

ABERDEEN CITY COUNCIL

COMMITTEE	City Growth and Resources
DATE	18 September 2018
REPORT TITLE	Phase 2 of the City Centre Masterplan Queen Street Development Opportunity
REPORT NUMBER	RES/18/176
DIRECTOR	Resources
CHIEF OFFICER	Corporate Landlord
REPORT AUTHOR	Stephen Booth
TERMS OF REFERENCE	3.1

1. PURPOSE OF REPORT

- 1.1 This report outlines the next stage of the delivery of the city centre masterplan and incorporates proposals contained in the approved city centre living study, as they relate to the defined city centre boundary. The report contains proposals for progressing the development of the Queen Street project contained within the masterplan and proposes the pursuit of a service integration agenda across public partners as a result of the opportunity to co-locate.

2. RECOMMENDATION(S)

It is recommended that the Committee:

- 2.1 Implement the recommendation of the City Centre Living Study to create a dedicated resource to move forward City Centre Living;
- 2.2 Delegates authority to the Director of Resources to take such action as is required to create the necessary project teams to move forward the proposals outlined in the City Centre Living Study (these will be a mixture of internal and external resource) through the use of £500,000 from the Non-Housing and Housing Capital Programmes;
- 2.3 Notes that the property co-location opportunities being proposed afford the opportunity to integrate multi agency services as envisaged by the council's target operating model and thereby instructs the Chief Executive to progress these opportunities;

- 2.4 Instructs the Chief Officer (Corporate Landlord) to enter into appropriate agreements with Police Scotland and other Public Sector Partners on the co-location of services within the council's property estate; and
- 2.5 Recommends that the Planning Management Development Committee at their meeting on 20 September 2018 approves the proposal for an Affordable Housing contributions waiver as outlined in paragraph 3.27 of this report.

3. BACKGROUND

City Centre Masterplan Project CM02 Queen Street

- 3.1 Having now completed the semi-pedestrianisation of Broad Street, and at tendering stage for Union Terrace Gardens, the Council is in a position to start considering how to progress the proposals contained within the City Centre Masterplan for Queen Street. This site is a complex, public sector owned, location in the centre of Aberdeen. The site is identified as Project CM02 (Queen Street) within the City Centre Masterplan which identifies the site as a mixed-use urban quarter (residential led). It is unique in so far as it is one of the only significant city blocks in Scotland capable of wide scale redevelopment, further enhanced by the ownerships being predominantly in Public Sector control. Currently the site footprint includes the following organisations:
 - Police Scotland;
 - Scottish Courts and Tribunals Service;
 - Aberdeen City Council in terms of Town House and the city mortuary
 - University of Aberdeen; and
 - Aberdeen Performing Arts and Castlegate Arts.
- 3.2 A development framework has been prepared in draft and this has formed the basis of conversations with the aforementioned public parties given the need to relocate existing service provision from the Queen Street site in order to realise the vision for Queen Street within the City Centre Masterplan. These discussions have been attempting to understand how the Council could be part of, or at least facilitate, the land assembly for the whole site through working with its public sector partners.
- 3.3 Estate rationalisation features as part of public partners' budget strategies as well being a part of the Council's financial strategy. There is also a genuine desire for greater integration among partner agencies to enhance service delivery to the public. The initial exploratory talks with partners indicated a will to explore opportunities for integration to enable estate rationalisation and partner co-location opportunities to be taken. These talks have continued to develop and are now at a stage in terms of the practical exploration of specific opportunities to co-work with partners in different locations across the City to both improve efficiencies but also improve service delivery and manage demand more effectively. Many sites and projects have been considered, namely

- The relocation of the city mortuary to enable possibility of the demolition of the Aberdeen Police Scotland headquarters
- The re-location of the Town House extension
- The relocation of the Scottish Courts and Tribunal Service.

- 3.4 The public mortuary is located under the Police Headquarters building. The local authority has a statutory duty to provide a mortuary, but most other local authorities discharge this duty through an NHS provided and operated mortuary facility. Following the Scottish Government National Mortuary Review, the Scottish Government issued a revised set of standards for mortuaries and our current facility is not compliant with these standards. The facility is approaching the end of its economic life. Work has been underway for some time between Aberdeen City and NHS Grampian to develop a range of options for the re-provision of the mortuary, most likely within the Forresterhill Health Campus. An interim mortuary solution is very likely required, in order to accelerate the possibility of the demolition of the Aberdeen Police Scotland headquarters. It is believed that an interim solution can also be provided for on the Forresterhill Health Campus. An interim solution will also enable the permanent solution to be progressed at the appropriate pace.
- 3.5 Clearly one of the main issues for the Council in assembling the overall site is the location of the Town House extension. Currently this space accommodates Elected Members as well as the main Council Chamber and committee rooms. Elected Members will be aware that the Council currently has a long-term lease over the front sections of Marischal College from the University of Aberdeen. As part of this wider master planning exercise exploratory conversations have been held with the University around the potential future use of the back of the College, including the Mitchell Hall, which the Council currently has no rights over. There would be clear wider benefits in bringing the Mitchell hall back into economic use. It is considered that the Council Chamber could be provided by utilising the back of Marischal College or alternatively the Council could elect to utilise the debating chamber facilities which are situated within the Kings College conference facilities within the University of Aberdeen. The Kings College chamber is a permanent facility and provides all the facilities required for Council meetings.
- 3.6 The civil and commercial courts of the Scottish Courts and Tribunal Services are located next to the Police Headquarters building in Queen Street and the criminal courts are adjoined to the Town House on Union Street and are linked underground to the former Police Scotland cell block now owned by the SCTS. The SCTS vision is to see the development of regional justice centres including in Aberdeen. This would enable significant service integration across justice services including the Courts, Police Scotland, Crown Office and Procurator Fiscal Service, Criminal Justice Social Work and the Third Sector. Such a facility is currently being built in Inverness. An interim courts solution would be required while such a facility was built. There are a number of possible sites within the city for the development of a justice centre.
- 3.7 The site also houses a range of arts/ cultural uses which will be in need of investment in coming years. The uses also provide important cultural facilities and have the potential to generate footfall and interest in any new development.

The opportunities around these venues, their redevelopment and potential consolidation requires further consideration.

- 3.8 It can be seen from the above that to develop Queen Street will require a dedicated resource to move this large complex project forward at a pace. The resource requirement has been identified in three distinct parts these being:
- the development of service integration and co-location;
 - the physical movement of services into interim and/ permanent solutions (where currently available) whilst permanent solutions are constructed, as required
 - land assembly, development appraisal, development delivery of the actual Queen Street site.
- 3.9 The Council has commissioned a Development Framework, with the team being led by our framework architects, Halliday Fraser Munro, this document is being finalised with partners to allow it to be presented in the next committee cycle. It is anticipated that the final draft will indicate a range of options and opportunities for the Queen Street re-development with a focus on a residential led mixed use development as envisaged in the City Centre Masterplan.
- 3.12 If approved, it would be proposed that the Council would lead the project and it would be progressed in conjunction with our multi-agency partners. Initial work would identify the key project risks, constraints and areas of market failure. It would create options around land assembly, lead partnership and undertake initial soft market testing. Consideration would be given to potential development models, priority projects and deliverable phasing. This will also form a small part of the Developers Day requested at the previous meeting of the committee.

3.13 Developers Day

- 3.13.1 Officers have previously indicated that with the level of pipeline projects being taken forward across the Council's capital budget, including the City Centre Masterplan, a Developer's Day should be held to allow the market to understand the level of works likely to be put out to tender over the next 12 months or so. Some, but not all, of the key elements will be focussing on the following commitments:
- 2,000 Council homes to be delivered;
 - An initial 4 Primary schools (subject to ongoing committee approvals);
 - An extensive Early Learning series of projects;
 - Queen Street Development;
 - City Centre Living (Alive after 5); and
 - Denburn Redevelopment.
- 3.14 In presenting the above to the developers, it is vital that the Council sets out some clear parameters within which it is expected that its projects be delivered. For example, the 2,000 Council homes must be affordable within the Council's current rent structure and therefore financially viable. At the Strategic Commissioning Committee held on the 13 September, it was agreed that the 4 Primary schools are to be delivered at the following specific locations (Milltimber, Torry, Counteswells and Tillydrone for which the Council will supply

the land).The Early Learning projects will be defined as per the submission to the Scottish Government but allow developers to bring innovation and alternative delivery methodologies forward.

3.15 City Centre Living Recommendations

3.15.1 The City Growth and Resources committee, at its meeting on the 19 June 2018 received a report on the City Centre Living study. The study identified Queen Street development as a key development opportunity. A number of key recommendations were made in the Report. These along with the proposed actions by officers are noted below.

The Strategy recommendations fall into four topics of:

1. Form a dedicated city living team.
2. Take a lead role in the delivery of transformational projects.
3. Identify and support quick wins.
4. Introduce a moratorium on developer obligations.

The following presents the consultant's recommendations across each topic and the officers' recommendation.

3.17 Form a Dedicated City Living Team

	Strategy's Recommendation	Officers' Response/ Recommendation
1	The creation of a new city living team.	This Reports identifies the need for dedicated resource to move forward city centre living and recommends that Queens Street redevelopment is given priority. The team would develop a skill set to support the delivery of other projects over time.

3.18 Take a Lead Role in the Delivery of Transformational Projects

	Strategy's Recommendation	Officers' Response/ Recommendation
2	ACC take a lead role in delivering as small number of large, transformational city living projects.	This Report proposes that ACC take the lead role in promoting Queens Street for a residential led mixed use development.

3.19 Identify and Support Quick Wins

	Strategy's Recommendation	Officers' Response/ Recommendation
3	<p>ACC engage proactively with developers. In particular we would advise that officials work and/or continue to work with the developers behind the following projects (in the context of challenging market conditions):</p> <ul style="list-style-type: none"> • Triple Kirks • Bradford Works <p>In addition, ACC should identify and map out a series of development opportunities and work collaboratively with the private sector to breakdown site specific barriers and influence new starts. An underlying 'can do' and 'problem solving' approach to delivery is required.</p>	<p>Officers continue to support the development of Triple Kirks (now on site) and Bradford Works. This should include a review of the support offered by the Council (eg. Advice, guidance and knowledge) towards progressing these projects to determine its effectiveness and any opportunities that may be available.</p>

3.20 Introduce a Moratorium on Developer Obligations

3.20.1 The application of developers' obligations in the city centre for residential development is under consistent challenge, as it can undermine viability of schemes. Residential projects in the city centre usually involve significant uncertainties as renovation or site preparation is involved. This increases risk for developers (particularly against greenfield development) that can make investment unattractive.

3.21 The Scottish planning system recognises that housing developments must be financially viable to see the housing which Scotland requires, delivered. Many areas of Scotland have limited ability to seek developer obligations or affordable housing due to their poor housing markets. Aberdeen has historically been in the fortunate position that financial viability has been less of a factor in housing developments not coming forward. It must be recognised however that other factors, such as higher than average construction and land costs, do have an impact on the financial viability. The City Living Study shows there are also specific areas such as the City Centre, where additional costs such as those associated with complex conversions, working with listed buildings or buildings in conservation areas, also have an impact. This is currently compounded by a challenging economic climate. To achieve the aims of the City Centre Masterplan, in creating a vibrant city centre where people wish to live, the Council needs to consider the financial viability of these developments and help support the delivery of housing in the city centre where appropriate.

- 3.22 Consequently, consideration needs to be given to off-set these risks through innovative approaches that will secure investment in new homes in the city centre. An approach is recommended by the City Centre Living Strategy with regard to applying a waiver on developers' contributions to achieve this.
- 3.23 The Aberdeen Local Development Plan 2017 (ALDP) and associated Supplementary Guidance set out the Council's planning policies for development across the City. They support the City Centre Masterplan and Delivery Programme by identifying the city centre not only as the centre of the Aberdeen but the centre of the city region. The success of the city centre is therefore crucial to the success of Aberdeen and, as identified in the City Centre Masterplan and the City Living Study, part of making the city centre vibrant is to increase its population.
- 3.24 The City Living Study is clear that residential development in the city centre is not viable and this needs to be considered if the goals of the ALDP and City Centre Masterplan are to be achieved. The ALDP includes policies on both Developer Obligations and Affordable Housing and the supporting Supplementary Guidance set out detailed guidance on how these should be applied. Both the Developer Obligations and Affordable Housing Supplementary Guidance recognise that the financial viability of a development must be taken into consideration when calculating contributions. To achieve a viable development, it may therefore be necessary to reduce or remove obligations.
- 3.25 The City Centre the City Centre Living Study has shown that in order to achieve viable developments that a two-year waiver on affordable housing contributions in respect of new residential development of less than 50 units within the city centre which have been validated, approved and a Decision Notice issued by the Planning Authority should be introduced.
- 3.26 While this would offer the potential to fill the identified viability gap, if the policy were to change, that could delay its implementation until the review of the ALDP in 2022. During this period there is a risk that any housing projects could be moth-balled as developers await the outcome. The city centre living study recommendation also fails to link the proposed waiver to housing delivery. It could result in an increase in planning applications/approvals but not result in the implementation of consents for residential development. Finally, the waiving of all obligations may result in under provision in health, education and other services/infrastructure that would not be appropriate. The City Centre Living Study clearly showed that Affordable Housing had a far more significant impact on the viability of developments, than other developer obligations. A more focused approach is therefore required which is targeted on delivering development within a defined timescale and limits the impact on services.
- 3.27 The recommended approach would therefore be for Affordable Housing contributions not to be sought for applications under Section 32 of the Town and Country Planning (Scotland) Act 1997 ("the Act") for housing approved starting from the date of the decision of the committee, for a period up to the 31st December 2020. Approval in this context will mean the validation and approval of the application by the Planning Authority, any Section 75 legal

agreement and the issuing of a decision notice by the Planning Authority. This would apply within an area of the City Centre as defined on the map attached at Appendix A. Such development would be required to commence within 12 months of the decision notice and would be secured via a direction applied to the grant of planning permission. There will be an expectation that such development will include a mix of unit types and sizes, to encourage sustainable mixed communities. A report will be brought to committee at the end of the two-year period detailing the outcomes.

- 3.28 The Director of Resources shall bring a report to the Planning Development Management Committee on 20th September 2018 for approval of the potential waiver as outlined at 3.26. Should the report not be approved, a further report will be brought back to the City Growth and Resources Committee.

4. FINANCIAL IMPLICATIONS

- 4.1 At this stage a development project budget of £500,000 is sought from the non-housing capital plan to develop detail around the individual projects to allow these to be fully scoped and developed. This will pay for internal staff resource, feasibility and site investigation works with business plans for individual development elements being brought forward as required.

5. LEGAL IMPLICATIONS

- 5.1 The agreements to be entered with Police Scotland and Public Sector partners referred to in the Report will be reviewed by the Chief Officer - Governance to ensure that they contain all necessary provisions in order to protect the Council's interests.

6. MANAGEMENT OF RISK

	Risk	Low (L), Medium (M), High (H)	Mitigation
Financial	At this stage the only financial risk is around the potential abortive development costs in progressing the project. the lack of future affordable housing contributions in the city centre is not considered a risk.	L L	The project will be advanced on Project Management principles. At this time there is limited development and most will fail viability tests with affordable housing contributions.
Legal	Not at this stage		

Employee	Not at this stage		
Customer	Not at this stage		
Environment	Not at this stage		
Technology	Not at this stage		
Reputational	There is a reputational risk in relaxing developer contributions in the city centre just as there is a risk in not being able to deliver city centre living due to variability constraints.	L	The recommendations follow independent advice.

7. OUTCOMES

Local Outcome Improvement Plan Themes	
	Impact of Report
Prosperous Economy	The report contributes directly to the inclusive economic growth programme of the Regional Economic Strategy Action Plan, Invest Aberdeen and Culture Aberdeen plans to rejuvenate the city centre to attract inward investment and global talent to the city and region. Effective development and ultimate delivery will further enhance the city's profile and standing The opportunity to redevelop queens street would enable a key demonstrator site in the city centre to be brought forward.
Prosperous People	A vibrant city centre will in turn attract people and commerce '24/ 7', in turn driving jobs, a key priority for the Council. The promotion of city centre living will provide more housing choice in Aberdeen that will help people to be supported to live as independently as possible
Prosperous Place	Aberdeen is a global HQ across industry sectors. Its continued competitiveness as an international destination of choice depends on having the right mix of residential, leisure and culture offer. The development, and city centre living, are key to a prosperous place:

Enabling Technology	Through the City Region Deal, the Council is contributing to a £27m digital investment. This includes installing the fibre network across the city, that in turn enables rollout of future technologies such as 5G and 'Smart City' installations. New residential development will benefit from this technology and providing ultra-fast connectivity that is reliable and accessible by residents
----------------------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Local Outcome Improvement Plan Themes	
	Impact of Report
Prosperous Economy	<i>If delivered the ambitions in this report will create a regeneration opportunity in the city centre whilst contributing to the public sector transformation agenda.</i>
Prosperous People	<i>Joined up public services make them more accessible enabling improving resilience and response.</i>
Prosperous Place	<i>The regeneration of a key city centre site and consolidation of public sector assets improve the place.</i>

Design Principles of Target Operating Model	
	Impact of Report
Customer Service Design	The report addresses option of working better with partners.
Organisational Design	The report looks to redesign service to better meet our outcomes.
Workforce	The project will have workforce and co-location implications if delivery can be explored and tested.
Process Design	The project at a high level looks to consider process design between partners in the future.
Technology	Technology and digital opportunities will be considered in the development of the project and spaces.
Partnerships and Alliances	The project is an example of how benefits can be achieved in working in a cross agency manner.

8. IMPACT ASSESSMENTS

Assessment	Outcome
-------------------	----------------

Equality & Human Rights Impact Assessment	<i>EHRIAs will be prepared as each of the projects develops</i>
Data Protection Impact Assessment	<i>not required</i>
Duty of Due Regard / Fairer Scotland Duty	<i>not applicable This will be considered as each of the projects develops</i>

9. BACKGROUND PAPERS

None

10. APPENDICES (if applicable)

A – City Centre Plan

City Centre Masterplan –

<https://www.aberdeencity.gov.uk/services/strategy-performance-and-statistics/city-centre-masterplan>

City Living Study

<https://committees.aberdeencity.gov.uk/documents/s85127/Final%20City%20Living%20Report%20appendix.pdf>

11. REPORT AUTHOR CONTACT DETAILS

Name Stephen Booth

Title Corporate Landlord

Email Address StBooth@aberdeencity.gov.uk

Tel 2675