre and certain housing developments. Members should be aware that, as the Council is landowner of Phase 2, its approach to meeting DEAR contributions may be referred to by other

landowners/developers as a justification to reduce the level of DEAR contributions payable as a consequence of development on those sites. It is considered that the approach proposed in this report is of limited application given the direct and expressed policy support at both a Council and Scottish Government level for the Denny town centre redevelopment scheme, and the fact the development is being progressed at this time principally to secure regeneration benefits for the town of Denny, rather than for commercial reasons. Any request from a landowner/developer to reduce their share of DEAR contributions would need to be considered on its own merits, and will involve consideration of a range of factors including the impacts of the landowner/developers development as well as issues of viability.

## **5.0 OTHER MATTERS**

### ***Phase 3 Development***

- 5.1 The Council plans to establish options for Phase 3 of the scheme including opportunities for community uses on the site. To support consideration of the community aspirations for this site the Council, assisted by Icecream Architecture (ICA), submitted a bid to Scottish Government for a charrette initiative. The bid was recently approved, allocating £16,200 to be match funded by the Council providing £32,400 funding to develop a charrette focusing on Denny Town Centre.
- 5.2 The Denny charrette will be a consultation exercise to engage the local community in considering how future community asset opportunities might be achieved and sustained as part of the development. The charrette will review the capacity of existing community assets and inform proposals for the Phase 3 site, to be based on a robust business plan. ICA are currently engaging with local people through local community groups. Street engagement (ICA has constructed a charrette Cart which presents/introduces the charrette concept and is set up around Denny Town centre, outside supermarkets at various times to engage as broad a range of the Denny population as possible). commenced on Thursday 5 February. The 3 day charrette meetings will take place in Broompark Community Hall on 23, 24 and 25 April. This is an excellent opportunity for all local community groups to work together to identify further community opportunities within the town centre.

### ***War Memorial***

- 5.3 The Council temporarily re-sited the existing town centre war memorial plaques during the regeneration project's demolition and construction phase to Broompark Memorial Garden adjacent to the existing town centre. The re-dedication ceremony and Armistice Day parade was held on Sunday 9 November.
- 5.4 The Council acknowledges the importance of a final location being determined for the war memorial. It is therefore intended that the Council will consult with all Denny households on options for the location of the war memorial. The results will inform the Council's decision on the permanent location for the war memorial.

### ***Public Art***

- 5.5 ICA were appointed by Falkirk Community Trust (with funding support from Creative Scotland) as lead artist in October 2013 to work with the community and the Council's design team in the development of the proposed town square and to promote understanding of how public art can contribute to the project. ICA has completed extensive consultation with the local community and this has identified the main elements of the public art strategy for the development. ICA will present their findings to the community, outlining proposed artist commissions for the development of artworks/interventions within the public realm space on Thursday 5 March at 7pm in Denny Primary School.

### ***Communication***

- 5.6 A newsletter for all households in Denny will be prepared following this meeting, providing an update of progress on the regeneration project, confirming both the outcome of the RCGF and charrette bids and providing further relevant information. The newsletter will include an invitation to ICA's presentation of the outcomes of their Public Arts Strategy and initiate the consultation on the location of the war memorial.

## **6.0 IMPLICATIONS**

### ***Policy Implications***

- 6.1 Town centre regeneration is a key priority of the Strategic Community Plan, *My Future's in Falkirk* and related policies.

### ***Planning Implications***

- 6.2 Town centre regeneration is a key tool in the delivery of the Council's Development Plan commitment to enhance the role of town centres and regenerate district centres.

### ***Legal Implications***

- 6.3 Delivery of the regeneration project is being progressed with the support of the Council's Legal Services and, where necessary, external legal advisors.

### ***Financial Implications***

- 6.4 The Council recognises that delivery of the Denny town centre in the current financial climate is very challenging. The scheme is subject to market and financial pressures and therefore the scope to attract capital receipts and external financial support to aid delivery is important. The Council initially committed to deliver this project through its General Service capital programme, involving disposal of existing assets and redirection of resources from the Portfolio Management Plan (PMP) as approved by Council in October 2011. The contributions at that time from PMP and receipts were £1m and £5.25m respectively, a contribution having already been made prior to that date.

- 6.5 The capital receipts anticipated at the time of the Council committing to the project are unlikely to be realised to the extent or timescale originally planned. The £1m originally anticipated for the retail site is unlikely to be achieved given the results of the recent marketing exercise. The reduced market value is a reflection of the significant downturn in this, formerly buoyant, part of the retail sector. Given the slump in the retail sector market and the continued challenges facing the residential property market, the projected receipts have been adjusted downwards. The PMP contribution remains unaffected.
- 6.6 The Scottish Government/Cosla approval of the funding bid for £1.4m of RCGF will help support the delivery of the scheme. The funding will be utilised in accordance with the terms of the grant award during financial year 2015/16. The capital programme report to Council on the 11 February 2015 confirmed and agreed that the balance of funds created by the additional £1.4m received via the RCGF be retained within the overall project budget to resolve uncertainties within the project which may affect the final cost including the final Phase 1 tender price and potential requirement to commit to the DEAR contribution for Phases 2 and 3. The project budget is set out below.

**Denny Town Centre Regeneration Project : Feb 2015**

	£'000's
Total Proposed Expenditure	<b>9,039</b>

Resources

Scottish Government Grant	1,400
PMP/Asset Realisation	1,830
Falkirk Council Capital Programme	5,809
<b>Total Proposed Resources =</b>	<b>9,039</b>

- 6.7 It is important to note that the final cost for delivery of the scheme will depend on the outcome of the tendering process for phase 1. The receipt expected from the Phase 2 site will help to offset the capital funding allocation required for the project. This receipt will be affected by any additional costs of works arising from site constraints.
- 6.8 The approved General Services Capital Programme to 2017/18 has sufficient provision together with the grant funding and anticipated receipts to allow Members to pursue any of the 3 options set out in section 4 of this report within the existing approved budget. Should Members agree the approach suggested in section 4 there will be a requirement, in time, to contribute an estimated sum of £750k towards the costs of delivering DEAR with regard to the Phase 2 area of the town centre site. This sum can be met from within the overall capital budget recently agreed by the Council.

## **7.0 CONCLUSION**

- 7.1 The Denny town centre regeneration project is reaching an important stage with the prospect of demolition and other site preparation works being completed and construction of the first phase now imminent. The confirmation of additional grant support of £1.4m for the Phase 1 project via RCGF is a welcome and important boost to its delivery. However it is important to recognise that this offsets the impact of capital receipts that have not been achieved due to the effects of the market and additional costs arising to the project.
- 7.2 It is clear from the recent marketing exercise undertaken for Phase 2 that the Phase 2 site is unlikely to secure a purchaser if DEAR contributions are required in addition to payment of the land purchase price. The view taken by retail agents, SGM, was that limited new retail interest could currently be expected if the developer was required to pay the DEAR contributions in addition to the purchase price. The removal of this obligation from the purchaser will help ensure developer interest and allow for the regeneration of Denny town centre to proceed. Contributions towards DEAR are still required from the Denny town centre development and these will be met in part by the proceeds of the sale of Phase 2. Following Council decision on the 11 February 2015, there are sufficient resources available within the project budget to meet any shortfall.
- 7.3 The Scottish Government's additional financial support through the approved Denny town centre charrette is also welcome. It builds on the consultation with residents and businesses to date and will help inform community proposals and business planning for the Phase 3 site.
- 7.4. The temporary relocation of the War Memorial is an essential part of the regeneration process and has been progressed through consultation with the Denny Community. It is important to agree the final location of the war memorial through continued consultation and this will be progressed during this year.

## **8.0 RECOMMENDATIONS**

**It is recommended that the Executive:**

- i) notes the terms of the above report on the progress of the Denny town centre regeneration project;**
- ii) notes the award of £1.4m of RCGF funding support for delivery of Phase 1 of the project and the effect on the project budget;**
- iii) agrees that any financial contribution to be made by the Council towards the cost of DEAR for phase 2 of the town centre redevelopment be met through the project budget; and**



- iv) agrees that the Phase 2 site be remarketed in line with paragraph 4.4, Option 3 above and that a further report be submitted to the Executive confirming the results of the marketing exercise.**

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Director of Development Services

Date 13 February, 2015

Contact Officers: Colin Frame/Douglas Duff. Ext: 0972/4952.