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**To: Council**

**On: 28 April 2016**

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**Report by: Chief Executive**

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**Heading: Redevelopment of the Former Arnotts Site, Paisley**

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## **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 This report provides members with an update on the redevelopment of the former Arnotts site in Paisley, a key element of the ongoing successful regeneration of Paisley Town Centre and the wider Renfrewshire economy. Further, and as part of ongoing redevelopment plans for the site, the report seeks authority to agree to support a buy back clause incorporated into the sale agreement between Park Lane Developments (Renfrewshire) LLP and Link Housing Group for a portion of the undeveloped site running parallel to Smithhills Street for which plans are being progressed for the development of a further phase of mixed tenure housing.

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## **2. Recommendations**

### **2.1 It is recommended that Council :**

- Note the significant positive progress made in the redevelopment of the former Arnott's building in Paisley town centre.
- Note the conclusion of a sale agreement between Park Lane Developments (Renfrewshire) LLP and Link Housing Group, as part of a further planned phase of mixed tenure housing development on a portion of the site adjacent to Smithhill Street.

- Agree to provide the necessary support to the buy-back clause as part of the sale agreement between the LLP and Link Housing Group as outlined in paragraphs 4.5 – 4.6 below.
  - Note plans of the LLP to deliver an environmental green space improvement project to the internal parking and courtyard area as part of completing the residential phases of the site redevelopment.
  - To delegate authority to the Chief Executive in consultation with the Head of Corporate Governance to conclude necessary legal changes to the structure of the LLP as outlined in paragraph 5.3 below.
  - To note that reports will be provided at appropriate points in the future as master planning options are sufficiently developed for the remaining undeveloped portions of the site.
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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 on 27 February 2014 Council agreed a series of measures to advance the redevelopment of the former Arnotts building, as part of the second phase of development on the site following on the back of the successful delivery of a mixed tenure housing development in phase 1.
- 3.2 Subsequent to this, at its meeting of June 26<sup>th</sup> 2014, Council committed to a development funding package to support the redevelopment and a commitment to enter into a Head Lease for the commercial space on the ground floor. These measures by the Council provided the LLP with the ability to progress the construction contract and move forward the redevelopment which has included successfully retaining the listed facade which is an iconic and important heritage landmark in the town centre.
- 3.3 The financial deliverability of the development, including assumed sales values and the terms of the lease have been continually reviewed by Council officers during the physical development stage to ensure that the scheme as delivered remained acceptable and financially viable in line with the original business case.
- 3.4 Since then the LLP which is the body set up by the council to lead the regeneration of the site, has continued to manage the delivery of this project and to this end have successfully completed the provision of 11 residential flat units for sale and the formation of ground floor commercial space.

- 3.5 The commitment by the Council to support the redevelopment project has been crucial in unlocking what is now a key investment in the regeneration of Paisley town centre. Substantial and successful progress was achieved by the LLP over the course of 2015 and moving into 2016 to advance the redevelopment, to realise the anticipated regeneration benefits and deliver the business case objectives as envisaged at the outset of the project.
- 3.6 In line with the business case, the LLP in December 2015 secured the successful sale of the Council's long term head-lease to an investment company. In turn a long term sub-lease will shortly be concluded with a prominent local restaurateur for the ground floor commercial space which will deliver a new Bar and Grill restaurant facility. This will provide a high quality addition to the commercial offering within Paisley Town Centre and will provide a significant boost to the evening economy. In line with the original plans the terms of the sub-lease will assist in defraying the Council's costs of the head-lease.
- 3.7 As was anticipated in the redevelopment business plan, market interest in the residential units remained strong and all 11 residential flats were successfully sold off plan with sales concluded and occupation achieved in early April for all 11 units. The successful completion of the development, residential sales, investment sale and sub lease of the commercial space all prior to the physical completion of the development has re-enforced the importance of the Council's agreement to support the LLP's redevelopment proposals. The commercial funding facility which was extended by the Council to the LLP has been fully repaid with interest by the LLP in line with the funding agreement.

#### **4. Smithhill Street Development**

- 4.1 In line with its business objectives, the LLP has continued to progress opportunities to attract further phases of development on the site which are aligned to the overall town centre regeneration objectives being advanced by the Council. To this end, the LLP Board, in partnership with Council officers has progressed negotiations with Link Housing to deliver a third phase of residential development on part of the site adjacent to Smithhill Street and which at present is occupied by buildings which formed part of the former Arnotts store.
- 4.2 The redevelopment plans will involve the demolition of the existing buildings by the LLP and delivery of 24 new mixed tenure housing properties by Link Housing. This recognises that the condition of the existing building is such that renovation would not be an economically viable option and that a housing project would in turn assist in the delivery of the Strategic Housing Investment Programme being advanced by the Council for Renfrewshire. In addition, as part of the proposals the LLP will be committed to deliver an environment improvement project to provide an internal green space which will border the three residential phases and which will provide a finished redevelopment of this overall section of the site.

- 4.3 Sale of the site was legally concluded between the LLP and Link Housing prior to the 31<sup>st</sup> March to allow Link Housing Group to secure initial approval to access Scottish Government housing grant aligned with the project proposals. As part of the sale agreement the LLP is committed to the completion of the demolition and clearance works of the existing site and the delivery of the environmental green space project. It is intended that the associated sale proceeds secured by the LLP will be applied for these purposes.
- 4.4 In addition, Link Housing Group have sought to secure a buy-back clause as part of the sale agreement whilst they fully complete all associated aspects of diligence and final sign off for the project including site and ground condition investigations, securing necessary statutory and planning consents and final agreement on specification and grant funding levels with the Scottish Government. If triggered, the clause would enable the Link Housing Group to recover the purchase price for the site in exchange for the return of ownership of the site where they were unable to progress a viable scheme.
- 4.5 In order to allow the LLP board to utilise the sale proceeds in the interim period to progress both the site demolition and clearance works and deliver the environmental green space project, the Council has been asked to provide the covenant for the buy-back clause. In the unlikely event that Link Housing Group are unable to progress a viable project following the full conclusion of their site and other investigations, the Council would purchase the site and take it into direct Council ownership for the original £0.192m plus vat sale price.
- 4.6 At present, it is considered unlikely that this clause would be triggered on the basis that:
- The site already has current structures that have existed for a considerable length of time, coupled with no material ground condition issues identified as part of the completion of the first two phases of the overall site development. It is therefore considered low risk by the LLP that unforeseen ground condition issues which materially differ from phases one and two will be identified once the completion of the necessary investigations and the Council's Head of Property Services concurs with this view.
  - Based on the plans developed to date by Link Housing, positive pre-planning application discussions are ongoing with Council Planning Officers. At this stage the LLP and Link Housing are not identifying any material planning risks that would prejudice the development of a successful scheme and detailed plans will be considered in due course by the Council as part of the formal planning process once a detailed planning application is lodged by Link Housing.
  - Link Housing are experienced and have a track record in successfully delivering projects of this nature in partnership with the Council and Scottish Government and as referred to earlier the project forms part of the

Strategic Housing Investment Programme currently being advanced by the Council for Renfrewshire.

Similar to previous phases therefore, the provision of the Council's support in this manner will allow both the LLP Board and Link Housing Group to actively progress the next phase without delay and deliver further successful regeneration on the site and in the town centre.

## **5. Internal Restructuring of the LLP Governance Structure**

- 5.1 At its meeting on 27 February 2014 the Council delegated authority to the Chief Executive to take forward and conclude negotiations with Park Lane Developments with a view to facilitating their exit from their membership of the LLP following the successful completion and sale of the refurbished Arnotts building. This course of action reflected the view that the masterplan options to develop out the remainder of the site was likely to be focused predominantly on public sector led regeneration solutions.
- 5.2 In line with this approval a negotiated exit was agreed with Park Lane Developments that has resulted in a staged repayment of their secured loan facility with the LLP subject to specified triggers linked to the successful delivery of the Arnotts building redevelopment and subject to agreed deductions.
- 5.3 However, in light of the LLP successfully securing the development agreement with Link Housing Group as outlined in section 4 above, it is proposed that to maintain continuity in the delivery of this Phase three development and the associated environmental green space project, that Park Lane Developments continue as the formal partner of the Council in the LLP structure and continues to fulfil the associated Development Manager role. In these circumstances, the Council will be the only partner with an ongoing investment within the partnership structure. As a consequence of this change there is a requirement for the governance and financial arrangements of the partnership agreement to be appropriately adjusted and delegated authority is sought to negotiate and finalise those adjustments. These changes would ensure that the Council has an appropriate level of control within the LLP Board structure, would hold sole security over the remaining undeveloped portion of the site and would be entitled to the financial benefits that may flow from the successful development of the remainder of the site. Park Lane would continue to be engaged in the LLP by providing specialist advice as Development Managers of the project.

## **6. Future Master Planning**

- 6.1 As outlined in this report and in conjunction with appropriate support from the Council at key stages, the LLP has been successful in securing and delivering important regeneration projects on this strategically important site in the town centre and which have aligned with and complimented the Council's wider regeneration plans.

- 6.2 Moving forward, it would be intended that as well as working in partnership with Link Housing to successfully deliver the third phase of residential development, the LLP will continue to explore options to develop out the remaining portion of the site. The development of master planning options for these remaining parcels of the site, will take into account ongoing developments in the Council's wider regeneration priorities as well as ongoing developments and changes in wider market conditions. In line with the approach adopted to date further reports would be brought back as definitive development opportunities are sufficiently progressed.

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## Implications of the Report

1. **Financial:** There are no direct financial consequences associated with the proposals outlined in this report. Should the buy-back clause be triggered the Council has previously made provision to support the development of the site which would fund this transaction.
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 the proposed changes to the partnership relationship between the Council and Park Lane Developments.
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:** None
10. **Risk:** None
11. **Privacy Impact** – N/A

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## List of Background Papers

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**Author:** Ken Graham, Head of Corporate Governance