

# Housing, Homelessness and Fair Work Committee

10.00am, Thursday, 29 August 2019

## Delivery Strategy for Powderhall

|                     |   |
|---------------------|---|
| Executive/routine   | Executive                               |
| Wards               | 12 – Leith Walk                         |
| Council Commitments | <a href="#">1, 2, 6, 10, 13, 15, 32</a> |

### 1. Recommendations

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- 1.1 It is recommended that Housing, Homelessness and Fair Work Committee:
  - 1.1.1 agrees the delivery strategy objectives for Powderhall set out at paragraph 4.2 and 4.3;
  - 1.1.2 agrees the recommended option of retaining ownership of the stables block and leasing to an appropriate operator as the preferred approach;
  - 1.1.3 agrees to discharge the motion to committee on [21 March 2019](#) requesting that a further report be brought back to Committee in two cycles setting out an options appraisal for the Powderhall Stables project; and
  - 1.1.4 agrees to submit a funding application for the stable block and for housing infrastructure grant to assist in funding the development.

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Executive Director of Place

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## Delivery Strategy for Powderhall

### 2. Executive Summary

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- 2.1 This report sets out the delivery strategy objectives for the proposed housing led, mixed use development at Powderhall, Edinburgh. The Powderhall site comprises the former waste transfer station (WTS), the adjacent former bowling greens and the B listed stables block fronting onto Broughton Road. The Powderhall site has been subject to extensive consultation with the public, community groups and wider Council services to create the approved Place Brief which will inform proposals.
- 2.2 The site presents a fantastic opportunity to create a mixed use, mixed tenure housing development along with a new early years centre, to meet a range of housing needs in the community, close to the city centre. Development of the site will deliver significant economic and social benefits and educational opportunities. The Place Making principles enshrined in the approach to planning and consultation promote the creation of an exemplar sustainable development with a high degree of community support and buy in.
- 2.3 The report sets out the delivery strategy objectives for the wider site and a preferred option for the redevelopment of the stables block that will enable the block to be brought back into immediate use whilst work is taken forward to secure a long-term use that integrates the stables block within the wider development.

### 3. Background

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- 3.1 Following the closure of the waste transfer station in 2016, the Powderhall WTS was identified as a brownfield opportunity for a housing led mixed use development, including affordable housing. On [23 March 2017](#), Finance and Resources Committee approved the transfer of the site to the Housing Revenue Account (HRA) for affordable housing led regeneration. The former WTS has not yet transferred to the HRA as it was undergoing advanced demolition and remediation works which are now complete. The HRA forward funded the cost of these works which will be deducted from the purchase price for the site. The redevelopment opportunity also incorporates consideration of the adjacent bowling greens and the category B listed stables block fronting on to Broughton Road.

- 3.2 During 2018 a programme of community and stakeholder consultation was undertaken to inform the development of a Place Brief for the site. The Place Brief, approved by Planning Committee in [December 2018](#), forms non-statutory guidance for any redevelopment proposal on the Powderhall site and will inform planning submissions. Individual planning applications should be accompanied by a masterplan covering the whole site to show how the different elements link together.
- 3.3 On [21 March 2019](#), Housing and Economy Committee received a report on the City Strategic Investment Fund (CSIF) and agreed a motion from the administration requesting that a further report be brought back to Committee in two cycles setting out an options appraisal for the Powderhall Stables project. This report seeks approval of a preferred option and requests that committee discharges the motion.

## 4. Main report

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- 4.1 The closure of the former waste transfer site at Powderhall has created an opportunity to transform this part of the city into a sustainable, mixed use neighbourhood. This will support several Council commitments including delivering new affordable homes as part of the 20,000 affordable homes target and prioritising the development of brownfield sites. Alongside, housing development an opportunity has been identified to deliver a new nursery in support of the Council's early years strategy and to refurbish the former stables block to create employment opportunities and space for community uses.
- 4.2 A site plan attached at Appendix 1 shows the different elements of the site which require different approaches and funding solutions. These approaches will be brought together in a single masterplan that adheres to the principles of the approved Place Brief but allow a phased and incremental approach to delivery of the site. Community consultation to date has focused on the principles agreed in the Place Brief with consultation on a preferred layout still to take place.
- 4.3 The proposed delivery strategy objectives for the Powderhall development are as follows:
- 4.3.1 to develop a vibrant new neighbourhood combining residential, early years and commercial uses in a holistic and sustainable way;
  - 4.3.2 to deliver an exemplar, highly energy efficient and sustainable development that supports the Council's aim of achieving net zero carbon by 2030;
  - 4.3.3 to deliver new mixed tenure homes on the site, including a minimum of 35% affordable homes for social and mid-market rent;
  - 4.3.4 to deliver a new nursery with older persons affordable housing above (intergenerational living) including shared common space;
  - 4.3.5 to renovate the B listed stables block into flexible workspaces and community/ exhibition space with a new 'civic' courtyard to the rear;

- 4.3.6 to ensure the development is well connected to the existing neighbourhoods and provides priority to cyclists and pedestrians through its active travel approach;
- 4.3.7 to ensure safe and attractive public realm and quality open space;
- 4.3.8 to improve the natural biodiversity of the area by repurposing the brownfield part of the site; and
- 4.3.9 to deliver best value for the Council in the development and maintenance of housing and other assets.

### **Design and Planning**

- 4.4 A full design team has been appointed using the Council's professional services framework to develop design to Royal Institute of British Architects (RIBA) stage 2. Subject to approval of the Delivery Strategy the team will be appointed to develop the designs further and secure Planning consent for each part of the site.
- 4.5 Following approval of the Place Brief and working with this document, the design team has been working on designs for the redevelopment of the site with a view to further community consultation. The following section summarises the approach proposed for future planning applications. It is designed to develop an integrated approach to master planning for the whole site, in consultation with the community, and to allow Planning to be secured timeously as required for individual parts of the site linked to the procurement route and timescales:
  - 4.5.1 A Pre-Application Notice (PAN) for the whole Powderhall site will be submitted in summer/autumn 2019. This will initiate further public consultation events and will include an online consultation exercise.
  - 4.5.2 A detailed planning application for the new nursery is planned for submission in late 2019. The application will be accompanied by a masterplan for the whole site as required by Planning Committee via approval of the Place Brief.
  - 4.5.3 A full planning application for the former waste transfer site will then be progressed. A masterplan will be submitted with this application. This will look to set key objectives around building heights, massing, road layouts and public realm, using the approved Place Brief and will be shaped by the community consultation.

### **Procurement Approach**

- 4.6 Two main procurement approaches have been considered. This is either to treat the site as one single tender/phase or to divide it into two main tenders for the bowling greens and WTS.
- 4.7 It is proposed to breakdown the site into different procurement packages with enabling works across the whole site. This will help meet the timetable required for the provision of the new nursery, help the flow of construction traffic and site access throughout the programme. The main construction phases and procurement packages can be summarised as follows:

- 4.7.1 One off package for the demolition of the waste transfer facility. This is currently underway and due to complete in July 2019.
- 4.7.2 Procurement of a package of site enabling works including utility and sewer diversions.
- 4.7.3 Appointment of a building contractor for the nursery and older persons housing using the procured Council's housing contractor framework.
- 4.7.4 Procurement of a development partner to build affordable homes for the Council as well as housing for sale and/or market rent and commercial units for the mixed tenure development on the former waste transfer site.
- 4.7.5 Refurbishment of the stables block may form a stand-alone exercise or could be packaged with other elements depending on timing and funding

### **Housing Mix**

- 4.8 Initial estimates indicate that around 250-260 new homes could be provided across both sites at Powderhall (WTS and the former bowling greens). The minimum percentage target of affordable homes to be delivered is proposed at 35%, a mix of social rented homes for the Council and mid-market rent for Edinburgh Living. A 35% target seeks to find a balance of delivering a higher percentage than the 25% minimum Affordable Housing Policy (AHP) requirement whilst trying to ensure the site contributes to wider Council objectives with the private housing for sale and/or rent providing a higher capital receipt towards transfer value.
- 4.9 A mix of house sizes and house types will be provided to meet a range of housing needs; including for couples, older people, families and households with specific needs.

### **Sustainability Strategy**

- 4.10 Opportunities for active travel and alternatives to car use will be explored and promoted given the sites location adjacent to the city's cycle network and close proximity to public transport routes (bus and future tram). The WTS also provides an opportunity to create high quality urban realm and new open space regenerating what was a former industrial site.
- 4.11 There are a number of options for delivering an efficient, low carbon energy solution for the site and work is underway to select one of the options having regard to the balance between the capital cost of the options, the most efficient form of heating and ultimately the affordability of energy to customers. Consideration is being given to the Council's objective of being a net zero carbon authority and the contribution this project can make to demonstrating how this can be achieved in a way that is affordable for our customers.
- 4.12 The Scottish Government's district heating objectives will be considered to ensure the scheme is compliant for the purposes of any funding that may be available such as the Low Carbon Infrastructure Transition Programme.

## **Stables Block**

- 4.13 The B listed stables block acts as a vital 'gateway' to the site. Poor or incomplete conversion and lack of control would negatively impact on the housing redevelopment. It had previously been proposed that the stables block be refurbished into work/events space and a bid was made to the Regeneration Capital Grant Fund (RCGF) in mid-2018 to assist in funding this development. The RCGF bid was unsuccessful leaving a funding gap of approximately £1m.
- 4.14 A motion from Housing and Economy Committee has requested that an options appraisal is presented to this Committee within two cycles. This options appraisal is attached at Appendix 2. The preferred option recommended for approval is to retain the stables block and seek to rent it out to offset holding costs, with a view to potentially progressing a refurbishment at a later date, if a funding package can be assembled. The benefit of this approach is that the Council would retain control via conditions in the lease to ensure that the use complimented the housing development. The preference is to seek a partner who specialises in affordable work, community use spaces / creative art space, a use that would work adjacent to housing, which creates a 'destination' purpose for the building for the local and wider community.
- 4.15 This may represent a more challenging prospect for a tenant compared with taking a lease on a refurbished building but officers have engaged with potential operators and there has been interest in this proposed approach. Selection of the right partner may also open-up funding options that are not available to the Council directly. The view of officers is that this is a viable option and the best means of bringing the building back into active use in the short term while also developing plans for further refurbishment.

## **5. Next Steps**

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- 5.1 Subject to approval of the Delivery Strategy: submission of a planning application and associated masterplan in late 2019 for approval of a new nursery combined with housing for older people and enhanced open space on the former bowling greens site.
- 5.2 Preparation of an enabling works package for the whole site.
- 5.3 Preparation and submission of application(s) for funding for the stables block in parallel with securing a tenant to allow the building to be occupied.

## **6. Financial impact**

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- 6.1 As a contaminated brownfield site, the WTS has several constraints to be overcome which increase the cost to redevelop and repurpose the site. Over and above grant funding for new supply of social rented homes, it is recommended that additional

grant and other match funding (for example from the Housing Infrastructure Fund, Low Carbon Infrastructure Transition Programme, Sustrans funding) is sought to assist the Council to deliver the project.

- 6.2 The site is included in the five-year HRA capital programme. A number of actions will be implemented to ensure the project makes a positive return over the 30-year HRA business plan period, these will include:
- 6.2.1 Value engineering the development to make efficiencies where possible – the design is at a very early stage so this can be considered as the project develops.
  - 6.2.2 Procuring in a way which is efficient and drives savings and value from the development (this was one of the main considerations in developing the procurement approach outlined).
  - 6.2.3 Over and above Affordable Housing Supply Programme (AHSP) funding, seeking grant and other match funding (for example from the Housing Infrastructure Fund, Low Carbon Infrastructure Transition Programme, Sustrans funding and others), to assist in funding the project and offset costs to the Council.
- 6.3 The site is included in the Strategic Housing Investment Plan with a site start and draw down of grant funding for social rented homes, estimated from 2021/22. There could also be draw down of grant against a land transfer in advance of this.
- 6.4 A build cost envelope for the project will be established, prior to submission of a planning application with financial gateway appraisals carried out at key delivery stages; including commencement of developer procurement and prior to seeking approval to appoint a developer.

## **7. Stakeholder/Community Impact**

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- 7.1 A programme of public consultation culminating in a Place Brief has informed the creation of the development masterplan. Information was shared and views gathered at public drop in events, online via the consultation hub and through stakeholder meetings.
- 7.2 The regeneration of Powderhall will provide a new nursery, new homes, high quality public realm and commercial opportunities. The new housing proposed will provide a range of housing opportunities from renting to purchase including opportunities to meet affordable housing needs including for those with specific needs. Alongside the physical benefits of the new built environment, an active transport strategy is being developed to promote active travel, low carbon and connected communities. The masterplan will also provide a design code to enhance open green spaces and set out a sustainable approach in line with Council policy and priorities.
- 7.3 An energy strategy is being developed that will respond to low carbon opportunities for development, adaptation to climate change and sustainable development.

## **8. Background reading / external references**

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- 8.1 [Strategy – Accelerating Housing Delivery and Brownfield Regeneration – Finance and Resources Committee – 23 March 2017](#)
- 8.2 [Powderhall Place Brief – Planning Committee - 12 December 2018](#)

## **9. Appendices**

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- 9.1 Appendix 1 – Powderhall site plan
- 9.2 Appendix 2 - Stables block options appraisal

## Appendix 1 - Powderhall site plan (from approved Place Brief)



## Appendix 2 – Stables Block Options Appraisal (preferred option ‘D’ highlighted)

| No. | Description   | Pros   | Cons  |
|-----|---|--|---|
| A   | <p><i>Do nothing</i><br/>The status quo – the Council retains ownership of the building and it remains mothballed.</p>  | <ul style="list-style-type: none"> <li>▪ Full Council control over the building.</li> <li>▪ Nil new capital costs.</li> <li>▪ Scope to refurbish in future.</li> </ul>   | <ul style="list-style-type: none"> <li>▪ Holding costs for the General Fund.</li> <li>▪ Ongoing deterioration of the building with risk of vandalism/environmental damage.</li> <li>▪ Business space would require to be provided elsewhere within the development to satisfy LDP policy EMP 9.</li> </ul>  |
| B   | <p><i>Sell the building</i><br/>The Council sells the building. The most likely outcome is considered to be that it would be acquired for redevelopment into flats, albeit conditions could be attached to restrict this.</p> | <ul style="list-style-type: none"> <li>▪ Capital receipt (albeit lower if conditions are onerous).</li> <li>▪ Nil running costs.</li> <li>▪ Potential addition to the supply of housing in Edinburgh, helping address shortages.</li> </ul>  | <ul style="list-style-type: none"> <li>▪ Greatly reduced Council control.</li> <li>▪ Risk that the building is acquired for a locally unpopular use such as short-term visitor accommodation.</li> <li>▪ Business space would likely require to be provided elsewhere within the development to satisfy LDP policy EMP 9.</li> <li>▪ Potentially weak buyer interest if conditions are overly onerous.</li> </ul> |
| C   | <p><i>Redevelop the building as business space and/or residential units</i><br/>The Council retains the building and redevelops it as business space and/or residential units.</p>  | <ul style="list-style-type: none"> <li>▪ Full Council control over the building.</li> <li>▪ Potential rental income in future.</li> <li>▪ Addition to the supply of business space in Edinburgh, helping address shortages.</li> <li>▪ Scope for an investment sale in future.</li> </ul>                    | <ul style="list-style-type: none"> <li>▪ Significant capital costs.</li> <li>▪ Highly unlikely to be viable without securing significant grant income.</li> <li>▪ Holding costs for the General Fund/ HRA.</li> <li>▪ Complex development to manage.</li> </ul>   |
| D   | <p><i>Lease out the building</i><br/>The Council leases out the building in its existing condition to an appropriate / complimentary user.</p>  | <ul style="list-style-type: none"> <li>▪ Some Council control over the building.</li> <li>▪ Nil new capital costs.</li> <li>▪ Rental income (albeit likely modest).</li> <li>▪ Running costs partially offset.</li> <li>▪ Scope to refurbish in future subject to successful funding application.</li> </ul> | <ul style="list-style-type: none"> <li>▪ Somewhat reduced Council control.</li> </ul>   |