
To: Council

On: 24 September 2015

Report by: Chief Executive

Heading: Redevelopment of the Former Arnotts Building, Gauze Street, Paisley

1. Summary

- 1.1 Renfrewshire Council has clearly stated its ambition to prioritise the economic regeneration of Renfrewshire by investing in the many strengths of the area including its built heritage, culture, businesses, educational opportunities, and strengths of its community.
- 1.2 The report seeks to provide members with an update on the specific proposal to assist with the redevelopment of the former Arnotts site, a key element of the ongoing successful regeneration of Paisley Town Centre and the wider Renfrewshire economy and seeks authority to increase the limit on the existing loan facility on a temporary basis to ensure continued cashflow in the project.

2. Recommendations

- 2.1 It is recommended that Council :
- Note the significant positive progress made in the redevelopment of the former Arnotts building in Paisley town centre.
 - Approve the extension of Development Funding Facility as outlined in paragraph 3.7 below.
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3. Background

- 3.1 Members will be aware of the work being taken forward to deliver economic regeneration across Renfrewshire. In this context at its meeting of 27 February 2014 amongst a range of other regeneration proposals; Council agreed a series of measures to advance the redevelopment of the former Arnotts building.
- 3.2 Since then Park Lane Developments (Renfrewshire) LLP, which is the Council's Limited Liability Partnership (LLP), has continued to manage the delivery of this project and to this end have made considerable progress in the provision of 11 residential flat units for sale and the formation of ground floor commercial space.
- 3.3 In this context it was recognised that the financial deliverability of the development proposal, including assumed sales values and the terms of the lease, would continually be reviewed by Council officers to ensure that the scheme as delivered was an acceptable and financially viable proposal which would support a commercial return for the LLP. At the same time it was recognised that the investment by the Council would be monitored and reported to Members within the terms of the relevant Standing Orders and Financial Regulations.
- 3.4 Subsequent to this, at its meeting of June 26th 2014, Council committed to a development funding package to support the redevelopment of the former Arnotts Building and a commitment to enter into a Head Lease of the commercial space on the ground floor. These measures by the Council provided the LLP with the ability to let the contract for the construction works that are currently underway.
- 3.5 It is recognised that this commitment by the Council has been crucial in unlocking what is now a key investment in the regeneration of Paisley town centre. Substantial positive progress has been achieved by the LLP over the course of 2015 to advance the redevelopment and to realise the anticipated regeneration benefits, re-enforcing the importance of the Council's agreement to support the redevelopment proposals. The LLP is progressing the physical redevelopment project on time and within the project budget. In addition, as was anticipated in the redevelopment business plan, market interest in the residential units has been strong. At present nine of the eleven residential units have secured sale reservations off plan and well in advance of the planned completion of the development in early 2016, with positive sales progress anticipated in relation to the remaining two units.
- 3.6 At the same time, the long term sub-lease of the Ground Floor commercial space is nearing completion which in turn will deliver a new Bar and Grill restaurant facility in the town centre. Early indications are that the company will be seeking to create a high quality offering with seating for up to 100 covers which represents a substantial commitment to the ongoing regeneration of Paisley and will provide a significant boost to the evening economy and offer of Renfrewshire.

- 3.7 Within the approved redevelopment business plan that is being supported by the Council, the LLP is progressing the planned sale of the commercial unit, which would include the Council head lease arrangement with the LLP. Positive progress is being achieved by LLP in this respect with commercial and legal negotiations to conclude a sale with a prospective investment purchaser currently ongoing. In the original business plan it was anticipated that the investment sale would be pre-sold ahead of completion of the development at or around October 2015. However indications are that this is likely to take longer to legally and financially conclude with the prospective purchaser. In the context of the development cashflow profile, the investment sale of the commercial unit pushing out beyond this original timeframe requires an increase in the Development Funding facility provided by the Council. This had originally been set at £1.6 million and it is proposed to increase the Development Funding facility to £2.070 million to reflect the revised timing of the commercial unit and subsequent impact on the development cashflow profile. In line with the original development funding agreement, this would continue to be secured against the development site and all sale proceed from the residential units and commercial unit sale are paid immediately to the Council to pay down the development funding facility.
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Implications of the Report

1. **Financial:** The Council has previously made provision for the financial support required to deliver the refurbishment of the Arnotts Building and the Funding Facility provided by the Council for the development is protected through appropriate security arrangements over the development site. The proposed extension of the facility is set at £2.070 million in line with the statutory limit of 90% of the estimated value of the land on completion of the building works, providing flexibility to the LLP in managing the development cashflow requirements.
2. **HR & Organisational Development:** None.
3. **Community Planning - Jobs and the Economy –** The redevelopment of the Arnotts Site and the corresponding increase of people living in the town centre is in keeping with the aim of growing the footfall within the town which will benefit local business.
4. **Legal –** appropriate adjustments to the legal agreements between the Council and the LLP would be required to reflect an increase to the funding facility.
5. **Property/Assets –** N/A
6. **Information Technology -** None.
7. **Equality & Human Rights:** The Recommendations contained within this report have been assessed in relation to their impact on equalities and

human rights. No negative impacts on equality groups or potential for infringement of individuals' human rights have been identified arising from the recommendations contained in the report.

8. **Health & Safety:** None.
9. **Procurement:** Any contractual arrangements required will be made in accordance with the Council's statutory requirements in respect of the EU regulatory requirements, the Council's Standing orders Relating to Contracts and the Council's Financial Regulations.
10. **Risk:** None
11. **Privacy Impact** – N/A

List of Background Papers

Author: Ken Graham, Head of Corporate Governance