

REPORT OF THE CHIEF EXECUTIVE

ACQUISITION OF 39 - 43 ANDREWS ROAD, LONDON, E8 4QL	Classification PUBLIC	Enclosures Exempt Appendices A, B, C, D and E
	Ward(s) affected QUEENSBRIDGE	AGENDA ITEM No 1

IN ORDER THAT THE COUNCIL DOES NOT LOSE THE OPPORTUNITY TO ACQUIRE 39 - 43 ANDREWS ROAD, THE MAYOR HAS BEEN ASKED TO TAKE THE DECISION HIMSELF UNDER THE SPECIAL URGENCY PROVISION OF RULE 19 OF THE ACCESS TO INFORMATION PROCEDURE RULES.

COUNCILLOR SIMCHE STEINBERGER CHAIR OF THE OVERVIEW AND SCRUTINY BOARD HAS GIVEN HIS CONSENT.

1 INTRODUCTION

- 1.1** The proposal to acquire the aforementioned site provides the Council with the rare opportunity to purchase a strategic development site within a mile of the Town Hall and it is proposed to be used:-
- In the short term as a new LBH car pound site.
 - In the medium to long term as a consolidated depot site for the housing management operations for Hackney Homes.
- 1.2** Firstly, in the short term it is proposed the site will be used as a new car pound site whilst the redevelopment proposal for the Hackney Homes Depot site is procured through a tender process.
- 1.3** Secondly, in the long term it is proposed the site is redeveloped for a consolidated Hackney Homes depot releasing the existing Hackney Homes depot sites for alternative uses or disposal. Including Florfield Road Depot which could provide the Council with a strategic redevelopment opportunity of the Council's existing land interests around Florfield Road to provide new office facilities in line with the new Service First Building. It is also believed that a consolidated depot site could assist Hackney Homes in securing future 3 star status through improved operational efficiencies.

2 SUMMARY

LBH CAR POUND

- 2.1** As identified in the Delegated Powers Report 17th June 2009 Hackney currently shares a car pound facility with the London Borough of Tower Hamlets. The pound is located in Leven Road on the eastern edge of our neighbour's borough. The car pound's landlords have proposed a rent increase of 600% that has since been negotiated down to 300%.
- 2.2** As a result the Strategic Projects Team was instructed and identified a new site at the Clock House in Bromley by Bow.
- 2.3** A report presented to HMT on the 31st July 2009 The Clock House as an alternative site for the London Borough of Hackney. The Clock House is a 1.2 acre site in Bromley-by-Bow with 18,000 sq ft of office accommodation configured over ground, first, second, third and fourth floors. It is located at 1 Imperial Street, off the A12 adjacent to the Tesco superstore and the Bromley-by-Bow underground station. The site has the potential to provide a new London Borough of Hackney car pound facility and will not impact significantly on the annual rental costs. A paper has been submitted to HMT, who agreed the move in principle on 24th March 2009.
- 2.4** Since the HMT report lawyers have been instructed to take a new 7 year lease for the site at a rent of £170,000 per annum with a mutual break at the end of year five on the Clock House (please see the business case attached in Exempt Appendix D).
- 2.5** In May the Andrews Road site was brought to the Strategic Property team's attention and was considered as a potential Hackney Homes consolidated Depot site. Since then due diligence has been undertaken in purchasing the site and the numbers run on the different business case scenarios. The latest business case scenario, please see attached in Exempt Appendix C and already outlined in this report recommends the purchase in the short term to locate the LBH car pound facility and service the debt repayment whilst the Strategic Project Team works up a proposal for the Hackney Homes depot and works on a potential procurement process to allow for the redevelopment of the site as a new consolidated Hackney Homes Depot.
- 2.6** We have discussed this proposal with both Planning and Highways colleagues who have confirmed that they require further information on the intended use but have indicated that in principle a temporary planning application would be acceptable.
- 2.7** The business case in the short term is broadly cost neutral for either taking the lease on the Clock House site or acquiring the Andrews Road site other than a slightly increased set up cost attributed to demolition of some of the existing buildings on the Andrews Road site to allow for the open storage of vehicles. This demolition would have to be undertaken in line with the long term redevelopment proposals for the site in any event.
- 2.8** The key fundamental difference between proceeding with the new lease on the Clock House and acquiring the Andrews Road site is the Council will be acquiring an asset to add to the Council's existing property asset portfolio and

servicing the repayment of the debt over a 15 year period rather than paying rent to a third party.

2.9 Furthermore the strategic purchase of the site could act as a catalyst in the medium term to fulfil the long term strategy to consolidate Hackney Homes depot sites and releases the existing Depot sites as set out in detail below in the Hackney Homes Depot Site section.

2.10 If the proposed Hackney Homes Depot development never comes to fruition on this particular site then subject to planning the car pound could remain in operation on this site and repay the finance costs off over a 15 year period.

HACKNEY HOMES DEPOT SITE

2.11 Since 2005 the Council through the Depot Review Group has been reviewing all its operational depot requirements throughout the Borough but with particular emphasis in relation to those housing depots now operated by Hackney Homes.

2.12 It has been recognised that the following Hackney Homes depot sites could be consolidated:-

- Florfield Road
- Broadway Market / Trederwen Road
- North Depot / Northwold Road
- Roberts House (Call centre)

This initiative would produce significant efficiency savings and release these existing depot sites for alternative council use, lease or disposal.

In particular the release of the Florfield Depot has a more strategic significance and the potential redevelopment of the site in conjunction with the adjoining Council land of Roberts House and Maurice Bishop House.

It is anticipated that a consolidated site could also improve the chances of Hackney Homes achieving 3 star status.

2.13 Despite an extensive search over the past two years it has proved extremely difficult to identify a suitable site. Both Hackney Homes and the Hackney car pound have similar requirements notably for a 1.1 acre site with at least 75% of the site being open storage and associated office space. However, there is an acute shortage of undeveloped land within the Borough and both these council requirements have to compete with the demand on land for mixed use residential led development schemes which intrinsically produce higher land values.

2.14 In May 2009 the site at 39 - 43 Andrews Road was brought to our attention which fulfilled both the Hackney Homes and car pound site requirement. Earlier this year the vendor Wade Furniture acquired the existing business and the freehold of the site from Cintique Chair Co with the view to reduce overheads and once again make the business profitable by moving operations to their Head Office in Nottingham and thereby releasing the Andrews Road site for sale.

- 2.15** This strategic purchase is being recommended in this report as it will enable the Council for the first time to rationalise its Hackney Homes Depot operations for its Housing management functions and it may also afford the Council the opportunity at Florfield through the incorporation of its other land ownership including Robert House and Maurice Bishop House to enter into a related property transaction through a tender process which could potentially provide the Council with a new and expanded replacement office for Maurice Bishop of circa 40,000 sq ft at nil cost.
- 2.16** The relocation of the Florfield Depot provides the catalyst to enable a more comprehensive future redevelopment in this location.

3 RECOMMENDATIONS

- 3.1** To agree that the Council proceeds to purchase the freehold interest in 39 – 43 Andrews Road from the vendor at the agreed price all as detailed in the attached Exempt Appendix A and to authorise the re-sourcing and spending of these monies.
- 3.2** To authorise the Director of Legal and Democratic Services to agree the terms for the contract and to complete the purchase of 39 – 43 Andrews Road on behalf of the Council.
- 3.3** To delegate authority to the Corporate Director of Legal & Democratic Services to enter into agreement and other necessary legal documentations required to implement the required proposed acquisition on behalf of the Council.
- 3.3** To authorise the Corporate Director of Finance & Resources to proceed to appoint a surveying firm from the new Neighbourhoods & Regeneration Local Framework contract for Professional Services to provide market valuations on each of the existing depot sites identified for potential disposal and to advise on the best form of redevelopment of these sites which will maximise the Council's capital receipts.
- 3.4** To authorise the Corporate Director of Finance & Resources to proceed with appointing an architectural firm from the new Neighbourhoods & Regeneration Local Framework contract for Professional Services to submit a planning application for the intended change of use to a car pound.
- 3.5** To authorise the Corporate Director of Finance & Resources to proceed with appointing an architectural firm from the new Neighbourhoods & Regeneration Local Framework contract for Professional Services to provide detailed drawings for a full planning application for the proposed Hackney Homes Depot development. Submit a change of use planning application and submit a full planning application for the intended future Hackney Homes Depot use.

4 BACKGROUND

4.1 The proposal to purchase the site (as shown on the attached aerial photograph and plan at Appendix B) at 39 - 43 Andrews Road has been identified as being suitable for a consolidated depot site for Hackney Homes. The site is located off Mare Street for easy access to all locations within the Borough and comprises open storage land, old industrial buildings covering an area of approx 1.16 acres. The existing accommodation comprises the following:-

	Sq m	Sq ft
Rear Production	1,176	12,660
Ground Floor Front Offices	1,037	11,162
Dispatch Warehouse		
First Floor	755	8,131
Ancillary Store / Boiler Room	247	2,663
TOTAL	3,215	34,616

- 4.2** In addition there is the added benefit of 9 adjoining railway arches presently accessed from the 39 – 43 Andrews Road site and leased by the current freeholders from Network Rail who hold the freehold of 6 arches and London Underground Limited the freehold of 3 further arches. These arches could be used as additional secure storage providing approximately 15,000 sq ft. The Council currently has other ongoing property discussions within the Borough with both TfL and Network Rail and if we are successful in acquiring this site we believe we could negotiate further advantageous terms for the use of the arches if they are required.
- 4.3** We have discussed with both Planning and Highways colleagues who have confirmed that the site is acceptable for the proposed depot operation as it will effectively meet the Council's land use requirements and safeguarding continued employment use within the Borough and in terms of access there are no foreseen issues. However, the Interim Head of Planning has also confirmed that it is unlikely they would be able to oppose an application for a mixed use development on the site so long as an element of floorspace was retained for employment use. A mixed use scheme has an impact on land value and the level of offer that will have to be bid to secure the site.
- 4.4** If the Council proceeds with this strategic land purchase there are 4 existing Hackney Homes depots that could be released as a result of relocation onto this site which will help fund part of the acquisition costs, including:-
- Florfield Depot
 - Broadway Market / Trederwen Depot
 - Rossington Street / North Depot
 - Robert House (First Floor)
- 4.5** Additionally staff currently housed at Roberts House and Christopher Addison House could also be relocated as the existing Call Centre would be incorporated within the new proposed depot. It is understood a 30,000 sq ft office development would accommodate the 200 Hackney Homes staff and for the first time it would enable all operations to be cited in a single location. The relocation to one site will not only improve operational efficiencies and significant cost savings.
- 4.6** Furthermore proceeding with this proposal could potentially release the Florfield depot and provide a once in a lifetime opportunity to capitalise on the redevelopment of the Council's ownership in that location. This could be structured through an open tender process which in return for giving away some land for residential use could provide the Council with a 40,000 sq ft office as an enlarged replacement office for Maurice Bishop House. The existing value of the Council's land holdings at this location are estimated at (please see exempt Appendix C) and the end value of a new office block would be circa (please see exempt Appendix C) providing the Council with an added asset value whilst reinforcing more of its civic functions adjacent to the Town Hall and the new Service First Centre.

- 4.7** We have undertaken an indicative development appraisal for the 39 – 43 Andrews Road site (please see attached in the exempt Appendix D) to provide a new 30,000 sq ft office facility with open storage. Any additional secured storage is envisaged as being provided within the adjacent railway arches and has not therefore been included within this appraisal.

5 RELATED DECISIONS

Delegated powers report 17th June 2009

6. FINANCIAL CONSIDERATIONS

Capital costs of the acquisition of the Andrews Rd site total approximately £3.1m including stamp duty land tax, agency fees, initial capital outlay and demolitions, all of which can be funded from existing Council capital resources.

The estimated operating costs and income from the use of the cleared Andrews Rd site as a replacement car pound for Leven Rd can be funded from existing revenue budgets for the Council's Parking Services.

Use of the Andrews Rd site for construction of a consolidated Hackney Homes depot facility in the medium term is currently the subject of separate draft development appraisals.

7 COMMENTS OF THE DIRECTOR OF LEGAL & DEMOCRATIC SERVICES

The proposal to acquire the site is in line with the Council's long term strategic strategy consolidating the Council's depots.

There is no legal impediment to the proposed acquisition.

Property & Facilities Management at 8 below confirm their view that the purchase price represents best value in all of the circumstances.

8 COMMENTS FROM PROPERTY & FACILITIES MANAGEMENT

The figure agreed in Exempt Appendix A, subject to contract, by the Strategic Property Manager has been reviewed by Property Services and we concur with their conclusions that the purchase price for the property represents the market value of the property at present given the development opportunities the site offers to the Council.

The purchase of the property will enable the redevelopment or sale, of existing depots to take place and will be used in the short term for a car pound.

Therefore the purchase of the property is advantageous to the Council for the above reasons.

Please see a list of comparables in Exempt Appendix F.

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Comments of the Director of
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List of appendices

1. Exempt Appendix A
2. Exempt Appendix B
3. Exempt Appendix C
4. Exempt Appendix D
5. Exempt Appendix E
6. Exempt Appendix E
7. Exempt Appendix F
8. Exempt Appendix G

Appendices A-G have been classified as Exempt on the following basis:

That under S100(4) of the Local Government Act 1972, the public be excluded from the meeting for the item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 3 Part I of Schedule 12A of the Act as amended.

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

Background papers

The following documents have been relied upon in the preparation of this report:

Description of document	Location	Date

Background papers:

No documents which require listing have been relied upon in the preparation of this report.