

FALKIRK COUNCIL

Subject: FALKIRK GATEWAY
Meeting: FALKIRK COUNCIL
Date: 25TH JUNE 2008
Author: DIRECTOR OF COMMUNITY SERVICES

1.0 INTRODUCTION

- 1.1 This report provides an update of progress in regard to the Falkirk Gateway development. It proposes that the Council make a contribution towards meeting increased infrastructure costs associated with the project, repayable by the developers, subject to levels of return from subsequent phases of the scheme.

2.0 BACKGROUND

- 2.1 The Council together with adjoining landowners Callendar Estate and Forth Valley College have entered into a Development Agreement with Macdonald Estates and their development partners KUC Properties Ltd., a company wholly owned by The Royal Bank of Scotland, in relation to the proposed mixed use development at Falkirk Gateway. A considerable amount of work has been undertaken by the developers in conjunction with the Council and the other landowners in developing an agreed masterplan for the entire site. The masterplan secured the approval of the Council's Regulatory Committee, providing outline planning permission for the proposed development incorporating non-food retail units, office, business village and leisure opportunities. This is subject to the terms of a Section 75 Agreement, agreed between the parties.
- 2.2 Macdonald Estates has made strenuous efforts to secure a strong tenant base for Phase I and negotiations in this regard are at an advanced stage. However, current trading conditions for retailers arising from the wider economic climate, increasing construction and infrastructure costs and the continuing difficulties in the funding and investment markets has created significant challenges to early advancement of the project.

3.0 DEVELOPMENT AGREEMENT

- 3.1 There has been on-going dialogue between the Council and the other landowners with Macdonald Estates in terms of how most appropriately to overcome the market difficulties thus securing the earliest possible site start for the Gateway project.
- 3.2 Under the terms of the Development Agreement, a formula exists for calculation of the land price due on phased land drawdown by the developers, together with provision for minimum land prices. These arrangements will remain unchanged.
- 3.3 The situation outlined at 2.2 above is however continuing to adversely impact on the current viability of the project. In particular, the very considerable expenditure required to carry out the essential site servicing and infrastructure works across the entire Falkirk

Gateway site have increased from £10m to £12m since the terms of the Development Agreement were finalised.

- 3.4 In order to address this issue, it has been agreed in principle, and subject to formal Council approval, that following Phase I land drawdown by the developers, the Council and Callendar Estate shall make a contribution towards meeting this increase in essential site servicing and infrastructure costs not exceeding a total of £1m.
- 3.5 The Council's share of this contribution will not exceed £500,000, phased over financial years 2009/10 and 2010/11. This expenditure will require to be met from the Three Year General Services Capital Programme and will enhance the value of the remaining Council land asset at Falkirk Gateway.
- 3.6 The contributions will only become payable to the developer upon delivery and verification on an open book basis of certificates confirming completion of the infrastructure works to the sites outwith Phase I.
- 3.7 Negotiations with Macdonald Estates have resulted in their agreeing, in principle, to a provision whereby subject to the levels of return from each phase, these sums are repayable in full to the Council by way of an additional overage payment(s) to the landowners following Macdonald Estates receiving an appropriate commercial return from the project. The company propose to accept a lower than normal developer return than previously agreed until such time as this sum is repaid in full in order to facilitate this infrastructure investment.

4.0 PROJECT TIMESCALES

- 4.1 Macdonald Estates intend to make imminent application for reserved matters consent in order to be in a position thereafter to commence works on site. Notwithstanding current market conditions, there is continuing interest from potential retail, office, business and from commercial leisure users, and every effort continues to be made to secure early progress on the development.
- 4.2 It is currently envisaged that, subject to the terms of this report, and receipt of reserved matters planning consent, Phase I land draw-down and site start will take place prior to the end of the current financial year.

5.0 IMPLICATIONS

5.1 Financial

The risks associated with the proposals contained in this paper are considered to be manageable for the Council. The necessary phased Council contributions totalling £500,000 during financial years 2009/10 and 2010/11 are being invested in infrastructure works to service a Council asset, from which returns can be anticipated in future years. Significant contributions to this are being made by the developer and Callendar Estates. The Council's contribution will require to be accommodated within the Three Year General Services Capital Programme.

5.2 Legal

The arrangements shall be subject to completion of the necessary legal documentation in satisfactory terms.

5.3 Human Resources

There are no implications for staff arising from these proposals.

6.0 CONCLUSION

- 6.1 Securing progress on this key project has proved extremely challenging in the current economic climate, however, the proposals outlined in paragraph 3 above represent an acceptable means of progressing the project within an early timescale.
- 6.2 The Council will be enabled to secure the previously programmed capital receipts for reinvestment via the General Services Capital Programme whilst ensuring best value obligations on disposal of Council assets are maintained.

7.0 RECOMMENDATIONS

7.1 It is recommended that the Council agrees to:-

- (a) Authorise a phased contribution, up to a maximum of £500,000, towards the increased costs of site servicing and infrastructure at Falkirk Gateway following Phase I drawdown; and
- (b) To note that this will be subject to:-
 - (i) open book verifications of such costs being properly incurred by Macdonald Estates; and
 - (ii) conclusion of the necessary legal agreements in satisfactory terms.

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Director of Community Services

19th June 2008

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LIST OF BACKGROUND PAPERS

Nil.