

ABERDEEN CITY COUNCIL

COMMITTEE	City Growth and Resources
DATE	10 November 2021
EXEMPT	Yes - exempt under Estimated Expenditure on Contracts exemption in terms of paragraph 8 of Part I of Schedule 7A to the Local Government (Scotland) Act 1973.
CONFIDENTIAL	No
REPORT TITLE	Aberdeen Market – November 2021 Update Report
REPORT NUMBER	
DIRECTOR	Resources
CHIEF OFFICER	Corporate Landlord
REPORT AUTHOR	Stephen Booth
TERMS OF REFERENCE	4.1 approve recommendations regarding the Council's assets, property, and estates

1. PURPOSE OF REPORT

- 1.1 At the City Growth and Resources Committee in August 2021 the committee considered a report entitled Aberdeen International Market – August 2021 Update RES/21/19. [link to report](#). This Report provides a progress update on the significant development work that has been undertaken since the last committee and seeks approval to progress with the project.

2. RECOMMENDATION(S)

Recommendations relating to this report are contained within the overarching covering report due to interdependencies.

3. BACKGROUND

- 3.1 At its meeting on 26 August 2021 a report for the proposed indoor market was considered by the committee. The approved recommendations and action taken since are noted below: -

The report recommended that the Committee –

- (a) *note the progress that has been made in the purchase of the site including all copyrights, reports, development proposals, submitted funding applications and then entering into a **demolition contract** for the site;*

Since August significant progress has been made in site stripping and clearance. On 1st November 2021, the following update was available: -

1. Pre- planning works/ surveys/ prelims	100% complete
2. Asbestos removal	95% complete
3. Soft Strip	75% complete
4. Security fencing	20% complete
5. Scaffolding	10 %
6. Deconstruction (BHS)	0%
7. Deconstruction market	0%

The current programme indicates the site being cleared* in early 2022.

*note it is the intention to re-use the concrete frame from the existing former BHS building – this has timing / cost and environmental benefits

- (b) *note the progress in developing the scheme to Concept Design and instruct the Chief Officer – Corporate Landlord to submit a **planning application** for the proposal at the earliest opportunity.*

The planning application for the site redevelopment went live on 28 October 2021. [Link to application.](#)

- (c) *to instruct the Chief Officer – Corporate Landlord to take forward a marketing exercise to identify an operator for the completed facility and thereafter select a preferred bidder, following consultation with the Convener of City Growth and Resources Committee, to ensure operator input is available at the earliest opportunity; and*

This work is currently being progressed with a full marketing campaign lodged following the submission of planning. Details of the marketing material are attached as Appendix C.

- (d) *progress with the **Full Business case** for the project bringing this back to this Committee on 3 November 2021.*

An updated business case is attached as a confidential appendix A. This is the latest iteration of the proposals for the site. A full business case will be brought back to the committee when costs certainty is available from a contractor and a operator solutions is confirmed.

- (e) *instruct the Chief Officer – Corporate Landlord to **progress with the purchase of other available property** within the ‘block’ on terms identified within this report.*

A price has been agreed to purchase an additional 3 units within the range in the Business Case. Due diligence works are ongoing.

- (f) *instruct the Chief Officer – Corporate Landlord to extend the scope of the project to include options to undertake environmental projects to **‘the tunnels’ area**.*

Improvements works to the tunnels are being taken forward as part of the wider streetscape project.

- (g) *instruct the Chief Officer – Corporate Landlord to consider option to develop and deliver options for **vacant upper floors** in the wider block to be brought back into economic use, bring a report back to committee on 3 February 2022; and*

These works will be advanced now the planning application for the Market site has been lodged.

- (h) *instruct the Chief officer – Corporate Landlord to consider a business case to bring other vacant properties within this key area of Union Street back into economic use reporting back on 3 November 2021.*

Initial works to identify an ownership and occupation plan for this key section of units has been taken forward and is attached as confidential appendix B. A review of this is underway to identify any units which may have strategic significance. With the works required to progress the market site officers have been unable to report more fully on this in the current cycle. This will be brought back for further consideration in Q1 2022.

And

- (i) *to instruct the Communications and Marketing Manager to issue a media statement outlining the progress of the new International Market project and issue further statements as other properties in the report are acquired.*

A press statement was issued following the last meeting, on receipt of the levelling-up fund offer and when the planning application was formally receipted.

4. **FINANCIAL IMPLICATIONS**

- 4.1 The 2021 Budget meeting on 10 March outlined a funding commitment totalling £150M from the General Fund Capital Programme over financial years 2021/22 to 2025/26 to ensure the Council transforms the city centre and beach area.
- 4.2 The attached Business case identifies the future development costs for the market of approx. £50 million. This includes acquisition of the additional units, the market and 91 – 93 Union Street (including acquisition of all plans, surveys and other affected properties etc.) and site clearance (new build costs is circa £40 million). This still includes a significant optimism bias (23%) to reflect the fact that the design development is currently at RIBA - Stage 3. (note that the business case also gives detail of the streetscape works)
- 4.3 The revenue costs identified will continue to be refined as the design and conversations with potential operators develop, the business case describes relevant aspects of the project that will be included in those discussions. The

business case identifies the development income meeting all revenue costs (excluding debt finance) at this stage with a surplus to the council.

- 4.4 The funding application for levelling up funding has been approved at £20 million to cover both the Market Project and Union Street Streetscaping works. As such the committee should be aware of the interdependency of the two projects. No detail has yet been provided in relation to the grant award conditions.

5. LEGAL IMPLICATIONS

- 5.1 There are no current legal implications in relation to the Report. Future and ongoing Legal advice will be required around the conditionality of grant funding, construction contract agreements, operator agreement and tendering etc.

6. MANAGEMENT OF RISK

Category	Risk	Low (L) Medium (M) High (H)	Mitigation
Strategic Risk	The site has a key profile in Union Street and is currently unsightly.	L	The council now have control over the site and it's future.
	The council will have a long-term interest in the site for market use	L	Long term risks will be passed over to an operator where possible.
Compliance	The council require to enter in construction and operator agreements.	L	Appropriate legal and procurement advise will be required.
	There is a delay in being able to get consent for demolition warrant and conservation area consent (CAC) without their being a contract let for the redeveloped site delaying the demolition and subsequent demolition works.	M	This is the most significant project risk at this time. Demolition warrant and CAC submissions have been made as has a planning consent. Whilst the council have secured the site, have a mechanism for demolition, made funding applications and approved an OBC if CAC can't be granted this will delay and demolition and project delivery by at least 6 months.
Operational	The council is unable to find an operator for the completed facility.	M	Approval is sought to go to market for an operator immediately.
	The building is designed without sufficient operator involvement leading to additional operation costs.	M	Input has been and will continue to be received from property consultants.
	The council purchase additional retail units, the	M	Units are currently occupied or under offer. Agents are instructed

	become vacant and the council have holding costs.		to identify other operators. Existing rents cover debt and vacant property charges.
Financial	The proposals create on ongoing revenue budget pressure on the council. Financial risk around demolition.	M M	Operational risk would sit with and operator and be addressed in the final full business case. Design development includes consideration of whole life costs/ market demand etc. Financial risk has been transferred to development partner.
Reputational	A development does not now proceed, and vacant/ semi derelict property remains.	L	A demolition agreement is in place/ subject to consents. An outline business case has been approved. Funding applications has been approved from UK government to support the project.
Environment / Climate	The new building creates a 'carbon' impact in the city centre.	L	The brief for the development site includes a requirement for the property to be built to high environmental standards.

7. OUTCOMES

<u>COUNCIL DELIVERY PLAN</u>	
Impact of Report	
Aberdeen City Council Policy Statement	Supports the delivery of Economy Policy Statement 4 – Increase city centre footfall through delivery of the City Centre Masterplan. 7 – Continue to maximise community benefit from major developments.
Aberdeen City Local Outcome Improvement Plan	
Prosperous Economy Stretch Outcomes	Supports LOIP Stretch Outcome 1 – 10% increase in employment across priority and volume growth sectors by 2026
Prosperous People Stretch Outcomes	Outcomes 14. Addressing climate change by reducing Aberdeen's carbon emissions by 42.5% by 2026 and adapting to the impacts of our changing climate. 15. 38% of people walking and 5% of people cycling as main mode of travel by 2026.
Prosperous Place Stretch Outcomes	

Regional and City Strategies	The report supports the priorities in the Regional Economic Strategy (RES) investment in infrastructure, regenerating our city centre, unlock development potential, to enable Aberdeen to realise development opportunities in the City Centre Masterplan

8. IMPACT ASSESSMENTS

Assessment	Outcome
Impact Assessment	Full impact assessment required / not required
Data Protection Impact Assessment	Required / not required

9. BACKGROUND PAPERS

None

10. APPENDICES

- A. Business Case – Exempt
- B. Ownership Plan – Exempt
- C. Marketing Collateral

11. REPORT AUTHOR CONTACT DETAILS

Name	Stephen Booth
Title	Chief Officer
Email Address	stbooth@aberdeencity.gov.uk
Tel	01224 522675/ 07824 543 152