

	<h2>ASSETS, REGENERATION & GROWTH COMMITTEE</h2> <h3>7 SEPTEMBER 2015</h3>
Title	BARNET DEVELOPMENT PIPELINE MOXON STREET ADJOINING LAND PURCHASE & TRANCHE 1 PRE-COMMENCEMENT AGREEMENT – PROCUREMENT STAGE 4
Report of	Director of Place (Re)
Wards	High Barnet & Coppetts Wards
Status	Public with the exception of Appendices “C1” & “D” which are “Not for publication by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 as amended”.
Urgent	No
Key	Yes
Enclosures	Appendix “A” – Sites Boundaries Plan – Property Services Appendix “B” – Proposed Sketch Scheme – Indicative of Intent Plan Appendix “C” – Moxon Street Business Case Exempt Appendix “C1” – Moxon Street Options (A or B) Exempt Appendix “D” – District Valuer’s Valuation Report Appendix “E” – Heads Of Terms Appendix “F” – Pre-Construction Agreement
Officer Contact Details	Stephen McDonald(Re), Director of Place Stephen.McDonald@Barnet.gov.uk Abid Arai(Re), Development Programme Director Abid.Arai@Barnet.gov.uk – Tel – 0208 359 4980 Michael Spyrides(Re) Development Programme Project Manager Michael.Spyrides@Barnet.gov.uk – Tel – 0208 359 2941

Summary

The Assets, Regeneration and Growth (ARG) Committee approved the creation of a Development Pipeline, and following consultation with Ward Members it was agreed that the potential development opportunities in Tranche 1, namely, Broadfields, Whitings Hill, Northway/Fairway, Coppetts Road and Moxon Street can be taken forward to planning. This report sets out the specific business case for Moxon Street.

The Council is seeking to purchase a piece of adjoining land (see Appendix “A” Boundaries Plan – edged in blue), namely, Land adjacent to The Old Printworks, Tapster Street, Barnet, in order to

significantly increase its development on its Moxon Street site (see Appendix “B” Proposed Sketch Scheme). This report primarily deals with the purchase of this adjoining land.

The Assets, Regeneration and Growth (ARG) Committee also authorised the start of the procurement process. In order to sustain momentum, and bridge the gap between the selection of the main contractor (anticipated - October 2015) and approval of the detailed business case (anticipated - November 2015) it is felt prudent, to enter into a pre-construction agreement in October 2015. Early engagement with the main contractor on the design will help improve the predictability of costs, time and quality of the tender return. It is anticipated that the Design & Build fixed price contract will be agreed by the end of this year.

In addition, a further report is to be presented to the ARG committee on the 30th November 2015 outlining a detailed business case, preferred development option, and funding route for all five sites within Tranche 1.

Recommendations

That the Committee approves the following:

- 1) The purchase of the Land adjacent to The Old Printworks, Tapster Street, Barnet, as set out in the Heads of Terms in Appendix “E”**
- 2) Financial Business Cases for Moxon Street and Coppetts Road as outlined in Appendices “C” Business Case & “C1” Moxon Street Options (A or B), and in particular, Option B as being the preferred option going forward.**
- 3) To delegate to the Commissioning Director for Growth and Development to exchange contracts and to carry out all other associated duties, and to complete contracts on or before the 31st January 2016, for the acquisition of the site outlined in blue in Appendix “A”**
- 4) To enter into the Pre-Construction Agreement (see Appendix “F”) and to delegate to the Commissioning Director for Growth and Development, in consultation with the Chairman to execute all future contracts associated with the Pre-Construction Agreement.**

1. WHY THIS REPORT IS NEEDED

- 1.1 Through the efforts of Re, the Barnet Development Pipeline team has managed to negotiate with the adjoining vendor an opportunity to purchase the Land adjacent to The Old Printworks, Tapster Street, Barnet (edged in blue in appendix “A”). This piece of land will enlarge the Council’s Moxon Street development site and enhance its development opportunities. If this opportunity is missed now, the vendor will develop this site himself and this opportunity will be lost forever.
- 1.2 Albeit, that there will be a detailed business case on Tranche 1 (all of the 5 development sites) presented to the ARG meeting in November 2015, this report is presenting a financial business case for Moxon Street, which is detailed in the Public Appendix “C” Business Case & Exempt Appendices “C1” Moxon Street Option (A or B) and “D” District Valuer’s Valuation, for the committee’s consideration, as to whether or not to proceed with this purchase prior to the ARG meeting in November.

- 1.3 This report seeks further authority for the Council to take forward as agreed before, the Moxon Street development site, and to exchange contracts within 10 days of this committee's approval.
- 1.4 The procurement for the Barnet Development Pipeline's first 5 development sites, known as Tranche 1, is progressing well through The London Development Panel (LDP). This report seeks further authority for the Council to take forward Tranche 1 as agreed before, and to be able to enter into the Pre-Construction Agreement in October 2015, albeit, that the detailed business case on Tranche 1 will be presented to the ARG meeting in November 2015. The Barnet Development Pipeline team does not wish to lose momentum in its procurement process. The Design & Build fixed price contract is to be agreed by the end of this year.

2. REASONS FOR RECOMMENDATIONS

- 2.1 This adjoining land purchase combined with the development of houses instead of flats will enable a greater financial return from the overall development. Furthermore, this option, as set out in the Business Case, will provide much needed housing accommodation in the Borough.
- 2.2 The purchase of the land is a critical success factor in optimising the commercial return of Tranche 1 phase 2. Failure to secure the early approval will result in the vendor withdrawing from the agreement.
- 2.3 To sustain the momentum of The London Development Panel (LDP) - tender procurement framework.

3. ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

- 3.1 The option to develop the Council owned plot in isolation was considered. However, the adjoining private land has an extant planning consent for an office development. If this consent is implemented its impact on the development potential on the Council plot is detrimental and as a result only flats could be accommodated. In contrast, a comprehensive development of both plots will allow for houses to be developed on an enlarged area, and the assembly of the two sites reduces planning risk, maximises the development potential and improves financial return.
- 3.2 Disposal of the site as-is has also been considered. However, taking the site through to planning consent eliminates planning risk associated with the acquisition of this site by a would-be developer (should the Council subsequently decide to dispose of this site) and therefore significantly increases the disposal value.
- 3.3 Continuing to hold the site in its existing condition could result in unlawful occupation, management costs in maintaining security and fails to realise the value of the land which will assist in delivering other corporate objectives. The development of this site for residential purposes will provide much needed accommodation in the Borough.

4. POST DECISION IMPLEMENTATION

- 4.1 To exchange contracts within 10 days of the committee's approval, and to complete the purchase of the Land adjacent to the Printworks on 31 January 2016 or, if earlier, within 10 days' receipt of notice from the vendor.

- 4.2 To finalise the design drawings and to submit a full planning application towards the end of September 2015 with a view of the proposed scheme being presented to the LBB Planning Committee on the 17th December 2015.
- 4.3 Negotiate with the existing tenant to either terminate existing commercial lease, relocate elsewhere within the borough, or to temporarily relocate the tenant off-site, and to rehouse accordingly on completion within the new commercial section of the proposed development.
- 4.4 The ARG Committee meeting will be presented with a full business case for the five Tranche 1 development sites at its meeting on the 30th November 2015, at which it will decide whether to proceed with the developments.

5. IMPLICATIONS OF DECISION

5.1 Corporate Priorities and Performance

- 5.1.1 The Corporate Plan 2015-2020 has a strategic objective to “promote responsible growth, development and success across the Borough”. It states that the Council working with local, regional and national partners, will strive to ensure that Barnet is a place of opportunity, where people can further their quality of life and where services are delivered efficiently to get value for money for the taxpayer. The proposed Barnet Development Pipeline projects including Moxon Street will help meet these objectives by providing good quality private and affordable lifetime homes
- 5.1.2 The Growth Strategy for Barnet recognised that growth is vital for ensuring the future prosperity of the Borough and maintain Barnet as a successful London suburb.
- 5.1.3 The Council’s Local Plan adopted in 2012 sets out a 15 year ‘vision’ to help shape the kind of place that Barnet will be in the future. It supports the delivery of new homes including affordable dwellings and the use of brownfield land for high quality and sustainable suburban development.
- 5.1.4 The Council’s Housing Strategy, agreed in 2010 has the overarching objective of providing housing choices that meet the needs and aspirations of Barnet residents and sets out how the Council will deal with a number of challenges including high prices, a shortage of affordable housing and the potential threats to the qualities that make the Borough attractive. The draft housing strategy approved for consultation addresses similar themes, and will be considered for final approval by the Housing Committee at its meeting in October 2015.

5.2 Resources (Finance & Value for Money, Procurement, Staffing, IT, Property, Sustainability)

5.2.1 Moxon Street:

The property details are set out in the business case. The overall transaction/adjoining land purchase costs are as follows:

- land acquisition costs £700,000 exclusive of VAT and
- £50,000 all other associated costs (Stamp Duty, Valuation and Survey etc.) (see Appendices “C” “C1” & “D”) for further details.

Note: In order to secure the said land, an initial sum in the region of £80,000 (£70,000 representing 10% to exchange + £10,000 initial costs prior to completion) will be required to exchange contracts within 10 days from the ARG Committee’s (7th

September 2015) approval to proceed with this purchase.

The Council land is subject to an existing lease to Checklow Limited who is holding over under a commercial lease at a rent of £22,500 per annum. The Council has the option of terminating the lease, subject to service of the requisite notices, or to negotiate the surrender of the lease, and the relocation of the occupier into a new commercial element of the new development. Initial discussions have taken place with the tenant who is currently considering the options.

5.2.2 Procurement of Tranche 1:

Re, on behalf of the Council, is currently finalising the full business case for the preferred development option, which will be presented to the Committee at its November meeting, this will include the corporate structure for delivery, technical & legal advice to taking the housing projects forward to delivery stage.

The two stage Design and Build process and early engagement with a contractor on the design will help improve the predictability of costs, time and quality of the tender return. To maintain programme momentum in the interim, the report seeks Committee approval to now enter in to the Pre-Construction Agreement following the commencement of the procurement process. To date we've received three positive tender responses through the multi-supplier London Development Panel (LDP) framework established by the Greater London Authority (GLA). The Stage 3 tender documentation was released on the Council's Portal on the 10th August, and is due back on the 10th September, followed by the evaluation and Pre-Construction Agreement being signed in early October 2015. Following the award of the Pre-Construction Agreement, the contractor will be requested to develop the design and confirm the final contract sum. It is intended that the final appointment will be subject to approval by the Committee of the full business case.

5.2.3 The Pre-Construction Agreement design fees are estimated to be in the region of £1m (one million pounds).

5.2.4 Both projects will be funded from the Infrastructure Reserve in the capital programme of £1.75m.

5.3 **Legal and Constitutional References**

5.3.1 Council Constitution, Responsibility for Functions, Annex A – The Assets, Regeneration and Growth Committee has responsibility for “Asset Management” – all matters relating to land and buildings owned, rented or proposed to be acquired or disposed of by the Council.

5.3.2 Section 2.8 of The Management of Assets, Property and Land Rules, contained in the Council's constitution states that the “Strategic Asset Management Plan” will govern decisions on the future direction and development of the “Council's Built Environment”.

5.3.3 Council Constitution, The Management of Asset, Property and Land Rules, Appendix 2, Table B sets out the acceptance thresholds which provides authority for the action. Financial arrangements in excess of £100,000 must be approved by Assets, Regeneration and Growth Committee.

5.4 **Social Value**

5.4.1 By purchasing the adjoining piece of land at Moxon Street, it enables the Barnet Development Pipeline to deliver a better designed and laid out development,

including approximately 40% of Affordable Housing across the five Tranche 1 development sites.

5.5 Risk Management

5.5.1 Retaining these sites while the Council undertakes outline design and planning submission subjects the Council to increased market risk. The current housing market is strong and the Council would get considerable market interest should it seek to dispose of these sites as is. However, if the Council were to dispose of these sites for maximum value now, the disposal would be subject to planning to ensure best value is achieved. By undertaking the planning itself, the Council and Re are best placed to manage this risk and capture the value uplift. The Council will seek to mitigate the risk by taking forward the sites for planning once Committee approval is given.

5.5.2 The returns from each development will be reflective of the level of risk that the Authority finds acceptable to take; the development risk will be reflected in the greater opportunity for both returns and improvements to the fabric in the borough.

5.6 Equalities and Diversity

5.6.1 Under the Equality Act 2010, the Council must have due regard to the need to: a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; b) advance equality of opportunity between those with a protected characteristic and those without; c) promote good relations between those with a protected characteristic and those without. The 'protected characteristics' referred to are; age; disability; gender reassignment; pregnancy and maternity; race; religion or belief; sex; sexual orientation. It also covers marriage and civil partnership with regards to eliminating discrimination.

5.6.2 The Council is committed to improving the quality of life for all and wider participation in the economic, educational, cultural, social, and community life in the Borough.

5.6.3 Tranche 1 (the five development proposals) will make a significant contribution to the provision of additional high quality intermediate housing in the Borough to assist first time buyers, many of whom are currently priced out of the market, and also much needed affordable rented housing will be provided. In addition, further construction jobs will be promoted in the borough.

5.6.4 At this stage the proposal does not raise any issues under the Council's Equalities Policy and does not have a bearing on the Council's ability to demonstrate that it has paid due regard to equalities as required by the legislation. No immediate equality impacts are anticipated as a result of this proposal.

5.7 Consultation and Engagement

5.7.1 Early consultation is in progress with Councillors and with Ward Members, and in accordance with best practice consultation with the local community will form part of the development process, prior to submission of planning applications.

5.8 Insight

5.8.1 Considered data relating to the Council's Housing Needs Assessment – LBB Housing Department.

5.8.2 Considered data relating to property values – LBB Property Services and District Valuer.

5.8.3 Considered data relating to build costs – Build Costs Information Services – Royal Institute of Chartered Surveyors

6. BACKGROUND PAPERS

6.1 Assets Regeneration and Growth Committee, 9 July 2014, Strategic Asset Management Plan
<http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=696&MId=7960&Ver=4>.

6.2 Assets Regeneration and Growth Committee, 8 September 2014,
<http://barnet.moderngov.co.uk/ieListDocuments.aspx?CId=696&MId=7885&Ver=4>

6.3 Assets Regeneration and Growth Committee, 16t March 2015
<http://barnet.moderngov.co.uk/documents/s21974/BARNET%20DEVELOPMENT%20PIPELINE%20-%20TRANCHE%201.pdf>