



## Mediation Case Study

**Office Developments Ltd and Alpha Ventures plc**

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#### General Information

##### ***Background of dispute***

ODL is a development company specialising in brown-field town sites for office use. Alpha is the investment arm of a national construction company. ODL and Alpha formed a Joint Venture (JV) company two years ago to develop a particular town centre site in Edinburgh. ODL located the site and obtained the relevant approvals, Alpha provided the finance and legal services. ODL were also to Project Manage the eventual construction and co-ordinate the design services. Alpha's parent company was to bid for the construction work but it was not a pre-condition that they would obtain the contract.

Unfortunately a year ago the market rates for office space in the Edinburgh started falling and ODL and Alpha decided to 'mothball' the development at the final design stage (ie the stage before commencing work on site). Subsequently they carried out the demolition of the existing fire-damaged building to render the site clear and safe to the public. Nevertheless, the Edinburgh City Council were not particularly pleased at a central site being idle with an unsightly hoarding in place and were putting pressure on the JV to proceed with the works.

ODL, ever keen to seek opportunities, sounded out a local housing development company about selling them the site for housing development and, subject to obtaining planning permission, including change of use from commercial to housing, the company expressed a serious interest. Indeed the sum mentioned of £5,500,000 for the site showed a significant profit for the JV.

##### **The dispute**

Alpha have refused to sell on the site to a housing developer. Their reason is that they are commercial developers and they do not know the housing market. They are not prepared to fund a change of use application and outline planning and want to sell the site to an alternative commercial developer for £4 million, which will cover their costs to date but give very little profit to share with ODL.

ODL are furious as they see an opportunity to make a significant profit being frustrated by Alpha, just because it involves housing rather than offices.

The JV does not envisage this situation. All the JV conditions assumed that the office development would be completed and that ODL and Alpha would share the profit after deduction of the cost headings specified by the JV. No-one anticipated the sale of the site undeveloped, let alone for housing rather than office development.

Both parties have agreed that mediation is the best route to resolve the problem.

##### **Attending the mediation (with their respective colleagues):**

Alex Roberts            MD and majority shareholder of ODL

Marty White            Commercial Director of Alpha, Board member of parent company, with authority to act for Alpha

**ODL and ALPHA Joint Venture  
Edinburgh**

**Financial Statement (Summary)**

Prepared by Alpha under headings agreed in the JV

**Site purchase**

Capital purchase	2,800,000
Legal costs	12,500
Interest to mediation date (rolling)	492,800

**ODL costs**

Site acquisition fees	140,000
Design (to commencement on site)	200,000

**Other costs**

Demolition	150,000
Hoarding	20,000
Site security (£1,500 per week and rolling)	<u>30,000</u>

Total to date of mediation	<u>£3,845,300</u>
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NOTE: Weekly cost of interest and site security is £7,370 per week