

FALKIRK COUNCIL

**Subject: BO'NESS HARBOUR & FORESHORE REGENERATION
STRATEGY: UPDATE REPORT**
Meeting: FALKIRK COUNCIL
Date: 2ND MARCH 2011
Authors: DIRECTOR OF DEVELOPMENT SERVICES

1.0 INTRODUCTION

- 1.1 This report advises Members in relation to the progress of the Council's regeneration strategy for the Bo'ness harbour and foreshore area, including a commentary on the impact of the fundamental changes in market conditions. It reports on progress in implementing the development agreement established with ING and presents options on the way forward.

2.0 BACKGROUND

- 2.1 The Council approved a report promoting a strategy for the regeneration of its Town Centres in 2001 and recommended action targeting the four district centres (Bo'ness, Denny, Grangemouth and Stenhousemuir). The report recognised that the likely levels of capital investment required could not be met by the Council alone and would require substantial input over the long-term from the private sector and other partner organisations.
- 2.2 In 2004, following marketing, ING were appointed as developer for the £170m regeneration of Bo'ness harbour and foreshore. ING prepared a masterplan for the area and secured planning approval for the regeneration of the site. In 2007, ING alerted the Council of the significant change in market conditions and a rise in construction costs associated with the scheme which increased the level of financial risk involved, impacting significantly on their capacity to regenerate the site. They were no longer able to fund the full extent of harbour works planned at Bo'ness in the first phase of the development as originally conceived.
- 2.3 ING were keen, however, to proceed with the scheme, delivering the masterplan on a re-phased basis. This was agreed by the Council in June 2008. A development agreement was concluded on 2nd September 2009 on the basis of a revised phasing and a commitment from ING to work with the Council in the harbour works as funding became available from receipts generated by the scheme. The agreement identified longstop dates for precondition work leading up to February 2010 with 12 months thereafter to submit a detailed planning application.

3.0 BO'NESS HARBOUR & FORESHORE UPDATE

- 3.1 Since the Council's decision in 2008, economic and market conditions have not improved. ING have tested interest amongst housebuilders to develop the site and cite significant difficulty in securing interest at a sufficient level of value to enable the scheme to proceed. As a result, ING have confirmed that, due to the poor residential market, they have to place the project on hold. Given the current economic situation they are unable to progress outstanding pre-conditions and a planning application. They cannot commit any further expenditure to moving the scheme forward until there is significant improvement in the economic situation.
- 3.2 ING have formally requested to the Council that the pre-condition period is extended to 1st July 2011 and the application date for Block 15/16 extended until 31st December 2011, giving both parties the ability to consider the economic conditions as the year progresses in the hope that the conditions improve to allow the project to move forward. The development agreement with ING still stands, however the pre-conditions and longstop date have not been achieved. Either party can now terminate the agreement without penalty.
- 3.3 Market conditions have seen no improvement since 2008 and ING's position is not altogether unexpected. However, it is suggested that the Council's commitment to the regeneration of Bo'ness town centre must be sustained. Through the Townscape Heritage Initiative, good progress has been made in upgrading the historic core of the town and this will assist the overall approach to regeneration. It is suggested that efforts now be directed to clarifying the options available to the Council in pursuing the regeneration of the harbour and foreshore.

4.0 OPTIONS

- 4.1 It is suggested that the situation outlined above presents the Council with the following options:-

a) Extending the Timescales

If the Council decides to extend the relevant longstop dates as suggested by ING it is at risk of the following:-

- i) There is no guarantee that ING will progress the project further;
- ii) ING may submit revised plans which they consider might be delivered but do not match the original design intent of the masterplan; and
- iii) ING may seek to recoup some of the costs in land acquisitions, design and technical studies that they have incurred to date in the project. This may further delay the point where the project is considered viable.

However, it does present the following potential benefits:-

- i) It continues the Council's partnership with a good quality developer of international status;
- ii) ING has had several years experience of the challenges and opportunities which the site present;
- iii) A new developer would require time (and resources) to understand the requirements of bringing a scheme to fruition; and
- iv) The terms of the current agreement are commercially favourable for the Council (reduced developer profit @ 12%) and 100% overage for reinvestment). These may not be achievable in an alternative scheme.

b) Terminate the Agreement

If the Council decides to formally terminate their agreement with ING it is at risk of the following:-

- i) Attracting limited developer interest in Bo'ness;
- ii) Any subsequent masterplan proposal may not meet Council and community aspirations; and
- iii) Delayed marketing to await improved market conditions potentially delaying development.

This option would present the following potential benefits:-

- i) Fresh consideration of the opportunities at the harbour and foreshore;
- ii) Opportunity to secure a developer who is willing to commit to delivery of the scheme in terms which reflect the current market;
- iii) Potential to revisit the means of delivering the restoration of the harbour and establish market support for these works; and
- iv) Avoids a commitment to historic costs.

- 4.2 If the Council elects to terminate the agreement with ING and progress the project independently, consideration has to be given to the most suitable time for re-marketing. It is difficult to gauge when market conditions will improve; however it is the general view from property sector commentators that a substantial improvement is unlikely over the next 2 years. It is therefore suggested that if the Council take forward the project independently they should not market the site for at least another year. The developer selection process would take potentially a further year by which point it is hoped that signs of market improvement may be evident. As a significant landowner in the area, with knowledge of the site's requirements and potential, ING may consider making a revised approach to the Council at that point.

5.0 IMPLICATIONS

Legal Implications

5.1 The approach to delivery of the harbour and foreshore regeneration project has been the same as that replicated in each town centre, governed by a formal development agreement, negotiated with the support of the Council's Legal Services and, where necessary, external legal advisers. The development agreement established with ING still stands although the pre-conditions and longstop dates have not been met. Either party can now terminate the agreement.

5.2

Financial Implications

5.2 The Council's approach to the delivery of the regeneration of the harbour and foreshore area has involved realising its own assets for reinvestment in the harbour area. The regeneration process aims to lever additional private sector funds to regenerate this area and realise the aspiration to reopen the harbour. Where feasible, additional Council and externally funded resources have been sought to aid delivery of the scheme.

Planning Implications

5.3 The Town Centre Regeneration Strategy is a key tool in the delivery of the Council's Development Plan commitment to enhance the role of town centres, regenerate District Centres and to realise residential led regeneration. The proposal has involved extensive consultation with the Council's Planning teams and planning consent for the delivery of the masterplan was given in July 2006.

Risk Implications

5.4 In the case of this regeneration proposal, a risk register has been maintained to record the degree of risks presented to the Council. The risks associated with each of the options have been summarised above.

6.0 CONCLUSION

6.1 The regeneration strategy for Bo'ness is an important Council priority, bringing investors, retailers and the local community together to seek to deliver regeneration opportunities for the town. By contributing its own assets, the Council aims to renew Bo'ness town centre, upgrading its economic, tourism and civic function for the community. Unfortunately, despite re-examining the model for delivery of the regeneration strategy for the harbour and foreshore in 2008, this scheme continues to be adversely affected by the impact of the recession.

6.2 ING have confirmed that they cannot continue with the regeneration project for Bo'ness at this time given present market conditions and the project is therefore on hold. However, they are seeking a relatively short extension to the longstop date. It is available for this to be agreed or for the development agreement to be terminated and the project remarketed

7.0 RECOMMENDATIONS

7.1 It is recommended that Members agree to:-

- (i) Note the terms of this report; and
- (ii) Determine which of the two options described at paragraph 4 should be pursued.

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Director of Development Services

Date: 23rd February, 2011

Contact Officers: Douglas Duff. Ext: 0905.

LIST OF BACKGROUND PAPERS

1. Bo'ness Town Centre Regeneration Files.

Anyone wishing to inspect the background papers listed above should telephone 01324 590905 and ask for Douglas Duff.