

Committee: Cabinet	Date: 5th December 2007	Classification: Unrestricted	Report No: 	Agenda Item:
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Report of: Emma Peters Corporate Director – Development & Renewal Originating Officer: Owen Whalley Service Head –Major Project Development	Title: 2 Gladstone Place: Granting of Development Lease Wards Affected: Bow East
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1. Summary

- 1.1 This report outlines the status of discussions between the Council and Reef Estates Ltd. in securing the granting of a development lease for 2 Gladstone Place, the former Morrisons supermarket and associated car park. It recommends that the existing lease be surrendered and that a new lease granted to protect the Council's current rental income level and permit private and affordable residential use as well as new retail provision including a new food shop to provide for the everyday needs of people in the area.

2. Recommendations

- 2.1 Cabinet is recommended to authorise the Interim Service Head - Asset Strategy, Capital Delivery & Property Services after consultation with the Assistant Chief Executive (Legal Services) and Lead Member for Resources to agree final terms in accordance with the principles set out in Section 4 of this report and to grant a development lease to Reef Estates Limited.

LOCAL GOVERNMENT ACT, 1972 (as amended) section 100D
LIST OF 'BACKGROUND PAPER' USED IN THE PREPARATION OF THIS REPORT

Brief Description of 'Background papers'	Tick if copies supplied for register	If not supplied name and telephone no. of holder
2 Gladstone Place Property and Planning files.		David Piggott - Ext. 0462 Owen Whalley - Ext. 5314

3. Background

- 3.1 Pursuant to delegated authority, on 7th August 2007 the Corporate Director, Development and Renewal, authorised assignments by the Council as freeholders of the site of both the investment head lease and the occupational subleases in the old Morrisons store on Roman Road to Goldquest a subsidiary of the developer Reef Estates Limited. Since then officers have been conducting a series of discussions with Reef and their team.
- 3.2. Two separate sets of discussions have been taking place. One with the LBTH development control and major projects teams in pre-planning application discussions with the planning authority as to the nature, planning, mix of uses and density so that an acceptable and deliverable form of regenerative development, which meets members' objectives, can be arrived at.
- 3.3. The other separate discussion with the Corporate Property Section has been taking place with Reef's surveyors to settle the terms of a new form of lease to permit the change of use of the existing lease to allow a mix use residential and commercial development.
- 3.4 Both sets of discussion are still in progress and an oral report will be given at the meeting. It is hoped that final terms will have been arrived at in which case they will be reported but if not authority to finalise terms can be delegated..

4. Lease re-arrangements.

- 4.1 The present tenurial structure in relation to the Roman Road site is that the Council owns the freehold of the store and adjoining car park. There is a long head lease, now held by Goldquest Ltd, which has 124 year unexpired term. The use permitted under that lease is for general retail and ancillary car parking purposes. The Council as freeholder is entitled to receive by way of annual ground rent a 17.5% share the retail rental income, which equated to around £61,250 per annum. Although the unit is presently vacant, Reef Estates have put down a £150,000 deposit, from which the Council is currently drawing down a sum equivalent to the ground rent share that would have been received if the store had remained in occupation.
- 4.2 It is proposed that the existing lease should be surrendered and a new lease granted that will protect the Council's current rental income level and permit not just retail (a smaller quantum than at present) but also private and affordable residential use. The terms of that new lease are presently being finalised but the broad parameters are likely to be along the following lines;
 - i) lease term – 150 years

- ii) user – residential and retail (but with a requirement that a proportion of the retail space should be for food sales). 35% of the residential content will be affordable
- iii) ground rent – a percentage share of retail income, sufficient to produce initially a sum no less than the £61,250 p.a. presently being received by the Council
- iv) Premium – a relatively small initial premium but with overage provisions that will entitle the Council to a share of any sale proceeds , if sales prices exceed current expectation and if planning permission is secured for a scheme of over a certain density of habitable rooms
- v) Prohibition on assignment until building is built to protect the Council’s interest in seeing the development completed
- vi) Management of the public realm – a management company is to be established that will run any such publicly accessible areas and will be funded out of residential ground rent and/or service charge

4.3 It is hoped that the principal terms should be agreed within the next fortnight

4.4 The timetable and process for the surrender of the existing lease and the grant of the new one will be so designed as to encourage the developer to commence development and deliver the Council’s main outputs as soon as possible.

5. Current Planning Position

5.1.1 A Planning Statement was produced in May of this year to provide indicative planning guidance based on the existing planning policy context to be used as a basis for discussion on future development proposals. The Planning Statement does not provide any formal or statutory planning guidance as it hasn’t been subject to any public consultation and hasn’t been adopted by the Council.

5.2 The Planning Statement indicates that the site presents the potential to redevelop the existing supermarket site to provide a modern foodstore to ‘anchor’ the Roman Road District Centre, together with additional retail units and potentially other town centre uses. Redevelopment would also provide the opportunity to develop new housing, including provision of affordable housing, above the new store.

5..3 It is envisaged that a new supermarket would be supporting the function of the Roman Road District Centre in meeting day to day needs of the local population, with a large proportion of customers living within walking distance. In terms of housing density, the Planning Statement suggests that the site could accommodate some 375 habitable rooms subject to an acceptable design solution. There is a requirement for affordable housing to be provided on site within any

redevelopment with at least 35% affordable housing provision in terms of habitable rooms, of which 80% should be social rented and 20% intermediate. It is also important that any residential development provides the appropriate mix of units, with a particular requirement for family housing across all tenures.

- 5.4 The Planning Statement also sets out the main areas in which the Council will seek to secure planning obligations either on of offsite or through a financial contribution. In relation to this site Planning obligations heads are likely to include (but not be limited to):
- Minimum of 35% affordable housing;
 - Public transport improvements;
 - Highways improvements;
 - Open space and public realm improvements;
 - Contributions towards the provision of additional school places arising from the increase in dwellings;
 - Contributions towards healthcare provision arising from the increase in dwellings; and
 - Local employment and training initiatives
- 5.5 Officers are in pre-application discussions with Reef Estates Ltd. On the basis of the Planning Statement and a planning application will be submitted in due course.

6. Report of Chief Financial Officer

- 6.1 This report seeks agreement for the surrender of the existing lease that is in place between the Council and Reef Estates in relation to the 2 Gladstone Place site, and for a new development lease to be granted.
- 6.2 The Authority currently receives on-going ground rent of £61,250 per annum, and arrangements have been put in place to continue to receive this income despite the store currently being unoccupied (see paragraph 4.1). The new development lease will ensure that this rental income is protected.
- 6.3 Once a planning development proposal has been received for the site, other financial issues, including those relating to planning obligations and the nature of affordable housing, will be addressed.

7. Concurrent report of Assistant Chief Executive (Legal Services)

- 7.1 Pursuant to Section 123 Local Government Act 1972 the Council shall not dispose of land for less than the best that can reasonably be obtained. Whilst the grant of a new lease is a disposal for these purposes, a prior disposal has already been effected and will only be surrendered on the basis of an associated new disposal. Only the current lessee is capable of so transacting. Upon certification by the

Council's valuer that the terms are the best which can be achieved in the situation, the Council's duty is fulfilled.

9. Equal Opportunities Implications

- 9.1 The provision of new food shopping facilities in this location together with new housing including affordable and family housing will improve accessibility to these facilities in an area of current deficiency.

10. Anti-Poverty Implications

- 10.1 As 9.1 above.

11. Sustainable Action for a Greener Environment

- 11.1 This will be achieved through planning conditions

12. Risk Management Implications

- 12.1 The site remains vacant and the absence of a food shopping facility to meet the everyday needs of local people continues to detract from the viability of the Roman Road shopping centre. The granting of a new lease which protects the Council's financial interests will provide an opportunity for the site to be redeveloped to provide new shopping and housing subject to the granting of a separate planning permission.