

EAST RENFREWSHIRE COUNCIL

CABINET

26 March 2015

Report by Director of Environment

PROPOSED DEVELOPMENT AGREEMENT AND GROUND LEASE  
- FORMER SHANKS INDUSTRIAL ESTATE, BARRHEAD

**PURPOSE OF REPORT**

1. The purpose of this report is to seek Cabinet approval to enter into a development agreement with Cruden Estates Ltd that will facilitate the redevelopment of Shanks Industrial Park, including the disposal of the Council owned assts.

**RECOMMENDATIONS**

2. The Cabinet is asked to delegate to the Director of Environment, in consultation with the Chief Officer (Legal and Procurement), to negotiate and conclude legal arrangements with Cruden Estates Ltd to facilitate the redevelopment of Shanks Park including the Council owned assets, on the basis of the terms outlined in this report.

**BACKGROUND AND REPORT**

3. Cruden Estates Ltd (Cruden) has a controlling interest over the majority of the former Shanks site (around 73%) with the Council's ownership extending to approximately 22%. The other 5% is owned by the remaining operating business, WG Renfrew Ltd (WGR).

4. Cabinet will recall a report in May 2014 which authorised Council officers to negotiate terms with Cruden that would facilitate the redevelopment of the former Shanks industrial site. Since this report was considered, the site has been secured to prevent further fly-tipping and work has taken place to demolish the most dangerous buildings and remove tyres and gas cylinders from the site. In addition, the planning status of the site for residential development has been confirmed through the Department of Planning and Environmental Appeals report of examination supporting the LDP designation and the strategy proposed in the Barrhead North Master Plan Supplementary Planning Guidance (SPG) which has been approved by the Council. Since May 2014, negotiations with Cruden have progressed positively regarding the terms of the development agreement and ground lease which would allow Cruden to take control of the Council's land within the former Shanks site to enable its redevelopment for residential use.

5. It is proposed that the legal arrangement between the Council and Cruden will be in two parts comprising a development agreement and ground lease.

6. The development agreement sets out the mechanism for calculating the payment to the Council for its land and the ground lease arrangement allows for a staged approach to achieve final purchase as follows:

- a. The Council will grant Cruden control of the Council owned land, as shown in the attached plan, by means of a ground lease.
  - i. Cruden will have an initial period of 3 months within which to purify suspensive conditions before entering the ground lease. These conditions include that Cruden has put in place legally binding agreements with other land owners as required.
  - ii. The ground lease will then be entered for an initial period of 3 years within which Cruden will carry out site investigations and all other works required to achieve planning permission.
  - iii. Clearance works to remove rubbish, demolish some of the remaining buildings and sort the rubble on site that can be used positively during the construction will be undertaken in the first 3 months of the lease being entered.
  - iv. The ground rent for the Council owned land will be £1 per annum if asked.
  - v. Once planning permission is obtained and clearance works are complete the ground lease will be extended for a further period of 7 years. Within this period Cruden have the option to acquire the Council owned land at the agreed price.
- b. Cruden will undertake the work necessary to obtain all statutory consents to permit the development of the site for residential use. To ensure there are no public procurement law implications, there will be no positive development obligations on Cruden within the development agreement.
- c. The option to acquire the Council's interest will be at 95% of the District Valuer's opinion of net market value after the deduction of the costs securing all necessary consents and preparing the site to a standard suitable for residential development including the relocation of WG Renfrew. The deduction of 5% from the net value recognises the value brought by Cruden in bringing parties together to enable the increased land value achieved by realising the whole development and the project management costs of reaching this stage.
- d. The land value and costs borne by the Council in determining the net land value will be allocated in relation to its proportionate share of the site.

7. Throughout the process of putting together this agreement the Council's legal advisor (Brodies LLP) have endeavoured to ensure that any risk to the Council in terms of best value, procurement and State Aid is minimised. Legal advice will continue to be taken as necessary to manage all legal, contractual, procurement, best value and state aid implications.

8. As part of the proposed development, it will be necessary for WG Renfrew to relocate to a more appropriate location to avoid future conflict with the proposed residential land use. Discussions have been held to relocate WGR to Council owned land within Crossmill Business Park. The purchase of the WGR site will be progressed through a legal agreement between Cruden and WGR with the cost being deductible from the development value. In order to ensure there are no state aid issues arising, the opinion of the District Valuer has been sought in relation to the relocation value of the business and the Crossmill plot. The cost to the Council in terms of relocation of the business will reflect the proportionate share of this District Valuer's opinion.

## **FINANCE AND EFFICIENCY**

9. The legal arrangements will ensure that Council benefits from a proportionate share of the market value of the site less the costs previously outlined. The initial costs of obtaining the statutory consents and site works to enable development will be met by Cruden and a proportion of this cost based on the Council's land holding deducted from payments to the Council at the point of disposal of land in the future. This strategy maximises the value of the Council's assets in Shanks Industrial Estate whilst minimising any upfront costs.

## **CONSULTATION**

10. There has been extensive consultation internally with various Council services as well as Brodies LLP along with the business and land owners within Shanks Industrial Estate. Detailed consultation amongst these parties will continue as part of the development of the strategy. Wide consultation will be carried out through the preparation, and consultation of the masterplan Supplementary Planning Guidance.

## **PARTNERSHIP WORKING**

11. The legal strategy will require continued co-operation between various Council Services and a contractual agreements with Cruden Estates Ltd.

## **IMPLICATIONS OF THE PROPOSAL**

12. There are no staffing, IT, equalities or sustainability implications arising from this report.

## **CONCLUSIONS**

13. Progress towards the redevelopment of Shanks Industrial Park has continued positively, with demolition and some clearance of the site beginning to address the immediate blight on neighbouring areas and pressures on public sector partners. The development strategy, including legal arrangements to deliver residential use, has been agreed with Cruden. It is now proposed to conclude the legal arrangements to formalise the relationship between the Council and Cruden to facilitate the redevelopment of the site and enable the Council to realise a future capital receipt from the sale of its landholding within the former Shanks site.

## **RECOMMENDATIONS**

14. The Cabinet is asked to delegate to the Director of Environment, in consultation with the Chief Officer (Legal and Procurement), to negotiate and conclude legal arrangements with Cruden Estates Ltd to facilitate the redevelopment of Shanks Park including the Council owned assets, on the basis of the terms outlined in this report.

Director of Environment

Further information can be obtained from Iain MacLean, Head of Environment on 0141 577 3720 or [iain.maclean@eastrenfrewshire.gov.uk](mailto:iain.maclean@eastrenfrewshire.gov.uk)

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### **KEY WORDS**

A report seeking agreement to negotiate and conclude legal arrangements with Cruden Estates Ltd to facilitate the redevelopment of Shanks Park

Shanks Industrial Estate, Cruden Estates Limited, redevelopment, land disposal.