

Report for: Cabinet – 6th February 2024

Title: Acquisition of 10 Gourley Street, N15 5NG

Report authorised by: David Joyce, Director of Placemaking and Housing

Lead Officer: Mark Leeson, Capital Projects and Property

Ward(s) affected: Seven Sisters

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

1. Describe the issue under consideration

- 1.1. This report seeks approval for the acquisition of a property located at 10 Gourley Street, N15 5NG (“the Property”) and shown edged red on the Site Plan attached at Appendix 1.

2. Cabinet Member Introduction

The Gourley Triangle is a key strategic site for the Council. Our desire to maximise the number of high-quality council-rented homes and affordable housing on the Gourley Triangle, alongside the current high cost of construction, means that the Council must pause the planned development for the next two to three years. Despite this delay, these acquisitions must continue if we are to proceed with the masterplan for this site in the future.

As a Council, we have made a long-term investment in acquiring this site, spending more than ten years engaging with third party owners to bring forward a viable whole site scheme. This has proved challenging given the complex multiple ownership interests however the Council now owns approximately 80% of the freehold interests.

The site is to be acquired utilising Future High Street Fund monies, provided by the Department for Levelling Up, Housing & Communities. This funding is available for land assembly purposes and is not tied to any future development activity on the part of the Council. Until the planned redevelopment is ready to continue, the meanwhile rental income from the building will cover holding costs, making this a sound financial investment.

3. Recommendations

- 3.1. It is recommended that Cabinet agree to:

- a) the acquisition for planning purposes of the freehold interest in the property known as 10 Gourley Street, N15 5NG for the price and based on the Heads of Terms detailed in the exempt part of this report;
- b) grant a lease back of 10 Gourley Street on completion of the acquisition to the seller for a term of six months; and
- c) delegate authority to the Director of Placemaking and Housing, in consultation with the Director of Finance and the Cabinet Member for Council House Building, Placemaking and Local Economy, to agree the final contract terms for the acquisition of the Property on the basis noted in Recommendations 3.1(a) and (c) in the exempt part of this report.

4. Reasons for decision

- 4.1. The Property sits within the Gourley Triangle site. The Gourley Triangle site is a key redevelopment site close to Seven Sisters underground and overground stations. It is promoted through the Tottenham Area Action Plan (TAAP) as a site with the potential to deliver high quality employment space and residential, including Council rented homes. The site also forms part of the Tottenham Creative Enterprise Zone.
- 4.2. The delivery of a comprehensive redevelopment scheme at Gourley Triangle is challenging owing to the variety of ownerships of properties within it. The Council has spent more than ten years engaging with third party owners in an attempt to bring forward a viable whole site scheme.
- 4.3. The Council has developed a masterplan for the site but given significant recent increases in construction costs, cost of site assembly in relation to the masterplan proposals and quantum of affordable housing requirement it is currently unviable. Reflecting the current economic situation, it is unlikely that development of the Gourley Triangle will commence within the next two to three years. However, that does not mean that the land assembly exercise must be halted.
- 4.4. As it stands however, the Council is in receipt of Future High Streets Fund (FHSF) (via DLUHC) monies that can be applied to the acquisition of properties within the Gourley Triangle site area for land assembly purposes. The FHSF monies can be applied to properties that sit within a defined area that not only includes high street facing properties but also those within its immediate hinterland. A plan showing the area boundaries to which this funding may be applied is attached as Appendix 3.
- 4.5. Council officers contacted third party owners to discuss their appetite to sell at this time. Heads of terms have been agreed in respect of this Property only (other owners were either unwilling to contemplate a disposal or terms could not be agreed). These heads of terms are attached as Appendix 2 (Exempt). 10 Gourley Street represents an important acquisition in terms of site assembly for the future redevelopment of the whole site in due course.

- 4.6. Given that this larger ambition is currently on hold, it is however imperative that the purchase is also able to justify itself as a viable acquisition in its own right and that the price paid represents value for money. An RICS Red Book valuation has been commissioned and the acquisition is conditional upon this valuation supporting the purchase price.
- 4.7. Council officers consider, having taken third party commercial property advice and subject to satisfactory results from the due diligence to be/being undertaken (surveys, title etc), that the acquisition of this Property at the price agreed and utilising FHSF monies represents value for money. The Council is still committed to the long term regeneration of the area, for which it has been land assembling. Until current economic conditions change to allow the Council to proceed with the long term master plan for the site, this acquisition represents a sound investment for the Council as rental income will cover holding costs. This is supported by the fact that this is an industrial property of a size and inner London location of which there is limited supply and strong occupier demand.
- 4.8. 4.8 to 4.12 This information is contained in the exempt report.

5. **Alternative options considered.**

To not proceed with this acquisition

5.1 The Council could choose to not proceed with this proposed purchase. In this event, the Council may face the prospect of having to repay the FHSF monies already paid to it. In addition, it would forego the opportunity to secure a property for future regeneration purposes.

6. **Background information**

Property Description

- 6.1. The Property is a freehold two-storey industrial building of brick and corrugated metal profile construction with an adjoining small single storey building. To the rear of the building is a gated alleyway with shared access to both the Property and a neighbouring industrial unit. It is located within the borough and within the Gourley Triangle, a site long earmarked and promoted by the Council for comprehensive regeneration. The triangle site is located about 300m southwest of Seven Sisters station.
- 6.2. The main building comprises approximately 10,440 sq. ft. (969.9 sq. m.) and there is a rear storage building of about 753 sq. ft. (70 sq. m.) on a site of 0.155 acres (0.06 ha). The Property is currently occupied by the freeholder who will take a six month leaseback following completion to enable it to decant its operation to alternative premises. It has a current EPC rating of B which, of itself, signifies that no additional works are required to improve the environmental efficiency of the unit in order to secure future lettings according to the current interpretation of HM Government's anticipated requirements. The Property appears to be in good overall condition nevertheless it is recognised that it was constructed in the 1970s/80s. Thus, any acquisition by the Council upon the financial terms agreed

with the seller will be conditional upon satisfactory results from surveys that cover building condition, asbestos, below ground drainage and site environmental matters. These surveys have been commissioned.

Gourley Triangle Regeneration

- 6.3. For more than ten years the Council has been engaging with property owners on the site in an attempt to bring forward a comprehensive mixed use development scheme. This has proved challenging given the complex multiple ownership interests however, as it stands, the Council owns approximately 80% of the freehold interests (most of which have been leased under varying terms). In March 2022, the Council's Cabinet approved a budget sum for the acquisition of third party interests plus a budget to progress the development proposals through to submission of a planning application. This decision was made on the basis that a scheme must be financially viable. Subsequently, on 5th July 2022, Cabinet noted a series of development objectives which guided the preparation of a strategic masterplan for the site and the resultant emerging masterplan indicates the whole site has the capacity to deliver about 236 new homes and circa 4,300 sq. m. high quality employment space within seven main blocks.
- 6.4. In July 2023 Council officers and their advisors Avison Young carried out a review of the emerging master planned scheme which considered different delivery scenarios. Each of the scenarios modelled indicated the scheme to be unviable given the current economic position and grant arrangements. On this basis, it is considered that progression of the scheme proposals be paused for the next two to three years.

Future High Streets Fund

- 6.5. The Council has secured external funding from the Department for Levelling Up, Housing and Communities (DLUHC)'s Future High Streets Fund (FHSF). A portion of these monies was spent on the Council's acquisition of the freehold of 8-10 Durnford Street (located within the Gourley Triangle site) in 2022. Following a subsequent review of the overall FHSF budget and spend profile, it was proposed to DLUHC that the entire budget allocation for financial year 2022/23 be allocated to the acquisition of property interests within the Gourley Triangle site. By means of approval from DLUHC to a Project Adjustment Request (PAR), it consented to this allocation of funds on the proviso that, in order to comply with its grant terms, the monies be expended by end March 2024. The PAR and DLUHC confirmation are attached as Appendices 4&5 (Exempt). It further linked the FHSF grant to land assembly, not future development output. There is sufficient FHSF grant to meet the purchase price and associated acquisition costs of the Property. Should there be any remediation costs, these too can be met from the grant.

Future Property Strategy

- 6.6. The freehold purchase of the Property will be accompanied by a six month fixed term leaseback to the seller (who is currently the owner occupier) in order to enable it to gradually decant its business and relocate to alternative premises.
- 6.7. During the leaseback period, the Property will be marketed for leasing on commercial terms but any resulting lease terms will be structured to enable the Council to regain vacant possession within a period of approximately five years (most likely via a longer term lease that incorporates break clauses). This will ensure a medium term revenue to the Council whilst retaining the flexibility to incorporate the site within any revived proposals to effect a future, larger scale, regeneration project.
- 6.8. The freehold interest in the Property is owned by Twin Attitude UK Limited. Terms for the acquisition of the Property have been reached with Twin Attitude UK Limited and is set out in the Heads of Terms (Exempt). The target date for completion of the purchase is 22 March 2024.

Risks

- 6.9. The acquisition upon the financial terms agreed is dependent upon satisfactory results from building and asbestos surveys in respect of the building itself plus ground condition and below ground drainage surveys. It is also dependent upon a Red Book valuation, to be undertaken by Avison Young, that supports the purchase price. Thus, the risk to the Council is post-acquisition and is in respect of its failure to re-let the Property in a timely manner following expiry of the six month leaseback to the seller. Ownership of a void unit will leave the Council exposed to unrecoverable insurance, security and (after six months) empty rates costs. This void period (and thus risk) can be minimised by utilising the leaseback period to market the property to secure a new tenant. In addition, Avison Young (plus informal advice from another leasing agent) report that a unit of this type, size and location is in short supply and should attract strong occupier interest.

7. Contribution to strategic outcomes

- 7.1. The Council's 'Haringey Deal' sets out a series of commitments that the Council has made to working differently and building a different kind of relationship with residents and communities and the prospective outcomes are contained within the Council's Corporate Delivery Plan 2022/23 and 2023/24. The revenue receipt will therefore be used flexibly in support of one or more of the following themes:

- Theme 1: Resident experience, collaboration and participation
- Theme 2: Responding to the climate emergency
- Theme 3: Children and young people
- Theme 4: Adults, health and welfare
- Theme 5: Homes for the future
- Theme 6: Safer borough
- Theme 7: Culturally rich borough
- Theme 8: Placemaking and economy

Acquisitions and Disposal Policy

- 7.2. The Acquisitions and Disposals policy is contained in the Asset Management Plan February 2020 which was updated and adopted by Cabinet in February 2021. The policy sets out key 'Principles' and 'Tests' that determine alignment with the Borough Plan (now superseded by the Corporate Delivery Plan). This transaction aligns with the principles set out within both the Asset Management Plan and SAMPIP.
- 7.3. The basis for this acquisition has been assessed and found to meet key criteria as set out in the Council's Disposal and Acquisitions Policy. In particular, this acquisition serves the twin objectives of augmenting the Council's ownership position within the Gourley Triangle site whilst representing a viable industrial investment in its own right until such time as a comprehensive whole site regeneration is effected, however long that might take.

Assessment Criteria:	Test	Outcome
MTFS contribution	Assessed as part of Business Case.	√
Asset Management Plan	Revenue receipt to be spent on Corporate Delivery Plan priorities	√
Business Case	Approved by Finance Department.	√
Deliverability	Terms agreed for acquisition.	√
Valuations/ Development appraisal supports	Red Book Valuation that confirms that purchase price represents Market Value	TBC
Affordability	Purchase price and ancillary acquisition costs wholly funded by FHSF monies.	√
Legal assessment	Approval of Heads of Terms leading to documentation of transaction.	√
Alternative options considered	Only alternative is to not acquire (discussed in paragraph 5.1. of this report).	√
Risk assessment	Risk to Council is inability to lease the unit following expiry of the short term leaseback to the seller. This would result in the Council facing the liability in respect of holding/security/empty rates costs.	√

8. Carbon and Climate Change

- 8.1. This proposal concerns the forthcoming purchase of an industrial building. The seller is an owner occupier that will remain in occupation for approximately six months post completion of the purchase whilst it decants its operation to an alternative premises. Thereafter, the Council will re-let the premises to an, as yet unknown, future occupier. Thus, the future use to which the building will be put is unknown. At the point of sale, there will be no carbon and climate change impact.

8.2. The Property has a current EPC rating of B on a certificate that is valid until December 2033.

9. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Finance

The recommendation of the report is to acquire the freehold interest of 10 Gourley Street, N15 5NG for the terms set out in the exempt heads of terms which include the consideration for the acquisition and a short-term lease back from the Council to the current owner at a rent set out in the heads of terms.

Comments contained in the exempt report.

9.1. As the purchase is being funded via an external capital grant there is no financial effect on the Council's capital financing budget. There is a positive effect on the Council's General fund revenue budget through the unbudgeted income from the leaseback (and subsequent re-letting). As this income is a windfall it will not be taken to the SPU budget but retained corporately

Legal

9.2. The Council is acquiring the Property for planning purposes. It has the power under section 227 of the Town and Country Planning Act 1990 to acquire by agreement any land which it may require for any purpose for which a local authority may be authorised to acquire land under section 226. The Property is required for a purpose which it is necessary to achieve in the interests of the proper planning of the area in which the Property is situated.

9.3. Any leaseback of the Property to the current owner will be outside the security of tenure provisions applicable to business tenancies. This will allow the Council to obtain possession of the Property at the end of the lease term.

Strategic Procurement

9.4. Strategic Procurement were consulted in the preparation of this report. The recommendations in section 3 of the report relate to a property and land transaction which are outside of the Procurement Contract Regulations 2015.

Equality

9.5. 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.

- 9.6. The three parts of the duty applies to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty.
- 9.7. Although it is not enforced in legislation as a protected characteristic, Haringey Council treats socioeconomic status as a local protected characteristic.
- 9.8. The decision in question is regarding the acquisition of a property at 10 Gourley Street. The Council plans to let the property on commercial terms upon expiry of the short-term leaseback to the seller. These commercial terms will contain sufficient flexibility to enable the Council to take back possession of the Property after circa 5 years if a viable larger scale or whole (Gourley Triangle) site redevelopment is considered to be feasible.
- 9.9. Thus the acquisition should have no equalities implications and a neutral impact on those with protected characteristics.

10. Use of Appendices

- 10.1. The following appendices are included:
- Appendix 1 – Site Plan
 - Appendix 2 – Heads of Terms (Exempt)
 - Appendix 3 – FHSF Boundary Plan
 - Appendix 4 – Project Adjustment Request (Exempt)
 - Appendix 5 – PAR Confirmation (Exempt)

Background Papers

None