

Report for: Cabinet Member signing 27th June 2017

Item number: 4

Title: Disposal of land on the corner of Coburg Road and Western Road, Wood Green

Report authorised by : Strategic Director Regeneration Planning and Development

Lead Officer: Assistant Director Economic Development and Growth

Ward(s) affected: Noel Park

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

1. Describe the issue under consideration

- 1.1 The Council are currently progressing proposals in Wood Green under the scope of an Area Action Plan (AAP). These include an east west corridor linking the existing Library site and Alexandra Palace. This east west link will be a series of civic spaces changing in character from the High Road to the Park, creating an urban framework for the new employment and residential development.
- 1.2 The developer St.William are currently working on a planning application for the former National Grid site in Clarendon Road on the east west link. The Council is the freeholder of ten industrial/office units which form a mix of office and industrial buildings on the corner of Coburg and Western Road adjacent to the former National Grid site and Olympia Trading Estate and shown edged red on the plan attached at [Appendix A of this report] ("Site") both of which form part of a proposed residential development by the developer St.William Homes LLP (St.William). This report sets out the basis of a disposal of the land to St.William to be incorporated into their development.

2. Cabinet Member Introduction

- 2.1 The properties on the corner of Coburg Road and Western Road form an important block adjacent to the St.William former National Grid site. The addition of the site to the proposed Housing development will include the re-provision of the current employment space and additional affordable housing to the scheme

3. Recommendations

3.1 The Cabinet Member is asked to approve:

- a) That the Site be declared surplus to requirements and to dispose of the freehold of the site to St.William Homes LLP for a sum set out in part B of the report and based on the heads of terms set out in this report in Appendix C; and
- b) The creation of a new capital programme scheme called “Disposal of Coburg Road Site” with a budget set out in part B of this report.

4. Reasons for decision

- 4.1 The site is adjacent to the St.William scheme on the former National Grid site and will benefit the proposed development providing the opportunity for a better design and opportunities for supporting the current regeneration proposals relating to Housing and employment.
- 4.2 The site is located in an area which is subject to a proposed Area Action Plan which encompasses wholesale development on this and adjoining sites in the next 5 to 10 years.

5. Alternative options considered

- 5.1 The alternative option is not to agree to the sale of the freehold interest in the Cobourg Road and Western Road land to St William. This would have the impact of not having an integrated approach to the development of the wider site and obtaining the best regeneration outcome for the area. It would retain and protect the existing employment space although the current amount of space will be reprovided as part of a new development and the existing tenants could relocate into the new scheme or relocate elsewhere in the Borough.

6. Background information

- 6.1 Haringey is currently developing a comprehensive spatial and economic plan for Wood Green (Investment Framework) and a planning policy framework Wood Green AAP Reg 18 Oct 2016 Consultation Draft (AAP) to unlock the potential of Wood Green to deliver new residential and employment over the coming 5-20 years. This work is based on a vision and objectives agreed by the Council in October 2014 that Wood Green will be a dynamic, distinctive and accessible town centre, offering new homes, a choice of high-quality shops and vibrant leisure and cultural attractions all of which local people are proud to call their own, with clear accessible links from the town centre to Haringey Heartlands, Alexandra Palace and the rest of the borough.
- 6.2 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. Infrastructure investment including the Piccadilly Line upgrade and potentially CR2 will enable even higher density, higher quality residential and an increased quantum of town centre uses and employment space. There is scope to provide at least 6,000 additional homes and 4,000 jobs on development sites in and around the town centre,

- 6.3 The employment led regeneration of Wood Green will deliver a revitalised Metropolitan Town Centre and a new office and business destination in the underused industrial and utilities land to the west of the High Road. The significant opportunities for urban renewal and intensification are already being taken forward with two major applications in the pipeline delivering significant employment space as well as housing.
- 6.4 Part of the AAP's scope is to progress proposals for the east west corridor linking the existing Library site and Alexandra Palace. This east west link will be a series of civic spaces changing in character from the High Road to the Park, creating an urban framework for the new employment and residential development.
- 6.5 The Site forms part of a major regeneration area in Wood Green identified in the AAP as Haringey Heartlands. The disposal of the site to St. William allows this site to be brought forward with the adjacent land already owned by St William and avoids piecemeal development in this area. The redevelopment of this site will enable:
- New residential development;
 - New Employment space (including the re-provision of existing space)
 - Major public realm improvement;
 - Better quality retail and leisure environments;
 - Investment in the links to the semi-industrial area to the west of the town centre ('Haringey Heartlands') and Alexandra Palace;
- 6.6 The Council's spatial and economic plan for Wood Green (Investment Framework) and a planning policy framework (Area Action Plan) will unlock the potential of Wood Green to deliver new residential and employment over the coming 5-20 years.
- 6.7 St. William own the adjacent site (the former National Grid gas works) as well as the Olympia Trading Estate which it purchased from the Council on 31st March 2016. Planning consent has been granted for this site and reserved matters are currently being discharged. St. William have indicated that they wish to bring forward a new planning application for the site which would include the Site.
- 6.8 The Council is the freeholder of the Site and currently receives a rental income of £126,925 per annum. There are 10 leases on relatively short term lets and/or with a break clause enabling vacant possession for the majority by 2019. However a further two tenancies in Western Road are held on long ground leases expiring in 2052 and 2070, respectively.

Negotiation will be necessary to obtain vacant possession prior to the completion of the sale to St. William. A tenancy schedule is attached in Appendix B.

- 6.9 The properties form a mixed terrace of B1/ industrial buildings built in the 1930's and 1980's located on the corner of Coburg Road and Western Road. The area of the site is 0.265 hectares.
- 6.10 St. William have offered a sum set out in part B of this report for the freehold interest in the site. This is subject to obtaining vacant possession and subject to planning. The figure is based on the following assumptions:-
- A minimum of 67,727sqft of net saleable floor area of private residential accommodation is granted at planning.
 - Based on an affordable element of 40% by habitable room and a 60/40 tenure split in favour of affordable rented.
 - Replacement commercial space totalling 22,500 sqft GIA.
 - 5% deposit on exchange of contracts
 - Completion on vacant possession and no earlier than December 2021 and no later than March 2025.
 - The Council provide vacant possession at it's own cost. This includes the buying of two long leases potentially costing up to a figure set out in part B of this report– subject to negotiation - St. William may agree a cap on this.
- 6.11 The Council will continue to receive the rental income between exchange and completion of the sale. inline with S123 of the Local Government Act 1972.
- 6.12 The offer from St. William has been reviewed by BNP Paribas who have confirmed that the offer from St William is ahead of what a third party developer/house builder would be able to pay in insolation and reflects the position that St William are a special purchaser due to the marriage value that would be created through combining the two ownerships. A red book valuation report has been prepared by BNP Paribas which confirms that the agreed price and heads of terms represent best consideration to the Council inline with S123 of the Local Government Act 1972.
- 6.13 Some work has been undertaken by BNP Paribas on behalf of the Council in reviewing the position on vacant possession on the site. The majority of the leases fall in by the December 2021 date which is the earliest date when St. William require vacant possession. There are two longer leases that fall in 2052 and 2070. An assessment based on compulsorily acquiring these two units has shown a potential cost which is set out in part B of this report. The process will include negotiation as part of this process. St. William have included a cap on the cost of providing vacant possession which will be set out in part B of this report and based on an open book approach.

- 6.14 As part of the proposal St. William will reprovide the same amount of employment space as currently provided on the site within their development. This may provide an opportunity for existing tenants to come back into the development. As the leases fall in opportunities for tenants to relocate within the borough will be reviewed with Council officers.
- 6.15 An overage has been agreed with St. William both for sales and planning. These are set out in the Heads of Terms in Appendix C.

7. Contribution to strategic outcomes

- 7.1 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. Infrastructure investment including the Piccadilly Line upgrade and potentially CR2 will enable even higher density, higher quality residential and an increased quantum of town centre uses and employment space. There is scope to provide at least 6,000 additional homes and 4,000 jobs on development sites in and around the town centre.

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

Finance and Procurement

- 8.1 The report seeks consent to dispose of the land on the corner of Coburg Road and Western Road, Wood Green for the sum set out in part B of this report and in accordance with the draft Heads of Terms as set out in appendix C. This is an off market sale which is not the normal method of disposing of Council assets. However, confirmation has been received from the Council's appointed property advisers that the sum offered by the purchaser is in excess of that which would be achieved via an arms length, open market transaction due to the synergy between this site and other sites in the proposed purchasers ownership therefore the Council's statutory duty to obtain best consideration under s123 of the Local Government Act 1973 has been met.
- 8.2 Within the approved capital programme it was assumed that the disposal would generate a capital receipt set out in part B of this report, without necessarily taking into account the cost of acquiring the head leases. It was further assumed that the whole receipt would be received in the 2017/18 financial year.
- 8.3 It is now proposed that a gross receipt set out in part B of this report will be generated, with a range of net receipt figures (taking into account the cost of the acquisition of the head leases) set out in part B of this report. In addition, the receipt will not be available until December 2021 at the earliest.

The timing difference between the assumed date of the capital receipt (October 2017) and the revised earliest date of the receipt will mean that the Council will incur additional borrowing costs set out in part B of this report.

- 8.4 It is recommended that a capital programme item called “Disposal of Coburg Road Site” is agreed and the recommendation is supported as being best practice.
- 8.5 The sale will contribute £1.332m of CIL of which £0.293m is Mayoral, the balance of the CIL, £1.038m will accrue to the London Borough of Haringey. Of the Haringey CIL, £0.052m is needed for CIL administration so £0.986m will be available to support the Council’s approved capital programme. 8.6
The Council currently has a rent roll of £126,925 for the properties that it leases out. In the financial year 2016/17 £109k of the rent roll was collected. In the run up to the disposal extra care should be taken to ensure that no rent or service charge arrears accrue.
- 8.5 Strategic Procurement (SP) acknowledges the details outlined in section 6.12 that the offer from St.William has been reviewed by BNP Paribas who have confirmed that the offer is ahead of what a third party developer/house builder would be able to pay in insolation and reflects the position that St William are a special purchaser due to the marriage value that would be created through combining the two ownerships
- 8.6 Whilst having no direct input in the process, the report appears to demonstrate compliance with CSO’s 15.04 and 15.05 which relate to the Disposal of Assets
- 8.7 SP notes the recommendations in this report and that there is no additional input from procurement required.

Legal

- 8.8 The Council has the power to dispose of the Site under section 123 of the Local Government Act 1972. Under the section the Council can dispose of the Site in any manner it wishes but must obtain best consideration otherwise the consent of the secretary of state is required.

Equality

- 8.9 The Council has a public sector equality duty under the Equality Act (2010) to have due regard to:
- Tackle discrimination and victimisation of persons that share the characteristics protected under S4 of the Act. These include the characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex (formerly gender) and sexual orientation;

- 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

8.10 This duty covers the following protected characteristics: age (including children and young people), disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation. The sale of this freehold is not expected to negatively impact on these characteristics.

8.11 The sale of the freehold of the properties at Coburg and Western Road will facilitate the redevelopment of both this site and two adjacent sites owned by the same developer to provide new housing and employment opportunities. This is part of a wider strategy to support the regeneration of the Wood Green area, which is intended to bring social and economic benefits to those living and working in the area.

8.12 A significant benefit is the developer's commitment to provide 40% affordable housing as part of the total proposed housing development on site. This will increase the supply of affordable housing in the borough, a key strategic priority for the Council.

8.13 The site currently hosts a number of industrial and business tenants subject to a mixture of short and long leases. The Council commits to working with all tenants in terms of relocation and finding appropriate alternative premises in the borough when vacant possession is required. In particular the Council commits to working with existing tenants to find premises with an equivalent amount of business space.

9. Use of Appendices

Appendix A – Site Plan

Appendix B – Tenancy schedule

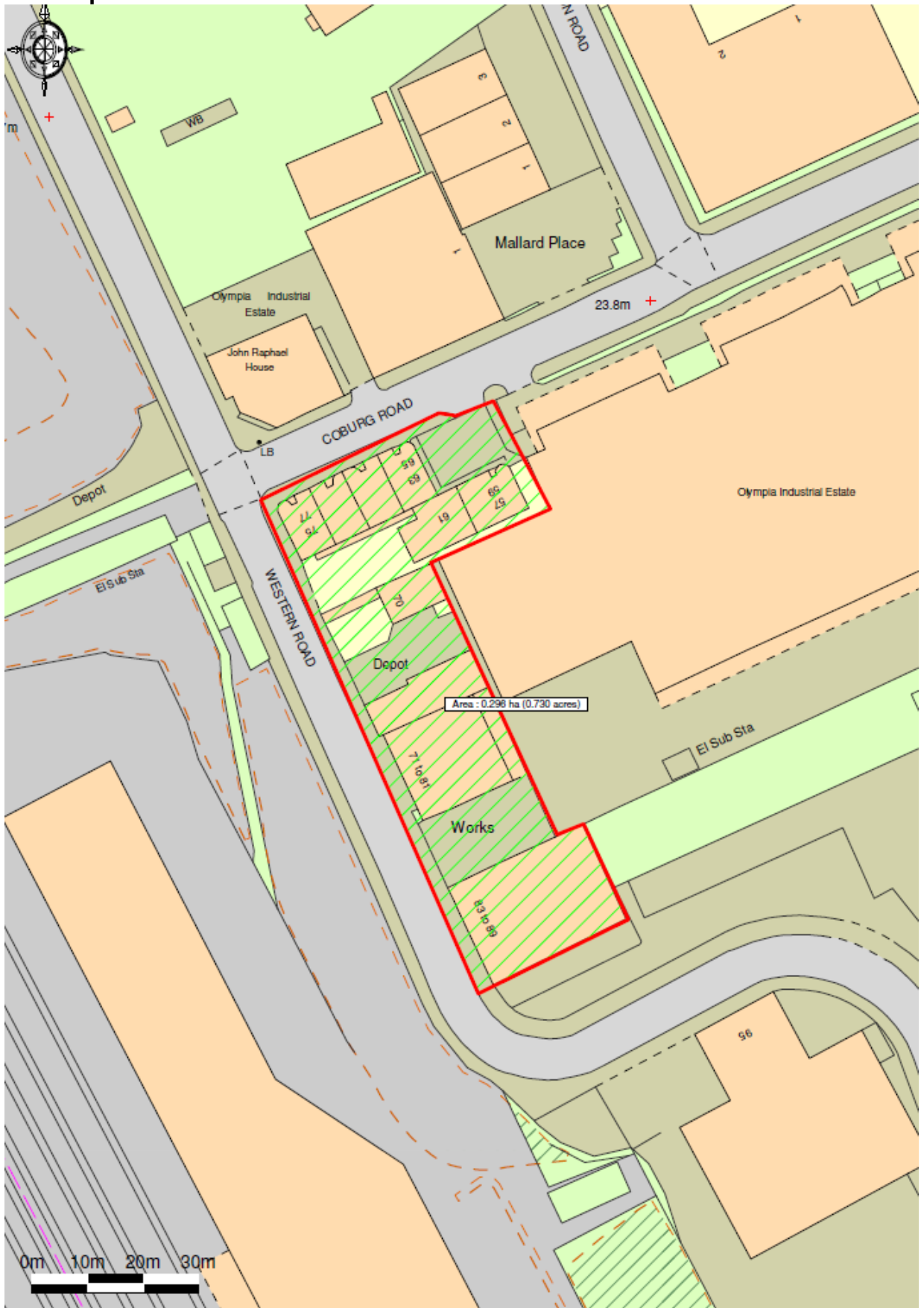
Appendix C – Heads of Terms

10. Local Government (Access to Information) Act 1985

10.1 There are no background papers to this report. This report contains exempt and non exempt information. Exempt information is contained within Part B and **is not for publication**. The exempt information is under the following category (identified in amended schedule 12A of the Local Government Act 1972)

10.2S. (3) Information relating to financial or business affairs of any particular person (including the authority holding that information).

Appendix A – plan of the site



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Appendix B – Schedule of leases

Lessee	Commence date	Expiry	Term	Rent
Ali Riza Kotuz	20/01/2011	19/01/2016	5	7,000
Byram Gumus	25/10/2012	24/10/2017	5	7,000
Abdul Hannan	25/03/2014	24/03/2019	5	8,600
Xiu Jin Chen	24/06/2014	23/06/2019	5	7,000
Kanpes Global Ltd & K Jeyakumar see Unit 65 see Unit 65	29/09/2014	28/09/2019	5	18000
G W Twilley & Son Ltd	02/10/2010	01/10/2015	5	5,975
M K Dental Art Ltd	03/03/2014	02/03/2017	3	7,500
Mr Peter Downey	02/03/2016	01/03/2021	5	6,100
Victory International Chuch	29/09/2010	28/09/2015	5	5,000
Q Glazing Ltd	29/09/1972	28/09/2052	80	15,000
Aubrey Adrian Weisz	01/06/1971	31/05/2070	99	19,750
UK Turkish Islamic Cultural Centre (Landlord's break clause from 2016)	01/01/2013	31/12/2022	10	20,000
Total				126,925

Appendix C – Heads of Terms

See part B of this report.