

WARDS AFFECTED:
Bulwell

ITEM No

WEST AREA COMMITTEE
14 JANUARY 2009

BULWELL & BULWELL FOREST
AREA 1
21 JANUARY 2009

BASFORD & BESTWOOD
AREA 2
28 JANUARY 2009

REPORT OF DEPUTY CHIEF EXECUTIVE/CORPORATE DIRECTOR OF RESOURCES

STANTON TIP, BULWELL – DEVELOPMENT AGREEMENT

1 SUMMARY

The City Council jointly owns Stanton Tip adjacent to the former Babbington Colliery site. Heads of Terms have been agreed with the joint owner to remediate the site and provide the framework for its future division and use. There are a range of options for the future involvement of the City Council in the site which have differing financial implications.

2 RECOMMENDATIONS

It is recommended that the Committee note :

1. (a) Area Committee notes the content of the report to be considered by Executive Board on 20th January 2009 which recommends approval be granted to the completion of the Stanton Tip Development Agreement between the City Council and Omnivale Limited, the Heads of Terms of which are set out in this report;
2. (b) that a further report considering the options for future involvement of the City Council in the site, will be taken to Area Committees and Executive Board when the remediation and infrastructure works have been completed. This will consider the options for future involvement of the City Council in the site.

3 BACKGROUND

- 3.1 The site referred to as Stanton Tip is the spoil heap to the former Babbington Colliery. The Tip extends to some 96 acres and is under two separate ownerships. The majority (68.5%) is owned by Omnivale Limited, property developers who are experienced in reclaiming contaminated sites. The residue of the site (31.5%) is owned by the City Council. The site is in the Local Plan as a key development opportunity for residential and employment use.

- 3.2 The spoil heap of Stanton Tip comprises a large mound which peaks at some 32m above surrounding ground levels. To enable the site to be developed, the tip needs to be re-profiled creating a platform bordered by steep landscaped slopes to the adjoining neighbourhood. It is calculated that some 1.7 million m³ of spoil will need to be repositioned.
- 3.3 In addition slurry lagoons present in the tip will need to be drained, filled and compacted. A culvert crossing the site will have to be diverted around the edge. The work and resulting stabilisation period will take between 3 and 5 years. The cost of the initial remediation is estimated to be in the order of £11.5 million, whilst the additional work required to provide serviced sites suitable for housing is estimated to be an additional £10 million.
- 3.4 It is only feasible to carry out a reclamation scheme for the whole tip. Consequently, Omnivale Limited approached the Council with a view to negotiating a mutually agreeable strategy. After much discussion the basis of a joint venture Development Agreement has been negotiated.
- 3.5 The over-riding principles have been to limit any risk and initial costs to the City Council whilst retaining an ability to control the future development of the site to ensure it complements the Strategic Regeneration Framework (SRF) for the area.
- 3.6 The agreement will give the City Council the option of purchasing all or part of Omnivale's landholding at the independent valuation although should it wish to acquire more than 50% of the net development area it will have to purchase the entire site.
- 3.7 The SRF for the area envisages an element of new housing on the site but also an eco discovery centre and park. Whilst the Development Agreement will not preclude this scenario, as the City Council will have the option to acquire the whole of the site, it is likely that these proposals will be modified when the SRF is re-examined at a neighbourhood level.

4 PROPOSALS

- 4.1 The proposed terms of the Development Agreement are as follows:
- Omnivale Limited will pay all the costs of:-
 - a) obtaining planning consent for the remediation strategy;
 - b) implementing the remediation strategy;
 - c) obtaining outline planning consent for a predominantly residential scheme;
 - d) putting in any infrastructure required before remediation is complete;
 - e) any other work required to procure serviced areas for sale or development;
 - the remediation and infrastructure works will be competitively tendered. The remediation will only proceed if the tender confirms that the project is viable;
 - Omnivale will take a developer's return of 25% (estimated to be £2.875 million) on the remediation costs and 15% (estimated to be £1.5 million) on infrastructure costs;
 - if at any stage the costs of remediation increase to make the project unviable, Omnivale can cease work but will bear all the costs incurred, including the costs of making good any abortive work and securing the site;

- each party will bear their own legal costs in drafting the Development Agreement.

4.2 At completion of the remediation/infrastructure works an independent valuation of the land will be undertaken and all costs agreed on an open book basis.

4.3 The options for the future involvement of the City Council in the site are

- sell its share of the net developable area of the remediated tip, amounting to some 16.7 acres, along side its joint venture partner, Omnivale Limited, who would receive a priority return until all remediation/infrastructure costs are met. Any subsequent profit would then be shared on the basis of land ownership ratio. If the land value does not exceed the actual cost any loss will be borne by Omnivale Limited. If this option is chosen then the City Council would not be required to make any payments to Omnivale. Instead it may receive a capital receipt, but the value of this will not be known until the entire site has been sold. However it would lose the ability to influence the future development;
- retain its share of the net developable area. This option would require the City Council to pay its proportion of the remediation/infrastructure costs and developers profit equivalent to its 31.5% proportion of land ownership. These payments would be made at the completion of the works. The benefit of this option is that the City Council will be able to influence the future development of part of the site;
- purchase the area of the site owned by Omnivale. The cost of doing this would be based on an independent valuation of the whole site at the time of the purchase. The benefit of this option is that the City Council will be able to control the development of the whole of the site to support the SRF.

5 TIMESCALE FOR IMPLEMENTATION OF PROPOSALS

The Development Agreement will set out certain long stop dates for submitting planning applications, tendering and commencing the remediation contract. However, the overall timetable will be dictated by the approved remediation strategy. Current estimates suggest the site will be ready for development in 3-5 years

6 FINANCIAL IMPLICATIONS

6.1 Capital

The completion of the Development Agreement will not in itself commit the City Council to any capital expenditure. The extent to which we will be required to incur expenditure will depend on the option that is chosen for the future involvement in the site. This is not a decision that is required now but will be the subject of a further report when the remediation and infrastructure works are completed which is expected to be in 3 to 5 years time. Based on the information currently available the financial implications of the options identified in 5.3 are as follows:

- sell our share of the net developable area – there would not be any capital expenditure required from the City Council towards the remediation and infrastructure costs if we choose to sell the 16.7 acres. This option should instead generate a capital receipt. However it is not possible to identify what the receipt will be as this will depend on the receipts generated from the disposal of the whole site and the return

that Omnivale require;

- retain our share of the net developable area – under this option the City Council would incur capital expenditure equivalent to 31.5% of the remediation and infrastructure costs and developers profit. Based on the total estimated costs of £21.5 million and developers profit of 25% on remediation costs and 15% on infrastructure, the City Councils contribution is estimated to be £8.14 million;
- purchase the area of the site owned by Omnivale – under this option the City Council would incur capital expenditure which would be based on an independent valuation of the whole site at the time of the purchase. It is not possible to provide an estimate of this at the present time.

There are no specific resources earmarked for this scheme and any decision on which option is chosen will need to consider the availability of resources to fund the expenditure at that point in time.

6.2 Revenue

The legal costs in drafting the Development Agreement, will be charged to the Property Trading Account. These cannot be quantified or estimated at present. It is not anticipated that there will be any additional implications beyond those already being incurred in maintaining the site in its current state.

7 **LEGAL IMPLICATIONS**

The proposals set out in the report will need to be incorporated into a formal Development Agreement between the Council and Omnivale Limited. That agreement will need to protect the Council's position with regard to the tendering and implementation of the remediation works to ensure retention of site value. The agreement will also need to secure the Council's option to purchase all or part of Omnivale's land holding post completion of such works.

Any risks to the Council in connection with the proposed scheme will as far as possible be mitigated through the drafting of the Development Agreement and need to be weighed against the opportunity to bring land, which is currently unusable, back into use.

8 **EQUALITY AND DIVERSITY IMPLICATIONS**

The residential development of this site will include an element of affordable housing.

The City will be in a position to stipulate the house type and tenure of property built on its land.

9 **RISK MANAGEMENT ISSUES**

The Development Agreement will be structured so that all the initial costs and risks are borne by Omnivale Limited. The City Council has the option of deciding how much financial commitment it makes, following the sites remediation and when all costs are known. The risks to the City will vary depending on the option taken. In broad terms, the risks will increase the greater its involvement in and financial commitment to the

sites development. These will be set out in the further report when they can be more accurately assessed.

10 CRIME AND DISORDER ACT IMPLICATIONS

There are no direct implications but this project will form a key part of the SRF for this area which will have a positive impact on the prevention of crime and disorder. The design and layout of the proposed housing development will incorporate current security standards and ensure open spaces are adequately overlooked.

11 VALUE FOR MONEY

The remediation and infrastructure contracts will be competitively tendered. The return of the Council's investment will vary depending on the option chosen. These will be set out in the future report when remediation/infrastructure work is completed.

12 List of background papers other than published works or those disclosing confidential or exempt information

Letter from Innes England, agents for Omnivale – dated 7 October 2008.

13 Published documents referred to in compiling this report

None

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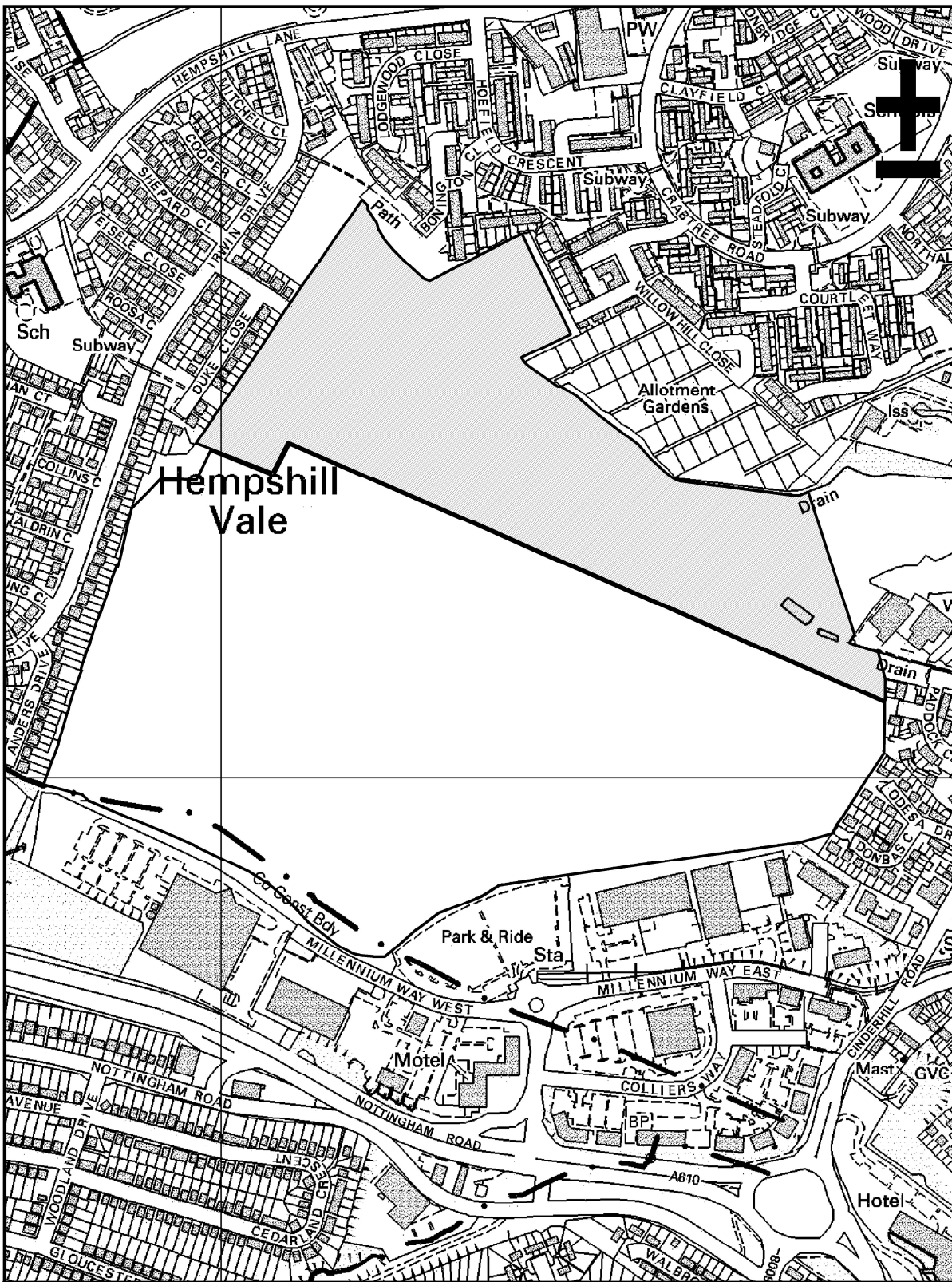
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

Senior Officer Projects and Partnerships

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22/12/2008



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