



**TITLE OF REPORT : Hackney Central Station and town centre regeneration**

**Key Decision No. NH Q52**

**CABINET MEETING DATE (2020)**

**16 March 2020**

**CLASSIFICATION:**

**OPEN**

**WARD(S) AFFECTED**

**ALL**

**CABINET MEMBER**

**Mayor Glanville**

**KEY DECISION**

**Yes**

**REASON**

**Affects two or more wards**

**GROUP DIRECTOR**

**Ian Williams, Group Director of Finance and Corporate Resources**

## **1. CABINET MEMBER'S INTRODUCTION**

- 1.1. The Council is committed to supporting our high streets and town centres as well as providing sustainable transport infrastructure for our residents, businesses as well as visitors to the borough. Providing high quality public transport, particularly in town centres and busier areas, helps to encourage people to make more trips by public transport resulting in less carbon emissions and improving public health.
- 1.2. This report sets out the Council's efforts to improve the current lack of capacity and overcrowding experienced at Hackney Central station. We are doing this by providing our own land on Graham Road to create a second entrance to the station. Doing this means we are not able to develop the ground floor of the site for another use in the short term which represents a loss in income to the Council. If the site was not being used for a new station entrance it could have been developed for an alternative appropriate use which would have resulted in an income stream to the Council as well as added to the town centre offer and the vitality of the town centre. However given the need to address immediate overcrowding issues at Hackney Central station, the Council is progressing this approach.
- 1.3. The proposal in this report is the culmination of effective partnership working between the Council, Network Rail and Transport for London. The Council is committed to continuing this partnership working with Network Rail and Transport for London to develop a more permanent solution for Hackney Central station by developing a design for a new long term, high quality and fit for purpose station building. The Memorandum of Understanding referred to in this report will ensure this effective collaboration continues to progress proposals for a landmark station for Hackney Central which will align with the growth strategy set out in our Local Plan, and our Inclusive Economy Strategy as well as our environmental objectives.
- 1.4 I commend this report to Cabinet.

## **2. GROUP DIRECTOR'S INTRODUCTION**

- 2.1 This report sets out a solution, brought forward by the Council in partnership with Network Rail and Transport for London (TfL), to alleviate the current overcrowding and congestion issues at Hackney Central station by utilising Council owned land at 231-237 Graham Road to provide a temporary second entrance to the station.
- 2.2 The letting of the Graham Road land at less than best consideration will facilitate much needed improvements to the station and the town centre, as well as support planned growth in the town centre as set out in the Local Plan via the delivery of new homes, commercial space and jobs.
- 2.3 The proposed terms of the lease and the Memorandum of Understanding will ensure that the Council, TfL and Network Rail continue to collaborate on a scheme to unlock the delivery of a permanent new station on the north side of the station as well as ensuring that, should the Graham Road station entrance become a longer term fixture, the Council is able to secure a rental income from the site and also progress a development scheme above and around any station infrastructure if feasible.

### **3. RECOMMENDATIONS**

- 3.1 To authorise the grant of a lease in excess of seven years on the land at 231 - 237 Graham Road shown edged in red on the plan attached at Appendix 1 at a value less than the best consideration that could reasonably be obtained for the social, environmental and economic reasons expressed in this report. The lease will be subject to planning consent being obtained for the new entrance on Graham Road and funding for the scheme being secured.
- 3.2 To delegate authority to the Group Director of Finance and Corporate Resources to agree the commercial terms for this lease.
- 3.3 To delegate authority to the Director of Legal and Governance Services to settle and sign the lease and any other legal documentation relevant to complete the transaction.
- 3.4 To delegate authority to the Director of Legal and Governance Services to enter into a Memorandum of Understanding with Transport for London and Network Rail to collaborate and input into a design commission to produce a scheme design for a new permanent station building on the north side of Hackney Central station.

### **4. REASONS FOR DECISION**

- 4.1 To improve capacity at Hackney Central station in the short term and ensure that the relevant parties are actively pursuing a more permanent solution for a new station building in Hackney Central which can accommodate future growth in the town centre (contributing to delivering the draft Local Plan borough wide target of 26,250 new homes and 23,000 new jobs by 2033), is reflective of Hackney Central's status as a Major Town Centre in the London Plan and Local Plan, and is in accordance with the Local Plan and Hackney Central Masterplan (2017) objective to create an improved station and town centre arrival point in Hackney Central on the north side of the station.

### **5. DETAILS OF ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

- 5.1 Another option considered is to do nothing and not use Council land to provide a new entrance on Graham Road. This is not considered a viable option as based on the reasons set out in this report the station is currently operating over capacity and urgent action is required to create more space for the access, egress and interchange of passengers. The capital funding for the station improvement works will not be provided by the Council but will be funded by Network Rail.
- 5.2 Another option considered was to not provide a new entrance in the short term and instead commence the design process to come up with a costed design for a new permanent station building on the north side of the station. This option was rejected due to the need to resolve the station capacity issue as soon as possible and, as stated, the capital funding for the station improvement works will not be provided by the Council but will be funded by Network Rail.
- 5.3 It is therefore considered that the best option is to deal with the immediate capacity issues at the station by providing an alternative station entrance by utilising Council owned land on Graham Road while at the same time ensuring proposals for a permanent station building on the north side of the station are progressed in partnership with Network Rail and Transport for London.

## **6. BACKGROUND**

- 6.1 Hackney Central is the civic and cultural hub of the borough and was recently reclassified from a district town centre to a major town centre in the London Plan on account of the volume of retail floorspace in the centre and its capacity for future growth. In recent years Hackney Central station has experienced increasing levels of passenger demand and although the area benefits from excellent public transport connectivity, Hackney Central station has, like the rest of the London Overground network continued to see an increase in usage (up by 160% across the whole line between 2007-2013) . In addition based on TfLs projections, usage is expected to increase by a further 35-40% by 2031.
- 6.2 Improvements to the station including the installation of lifts and an enlarged ticket hall were carried out in 2012. However, with the continued increase in passenger numbers, particularly in the morning and evening peak travel periods, the congestion is now acute. The existing station building was constructed in the late 1980s and is now too small to handle the current volume of passengers passing through it every day. In addition the gateline in the booking hall prevents prompt dispersal during the busiest periods. As a result of this crowding occurs on the ramp leading to the town centre as well as in the ticket hall and on the platform.
- 6.3 A pedestrian walkway connecting the station with Hackney Downs opened in 2015 and has been very successful with usage being higher than forecast. The number of weekly trips has grown from 1,280 in its first year to 5,620 to date. Although usage now appears to have stabilised, planned improvements to Hackney Downs include the installation of lifts as part of an Access for All scheme funded by the Department for Transport which will see the station made step free by 2024. This is likely to result in further interchange trips between Hackney Central and Hackney Downs stations as more people will be able to use Hackney Downs station once lifts are installed.
- 6.4 As mentioned the existing station building was constructed in the late 1980s and was anticipated to have a relatively short 15-20 year shelf line due to long term TfL plans to run a new train line through Hackney Central and build a new train station to accommodate this. This line was previously known as the Chelsea-Hackney line which has now evolved into Crossrail 2 (CR2). A principal factor which impacted on TfL's planning for Hackney Central station has been the prospect of an eastern branch for CR2 from Dalston Junction eastbound to Hackney Central and beyond which would have prompted the delivery of a new larger station building in Hackney Central to accommodate a CR2 station. The current position on CR2 and when it will be delivered is uncertain and is subject to further approvals by central government, business planning and consultation. Furthermore the eastern branch of CR2 is considerably further behind the implementation of the main CR2 route, if it is progressed.
- 6.5 Given the immediate capacity and overcrowding issues, the lack of certainty on CR2 timescales, and the deliverability of the eastern branch, improvements to Hackney Central station are therefore essential. These improvements to access and capacity will have a wider positive impact on the vitality and viability of the town centre and ensure it has extra capacity to accommodate future growth. In addition the need to improve capacity at the station is set out in a number of Council policy documents including the Local Plan (2019), Hackney Central Masterplan (2017) and the Local Implementation Plan (2019-2022).

### **The station improvement scheme**

## Context

- 6.6 In 2015 London Overground commissioned architects to work up designs for an improved station at Hackney Central as part of the London Overground Capacity Improvement Programme. These proposals proposed a new station entrance on the north side of the station at Amhurst Road car park. However the scheme did not progress due to complexities around the inclusion of Council owned land on the Amhurst Road car park site and stakeholder feedback on the proposed designs.
- 6.7 Given the current need to alleviate congestion and overcrowding at the station and the time required to develop a permanent station design (circa 12-24 months), the Council and TfL have therefore focused on temporary options to resolve the situation. The Council owns the vacant site at 231-237 Graham Road as shown in the plan in Appendix 1 (adjoining the Iceland site and the railway line) and this is proposed as temporary alternative access for the station. The proposal has been developed via effective partnership working between the Council, Network Rail as the railway freeholder, and TfL as the overground line operator. As a result of this partnership working it has been agreed that the capital costs to deliver the station improvement scheme will be met by Network Rail via the Accelerated Enhancement Fund.

## Scheme design and cost

- 6.8 Designs have been prepared for a new station entrance at 231- 237 Graham Road as well as new westbound facing stairs off the existing station footbridge to further alleviate congestion at the base of the stairs. The proposed scheme will include the creation of a secondary ticket hall on Graham Road which will provide direct access off the westbound platform. In order to further relieve congestion around the overbridge and with the interchange with Hackney Downs additional stairs (facing west) will be constructed off the overbridge. These will serve both platforms. User surveys carried out by TfL have shown that approximately 30-35% of existing passengers would use the Graham Road access as opposed to the current station access thereby providing immediate congestion relief from the date of opening.
- 6.9 The cost of the works has been estimated at £3.2m and will be funded by Network Rail. It is anticipated that £3.2m will be sufficient to cover all of the planned works. In the event that there is a shortfall the Council may be required to consider funding sources at a later date but this will be the subject of a separate Council approval process if required. A decision on the outcome of the funding bid is expected from Network Rail in spring 2020. TfL will carry out the works if the funding bid is successful.
- 6.10 The Graham Road scheme will include stairs up to the platform level, a new ticket hall building and ticket gates, cycle parking, and greening around the ticket hall with space for a retail kiosk. The exact demise of the leased land to Network Rail is under negotiation but in it is a possibility that the cycle parking, new trees, and any additional lighting and CCTV infrastructure will remain in the Council demise and therefore need to be managed and maintained by the Council. If this is the case the Council would seek to ensure that the cycle parking is self funding and any other on-going maintenance costs would be covered by the existing Streetscene revenue budget. Therefore no additional Council revenue funding requirements will arise as a result of this report.
- 6.11 The works to Graham Road will require planning permission. TfL will submit the planning application to the Council. If approved works would start on site later in 2020.

## Land ownership

- 6.12 To enable the station improvement works to proceed the Council will be required to grant an interest in the form of a lease in the land at 231-237 Graham Road. The lease will be granted to Network Rail who will incorporate it into the lease of the station held by the train operating company. Given the overriding concern of Network Rail to safeguard the integrity of railway infrastructure land accommodating operational station infrastructure would generally involve a freehold transfer of land, however given the Council acquired this land with the aim of pursuing development of the site for housing and/or commercial purposes to complement and strengthen the vitality and viability of the town centre, there is a need to ensure the Council maintains the freehold of the site and the ability to develop above and around any station building at ground level. Therefore a lease will be granted to Network Rail as opposed to a freehold transfer of the site.
- 6.13 Due to the need to preserve the Council's long term interest in this site, the lease will be restricted in certain ways; it will be a lease to Network Rail for part of the ground floor only and sufficient airspace above ground level to allow for the operation of the station entrance, allowing the Council to develop over in the future if desirable and feasible. The lease will contain within it break clauses to allow the Council to determine the lease and regain possession of the site. The lease will be initially at nominal rent although if the occupation of the site for station use extends beyond the first break clause then there will be potential for an annual rent to be paid to the Council. The use in the lease granted to Network Rail will be restricted to uses linked directly to the running of a railway.
- 6.14 It should be noted that the lease will be subject to funding being secured for the station improvement scheme and planning permission being granted for the works as well as the Memorandum of Understanding being signed by all parties to progress design work for a permanent station building on the north side of the station.
- 6.15 It should be noted that the Council owned site at 231-237 Graham Road is currently occupied by a group who have turned the space into a garden that is accessible to the public. It should be noted that the Council did not give permission to the group for the use of the site for this purpose. The Council is currently in the process of asking the garden group to enter into a Licence to Occupy with the Council for the use of the land. The Licence to Occupy will require the group to vacate the site when required by the Council to progress the station improvement works.

#### Future plans for Hackney Central town centre

- 6.16 The proposed station improvements encompassing the new entrance on Graham Road and new stairs off the existing footbridge will provide improved capacity at the station for approximately 10 years until 2031. Therefore although the solution currently being proposed does not offer a permanent solution to alleviate station congestion in the long term, it does nonetheless bring substantial short term benefits to station users.
- 6.17 The Council has set out its vision for Hackney Central in the Hackney Central Area Action Plan (2012), Hackney Central Masterplan (2017) and most recently in the draft Local Plan (2019) and Inclusive Economy Strategy (2019). The Local Plan sets out a growth strategy for the borough aimed at delivering 26,250 new homes and 23,000 new jobs by 2033 as well as 34,00sqm of retail and leisure floorspace. The Local Plan directs this growth to specific areas in the borough, and specifically town centres, as places which will accommodate this growth. Hackney Central is identified in the Council's Local Plan as being an area of growth for new homes, jobs and retail and leisure floorspace, therefore there is a need to bring forward much needed investment in transport infrastructure to ensure the future success of the town centre.

- 6.18 In the context of the planned growth in the town centre, the preferred long term solution for Hackney Central station is a new permanent entrance on the north side of the station as set out in Local Plan and the Hackney Masterplan (2017). The Local Plan site allocation HC3 and the Hackney Central masterplan allocates the station car park on Amhurst Road as an opportunity site for a new station and new station entrance as well as new commercial development. Given the Council's ownership of land at Amhurst Road car park and on adjacent sites there is an opportunity to create a new landmark station entrance building in this location. This would be beneficial as it would create a much more attractive gateway to the town centre along Amhurst Road within the town centre boundary and potentially also provide opportunities for the delivery of new commercial space and homes via the redevelopment of Council land adjacent to the current station ticket hall.
- 6.19 Any future long term improvements to the station require the Council to work in partnership with Network Rail and Transport for London to bring a scheme forward, as it has done to develop the current Graham Road and footbridge scheme. In order to progress plans for a permanent new entrance on the north side of the station the Council is has prepared a Memorandum of Understanding (MoU) which will be signed by TfL and Network Rail and commit all parties to collaborating on designs for a new permanent entrance as well as seeking funding to deliver a new long term station building if a suitable and viable design can be arrived at.
- 6.20 The MoU will state that the Council will fund and procure the design work on a new station building on the north side given the Council's adjacent land assets and the opportunity to consider these concurrently and comprehensively alongside a new station entrance. Network Rail and TfL will commit to input into the design development and seek to pursue funding opportunities to deliver the scheme if a suitable and viable design can be arrived at. It is envisaged that a design commission for the north side of the station will be able to be covered by the Council's existing Regeneration budget however further work is required on the scope of the commission before an exact cost can be obtained for this. The approval of any Council expenditure related to this commission will be subject to the Council's approval process.
- 6.21 It is also important to note that Amhurst Road car park and adjacent Council land is currently safeguarded as a Crossrail 2 (CR2) area of surface interest. This means that any development on the site would need to be subject to consultation with CR2 who may direct that development of a certain type and scale is not able to take place in advance of CR2 being constructed. Other CR2 safeguarded sites of surface interest in the town centre include the Clapton bus garage and the vacant former garages site on Graham Road (opposite Boscobel House). Given the current uncertainty regarding the implementation of CR2, the Council will progress discussions with CR2, TfL and other stakeholders regarding the status of currently safeguarded sites in the town centre in advance of commissioning design work for the north side of the station in order to have a clear idea on the scale and type of development that would be feasible.

### **Equality Impact Assessment**

- 6.22 The new stairs and exit will reduce the congestion that currently occurs on the footbridge, ramp, platforms and in the ticket hall. This will have a positive impact on all equalities groups, particularly those with disabilities and people travelling with young children.

### **Sustainability**

- 6.23 The proposals will improve the quality of the station environment as well as that of the interchange. Access to the station will be improved with better and quicker walking routes to and from the town centre and the interchange with Hackney Downs. The new access will reduce current levels of congestion within the station and ticket hall area by providing an alternative access point that will be convenient for those wishing to access areas to the south of the station, particularly Hackney Empire and Picture House as well as the Town Hall complex and residents and workers in the area. The proposed changes will not compromise any future plans to provide an enlarged entrance and ticket hall adjacent to the eastbound platform. In addition to the station proposals the Council will look to improve cycling provision with additional cycle stands and a cycle hub adjacent to the new building. Bus stops will also be sited in close proximity to the new entrance to enhance interchange.

### **Consultations**

- 6.24 Both the Local Plan and the Hackney Central Masterplan Supplementary Planning Document (2017) were subject to public consultation during its preparation. These documents allocate the Council owned Amhurst Road car park site for an improved station building and entrance and new commercial floorspace therefore the principle of these uses on the site which will be taken forward via the design commission set out in the Memorandum of Understanding have been subject to public consultation.
- 6.25 The Council is also undertaking a public consultation on the future of the town centre, known as the Hackney Central conversation, which will inform the development of a town centre strategy for Hackney Central and the design proposals for the Liveable Neighbourhoods traffic and public realm improvement scheme. A number of consultation comments received to date have highlighted the need to improve capacity and reduce overcrowding at Hackney Central station therefore this proposal contained in this report will directly address and respond to the comments made by residents, businesses and other town centre stakeholders.
- 6.26 The new station building on Graham Road will require planning consent from Hackney as the Local Planning Authority. The proposals for a new station entrance on Graham Road will therefore be subject to statutory public consultation as part of the planning application process.

### **Risk Assessment**

- 6.27 The main risk with the proposal set out in the report is in the event that the temporary entrance at Graham Road becomes a long term solution as a new station building on the north side is not able to be funded. The proposals in this report seek to mitigate this risk as much as possible by ensuring that the lease for Graham Road will not be granted to Network Rail until Network Rail, TfL and the Council have entered into the Memorandum of Understanding to collaborate on designs for a new permanent station building.
- 6.28 The Graham Road lease will also include a break clause in favor of the Council to ensure that the Council has the ability to terminate the use of the land for a station entrance if a more favourable site and long term station solution becomes available in the future. In addition there will be several mechanisms in the lease to ensure that should the Graham Road entrance evolve into a more long term solution then the Council can collect a rent for the site from Network Rail and also develop above the station building if feasible.



## **7. COMMENTS OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES**

- 7.1 This report recommends leasing land at 231-237 Graham Road to Network Rail at a peppercorn, which is below best consideration. This will enable £3.2m of capital investment from Network Rail to enhance Hackney Central Overground station. The lease is currently under negotiation but will be for a time period between 50-150 years with a break clause in favour of the Council at 15 years to enable appropriate review.
- 7.2 LBH purchased the land in 2016/17 for £3.8m (plus £257k for SDLT, agent fees etc) with planning permission to build 9-10 flats and commercial units on the ground floor, which expired on 21st July 2017.
- 7.2 In the event of this lease being granted, a revised valuation of the land, equivalent to the value of the lease, will be made (£360k estimate, as per paragraph 9.1, for ground floor only - i.e. excludes air space rights above ground floor). This reflects a change in use, from investment property to a lease on peppercorn basis for strategic purpose.
- 7.3 The downward valuing of the land has no additional financial impact owing to statutory local government accounting rules, where capital charges (depreciation, revaluations) do not impact on revenue.
- 7.4 There are no VAT implications whilst the lease arrangement remains on a peppercorn basis but this would need to be reviewed where this changes.

## **8. COMMENTS OF THE DIRECTOR OF LEGAL & GOVERNANCE**

- 8.1 This report recommends the grant of a lease for a period in excess of seven years, the details of which are to be delegated to the Corporate Director of Finance and Resources and the Director of Legal and Governance Services. The intention is to make this a lease of 50 - 150 years with a break clause in favour of the Council only after the first 15 years at a peppercorn rent. This would represent a loss of approximately £360,000 (based on the first 15 years of the lease period being at a peppercorn rent) which is the capital value of the notional rental stream. This report is before Cabinet as the approval of the grant of a lease for more than 7 years, in respect of General Fund and land held for housing purposes is, in the first instance, reserved to the Mayor and Cabinet under the Mayor's Scheme of Delegation dated January 2017.
- 8.2 The Council has power to dispose of its property and where that property is General Fund property, that power is in s.123 of the Local Government Act 1972. Section 123(1) of this Act provides the Council with the power to dispose of land and property, provided such disposal is made for the best consideration reasonably obtainable. Where, as in this case, the disposal is not going to achieve best consideration and would otherwise require Secretary of State consent, the General Disposal Consent (England) 2003 removes the requirement for local authorities to seek specific consent from the Secretary of State for any disposal of land where: the local authority considers that the purpose for which the land is to be disposed is likely to contribute to the achievement of any one or more of: (i) the promotion or improvement of economic well-being; (ii) the promotion or improvement of social well-being; (iii) the promotion or improvement of environmental well-being; and the "undervalue" (i.e. the difference between the unrestricted value of the interest to be disposed of and the consideration accepted) is £2 million or less.

Where the case does not fall within the terms of this General Consent then an application to the Secretary of State for Communities and Local Government for a specific consent is required. The benefits attainable are well documented in this report and there is no identifiable legal impediment to the progress of the proposed land transaction.

- 8.3 This report also recommends that the Council enter into a tripartite MoU, the purpose of which is to collaborate and produce a scheme design for a new permanent station building on the north side of Hackney Central station. MoUs are not generally legally binding but focus the parties' minds on the objectives to be achieved.

## **9. COMMENTS OF THE DIRECTOR OF STRATEGIC PROPERTY SERVICES**

- 9.1 It is the belief of Strategic Property Services that for the purposes of S.123 of the Local Government Act 1972 the proposed disposal represents a disposal at less than the best that could reasonably be obtained. Commercial leases of property for terms of fifteen years certain would normally be let on the basis of an annual rent with five year rent reviews. On this basis, assuming a ground floor commercial use as contained with the now expired 2014 planning permission SPS would expect the value of the space built and let for a term of fifteen years to be worth £360,000. The site is unimproved however and the costs of building should be deducted from the value, but disaggregating the cost of building the commercial space from the overall cost of development of the site as a whole would never properly reflect reality and would probably not be a fruitful exercise. The restricted value of the site is taken to be the peppercorn rent; there may be the possibility of rent at some point in the future but it is equally possible that a new station entrance will have been built before any rent liability bites, so this may be discounted to zero. The under-value on letting of this interest is therefore assessed to be £360,000.

- 9.2 The Local Government Act 1972 General Disposal Consent (England) 2003 grants consent to disposals at an undervalue of £2 million or less where a local authority, considers it, "will help it to secure the promotion or improvement of the economic, social or environmental well-being of its area." and as such it is the belief of Strategic Property Services that in making this disposal to secure improvements to the local public transport infrastructure the Council may take advantage of the order noted above and make this letting on the terms outlined in this report.

## **10. BACKGROUND PAPERS**

- 10.1 Cabinet report, 19th June 2017: '*Adoption and publication of the Hackney Central and surrounds masterplan*'.

Full Council report, 31st October 2018: '*Report from Cabinet Local Plan 2033*'.

## **11. APPENDIXES**

- 11.1 Appendix 1. 231-237 Graham Road red line site boundary

<b>Report Author</b>	Suzanne Johnson Head of Area Regeneration <a href="mailto:suzanne.johnson@hackney.gov.uk">suzanne.johnson@hackney.gov.uk</a> 020 8356 1554
<b>Comments for and on behalf of the Group Director of Finance and Corporate Resources</b>	James Newman Chief Accountant, Finances and Resources <a href="mailto:james.newman@hackney.gov.uk">james.newman@hackney.gov.uk</a> 020 8356 5154
<b>Comments for and on behalf of the Director of Legal &amp; Governance</b>	Sean Eratt Legal Partner for Business and Growth, Legal Services <a href="mailto:sean.eratt@hackney.gov.uk">sean.eratt@hackney.gov.uk</a> 020 8356 6012