

Report for: Cabinet 7th December 2021

Title: The acquisition of the leasehold interest at 78 - 92 Stamford Road

Report authorised by: Director of Housing, Regeneration and Planning

Lead Officer: Assistant Director Capital Projects and Property
Assistant Director Regeneration and Economic Development

Ward(s) affected: Tottenham Green

**Report for Key/
Non Key Decision:** Key

1. Describe the issue under consideration

- 1.1. The Council owns the freehold of a site located on the corner of Stamford Road (number 78-92) and is shown edged red on the plan attached at Appendix A. It is subject to a lease expiring in 2062 and is a former ice cream factory that suffered fire damage some years ago and is currently occupied by squatters. The site has become a blight on the surrounding area and as such the acquisition of the lease on the property and the delivery of a Council-led scheme is considered the most appropriate route to bringing the site back into use.
- 1.2. The opportunity to acquire the Lease will enable the Council to bring forward a new development in the South Tottenham Employment Area (STEA) through a workspace-only scheme and this report sets out the objectives for that scheme.
- 1.3. This report recommends the acquisition of the lease based on the draft Heads of Terms at Appendix A of the Part B report with delegation to agree final terms and that the development objectives of the proposed scheme and next steps are also agreed.

2. Cabinet Member Introduction

- 2.1. The acquisition of the Lease on the property will provide the Council full control of this site and thus tackling this long-standing blight once and for all. It then provides the opportunity to build new workspace for businesses which support the council's Good Economy vision.
- 2.2. The South Tottenham Employment Area (STEA) is identified within the 2017 Tottenham Area Action Plan (AAP) as a key focus area for future employment activity in the borough.
- 2.3. A strengthened local employment and business helps local business base grow and opens up a range of employment opportunities for local people. However, with a substantial demand for workspace in Tottenham, limited vacancies, and

the cost of employment space rising, businesses are at an increasing risk of being priced out of the area.

- 2.4. The acquisition of 78-92 Stamford Rd is part of a programme with the potential to bring forward new workspaces by maximising the use of existing Council assets.
- 2.5. Jobs growth will be supported by the Council providing workspaces that meet the needs of a thriving small business ecosystem. Good Work will be promoted by encouraging all businesses (through leases and terms to pay London Living Wage, use local supply chains, and prioritising the employment of local people and apprentices).

3. Recommendations

Cabinet agrees:

- a) To the acquisition of the leasehold interest in the site at 78 – 92 Stamford Road for General Fund purposes (as per the red line plan in Appendix A) from G. Colletta and Sons for the amount as set out in Part B of this report and as set out in the heads of terms in Appendix A of Part B.
- b) To the total transaction costs of acquisition as shown in 6.8 of Part B.
- c) That delegated authority is granted to agree final terms and final documentation to the Director of Housing, Regeneration and Planning after consultation with the Cabinet Member for Finance and Transformation and the Cabinet Member for House Building, Place-Making and Development.
- d) To the site objectives for the proposed workspace development of a placemaking approach, delivering a good economy with climate change and sustainability at its heart, as described in in 6.6.
- e) That £2m SIP funding and £50,000 Future High Streets funding is allocated to this project as described in 6.14 and 6.16
- f) To the next steps as described in 6.20-6.22 including the development of a detailed business case and financial appraisals to be brought back to Cabinet for approval

4. Reasons for decision

- 4.1. 78-92 Stamford Road falls within the STEA and has not been operating for some time, is now derelict and has attracted squatters and antisocial behaviour.
- 4.2. The site, equidistant from Tottenham Hale and Seven Sisters tube station, is within the South Tottenham Designated Employment Area (DEA 14). Stamford Road forms part of Site Allocation TH13 'Constable Crescent' in the Tottenham Area Action Plan (AAP). Policy AAP4 of the AAP outlines that the Council will "facilitate the regeneration and renewal of selected DEAs through a reconfiguration of the local employment offer in order to intensify land uses and maximise the amount of business floor space".
- 4.3. The acquisition of the leasehold interest will provide an opportunity to upgrade this dilapidated site, which has become a visual blight within the local neighbourhood, and enable the council to deliver a new, long term employment use that will benefit local people and businesses.

5. Alternative options considered

- 5.1. The alternative option would be not to acquire the leasehold interest in the site.
- 5.2. By not acquiring the leasehold interest, this would mean the opportunity for the Council to deliver a new high-quality workspace-only scheme would be lost. Not acquiring the leasehold interest could mean that the leaseholder may sell their interest on the open market, the outcome of which is difficult to predict with any great certainty
- 5.3. The proposed option allows for the site to be redeveloped as an employment space as set out in this report.

6. Background information

The headlease acquisition

- 6.1. The Council owns the freehold of a property located at 78 – 92 Stamford Road. The site includes three buildings on the site facing Constable Crescent, which reflect the property's former use as an ice cream factory. This includes a substantial two storey workshop and office building of brick construction, internally providing double height workshop areas with ancillary first floor office accommodation.
- 6.2. This building suffered damage in a fire several years ago and is likely to be unsafe. A second workshop building is also of brick construction providing ground floor space only and a purpose-built insulated building is situated on a raised concrete base. The external areas are comprised of concrete hardstanding. The site and buildings are in poor condition and the site is currently occupied by squatters.
- 6.3. The site is let to G. Colletta and Sons on a long lease expiring in 2062 at a current rental of £830 per annum with the site operating formerly as an ice cream factory and. There is a rent review outstanding on the lease which has been subject to a long standing dispute with the leaseholder together with the status of the lease and condition of the site. As a solution it was agreed with the tenant to initially look at disposing of the site jointly and subsequently for the Council to buy out the lease in order to resolve these issues. Negotiations with the current lessee have resulted in some draft heads of terms for the Council to acquire the lease, set out in Appendix A of the Part B report.
- 6.4. As mentioned, the site is currently subject to squatters and will need to be provided with vacant possession. The Council's Commercial Team are monitoring this and reviewing the responsibilities in the lease in terms of the upkeep and security of the site. In the event that the acquisition does not take place then dispute relating to the outstanding rent review and condition of the site will then continue which may take some time and cost to resolve with the site remaining in its current condition and the threat of squatters ever present.

Acquisitions and disposals process

6.5. The proposed acquisition has been assessed against the following criteria as set out in the Council's Disposal and Acquisitions Policy and summarised below:

Policy	Comments	Check
MTFS contribution	Allocation in MTFS includes SIP Funding	✓
Asset Management Plan	Acquisition supports objectives of Borough Plan in terms of Economy, Place and Housing	✓
Business Case	Strong strategic case to acquire in accordance with Council's Local Plan and Borough Plan (2019-23) and in line with site objectives set out in this report.	✓
Deliverability	The acquisition will initially form a site acquisition with detailed business case to follow	✓
Valuations/ Development appraisal supports	The acquisition will be supported by an RICS Red Book valuation	✓
Affordability	Funding provision secured (see MFTS comments)	✓
Legal assessment	See separate Statutory comments below (tbc)	✓
Alternative options considered	See section 5 of this report	✓
Risk assessment	The risks are set out in the report in relation to vacant possession of the site and business case for the proposed development	✓
Political	See Member introduction in support of this transaction for approval at November Cabinet	✓

Proposed Site Objectives

6.6. The proposed redevelopment will respond to the following Site Objectives:

a. A Placemaking Approach

- Bring this derelict site back into use to tackle history of anti-social behaviour
- Work with and empower local communities and key stakeholders to participate in the design process
- Help to foster a strong, vibrant, and diverse, business ecosystem by celebrating its uniqueness, diversity of communities and their heritage and culture
- Deliver a strong design that adds to the area

b. Delivering a Good Economy

- Redevelop as an employment site in support of the council's Good Economy vision and recognising the area's designation as a Creative Enterprise Zone (and the resulting emphasis on supporting workspace)

- Deliver on the council's Community Wealth Building Agenda through commissioning with social value outcomes embedded from the outset
 - Recognise the role of different types of employment space in meeting a mix of economic needs
 - Seek to maximise the affordability of the employment space, responding to our commitments to external funders
 - Deliver a quality affordable workspace scheme as a demonstrator to the market
- c. Climate change and sustainability at its heart
- Target net zero for new development, prioritising renewable energy sources
 - Delivering on the Council's 'Health in All Policies' agenda, by responding to air and noise pollution, minimising parking, and promoting use of sustainable transport (walking and cycling).

Market Context

- 6.7. The area is at the heart of Tottenham's designated Creative Enterprise Zone, a Mayor of London initiative which aims to support and grow London's creative businesses by facilitating access to business support, skills, and affordable workspace.
- 6.8. The term workspace refers to a range of different building types and fit outs, for different end users. For example: artists and many creative businesses tend to require low-cost no-frills studio units with natural light, hard wearing surfaces that can take heavier loads like stone and machinery, and adjacent to users that can work alongside some noise and mess; the food and drink sector requiring specialist fit out and services such as ventilation and waste disposal; and media and technology companies requiring offices with high speed and reliable digital connectivity
- 6.9. Workspace end user rents in the surrounding area vary dependent on workspace type and use. For a comparable serviced workspace to that currently proposed for the development, end user rents can be £50 per sq ft.
- 6.10. With a vacancy rate of less than 1%, available space is in short supply and has traditionally been of a low cost, basic specification. The supply of good quality, affordable space is therefore an issue with long waiting lists across the current provision.

Feasibility Study

- 6.11. The planning objectives for Site Allocation TH13 in the 2017 Tottenham Area Action Plan where the Stamford Road site sits, allow for housing to facilitate the delivery of optimal employment space. This policy was conceived of at a time when employment space values were insufficient to cover the cost of building out new workspace, and hence cross-subsidy was required. Due to recent increases in such values, it has become possible to deliver a workspace only scheme on this site.

- 6.12. This position is supported by a feasibility study based on site capacity and financial appraisals undertaken based on this study. Further information is provided in the Part B report.
- 6.13. Affordability can differ across the type of space and the end user. The intention of the workspace being proposed is that it will have different offers to be both affordable to end users and financially sustainable for the council.

External Funding

- 6.14. Redevelopment across the STEA is supported by £2m SIP and £100,000 Future High Streets Funding (FHSF) which demonstrates external support for the strategic case to unlock sites for exemplary workspace provision in the area.
- 6.15. The SIP Funding was based on direct outputs of 13,444 sq. ft of new workspace supporting 60 jobs.
- 6.16. Based on the current viability, it is proposed that the £2m SIP and £50k FHSF is used for this project. This will be used for the acquisition, surveys, demolition and holding costs.

Estimated Project Costs

- 6.17. This section contains commercially sensitive information and is shown in Part B to this report.

Financial Viability of the development

- 6.18. This section contains commercially sensitive information and is shown in Part B to this report

Risks

- 6.19. There are a number of risks with the acquisition of the leasehold interest. Those that are immediately relating to the acquisition of the Stamford Rd Lease are as follows:

Risk Title	Description	Mitigation
Vacant Possession (VP)	There is a risk of delay to the programme if the leaseholder has difficulty with the requirement for VP of the site	VP will be a condition of the completion of the deal. The leaseholder has verbally confirmed they can achieve VP of the site prior to the completion of the acquisition of the lease.
Securing the Site	There is a risk that the site is not made immediately secure following the removal of the squatters	Once the lease is acquired it will need to be secured and demolition of the existing buildings follow promptly.
Intrusive	There is a risk that if	The Council will prepare quotes and the

Site Surveys	the site cannot be vacated, the required intrusive surveys for soil and building contamination cannot be undertaken.	procurement requirements for undertaking the surveys in readiness for the site being vacated and secured. This will require resource from other teams, in particular Major Projects and Procurement. The heads of terms make it clear that the deal is subject to surveys on the site. There will be an opportunity to review the terms once the information has been provided from the surveys including those for site clearance and decontamination.
Building Demolition	There is a risk that even with site security, the site can become squatted again if the building is not demolished.	The Council will consult with contractors on options depending on likely levels of building and/or soil decontamination in relation to demolition costs and programme. The Council will prepare quotes and procurement requirements in readiness. This will require resource from other teams, in particular Major Projects and Procurement.
Construction Cost	The development market is currently seeing rising costs for building materials and scarcity of labour. There may be additional costs once the site surveys have been undertaken. Additional cost increases could result from increased inflation	Monitoring through soft market testing will be undertaken during the feasibility and procurement stages. Value engineering through scheme design will also be considered through the scheme development.

Next Steps

6.20. The next steps in relation to the acquisition:

- Agree the final heads of terms including a clear programme for vacant possession to allow intrusive site surveys to be undertaken.
- To review the heads of terms once the information from the surveys has been provided.
- To review the financial appraisal following information from the surveys has been provided

6.21. The next steps following acquisition:

- Take measures to secure the site to mitigate the risk of further squatting.
- Clear the site of contamination including demolition of the warehouse structure.

6.22. The next steps in relation to the proposed new development:

- Commission multi-disciplinary design team to develop scheme design.
- Ongoing financial appraisals and viability testing as scheme design progresses.
- Development of a business case reflecting the recommended scheme design with financial appraisals for further Cabinet approval
- Develop detailed lettings strategy.

7. Contribution to strategic outcomes

7.1. The project will support the Council in delivering the following priorities in the Council's Borough Plan.

Economy - a growing economy which provides opportunities for all our residents and supports our businesses to thrive

7.2. The August 2020 Haringey Good Economy Recovery Action Plan was launched to respond to the challenges brought by covid-19 to the economy. Under the priority to 'support businesses through recovery and into renewal' a key activity is 'the provision of affordable work/employment space including grow on space, including a potential intensification of industrial sites.'

7.3. This project seeks to invest in the physical environment to bring underutilised Council assets on the site into productive use through workspace and other uses.

Place - a place with strong, resilient, and connected communities where people can lead active and healthy lives in an environment that is safe, clean, and green

- Transforming the physical environment and public realm on the site, to deliver a safe, lively, and welcoming place where people can have greater pride in their local area
- Building on the site's existing character and working closely with the existing community to ensure that the development reflects its local context

Council Assets

7.4. The February 2021 Haringey Council Asset Management Plan 2020-2025 was initiated pre-Covid but was finalised during the pandemic. The plan includes the following highly relevant recommendations:

- Identify how social value can be extracted from the Council's property portfolio.
- Responding in a targeted way to emerging sectors and changes in the economy that impact on the demand for workspace; we will use our commercial property portfolio not only to generate income, but also to support good growth in Haringey's economy - this could involve a review of our Lettings policy and applying a regeneration and economic development lens to either key sites and/or key locations.

8. Statutory Officers comments

Finance

- 8.1. The Chief Finance Officer's comments include commercially sensitive information and are shown in Part B of this report

Strategic Procurement

- 8.2. Strategic Procurement note the contents of the report. As this report is classed as a Land Transaction it does not have any procurement implications under the Public Contract regulation 2015.

Legal

- 8.3. The Council has the power under section 120 of the Local Government Act 1972 for the purposes of any of its functions under that Act or any other enactment, or the benefit, improvement, or development of their area, to acquire by agreement any land, whether situated inside or outside its area.
- 8.4. The amount to be paid for the leasehold interest must represent best value for the Council as there is a fiduciary duty to the Council taxpayers.

Equality

- 8.5. The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:
- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act
 - Advance equality of opportunity between people who share those protected characteristics and people who do not
 - Foster good relations between people who share those characteristics and people who do not.
- 8.6. The three parts of the duty apply to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex, and sexual orientation. Marriage and civil partnership status apply to the first part of the duty.
- 8.7. It is not anticipated that the proposed acquisition will have a negative impact on any particular social group.
- 8.8. The decision to agree the Site Objectives at 6.6 will have positive implications for individuals with protected characteristics including through:
- Improvements to the public realm which deliver safety and health outcomes, with benefits for BAME groups and disabled people.
 - Developing employment opportunities, with benefits for BAME people, young people.
 - Opportunities to reflect local culture through commercial, community and creative projects, with benefits for BAME groups, young and old people

- 8.9. The decision to agree the Site Objectives will have positive implications by advancing equality of opportunity for residents with protected characteristics. Delivery of new, high-quality workspace will help to promote economic recovery from COVID-19, bringing positive benefits to individuals with protected characteristics who have experienced disproportionate negative impacts from COVID-19, including on employment and income.
- 8.10. Consultation on the Site Objectives will be inclusive, focussing on young people and underrepresented groups to ensure that future commercial uses are reflective of the local community.

9. Use of Appendices

Appendix A – Site Plan

10. Local Government (Access to Information) Act 1985

- a. [List background documents]
- b. [Also list reasons for exemption or confidentiality (if applicable)]

Appendix A– Site Plan

