

**PARC CRAIGMILLAR Limited**

**Business Plan 2011-12**

**DRAFT: For Consultation**

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## 1. Background

PARC Craigmillar Ltd is a joint venture company formed by The City of Edinburgh Council ('CEC') and The EDI Group Limited in 2003 to deliver a 15 year regeneration programme in Craigmillar, Edinburgh. The area was identified as the fourth most deprived ward in Scotland (Scottish Government Index of Deprivation 2004).

As a result of a consultation process 1999-2001, the Council agreed the principle themes of holistic regeneration for the area, and approved the creation of a joint venture company (PARC) with equal shares as the most appropriate delivery mechanism. The company comprises a board with equal numbers of directors from each shareholder, and directors appointed to represent community and wider regeneration action interests. There are places for 12 directors in total.

The company became an Urban Regeneration Company ('URC') in 2004 sponsored by the Scottish Government, to act as a 'Pathfinder' project in seeking best practice for large scale regeneration programmes throughout the country. In 2009 PARC was awarded, by the Scottish Government, the status of Scottish Sustainable Community Initiative (SSCI).

The Company has received substantial investment from its stakeholders to date, including £22m from the Scottish Government and £8m loanstock from EDI.

To date substantial progress has been made including:

- two new primary schools (including nurseries);
- 203 homes, of which 111 were for mixed affordable tenures;
- a new all weather flood lit field turf pitch, allotments, infrastructure works, business units, landscaping and tree planting, procurement charter, land assembly initiatives, and the support of community development initiatives.

Since mid 2008, the economic recession has had a major impact on the programme. Specifically:

- residential sales have slowed significantly necessitating various shared equity schemes to achieve any sort of volume. This has substantially delayed sale receipts and reduced the total expected value.
- the expected land sale to a food store operator fell through, and prospects for other land sales over this period have been damaged;
- funding sources for development has almost disappeared, particularly private finance.
- PARC has been unable to pay its running costs and part of its funding costs,;
- Together, all this has inevitably had a fundamental impact on the ability to deliver the regeneration objectives within the timeframes that had been envisaged.

At the end of 2009 a short term plan was introduced to take the company through these difficult times without losing sight of the regeneration themes. 2010 was in the circumstances a very successful year with

- 24 houses sold and the bank loan repaid
- 2 new housing developments commenced
- The White House refurbished with Government funding
- The CEC commitment to constructing a new office for 350 staff and a library

Therefore at the beginning of 2011 the picture is significantly more positive than at any time in the last 24 months. Consequently, there is both the need and the opportunity to move from a survival agenda to one which is focused on delivering the initial vision.

One notable development in 2011 is that the City Council has formulated a City wide Strategic Investment Plan which is then subdivided into four Zone Plans. The zone for South Edinburgh includes the Craigmillar area and this Business Plan is aligned with that Plan. Each of the specific objectives and projects set out below reflect the strategy and objectives within the Zone Plan whereby the overall Craigmillar regeneration benefits from the wider zone activities such as future investment in the bio-tech quarter.

## 2. Vision and Strategy

It is important to restate that the vision and overall strategy for PARC remains firmly in place.

The vision for Craigmillar is to have a sustainable, welcoming and balanced community where people want to live and work and be part of The City of Edinburgh. To achieve the vision the Company has adopted six strategic themes as laid out in The City of Edinburgh Council's 'Development Framework for the Regeneration of Craigmillar', namely:

**A New Heart for Craigmillar** – Creating a strong focus for community life and a shared sense of progress and achievement.

**Education and Lifelong Learning** – Delivering a high standard of modern learning environments, housed in the best facilities serving all age groups.

**Economic Development** – Ensuring Craigmillar gains the maximum economic benefit from the physical and social changes that will take place over the next 10-15 years and is connected to the opportunities within the wider Edinburgh economy.

**Young People** – Encouraging every young person in Craigmillar to have aspiration, skills, self-esteem and confidence to realise their goals.

**Access and Movement** – Providing maximum transport choice and safety for the people of Craigmillar both in terms of transport mode and linkages.

**Living in Craigmillar** – Providing a mix of residential tenures and densities to consistently high standards of design in safe, attractive neighbourhoods with convenient access to open space and play facilities.

There has been no change in the outcomes set at the project's inception. These are:

- 2,200 houses on Parc / CEC land;
- Two new primary schools;
- A refurbished town centre with office, retail and leisure space;
- 150 acres of parks;
- A new community high school, library and community facilities;
- improved public realm; and
- to act as catalyst for wider action regeneration initiatives.

### **3. Short term objectives and plans**

#### **3.1 Objectives and Constraints**

The objectives for 2011 /12 are to progress the regeneration objectives to the extent possible and to strengthen the financial position so that Parc is better placed to increase the pace of development.

The company does face a number of significant constraints in aiming for these goals. The country's economic circumstances and in particular those affecting the property sector are well known. Banks have virtually stopped lending on property development and mortgage conditions have removed a large proportion of first and second time buyers from the market.

Countering this are a number of government supported funding packages for house building and infrastructure development. Parc meets the criteria for some of these schemes and may be sufficient to tilt a development in to viability. Parc also has established working arrangements with Registered Social Landlords who continue to have access to government funding and private finance.

Parc is no longer in receipt of regular government funding and other one-off grants (such as the Town Centre Regeneration Fund). Therefore the company's only source of income is from land and property sales. Although Parc's external loans are now repaid there are inter-company debts due to EDI and to CEC. There is no formal repayment programme for the EDI debt but there is an acceptance between the parties that it will gradually be repaid over the next 3 to 4 years. The CEC loan was given to finance infrastructure works needed for past and future town centre developments and is to be repaid by a contribution of 10% of any land receipts. Therefore as income comes in from sales, not all of it is free to be reinvested.

Parc is also constrained by the reduced staffing resources available from EDI, as a consequence of the survival strategy. Parc therefore has reduced access to development, financial strategy and community liaison expertise. This means the overall pace and in some cases the pace of individual projects is slower than before. However as Parc rebuilds its financial base and as the Council restructures all its property development companies there may be scope for strengthening the skill base available to the regeneration, either directly or through tapping in to existing expertise within CEC.

It must therefore be acknowledged that whilst the outlook is positive, all the proposals for the next 12 to 24 months can only be taken forward in line with the available financial and staff resources and that some proposals may be delayed or altered.

### **3.2 Summary of objectives**

The vision, goals and constraints filter down to create the following specific objectives: -:

- Residential activity - commence up to 3 new housing developments either through land sales or partnerships with well resourced house builders, the Council and/or RSLs.
- Town Centre - amend the master plan to reflect today's commercial circumstances and find a private sector partner to take forward an overall plan focused around a food store operator, i.e., the regeneration of the town centre will be retail led.
- Economic Development - establish schemes to link local residents with job opportunities in the biotech quarter and develop a programme for attracting employers to the area.
- Open Space - conclude the back green provision for Greendykes B and commence either the first stage of the Park for Health proposal and/or the construction of the pavilion at the all-weather pitch.
- Infrastructure - investigate design and funding options for remaining water and drainage works.

### **3.3 Residential activity**

The key aspects of the plan are to

- Dispose of the remaining built units at Greendykes B
- Facilitate the development of Wauchope Phase 2B, the former Niddrie Mill Primary School and one other site in conjunction with the private sector, the Council or RSLs.
- In the medium term, seek further investment for Wauchope Phases 4, 5 & 6, Greendykes C and new potential opportunities in the town centre.

Residential development is the core activity in delivering the regeneration of Craigmillar with the original business plan identifying 2,200 homes to be delivered on Parc or CEC land. The delivery programme has been adversely affected by the economic conditions of the past 2-years, however, the company has managed to continue on a reduced building programme and repay all bank debt.

The delivered and 'on-site' residential stock is summarised in the table below:-

PROJECT	DEVELOPER	RSL	TOTAL UNITS	TENURE			
				For sale	LCHO	Mid Rent	AFF Rent
Wauchope Square Phase 1	Parclife	CREHA	63	32	0	19	12
Wauchope Square Phase 2a	Parclife	CREHA	26	0	11	0	15
Wauchope Square Phase 7	Parclife	CREHA	22	14	0	0	8
Wauchope Square Phase 8	Parclife	LINK	58	0	27	0	31
Craigmillar Primary School	CREHA/DCHA	CREHA/DCHA	83	0	45	0	38
Greendykes North Phase A	CREHA	CREHA	34	0	22	12	0
Greendykes North Phase B	Parclife	CREHA/LINK	92	46	12	0	34
<b>Totals</b>			<b>378</b>	<b>92</b>	<b>117</b>	<b>31</b>	<b>138</b>

An important element of this plan will be to sell the remaining units at Greendykes B within the calendar year 2011. Eleven units require to be sold, consisting of 5 1-bedroom flats and 6 3-bedroom townhouses with a combined value of £1.69m

The short/medium term objective will be to see private sector investment in 3 residential development opportunities. This will see Parc facilitate the development through a land sale and development agreement. In essence, Parc will receive a land value for its asset which will be used to build up reserves, whilst the private sector will take the construction risk on the development. This presents a relatively low risk opportunity for the company and allows the regeneration momentum to continue. The three schemes to be delivered through this model over the next 3-years are detailed below;

**2011 - 2014**

PROJECT	RSL	TOTAL UNITS	FOR SALE	LCHO	MID RENT	AFF RENT
Wauchope Phase 2B	CREH A	93	17	36	30	10
Niddrie Mill Primary School	DCHA	53	43	0	0	10
Other		150	TBC	TBC	TBC	TBC
<b>Total</b>						
<b>296</b>						

In the medium term, the company will seek to secure the future development of either Wauchope phases 4, 5, & 6 or Greendykes C. The latter requires infrastructure works that will release the rest of the Greendykes masterplan development. Both these schemes will be considered in light of the recent Scottish Government's policy document 'Homes Fit for the 21<sup>st</sup> Century: The Scottish Government's Strategy and Action Plan for Housing in the Next Decade 2011-2020'. Funding is available to private developers, RSLs and the Council to build affordable homes through the Innovation & Investment Fund 2011-12. Parc will work with RSLs, private developers and CECs Services for Communities Housing function to explore funding options.

### **3.4 Town Centre**

The most challenging aspect of the Business Plan will be making progress on the delivery of the Town Centre. This is because investor interest in the existing 'minded to grant' planning consent for the town centre will suffer due to the uncertainty as to *when and how* the new Community High School will be built.

Therefore, a key point for town centre progress is to review the strategy for the provision of the Community High School. The outcome of this will inform the direction of travel but, notwithstanding the outcome, there are a number of steps to delivering the Town Centre that will commence now.

In the main this will involve the procurement of a private sector partner who has a demonstrable track record in delivering retail led town centre regeneration. Whilst there are numerous types of legal delivery models for this, it will most likely be some form of Joint Venture or Asset Backed Vehicle structure.

### **3.5 Economic development**

Physical development by its very nature delivers economic development outputs. In any development proposition promoted by Parc, we will seek to impose conditions that allow us to demonstrate and measure jobs created, social welfare and environmental improvements.

In addition Parc will support activities lead by CEC's Economic Development team. This will be particularly important following the release of the Council's Investment Zone Plan for South and East Edinburgh. This plan identifies a number of opportunities to link wider development and investment within the Zone with local employment creation. This includes a new employment charter that seeks to improve opportunities for employment and training through clear strategic links between local communities such as Craigmillar and investment at the Bio Quarter.

Finally, Parc will seek to increase its links with local employment workspace by working with established providers such as Holyrood Business Park.

### **3.6 Open spaces**

There are a number of projects which could be pursued with the aim of improving the natural environment and the community's access to it:-

- 1) Complete a communal back green in Greendykes B
- 2) Review the existing and proposed provision of children's play areas
- 3) Implement the North Meadows part of the overall Park for Health plan
- 4) Implement one short term use for stalled residential sites

#### **Communal back green in Greendykes B and play areas**

The Greendykes B development was designed to have a communal back green as amenity space for the residents. As developer, Parc is committed to working with the residents and to providing £25,000 to design and implement a scheme.

It is proposed that Parc now works with a residents' forum to complete this work.

Concerns have been expressed that there is insufficient provision of specific play areas as part of the new housing developments. Therefore the play provision will be reviewed and if any current shortfalls are identified some rectification can be initiated.

#### **North Meadows**

With 150 acres of open space located on the south east edge of Craigmillar the scope for new parks is vast with commensurate benefits for the community and City. Funded by the Scottish Sustainable Community Initiative, a vision and plan for the open spaces was developed in 2010 under the banner "Park for Health".

With Edinburgh Council committed to the realignment of the Niddrie Burn (see infrastructure below) there is an opportunity to make further progress on both the North Meadows and the South Woods. The North Meadows proposals are at a more detailed stage and include

- Cycle and pedestrian routes both north-south and east-west
- Landscape treatment on the edge of the proposed RIE car park
- Create landmark public art
- Provide play and picnic areas

This work has been costed at £500,000 in total, but it can be phased with the first phase costed at £300,000,.

It would also be beneficial in the long run to carry out further planning on the South Woods to identify costs, sources of funds and long term partners to manage the woods.

#### **Castlebrae Pavilion**

As a condition to the redevelopment of the Cairntows Park area, it was necessary to replace the pitch and changing room facilities. The pitch was replaced with an all-weather one in the grounds of the Castlebrae High School but the new pavilion was put on hold when the recession started. Some members of the community have requested

that the pavilion should be constructed soon as without it the new pitch cannot be utilised by community groups. In 2009 the pavilion had been costed at £0.8m

### **Identify and implement a short term use for the stalled development sites in Greendykes and Wauchope**

Large areas of land were cleared of the former sub-standard housing in preparation for the new Wauchope and Greendykes masterplans. The recession means these sites will not be developed as quickly as originally envisaged. This is not beneficial to either the current residents or the attractiveness of proposed developments. There are funding packages available to support medium term use, often through various forms of greening the sites. In line with a long term development timescale, some sites in either Wauchope or Greendykes might be suitable for alternative uses.

It is intended that a proposal will be developed setting out a scheme which can be started promptly.

## **3.7 Infrastructure**

### **Water and Drainage**

Although most of the land to be developed has water and drainage services, they date back to a different era. As such, Scottish Water have specified that new development must come with higher quality and more sustainable services. Currently Scottish Water will not agree to any further connections throughout Craigmillar.

It is proposed that water and drainage improvements for the Wauchope developments are completed by the summer of 2011. This will cost £900,000 and will be funded by a loan from CEC. This will provide sufficient capacity for the remaining developments proposed in Wauchope and for the CEC office due to go on site in spring 2011.

It is proposed that further investigations are carried out on the need for improvements in the Greendykes area and that negotiations are conducted with Scottish Water in relation to scheduling and funding. This understanding is required in order to progress any further housing in Greendykes.

### **Local Heat Plant**

The benefits which would accrue to the area with a local heat plant are many: lower carbon footprint of new houses, reduced construction cost of new houses and lower heating bills for homes and businesses. However there are significant costs, in the order of £5m to £10m , required to set up the plant and install the network of pipes. Ultimately it would be a missed opportunity if the regeneration was completed without some degree of local heat and energy generation. To ensure the maximum benefit infrastructure provision needs to be installed as soon as possible to enable future developments to be connected to the network.

It is therefore proposed that effort is made to identify funding and partners to commence the construction of a heat plant and pipe network.

### **ERI Link Road and Niddrie Burn Restoration**

At its meeting on 29 March 2011, the Finance and Resources Committee of the Council approved the award of the contract for Phase 1 of the Niddrie Burn River Restoration (NBRR) and ERI Link Road to Carillion Civil Engineering Ltd.

The NBRR comprises the realignment of 1.8 Km of the Niddrie Burn to form a new river corridor with associated landscaping, a meadow area which will form a compensatory flood storage area within parkland, two footbridges raising areas of ground to form development platforms for housing and future development and Public Utility diversions.

The ERI Link Road will comprise of a link road between Greendykes and ERI with part of the road a designated Public Transport Link. The link road will also have a footpath, shared use cycle path and street lighting and a new roundabout will join the link road to Greendykes Road with a road bridge over the new river corridor.

## **4. Management and community engagement**

### **4.1 Governance**

The Company is a Joint Venture owned by two shareholders, The City of Edinburgh Council, and The EDI Group Limited. The current Board of Directors comprises:

City of Edinburgh Council

Cllr. Michael Bridgman, Cllr. Paul Edie, Steve McGavin, Susan Tannock

The EDI Group

Cllr. Tom Buchanan, Eric Adair.

There are places on the Board for community directors to advise on wider issues. Currently three community directors sit on the PARC Board. These are:

Norrie Davies (Craigmillar Regeneration Forum)

Terry Tweed (Craigmillar Neighbourhood Partnership)

Iain Graham (Lothians Health Board)

The Board meets on a monthly basis.

### **4.2 Management support**

Since inception, management support has been provided by EDI. The support involves all aspects of running the business including:

- Management of the company in all its aspects;
- Leading all planning activity;
- Managing all development activity from development of schemes through to letting of contracts and managing all construction development activity;
- Selling of residential property and sales to housing associations;
- Providing all financial management and legal support to the Company;
- Engaging with all stakeholders.

The management support and cost will continue to be reviewed to ensure it is commensurate with the level of activities being delivered at PARC.

### **5.3 Community and stakeholder engagement**

PARC recognises the critical importance of community engagement in helping shape and deliver the regeneration plans, and therefore works closely with the Craigmillar Partnership, responsible for the Social and Community Regeneration Initiatives in the area and is represented at every Partnership meeting. This ensures continuity of work, and a Partnership approach to PARC's work in Craigmillar.

PARC also:

- works in partnership with other developers with land holdings or investments in Craigmillar to deliver a programme of regeneration matching the requirements of the approved Design Framework for the area;
- works with companies who have successfully tendered for work in the Regeneration Programme, encouraging these companies to invest in the local community through employment and sub-contractual opportunities;
- piloted pre planning application consultation agreements with great success;
- has been active in the Community through its continued presence at formal and informal local meetings, and its involvement with specific groups such as young people, school pupils and elderly groups;
- has supported the local independent monthly newspaper as a vehicle of communications.

The objectives set out above have been developed following a number of consultations with the Craigmillar Community Council and the Regeneration Forum. The individual projects will be taken to these and any other appropriate forums to ensure that the community's views and aspirations are reflected in the projects.

Engaging with relevant CEC Departments is also vital to ensuring that the regeneration plans remain coherent and clearly understood and that progress is understood by all. Regular discussions are held with City Development to ensure the Parc plans dovetail with the overall South Zone Plan. Similarly there are routine meetings with Services for Communities staff to ensure a complimentary approach.

As well as the Council, the Scottish Government is a cornerstone of support for PARC and a major and continuing investor. The Government has been extremely supportive of the regeneration project, and PARC will strive to maintain that support through close collaborative working.