

**BRIDGEND COUNTY BOROUGH COUNCIL**

**REPORT TO COUNCIL**

**12 NOVEMBER 2014**

**REPORT OF THE CABINET MEMBER - COMMUNITIES**

**LLYNFI VALLEY DEVELOPMENT SITES**

**Any recommendation expressed in this report reflects only the preliminary view of Cabinet. Where the Cabinet Members participate in the decision making process they will not make a final determination on this matter without consideration of the debate and any other relevant matter.**

**1. Purpose of Report**

- 1.1 To obtain approval from Council to authorise the formal acceptance of a £2.5 million loan from Welsh Government's Central Capital Retained Fund and include the additional capital works within a revised capital programme. The loan will enable site investigation and land remediation work to be undertaken, so that three sites within the Llynfi Valley can be taken to the open market for future residential-led development.
- 1.2 It is envisaged that the remediation proposal will generate confidence, act as a catalyst for further private sector investment whilst providing environmental and place making benefits to the community.

**2. Connection to Corporate Improvement Objectives/Other Corporate Priorities**

- 2.1 Corporate Improvement Priority One – Working together to develop the local economy.
- 2.2 Communities Directorate Priority - Continue to implement key regeneration projects and programmes to enhance and develop our economy.

**3. Background**

**3.1 Llynfi Valley Underutilised Sites Study 2013**

In 2013, DTZ carried out an analysis of all sites in the Llynfi Valley (mostly brownfield) that could potentially be brought forward for development but have issues that had to be overcome before they could be taken to market or used in a comprehensive development portfolio. This report went through some market testing and consultation with land owners in its formulation. Three sites were identified in the study as Priority 1 Strategic Opportunities for residential-led development.

3.2 Utilising this study, a Strategic Outline Case (SOC) was prepared which sought approval from Welsh Government for £2.8 million to bring forward sites to provide new homes in the Llynfi Valley – the lynchpin of a thriving, well-connected and engaged community. These homes would not be provided through private sector alone in the current market as there is little or no value in the brownfield sites. It was considered that intervention was required by public sector to make these sites viable for development.

#### **4. Current Situation/Proposal**

4.1 The application was made to the Welsh Government's Central Capital Retained Fund and has resulted in BCBC Regeneration securing a provisional £2.5 million loan with no match funding being required from BCBC. This will be confirmed subject to further negotiations with Welsh Government on the terms of the funding agreement.

4.2 With this reduced allocation, the following 3 remediation sites are proposed, as shown in **Appendix 1**:

1. The Former Maesteg Lower Comprehensive School Site – Parcel A (& B provisionally)
2. The Maesteg Washeries Sites West – (Parcel B)
3. The Maesteg Washeries Sites East – (Parcel C)

#### **4.3 The Former Maesteg Lower Comprehensive School Site**

4.3.1 The site is situated in a prominent location fronting Bridgend Road, less than half a mile south and within walking distance of Maesteg town centre. The site is located within a predominantly residential area. Its northern boundary is adjacent to a vacant, highly vegetated area of land off Crown Road.

4.3.2 The site is made up of two distinct and separate parcels of land. Land Parcel A measuring 2.71 acres/1.097 hectares in extent, comprises the playing field associated with the former Maesteg Lower Comprehensive School and is in Council ownership. Land Parcel B is in different private ownerships which have their own access to Bridgend Road. The larger part of this area comprises the site of the former Glanllynfi House, now demolished. Parcel B presents an opportunity to extend the housing offer beyond the land in Council ownership.

4.3.3 Part of Land Parcel B is the subject of a Coal Authority Planning Referral Area and a mining risk assessment would be required to support any future planning application. It is anticipated that Land Parcel A (the former playing fields) represents a relatively undisturbed greenfield site. Originally the garden of the adjacent former Glanllynfi House, this land is unlikely to be the subject of contamination related to any former buildings. Land remediation is, therefore, likely to be less intensive for this part of the site. However, given the nature of the area and potential risk associated with mining activity, early site investigations will need to be commissioned for the site. The level differences across the whole site indicate that comprehensive remediation would be required to facilitate development, rather than a piecemeal approach.

- 4.3.4 The site is located within the LDP's Maesteg and the Llynfi Valley Strategic Regeneration Growth Area (SRGA) but not allocated for any specific purpose, representing "white" land within the urban area.
- 4.3.5 Parcel A could potentially accommodate 38 dwellings (based on a density of 35 dwellings per hectare as prescribed in Policy COM4 of the LDP). Parcel B offers the opportunity for an expanded scheme. Alternatively, part of the site could deliver a higher density extra-care housing facility, of which there is an identified need in the area.
- 4.3.6 Site Investigation work only is proposed for Parcels A & B which will enable BCBC to ascertain how much remediation is necessary and is financially prudent.

#### 4.4 The Maesteg Washeries Sites West & East – Parcels B & C

- 4.4.1 Land Parcels B and C extend to 5.62 acres/2.27 hectares and 3 acres/1.2 hectares respectively and are situated in a highly visible and prominent location immediately east and within easy walking distance of Maesteg town centre. Parcels B and C are located within the defined settlement boundary of Maesteg.
- 4.4.2 Parcels B and C form part of the wider Maesteg Washery reclamation site which comprised 145 hectares of former derelict land to the east of Maesteg town centre, which has been subject to a previous reclamation scheme. The reclamation scheme dealt with tip removal, decontamination and the creation of an access road together with a number of development plateau. Further remediation is now required in order to bring land forward for residential development as, in its current state, the land is undevelopable
- 4.4.3 The sites are located to the west and east of the existing access road to the new comprehensive school. This access is gained from Crown Road to the south, which joins Bridgend Road/Crown Row at a reconfigured junction, undertaken as part of the school development. The southern boundary of Parcel B is defined by the rear gardens of existing houses along Harvey Street and Lewis Road. The eastern boundary of Parcel C is defined by Belmont Close and the northern extent by an existing cycle route. The area, therefore, has the potential of being easily integrated into the existing urban fabric of this part of Maesteg. The sites are also elevated and rise towards the existing school, which currently represents a rather isolated building within the wider landscape, currently divorced from the settlement. The school would, therefore, greatly benefit from being more integrated with the surrounding area and the town and valley communities which it serves. Development of the site for residential development would achieve this wider objective of integration, creating a natural expansion of the town.
- 4.4.4 The site is underlain by a number of coal seams and ironstone workings and will be required to be treated and improved by shallow grouting and/or an appropriate compaction technique to be determined after mining analysis and site investigation results are known, building on the original works undertaken as part of the previous land reclamation exercise. Any contamination issues relating to the site were previously dealt with as part of the previous land reclamation, including dealing with Japanese Knotweed.

- 4.4.5 Parcel B - The site proposed for development extends to 2.27 hectares/5.62 acres with a potential net developable area for residential development of 1.89 ha. This could potentially accommodate 66 residential units at an average density of 35 dwellings per hectare.
- 4.4.6 Parcel C - The site proposed for development extends to approximately 1.2 hectares/3.0 acres with a potential net developable area of 0.92 hectares. This could potentially accommodate 32 residential units at an average density of 35 dwellings per hectare.
- 4.4.7 Site Investigation for Parcels B & C will enable BCBC to ascertain the level of remediation necessary. It is envisaged that substantial remediation works will be required in order to make the sites financially viable and the anticipated costs are reflected in Table 1 below.

## **5. Effect Upon Policy Framework and Procedure Rules**

- 5.1 There is no impact on the Policy Framework and Procedure Rules.

## **6. Equality Impact Assessment**

- 6.1 This proposal will have no impact on the Authority's equality duties.

## **7. Financial Implications.**

- 7.1 A maximum of £2.5 million will be advanced in two tranches: the first tranche of £100,000 and the second tranche of £2,400,000. The first tranche will be used to finance feasibility studies for the development activities, the second tranche will be used to finance the development activities. The amount of the second tranche will be reduced by Welsh Government if the feasibility studies in the first tranche do not confirm the viability of the land developments.
- 7.2 The First Tranche is to be drawn down in one amount by 30<sup>th</sup> November 2014. The Second Tranche is to be drawn down in one amount by 31<sup>st</sup> March 2015.
- 7.3 The Loan is to be repaid within five years of first drawdown ("the initial period"), and will be interest free. This period can be extended with the agreement of WG, if the Council has used reasonable endeavours but has been unable to sell the land. Any abortive site investigation works carried out in the first tranche will be non-repayable.
- 7.4 Repayments are to be made from the net sale proceeds of sales and leases of the land on the Sites. Where the net sale proceeds arising from an individual site exceed the loan allocation for the site ("the excess"), it will be shared by the parties depending on their contributions. It is possible that the net sale proceeds from the land disposals on the sites could fail to equal or exceed the loan during the initial period and any extension period referred to above. This situation is currently under negotiation with WG and will be subject to a final agreement as proposed in recommendation 8.1.1 below.
- 7.5 Table 1 below illustrates the anticipated financial breakdown of the project:

Table 1.

Site	Site Investigations (£)	Remediation Works Lower Limit (£)	Remediation Works Upper Limit (£)	Total Project Cost Lower Limit (£)	Total Project Cost Upper Limit (£)
Maesteg Washery Parcel B	78,300	897,000	1,483,000	1,425,300	2,309,300
Maesteg Washery Parcel C		450,000	748,000		
Former Maesteg Lower Comp. School Parcels A&B	21,700	0	0	21,700	21,700
<b>Total</b>	<b>100,000</b>	<b>1,347,000</b>	<b>2,231,000</b>	<b>1,447,000</b>	<b>2,331,000</b>

7.6 Negotiations are underway with WG on the detailed terms of the Loan Agreement. A summary of the key conditions are set out in the attached **Appendix 2** but this is subject to change or formal agreement

## 8. Recommendation.

8.1 Council is recommended to:

8.1.1 approve the formal acceptance of a £2.5 million loan from Welsh Government's Central Capital Retained Fund, subject to satisfactory negotiations on the loan agreement with the Corporate Director Communities being given delegated power to approve the final terms of the Loan Agreement and arrange execution of the Loan Agreement on behalf of the Council, subject to such powers being exercised in consultation with the Assistant Chief Executive Legal and Regulatory Services and the Section 151 Officer; and

8.1.2 include the additional capital works within a revised capital programme.

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## Background documents

- Draft Welsh Government Loan Agreement
- Draft Welsh Government Heads of Terms