

DIALSTONE CENTRE AND BLACKSTONE FIELDS REDEVELOPMENT

**Report of the Corporate Director, Communities Regeneration and Environment and
Corporate Director, Business Services**

1. Purpose of the report.

- 1.1 The purpose of this report is to seek the Executive's approval to enter into a development agreement with THI Riverside Limited to deliver the comprehensive regeneration of 3 parcels of land in Offerton. The plots of land in question are the site of the Dialstone Centre, land known as Blackstone Fields and the site of the former Dial Park Primary School. In addition, the report seeks approval to appropriate the site of the former Dialstone Centre from education purposes to planning purposes.

2. Background and Progress to date

- 2.1 The Council is committed to the regeneration of the Offerton area through the replacement of the Dialstone Centre with brand new purpose built community facilities and new housing development. Throughout the process of seeking a development partner, the Council has aimed to achieve a comprehensive approach to regeneration, bringing forward much needed family homes and associated facilities.
- 2.2 The Council undertook a tender exercise in order to seek a developer to carry out a holistic development of the land and THI Riverside Limited was the preferred developer chosen through the tender process.
- 2.3 The Executive, on 6 December 2010, made three recommendations, specifically,:
- (a) That THI Riverside Limited be appointed as preferred developer.
 - (b) That authority be delegated to the Service Director (Legal & Property) to agree terms of a development agreement
 - (c) To report further to the Executive to agree the final terms for disposal.
- 2.4 Negotiations have now progressed with the Company in order to allow comprehensive redevelopment to take place and this report is to advise the Executive of that progress and to request a formal decision as to whether or not this project should continue.
- 2.5 Investigation of the Council's Legal title has revealed that the land is subject to certain third party covenants and rights which can be overridden by the Council or the proposed developer using s.237 of the Town & Country Planning Act 1990, providing the land is developed in accordance with planning permission and the payment of compensation for any loss suffered by persons having the benefit. To take advantage of this section it is necessary for the land to be appropriated out of 'General Purposes' where it is presently held to 'Planning Purposes' pursuant to S.122(1) of the Local Government Act 1972.

3 The Development

3.1 The development area encompasses 3 areas of land as follows:-

- (a) Dialstone Centre – this site is to be sold to a major house builder for housing redevelopment, including affordable housing provision;
- (b) Blackstone Fields – This land will be developed jointly between the developer and the Council. The Council will construct new community buildings on the site including a new library, a new multi use sports centre, and a community centre with offices and meeting rooms. Subject to ground conditions, new outdoor recreation space may be also be delivered. THI will develop 3 buildings on the site namely a residential care home, an extra care residential facility and a walk in primary care centre with limited and appropriate retail development. In addition, there will be car parking on part of the site and the remainder will be landscaped. Ground investigation works at this site will take place subject to the decision of Executive and any plans will be modified following the conclusion of this exercise;
- (c) Dial Park – this is the site of the former Dial Park Primary School and this site will be grassed and retained as open space, subject again to the Ground investigation works mentioned above..

3.2 A development agreement is proposed to be entered into between the Council, THI Riverside Limited as the Developer and a third party company as the builder of the commercial development on the Blackstone Fields site, who would also act as Guarantor of the project to ensure that the building is completed as envisaged. The third party would be required to have necessary financial standing to act as Guarantor. Clearly the identity of this company will be agreed before the Development Agreement is signed.

3.3 In addition, the development agreement specifies the works that will be carried out in respect of the sites, all of which will be subject to planning permission. It has been agreed that THI will submit the planning application by the end of July this year. It is important to note that the functions of the Council as land owner are completely separate from its functions as Local Planning Authority. The Development Agreement requires THI to submit plans and proposals to the Council as land owner before submitting the planning application but any decision of the Council as land owner will not influence the Council with regard to any decision making within the planning process.

3.4 Dialstone site – The Council will be required to vacate the Dialstone Centre in order that the house building works can commence. It is envisaged that, subject to the appropriate planning permissions and any conditions, the Dialstone site will be released to the House Builder in February 2012. The Council will have decanted all staff from the Dialstone Centre by this time with appropriate alternative locations identified if relevant. In addition, the Council, working closely with Stockport Sports Trust, will create appropriate temporary leisure facilities for the duration of the period of the construction of the new facility, that is from February 2012 for the next 18 months. The current library will be retained on the Dialstone site for 18 months until the new Library has been constructed on the

Blackstone Fields site. Any other community uses will also be offered alternative permanent or temporary locations.

- 3.5 The Blackstone Fields site will see the most varied activity. From February onwards, the developer will begin any land remediation works and site infrastructure works, roads, drainage and services on the site in order to enable the Council to commence construction of the new community facilities. The Council will be funding this from the proceeds of the sale of the land. In addition, the Council will contribute part of the sale proceeds towards any remediation of the land which is identified following a site investigation and for the improvement of the open space element on the site.
- 3.6 THI will themselves arrange for the construction of the other 3 buildings and for the full layout of all services, roads and car parking within the site.
- 3.7 In terms of specific development costs these will be shared between the Council and THI with both parties contributing towards land remediation work on a 50/50 basis.
- 3.8 Dial Park – This site will undergo minimal works, sufficient work will be carried out in order to make that site a useable open space provision.

4 Timescales

- 4.1 The Developer has until the end of July in order to produce a detailed masterplan for approval by the Council and to then submit a planning application. It is then envisaged that access to site will be available from February 2012 on the assumption that planning approval has been agreed.
- 4.2 Assuming access is available for building works in February 2012 the house builder will then proceed with its development which is likely to take 2 to 2.5 years to complete. The Council will be obliged to build the new community facilities within 18 months.
- 4.3 The other time periods are in relation to the building of the extra care home and the residential care home both of which are to be completed within 2 years, that is by February 2014. The primary care walk-in centre may take a little more time and it will be a requirement that that is commenced within 2 years and finished within 3. It is envisaged that the whole development will be completed by February 2015.

5 Contracts

- 5.1 The Council will ensure the construction of the community facilities by the contractor working with the developer. The Council will enter into a Specific Contract under a European procurement compliant framework with the builder for the construction of the community buildings. The Council will build a local labour agreement into its own contract, and encourage THI and the House Builder to do the same. This will create employment and training opportunities for local people.

6 Risks

- 6.1 There are a number of risks inherent in relation to this project, the main one being that the development does not proceed as the envisaged comprehensive regeneration package. Given that this comprehensive approach is the key justification for the Council having selected THI, then it is important to ensure this risk is mitigated.
- 6.2 Housing site – the risk that housing development does not take place on the Dialstone Centre site is relatively low. The House Builder, is committed to the site and is likely to proceed, subject to planning approvals.. The risk that the company would not be able to enter the site next February and then develop that area within 2.5 years is low.
- 6.3 The risks to the full development of Blackstone Fields are higher. The Council will be in a position to construct the new public facilities on that site, but the construction of those buildings is dependent upon the appropriate infrastructure in terms of access roads, drainage and main services being constructed within the site. That will require the developer to have end users for the 3 other buildings in place. This risk has been addressed through agreeing end dates by which these end users will have committed to the scheme; specifically the dates will ensure that the comprehensive development takes place rather than just the house building activity.
- 6.4 If the developer does not have two out of the three proposed end users under contract by February 2012, the Development Agreement makes provision for the Council to cancel the agreement and to seek other options for the site.
- 6.5 There is always a risk that the Developer may fail before the development is completed. This risk will be addressed by obtaining a guarantee from the third party company with sufficient financial standing to complete the building works as specified.
- 6.6 There is a risk that the ground conditions may be unsuitable for the building works on Blackstone Fields and we have estimated a cost of £0.6m to remediate the site. Should the cost be above that limit the Council has the option to withdraw from the scheme or the developer has the option to itself pick up any higher costs.

7 Finance

- 7.1 The Financial details of this project are set out in the confidential Appendix

8 Recommendations

- 8.1 The Executive is recommended to approve:
 - i. the terms of the Development Agreement as set out in this report, and to delegate to the Corporate Directors for Business Services and Communities, Regeneration and Environment the final approval of the Agreement, .in consultation with the relevant Executive Councillors;

- ii. the expenditure and financing of the new facilities and associated costs as detailed in the report; and
- iii. that the Executive Councillor (Finance) and the Executive Councillor (Regeneration) agree in principle, to the appropriation of the Council owned land needed for development from community use and highway use to planning purposes pursuant to S.122(2A) of the Local Government Act 1972

Background Papers

Executive Report dated 6 December 2010

Circular 06/03 Local Government 1972 General Disposal Consent (England) 2003.

Contact person for accessing background papers and discussing the report:
Paul Lawrence or Barry Khan on 0161 474 3202