

Report for: Cabinet 15th March 2016

Item number:

Title: Purchase of the Head Lease at 40 Cumberland Road, London N22 7SG

Report authorised by : Director of Regeneration Planning and Development

Lead Officer: Jon McGrath Assistant Director Corporate Property and Major Projects jon.mcgrath@haringey.gov.uk Telephone -0208 489 1818

Ward(s) affected: Noel Park

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

1. Describe the issue under consideration

1.1 The Council owns the freehold interest in the property at 40, Cumberland Road which is subject to a head lease to Salaft Properties Limited dated 26th October 2004 for a term of 20 years from 24th June 2004 ("Head Lease"). The Council occupies the building through a sub lease and currently uses the building as offices.

1.2 The head lessee has accepted an offer from the Council to acquire the head lease. This would provide the Council with an unencumbered freehold interest in the site.

1.3 The property forms part of the Council's ownership in Station Road and is currently offered as part of the Joint Venture proposal being procured by the Council.

2. Cabinet Member Introduction

2.1 40 Cumberland Road forms an important part of the Council's land holdings in Station Road. The purchase of the Head Lease of 40 Cumberland Road will ensure that the Council has an unencumbered freehold on the site in line with the Council's other holdings.

2.2 The site is a key component of the wider Council ownership in Station Road and will help provide the opportunity to redevelop the site as part of the Joint Venture development vehicle currently being procured

2.3 The purchase of the head lease will save the Council the rental payments on the building until the end of the lease and provide further opportunities for meanwhile uses in the short term.

3. Recommendations

3.1 It is recommended that Cabinet agree:

a) To purchase of the Head Lease of the property located at 40 Cumberland Road as outlined red on the plan attached in Appendix A for general fund purposes for the purchase price and costs set out in Part B of this report and based on the Heads of Terms set out in Part B of this report.

4. Reasons for decision

4.1 The Council are the freeholders of 40 Cumberland Road and also own the freehold of the majority of the adjoining properties in Station Road. The acquisition of the head lease at 40 Cumberland Road will save the Council rent and will also enable the site together with the other Council owned sites to be part of the Joint Venture Company currently being procured.

5. Alternative options considered

5.1 Should the Council not acquire the lease they will continue to pay rent until the end of the lease. A dilapidations cost would likely to be substantial at the end of the lease.

5.2 In the event that the site forms part of future redevelopment proposals of the Joint Venture development vehicle the current head lease interest would then need to be acquired at that time.

6. Background information

6.1 The site of 40 Cumberland Road is 0.125 hectares (0.31 acres) with approximately 3277sqm (35,278 sqft) of accommodation on 5 storeys with car parking. The freehold is owned by the Council with a long lease at a peppercorn rent held by Salaft properties Limited for 150 years from July 1981 (115 years unexpired). There is also an electricity substation on the site sublet by Salaft properties to Eastern Electricity for 150 years from July 1981.

6.3 The Council sublets the property from Salaft Properties on a lease dated 26th October 2004 for a term of 20 years expiring in June 2024 (8 years 3 months unexpired). The lease is subject to 5 yearly rent reviews at a current rent of £318,990 per annum (approximately £10.64 per sqft).

6.4 The lease is subject to a rent review in 2019 and the potential rent has been assessed based on a level set out in Part B of the report. On this basis the rental saved based on a purchase in 3 months with 8 years and 3 months unexpired would be 3 years 3 months at a level set out in Part B of this report.

6.5 Benefits of purchasing the Head Lease from Salaft Properties Limited include the following:-

- The Council would control the freehold of this and adjacent properties.
- It makes the opportunity to redevelop the site in Station Road owned by the Council much easier.
- There would be a potential saving in rent to the Council set out in Part B in this report.
- There will be no dilapidation claim on the building at the end of the lease.
- There will be marriage value created with the Council's other ownerships adjacent.

Best Consideration

6.6 An appraisal of the site has been undertaken by BNP Paribas who have considered the value of the head lease. The rental achieved at the next rent review is the main factor affecting the investment value. Currently BNP consider the building under rented and although there is little evidence available for similar properties with a single tenant in Wood Green they consider a rental value as set out in Part B to this report being a comfortable level that might be achieved at the next rent review. Based on this figure the head lease has been assessed by BNP as showing an investment value as set out in Part B of this report. Therefore the price agreed represents good value.

6.7 Should this rental level be agreed at review (in June 2019) a potential rental saving as set out in Part B of this report could be achieved although it is feasible that a lower rental level may be agreed at the review date.

6.8 There will be additional costs including stamp duty and agents fees as set out in Part B of this report in relation to the purchase which will need to be factored into the overall budget.

Contribution to strategic outcomes

6.9 The Council's Corporate Plan identifies Wood Green as one of the Council's two priority regeneration areas, alongside Tottenham. The Haringey Strategic Policies DPD (2013) - currently being altered alongside publication of the emerging Site Allocations DPD (2016) and the London Plan (2015), identifies the Wood Green area as a focus for considerable growth and development in the borough over the period of the Local Plan to 2026.

6.10 The Cumberland Road site forms part of the Station Road holdings of the Council which is a key part of the wider Wood Green Investment

Framework and Area Action Plan presented to Cabinet in January 2016. The Area Action Plan Issues and Options report sets out four broad development options, for public consultation in February/March 2016.

- 6.11 In the Wood Green Investment Framework the Station Road site has been identified for mixed-use, residential-led development and a tall landmark building on the site of River Park House.
- 6.12 The assessment of site opportunities and the grant of planning permission on the Clarendon Road site indicate that the area offers significant opportunity for urban renewal and intensification. This will provide the impetus to support economic development of the town centre. There is scope to provide up to 6,000 additional homes and 4,000 jobs on development sites in and around the town centre, including Council owned sites of which this site is part of.
- 6.13 Further development potential will be supported by Crossrail 2. Consultation on Crossrail 2 options (including changes specific to Wood Green) with either new stations at Turnpike Lane and at Alexandra Palace or one station located centrally within Wood Green closed on 8th January 2016.
- 6.14 The AAP issues and options report has accordingly been prepared having regard to the potential of Crossrail 2. Significant redevelopment of key sites should reinforce the Metropolitan Town Centre status, with improvements to connectivity, the appearance of streets and spaces, civic uses, social infrastructure and improvements to the range and quality of the retail and leisure offer to serve the wider area.
- 6.15 Meanwhile uses (up to 5 years) of the 40 Cumberland Road building could also support the Council's long-term regeneration plans for Wood Green town centre. This would be in addition to the current GLA-supported Green Rooms Art Hotel and Box Park (workspace, retail and food and drink offers in reconditioned shipping containers) on the site of the Station Road staff car park.
- 6.16 The site is part of the proposals included in the Council's Joint Venture development vehicle the investment partner of which is currently being procured. The acquisition will greatly enhance the ability to provide vacant possession of the Council owned buildings once the Joint Venture vehicle is ready to take development proposals forward.

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

Finance and Procurement

7.1 This purchase can appropriately be funded from the Acquisitions Fund which was created as part of the 2014-15 budget process and was subject to a further report to Cabinet in January 2015. This capital budget is funded from agreed Prudential borrowing. Due to the purchase price being above the level of Delegated Authority granted, a Cabinet decision is required to enable the purchase to proceed. Acquiring unencumbered ownership of the property enables acquisition of a significant asset which supports the Council's Priority 4, Economic Growth, in helping to facilitate Regeneration in Wood Green and providing further benefits to the ongoing Development Vehicle.

7.2 It should be noted that the MTFS contains a significant savings expectation related to the Accommodation Strategy and this property was identified as a property that could be vacated to generate a proportion of those savings. Although the saving related to rent payments could now be achieved, if the Council continues to occupy the building until Regeneration takes place then savings related to Business Rates and to the running cost of the building will now not be achieved and compensatory savings will need to be identified.

7.3 The Corporate Procurement Unit notes the recommendations in this report and that there is no input from procurement required.

Legal

7.4 The Council has the power under section 120 of the Local Government Act 1972 to acquire land by agreement for the purpose of any of its function or for the benefit, improvement or development of its area and may do so even if the land is not immediately required for that purpose and until it is required that land may be used for the purpose of any of the Council's functions.

Equality

7.5 The Council is subject to the Public Sector Equalities Duty ("PSED") set out in section 149 of the Equalities Act 2010 which obliges the Council in performing its functions "to have due regard to the need to:

- a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
- b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
- c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it"

7.6 The protected characteristics under the legislation are age, sex, ethnic origin, sexual orientation, disability, religion or belief, pregnancy or maternity and gender reassignment, marriage and civil partnership.

7.7 The purchase of the head lease of 40 Cumberland Road has no impact on employees of the Council. The potential redevelopment of the site would involve relocating staff and equalities issues will be reported in a future report.

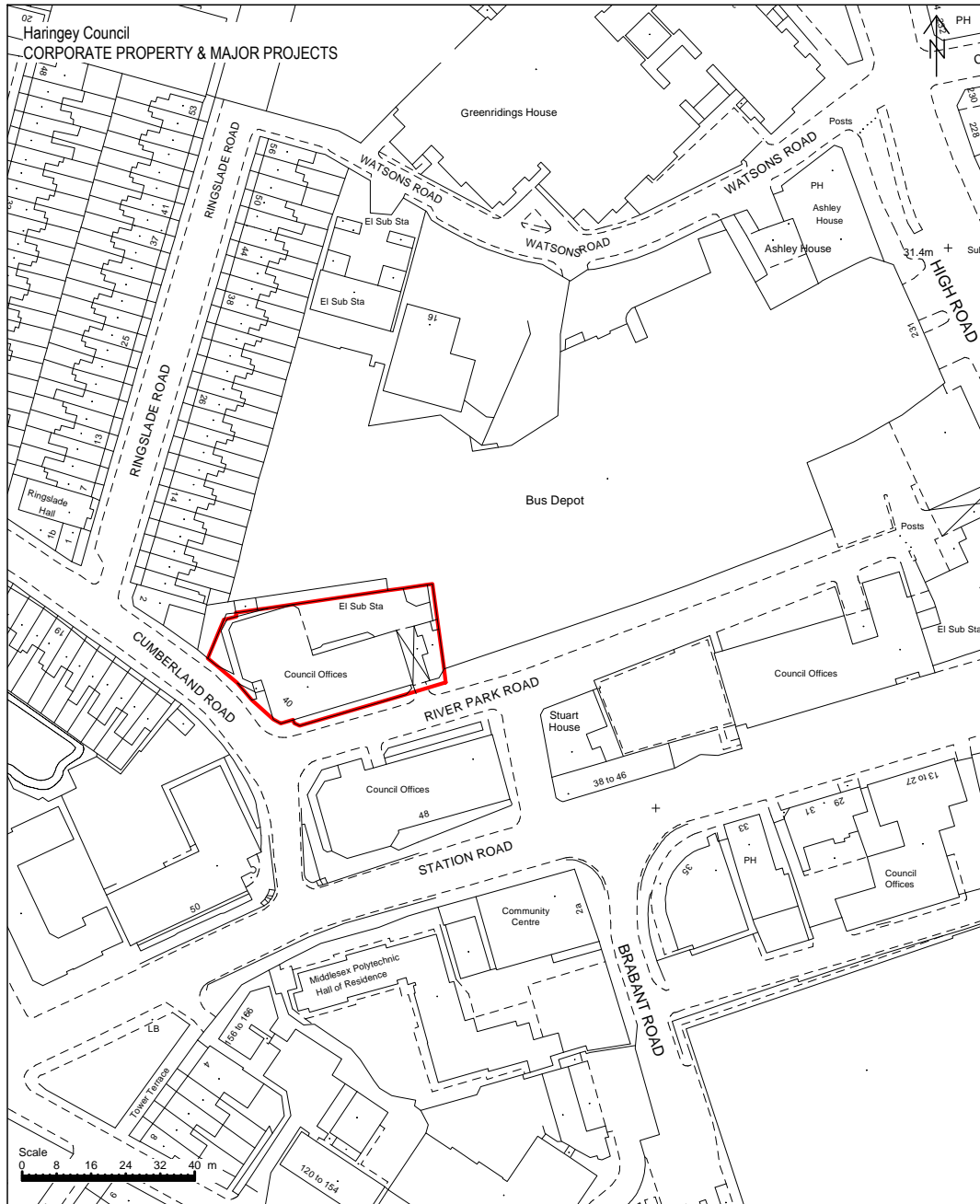
8. Use of Appendices

Appendix A- Site Plan of 40, Cumberland Road, Wood Green

Appendix B – Heads of Terms - See Part B of this report

9. **Local Government (Access to Information) Act 1985**
None

Appendix A – Site plan for 40, Cumberland Road, Wood Green



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ACQUISITION OF HEADLEASEHOLD INTEREST

Red verging - Head leasehold NGL408614

**40 Cumberland Road
Wood Green
LONDON
N22 7SG**

Deed packet no. : freehold 5756, Headlease L.3964, Leaseback T.1281
Title no. : FHO NGL341357, HeadLHO NGL408614, UnderLHO AGL136304

CPM no. 0959

Site area (hectares) : 0.1252 ha (13476 sq ft)

Overlay : Corp - Admin Bldgs

Scale 1:1250

Plan produced by Janice Dabinett on 28/01/2016

BVES Drawing no. A4 2819