

Agenda item:

[No.]

Cabinet

13 July 2010

Report Title: **Hornsey Central Depot**

Report of: **Dinesh Kotecha – Head of Corporate Property Services**

Report authorised by: **Julie Parker – Director of Corporate Resources**

Signed:

Date:

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Wards(s) affected: **Hornsey**

Report for: **Key Decision**

1. Purpose of the report

- 1.1. Outline the proposed scheme for regenerating the former Hornsey Depot site in conjunction with the adjoining land owned by Sainsbury's Supermarkets Ltd ("Sainsbury's").
- 1.2. Set out the proposed development route to delivering the regeneration benefits for residents and the area and
- 1.3. Seek Cabinet decision to dispose the Council's site by entering into a sale and purchase agreement ("Land Agreement") with Sainsbury's on terms agreed with them and signed off by the Council's external valuers as representing best consideration.

2. Introduction by Cabinet Member

- 2.1. The proposed scheme will regenerate the area by providing a food store, much needed improvements to the High Street and homes for the borough. The

scheme is to be developed in compliance of all the relevant policies and council priorities including affordable housing. I am pleased that through collaboration with the adjoining owner we will see a comprehensive redevelopment of these sites which have been vacant for many years.

3. State link(s) with Council Plan Priorities and actions and /or other Strategies:

- 3.1. The disposal of the site forms part of the Council's planned programme of disposals which will help to underpin the Council's social, economic and environmental regeneration objectives including the delivery of new housing units.
- 3.2. Proposals within this report are designed to make best use of the Council's property assets by divesting, as appropriate, to ensure that the property holdings are aligned to council priorities.

4. Recommendations

- 4.1. Authorise the Head of Corporate Property Services, in consultation with the Director of Corporate Resources and Cabinet Member for Finance and Sustainability to negotiate and enter into a Land Agreement with Sainsbury's for the disposal of the former Hornsey Central Depot (shown coloured yellow on the attached plan) in pursuance of the Council's regeneration objectives and in accordance with the appended Heads of Terms (exempt appendix 4).

5. Reason for recommendation(s)

- 5.1. To achieve social, environmental and community benefits for the area by resolving the status of this underutilised site and generate optimum capital receipts for the Council.

6. Other options considered

- 6.1. The Cabinet report of 16 December 2008, considered the following other options.
 - Defer the disposal and development
 - Re-market the whole site and
 - Phased disposal/development
- 6.2. However, as there is still a positive momentum by both the Council and Sainsbury's, to achieve respective corporate objectives with negotiations progressing in the right direction (Heads of Terms now signed by Sainsbury's), it is not recommended to revisit or reconsider any of the above options.
- 6.3. In addition, as part of the valuation of the site to ensure Council is achieving best consideration, the further option of developing the site in isolation was assessed. The conclusion based on advice from the Council's external surveyors Knight Frank is that whilst it is feasible to develop the Council's site in isolation, this

does not fully meet the Council's regeneration objectives.

7. Background

- 7.1. The site of the former Hornsey Central Depot measuring 1.3138 hectares (including the Coroner's Court and Mortuary and 54/56 Myddleton Road) shown 'yellow' on the OS plan (appendix 1) is owned freehold by the Council. The site has been surplus to requirement for over 15 years and has been designated a key site for development to promote economic, social and physical regeneration.
- 7.2. The adjacent land measuring 0.7924 hectares and shown coloured 'pink' on the attached plan ([appendix 1](#)), is owned freehold by Sainsbury's Supermarket Limited.
- 7.3. There has been a long and protracted history of development proposals for this site spanning over 15 years and whilst the broad components of the development proposals have remained the same, policy framework has been changing making the negotiation complex and drawn out.
- 7.4. Following the downward revision by the previous preferred developer of their bid, the Council and Sainsbury reviewed their positions.
- 7.5. Both landowners confirmed the intention to continue but in view of the property market and the need for certainty, it was agreed to work together to design a mutually acceptable scheme and secure planning consent. It was envisaged that delivery of the scheme was likely to be in phases, with the store being the first phase. Sainsbury agreed to fund the design of the scheme at their risk.
- 7.6. The Cabinet of 16 December 2008 resolved to take this project forward as a regeneration activity led by the Council in collaboration with Sainsbury (as joint landowners) to secure planning consent for the whole site to be developed in phases comprising a food store and residential dwellings.
- 7.7. Pursuant the above, a collaboration agreement requiring both parties to co-operate exclusively with each other in developing various options and development proposals for the site was signed on 23 January 2009.

8. Report

The report outlines the proposed scheme, the delivery process, the structure of the commercial deal and associated risks as detailed below:

➤ Regeneration Scheme Proposals

- 8.1. Sainsbury's have worked up a scheme (scheme 4 – [Appendix 2](#)) in consultation with the Council, which broadly meets both the Council and Sainsbury's corporate objectives. However, the scheme will evolve as part of the process of working it up into a detailed planning application, which will need to be consulted

upon before the scheme is submitted for planning consent.

8.2. The broad scheme components currently scheme 4 consists of:

- A supermarket of 3,239 m² gross
- A separate retail unit of 550 m².
- Surface car parking of 116 cars (non residential use)
- 230 residential units (720 habitable rooms) to comprise of private and affordable housing split 50/50 by habitable rooms and in mixed tenure arrangements to prevent segregation and promote integration of the private and affordable housing in accordance with Haringey's Housing SPD, space standards, Lifetime Home Standards with 10% being fully wheelchair accessible.
- Under croft residential car parking

8.3. The sketch proposals by Sainsbury's have been to develop the site as one comprehensive scheme rather than in phases. This is due to the way the scheme has evolved with joint infrastructure (access road, car parking, utilities, etc) servicing both phases, and with phase 1 (retail and private housing) being integrated with phase 2 (affordable housing) as one comprehensive scheme. This approach meets the Council's regeneration aspirations for the comprehensive development of the whole site and planning conditions on affordable housing.

8.4. At Project Team meetings, the Planning Service confirmed that the principles of the sketch proposals (Scheme 4) are broadly acceptable and in taking forward the pre-application discussions, the Developer will be asked to carry out the following essential requirements:

- A Retail Impact Assessment demonstrating the need for additional retail floor space and the impact on existing local businesses
- A residential mix that accords with Haringey's Housing SPD and meets Haringey's minimum space standards, achieve Lifetime Home Standards with 10% being wheelchair accessible
- Details on the location and number of cycle parking spaces to be provided.
- The entrance off the High Street to be sensitively considered and not become a utilitarian highways element.
- The development of a convincing conservation strategy in order to ensure the protection and enhancement of the conservation area.
- High sustainability standards to be met on site, with residential units achieving Code Level 4 and the retail units achieving BREEAM Excellent standard.
- Detailed pre-planning consultation and engagement with residents, businesses and stakeholders in line with the Council's consultation plan/strategy prepared in consultation with Sainsbury's.
- A Transport Impact Assessment evaluating the impact the traffic generated by the store will have on the local transport network, including the public

transport system (buses, rail) and local highways and the opportunities for improving the traffic flows and links of the High Street with the wider area.

- 8.5. Sainsbury's have welcomed the above requirements and have agreed to continue working closely with the Council's Planning Service and the procured Developer. Sainsbury's will also continue to be involved in pre-planning meetings as detailed designs evolve in order to ensure compliance with the store requirements and the development of an acceptable scheme.
- 8.6. Sainsbury's have continued to demonstrate a strong commitment and an active role in the project going forward including taking responsibility for funding, assembling the necessary resources to take forward the regeneration of the site, securing Board approval to treat with the Council on 25 March 2010 and signing the Heads of Terms.
- 8.7. Once the Council as landowner is reasonably happy with the evolved scheme content, design and quantum of the development, the procured Developer will be required to undertake a pre-planning consultation exercise in accordance with the Council's consultation plan/strategy prepared in consultation with Sainsbury's to engage with local residents, businesses and stakeholders as part of the planning application process prior to submitting a planning application. The details of the consultation process and content will be subject to the approval of the Council.

➤ **Delivery**

- 8.8. It was previously envisaged that the phased development will be carried out by Sainsbury's as a 'special purchaser' who in effect would be the developer of phase1 (as reported to the Members on the 16 December 2009).
- 8.9. Having now worked through the design of the scheme, the landowners have reviewed the delivery process based on respective corporate objectives to optimise value whilst achieving certainty over delivery with the associated risks.
- 8.10. It is now proposed that the development will be delivered through a Developer following a competitive marketing exercise by Sainsbury's in consultation with the Council see appendix 3 – flow chart.
- 8.11. The Developer working closely with the Council and Sainsbury's will be responsible for working up the scheme and to undertake a pre-planning consultation exercise.
- 8.12. Upon receipt of a satisfactory planning permission, the Developer will commence the development of the site in a comprehensive manner in accordance with the planning permission.
- 8.13. (Exempt Information)

The Land Agreement

- 8.14. Sainsbury's and the Council have agreed to enter into a Land Agreement (as opposed to a Development Agreement as reported to Members on 16 December 2009) based on the Heads of Terms signed by Sainsbury's, which has the approval of their Board and is now subject to Cabinet approval.
- 8.15. Under the Land Agreement the Council will sell its freehold interest to Sainsbury which will then allow Sainsbury to pool the two pieces of land, and for Sainsbury's (in consultation with the Council) to procure a Developer and enter into a Conditional Contract with obligations on the Developer to obtain planning permission and complete the development, in accordance with the obtained planning consent.
- 8.16. The terms of the Land Agreement and offer to the Council (signed off by Knight Frank as being Best Consideration) which is subject planning consent for the proposed development (scheme 4) as evolved is summarised as follows:

Financial

- i. The actual amount of capital receipt will be determined by the bid submitted by the successful purchaser following the competitive marketing exercise and assessment.
- ii. (Exempt information)
- iii. (Exempt information)
- iv. (Exempt information)
- v. (Exempt information)
- vi. (Exempt information)

Mechanism

- i. The pooling together of both parties freehold interests for a disposal to a Developer.
- ii. Sainsbury in consultation with the Council will procure a Developer to obtain planning permission and undertake the development of the whole site, under a Conditional Contract.
- iii. Sainsbury will step in and complete the entire development if the Developer does not.
- iv. Sainsbury will pay an agreed premium for a long leasehold interest at a peppercorn rent for a store (shell & core) that meets their specification and accords with the planning permission.
- v. Residential units to be built above the store and the remainder of the Council's land, in accordance with planning permission.
- vi. On satisfaction of all the conditions within the Land Agreement (including receipt of an offer that meets the Council's required guaranteed minimum

land price), the Council will be obliged to transfer its freehold interest in the land to Sainsbury's or directly to the developer if so required by Sainsbury's in order to benefit from the most tax efficient structure.

vii. (Exempt Information)

viii. The Land Agreement will also contain a reverter clause which will allow the Council to buy back its land if the land is not redeveloped within a certain period of time. The price to be paid will be equivalent to the purchase price paid to the Council under the Land Agreement.

ix. The Council's lawyers will approve the form of legal agreement between the Council and Sainsbury's

x. Planning powers will be relied on to ensure that the Development is planning compliant.

9. Risks Management

9.1. Property development by its nature has high risks. In addition to development constraints which may emerge once detailed surveys have been carried out and works are progressing on site, the economic market can also impact on the viability of a scheme. Under the proposed structure, the Council will be transferring some of the impact of these risks.

9.2. The long history of this project, the recent abortive negotiations and sharp down turn in the property market caused by the failure of the market brings into sharp focus the need for the Council to take a strong risk management approach and learn lessons in taking the project forward.

9.3. The risk of an unsustainable offer or an unviable scheme is much reduced by treating with the adjoining landowner, Sainsbury, as a special purchaser and obtaining independent external valuation advice on this. This advice has been obtained from Knight Frank, who confirm that Sainsbury are a special purchaser and there is additional marriage value in the land ownerships being progressed and developed on the basis agreed in the Heads of Terms.

9.4. With the previous approach, the selected purchaser was responsible for obtaining planning consent and agreed to be bound to a purchase contract at the bid price. Whilst the Council worked with the selected purchaser on the scheme development to take away the planning risk, the market risk was to remain with the Council until the contract was exchanged and became unconditional.

9.5. With the proposed regeneration led approach, the Council is in effect taking a more proactive approach to de-risking the site disposal.

9.6. By requiring Sainsbury's to enter into a conditional contract with the developer at an early stage, the risk of impact of the planning condition is much reduced to the Council, and the Council maintains control over the timing of the property transactions to achieve an optimum financial outcome. In addition, a Planning

Performance Agreement will normally be required which helps with timescales.

- 9.7. Planning risks – these remains with the Council until planning consent is granted. If the scope of planning does not meet the landowner's aspirations, then in a worse case scenario the project will not proceed. In this event, the Council will need to revisit the alternative options outlined in section 6.
- 9.8. Intensive discussions have been held with Sainsbury to secure confirmation that this store is a priority at this time and that they are committed to the regeneration led approach for which they have Board approval. It is proposed that this commitment is demonstrated by the signing of the Land Agreement which will include a programme for procurement of a Developer and key milestones, which will enable the Council to take decisive action to trigger alternative options if pre-development conditions are not met or performance is not satisfactory.

Requirement to provide Vacant Possession

- 9.9. One of the key obligations of the Council on entering into the Land Agreement will be to provide vacant possession of its land including the area currently occupied by the Re-Use & Recycling Centre and temporary letting by the longstop date of December 2011.
- 9.10. The Council have acquired a suitable site at Cranford Way and officers are working towards relocation of the Re-Use & Recycling Centre by the longstop date.
- 9.11. (Exempt Information)
- 9.12. (Exempt Information)
- 9.13. A risk register is being maintained and will be continually updated during the course of the project.

10. Financial Provisions

- 10.1. Exempt information.
- 10.2. Exempt information
- 10.3. Exempt information
- 10.4. Exempt information
- 10.5. Exempt information
- 10.6. Exempt information

10.7. There are ongoing site holding costs associated with the depot site including National Non Domestic Rates and security costs partially off set by income from temporary lettings. The Council will consider options to further mitigate these costs including erection of hoardings and possibly earlier demolition and site clearance on entering into the Land Agreement if there is a financial benefit.

11. Key Milestones and Indicative Timetable – In Line with Flow chart (Appendix 3)

Indicative Timetable:

- Ward Member consultation – June 2010
- Cabinet decision – July 2010
- Enter into Land Agreement with Sainsbury's – September 2010
- Sainsbury's commence marketing of site to secure a Developer – October 2010
- Sainsbury enters into Conditional Contract with Developer – December 2010
- Consultation with residents, businesses and stakeholders – January – March 2011
- Developer submits a Planning Application – April 2011
- Planning Permission granted – July 2011
- Completion of land transfer and receipt of capital receipt – January 2012
- Start on Site – March 2012
- Practical completion: December 2014

12. Chief Financial Officer's Comments

12.1. As outlined in section 7.3, this site has been surplus to requirements for more than 15 years and has been designated a key site for development to promote economic social and physical regeneration.

12.2. Over that time, a number of offers have been made of varying monetary values and in the meantime, the site has been partially used for a re-use and recycling centre serving the west of the borough.

12.3. In agreeing to the recommendation to enter into a land agreement with Sainsbury's for the disposal, the Council has to be confident that the minimum land price proposed represents best consideration as well as delivering the regeneration outcomes.

12.4. The Council has used Knight Frank as external valuers to challenge and confirm that the recommended agreement does represent best consideration (exempt Appendix 5).

12.5. (Exempt information)

12.6. (Exempt information)

12.7. There are a number of risks in a disposal of a complex site such as this both in terms of certainty over level of receipt, delivery timescales and regeneration outcomes and the current approach has sought to reduce the overall risk to the Council. The main risks and mitigation are set out in section 9 much of which can be managed through the conditions of the Land Agreement.

12.8. The one risk within the Council's control is to achieve vacant possession by the longstop date, which essentially requires the Cranford Way site becoming operational by January 2012 as indicated in section 11.

13. Head of Legal Service's Comments

13.1. The Council holds the land for planning purposes and has power to dispose under planning legislation with specific requirement to:

- i. Secure the best use of the land or any buildings that are to be erected on the land; or
- ii. Secure the erection, construction or carrying out on it of any business or works needed for the proper planning of the area; and
- iii. Obtain the best consideration that can reasonably be obtained.

13.2. The Council will be entering into a sale and purchase contract which will be conditional on the Council agreeing the financial provisions of any development agreement between Sainsbury and the developer, and the obtaining of detailed planning permission. Once these conditions are satisfied, the Council will be under an obligation to transfer its freehold interest in the land to either Sainsbury or the developer (as the case may be) for the premium. These conditions together with the purchase price set out in this report will satisfy the statutory requirements in 13.1;

13.3. (Exempt Information)

- a. (Exempt Information)
- b. (Exempt Information)

13.4. Members should be aware that the sale of the Council's land is with vacant possession and that all occupiers (including the Recycling Centre) must vacate the land before completion of the transfer takes place. Failure to do so will be a breach of contract and Sainsbury will be entitled to compensation.

14. Assistant Director for Planning, Regeneration and Economy's Comments

14.1. The site of the former Hornsey Depot forms part of the wider Haringey Heartlands regeneration area. The Haringey Heartlands Regeneration Framework sets out the future development and regeneration objectives for this area of the Borough.

14.2. Within the Framework, the Hornsey Depot site is identified for mixed-used

development including residential, employment, retail and health care and community facilities. The Planning Service is in support of the broad principles of development set in the Appendix to this report. The development and regeneration of this site must make a positive contribution in delivering the objectives set out in the Regeneration Framework and in creating a quality environment. The site also fronts on to the High Street that is within the designated conservation area. The future development of the site should respect and enhance the historic and architectural merits of the area.

- 14.3. Whilst there is overall support for the principles of development, however the future development will be subject to formal community and neighbourhood consultation when the planning application for the development of the site is submitted by the developer.

15. Equalities & Community Cohesion Comments

- 15.1. The proposals within this report will provide a major economic boost to a deprived area providing additional social housing, improving the local environment and assist some of the most disadvantaged sections of the community.

- 15.2. The site is vacant other than for the Re-Use & Recycling Centre a Council run service to be re-provided at Cranford Way Industrial Estate. The proposal within this report will not have a detrimental impact on the service provision nor will they result on any communities being displaced.

16. Communication & Consultation

- 16.1. The regeneration objectives for this site are already well known by virtue of the long history and as a consequence of specific pre-planning public consultation undertaken by the previous selected developer in 2008.

- 16.2. There has been communication and extensive public consultation pursuant the adoption of the current Unitary Development Plan and the adopted Haringey Heartlands Development Framework.

- 16.3. The Council jointly with Sainsbury's will issue appropriate press releases to inform the public on the progress of the scheme, timescales for consulting, where information can be assessed and how they can make comments and give their feedback including websites.

- 16.4. Officers and Sainsbury's design team have briefed Ward Members and Cabinet Members for Housing and Regeneration and further Ward Member consultation will be arranged as appropriate.

- 16.5. The Council as land owner will require as part of the marketing exercise for Sainsbury's and the successful developer to sign up to and comply with a pre planning consultation plan/strategy pursuant to carrying out detailed

consultation and engagement with local residents, businesses and stakeholders prior to submitting a planning application. This will involve an analysis of the impact of the store and traffic generated on local businesses, ways to mitigate any detrimental impact and opportunities for improving the traffic flows and links of the High Street with the wider area. This will lead to an evolved scheme, which will require approval of the Council as landowner under the Land Agreement prior to submitting a planning application.

16.6. The Council will prepare the consultation plan/strategy in consultation with Sainsbury's and further contribute to the consultation process through the project team.

16.7. Sainsbury's have confirmed they will undertake consultation pursuant any demolition and/or site clearance work they may carry out.

16.8. There will be further specific public consultation on the final proposals as part of the considerations for planning permission led by the Council as Statutory Planning Authority.

17. Use of appendices /Tables and photographs

17.1. Appendix 1 – Site & Ownership Plan

17.2. Appendix 2 – Scheme 4 Ground Floor
Residential Level
Under-croft Level

17.3. Appendix 3 – Flow Chart

17.4. Appendix 3A – (Exempt Information)

17.5. Appendix 4 – (Exempt information)

17.6. Appendix 5 – (Exempt information)

18. Local Government (Access to Information) Act 1985

18.1. Background papers

The following reports are exempt from the requirement to be made public.

Report to former Policy and Strategy Committee on 24th October 2000.

Report to former Policy and Strategy Committee on 27th March 2001.

Report to the Executive 8th January 2002.

Report to the Executive 20th July 2004.

Report of the Executive 21 November 2006

The following reports are publicly available.

Report to Planning Committee 25 March 1998

Determination of the Secretary of State's planning inspector, 8th June 2000.

Report to Planning Committee 26 November 2002 (New River Village)

Cabinet Report 26 July 2007 (as amended)

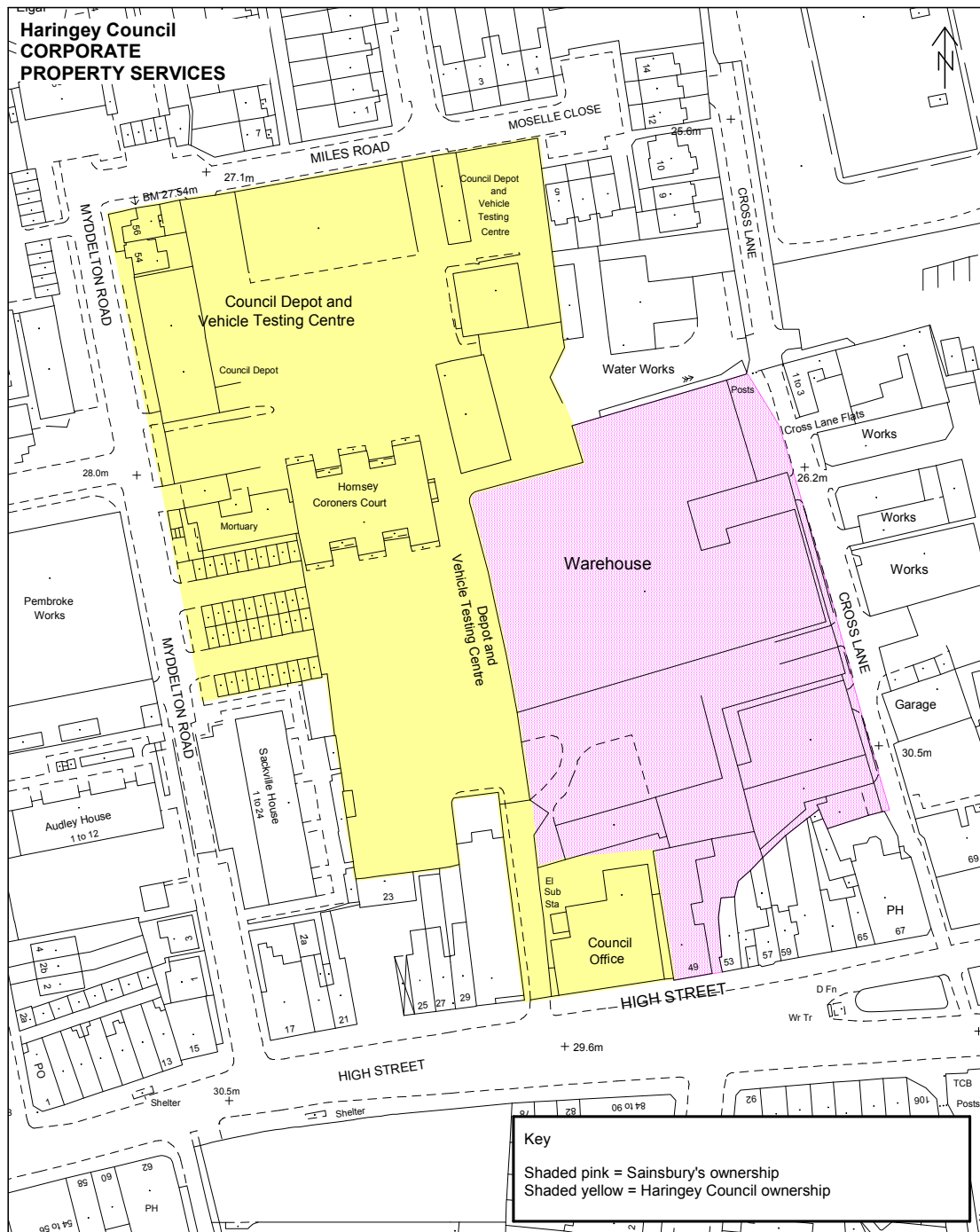
Delegated Decision Report on Hornsey Depot 4th November 08

Cabinet Report 16 December 2008

18.2. This report contains exempt and non exempt information. Exempt information is contained within Appendix A and **is not for publication**. The exempt information is under the following category (identified in amended schedule 12A of the Local Government Act 1972)

S. (3) Information relating to financial or business affairs of any particular person (including the authority holding that information).

Appendix 1 – Site & Ownership Plan



**Hornsey Depot Development & Adjoining Land
High Street
Hornsey
LONDON N8**

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Overlay : Environment - Depots

Plan produced by Kevin Lincoln on 15/03/2007

Scale 1:1250

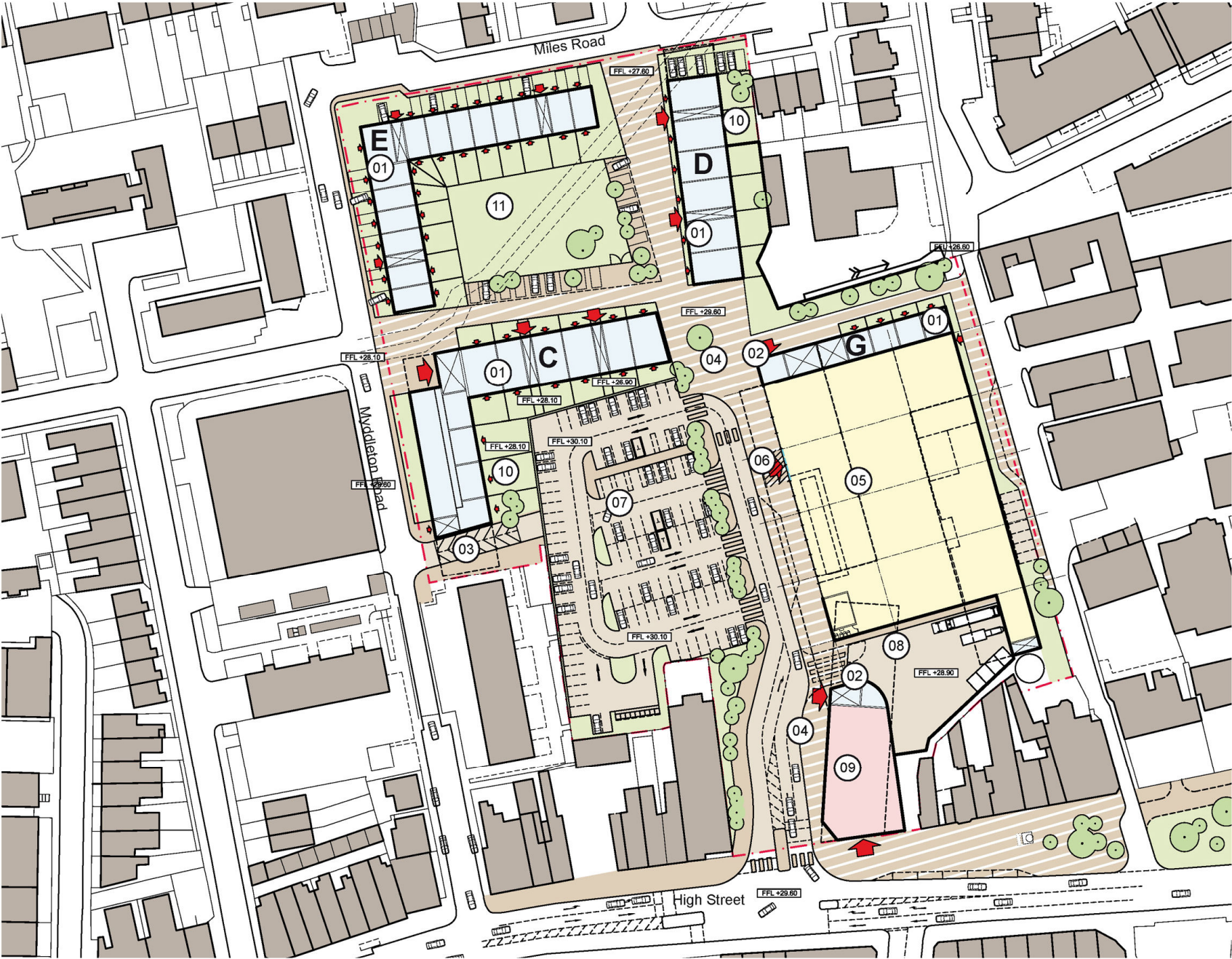
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Drawing No. BVES A4 1493zi

Appendix 2 – Scheme 4 Proposed Ground Floor

Ground floor level

- Key
- 01 Residential blocks
 - 02 Residential core
 - 03 Entrance to residential car park
 - 04 Promenade
 - 05 Sainsbury's store
 - 06 Sainsbury's entrance
 - 07 Sainsbury's car park
 - 08 Sainsbury's loading bay
 - 09 Retail unit
 - 10 Residential Amenity Space
 - 11 Communal residential amenity space



Appendix 2 – Scheme 4 Proposed Residential Level

Typical residential level

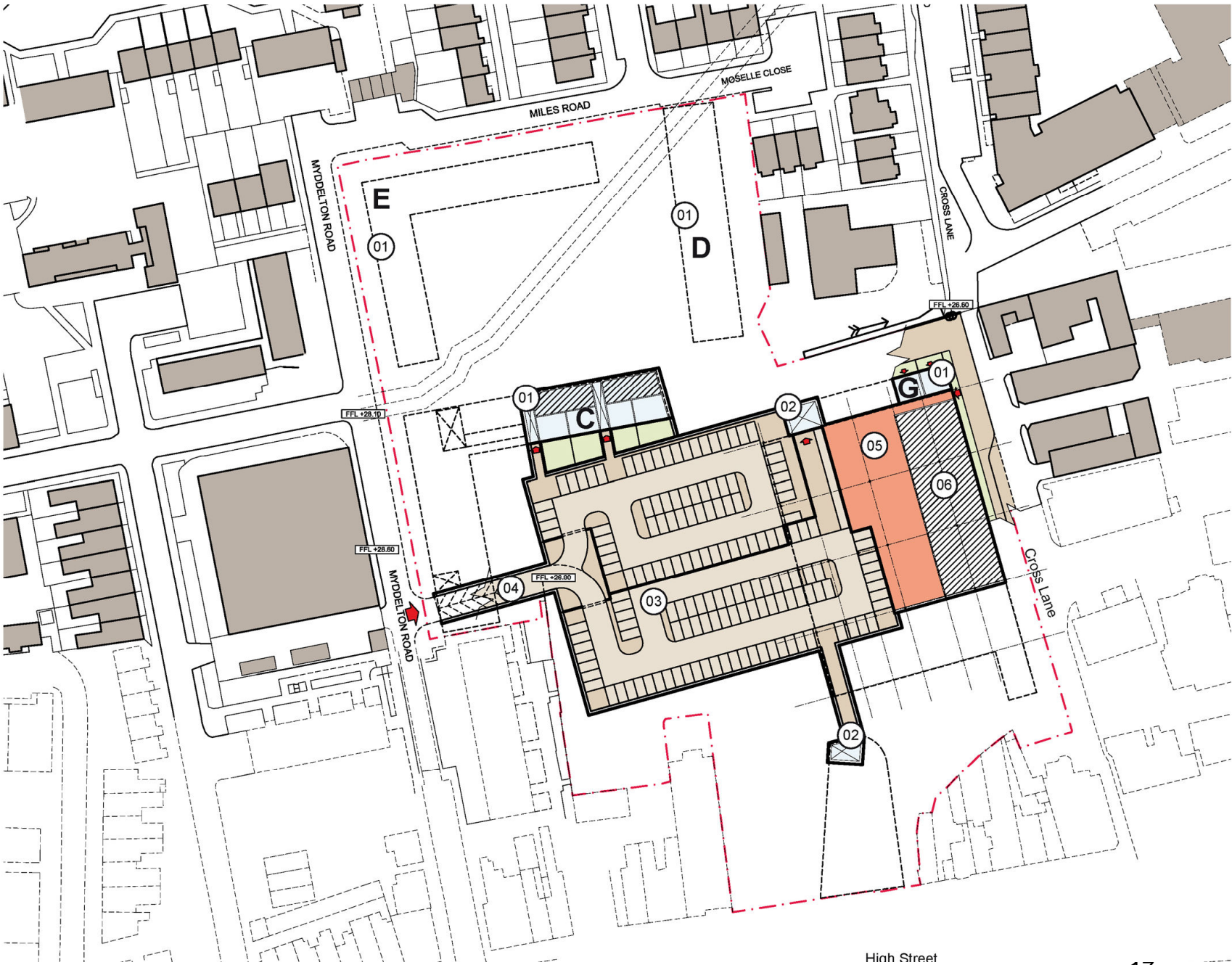
- Key
- 01 Residential blocks
 - 02 Residential core
 - 03 Promenade
 - 04 Shared residential amenity space at roof level
 - 05 Communal residential amenity space
 - 06 Residential Amenity Space



Appendix 2 – Scheme 4 Proposed Under-croft Level

Basement level

- Key
- 01 Residential blocks
 - 02 Residential core
 - 03 Residential car park
 - 04 Ramp into residential car park
 - 05 Energy centre
 - 06 Extent of undercroft to be confirmed by survey



Appendix 3 – Flow Chart

