


<b>Cabinet</b>  9 February 2022	 <b>TOWER HAMLETS</b>
<b>Report of:</b> Ann Sutcliffe, Corporate Director of Place	<b>Classification:</b> Part Exempt
<b>Disposal of Commercial Road Car Pound</b>	

<b>Lead Member</b>	<b>Councillor Bustin, Cabinet Member for Planning and Social Inclusion</b>
<b>Originating Officer(s)</b>	Vicky Clark, Divisional Director, Inclusive Growth and Development
<b>Wards affected</b>	Stepney Green
<b>Key Decision?</b>	Yes
<b>Reason for Key Decision</b>	Financial threshold
<b>Forward Plan Notice Published</b>	27 Sept 2021
<b>Strategic Plan Priority / Outcome</b>	A Borough that our residents are proud of and love to live in.

### **Executive Summary**

The site at 585-593 Commercial Road contains a former car showroom, which was later converted into a Council car pound, offices, ancillary space and parking. It is under-used, and the proposal is that it is sold on the open market for housing-led redevelopment. The existing Council users will be relocated as part of the sale process.

### **Exempt Information**

By virtue of section 100A of the Local Government Act 1972 and paragraph 3 of Schedule 12A of the Local Government Act 1972, Appendix 2 in this report is exempt as it contains information relating to the financial or business affairs of any particular person (including the authority handling the information). Specifically, the appendix contains land valuation information; the premature publication of this information could prejudice the Council in securing the best terms of a transaction. In all the circumstances, the public interest in maintaining the exemption outweighs the public interest in disclosing the appendix as it could jeopardise the Council's financial position when negotiating a transaction with a purchaser.

## **Recommendations:**

The Cabinet is recommended to;

1. Agree that the site at 585-593 Commercial Road is surplus to requirements and that it is sold following an open marketing process.
2. Agree to delegate authority to the Corporate Director of Place to decide on the basis of disposal (freehold or long leasehold), and to accept the best offer resulting from a marketing process following consultation with the Lead Member for asset management.
3. Agree to consider the information at Appendix 2 as exempt under the provisions of section 100A, and paragraph 3 of Schedule 12A of the Local Government Act 1972.
4. To note the specific equalities considerations as set out in paragraph 4.1.

## **1 REASONS FOR THE DECISIONS**

- 1.1 The site in Commercial Road is used by the Council to accommodate various Public Realm services. However, the site is not fully utilised. It has potential for a residential/mixed use redevelopment and could be disposed of for a significant capital receipt on this basis. A redevelopment would also provide much needed housing, including affordable housing.
- 1.2 It is intended that the existing users will be accommodated within space available in other Council properties, and the Council will need to provide vacant possession as part of the sale.

## **2 ALTERNATIVE OPTIONS**

- 2.1 The site could continue in its existing use. However, it is under used and there are significant opportunity costs with its retention arising from the losses of a potential capital receipt and the benefits of redevelopment.
- 2.2 The site could be let to produce a rental income. In its current configuration it is unlikely to meet modern car showroom requirements, but it would be an opportunity for an operator to obtain a relatively large site in a central area. As there is a strong preference towards freehold ownership in the sector, a lease option would need to be relatively long term, precluding sale for redevelopment. The potential rental return is difficult to assess accurately but is unlikely to compare favourably in financial or risk terms with a receipt from disposal.
- 2.3 The site could be offered for meanwhile uses, either during the process of sale or until a decision were made on its future. Given the relocations involved, which can take place simultaneously with marketing, there is not

expected to be a significant period when the site would be vacant prior to a sale. Nevertheless, a short term meanwhile use may be feasible. As an alternative to a decision to dispose, a meanwhile use is unlikely to generate an income to compare favourably in financial terms with a receipt from disposal.

- 2.4 Another alternative to disposal is self-development. However, the size of the site and the associated number of units involved, would mean that the scheme would be relatively expensive to deliver in terms of build costs. This would have the further impact of diverting limited resources away from other schemes, and funding would need to be sourced in order to enable works to be undertaken.

### **3 DETAILS OF THE REPORT**

- 3.1 The site has an approximate area of 0.56 hectares (1.385 acres) and is in partial use accommodating Public Realm services. It comprises the former car pound area, with associated workshop, offices and ancillary uses. There are two separate blocks fronting Commercial Road. Access to the rear car pound area and workshops is through a gated entrance off Commercial Road. Prior to the Council use, it was previously in use as a car showroom and servicing centre.
- 3.2 The site is located on the north side of Commercial Road, a short distance to the west of Limehouse DLR station. A location plan is attached at Appendix 1. The site is owned freehold by the Council, as part of title number NGL122287. A small part of the site is unregistered, which will be regularised in parallel with the sale process.
- 3.3 The main Council services in occupation are pest control, and parking & mobility services. There is also an emergency response team working for THH, and contractors for the mobility team carrying out assessments for Blue Badge applicants. Whilst a limited number of staff use the site as a permanent office, it is used as a base for over 150 staff. There are about 38 Council vehicles associated with the services that park on site. The site is therefore considered to be significantly under used.
- 3.4 Officers are developing proposals for the relocation of the services, with the intention that they are accommodated within existing Council properties. It is anticipated that the costs of relocations will be met from within existing revenue budgets. Should any capital spend be involved in relocations, it is proposed that this is funded from the sale receipt.
- 3.5 The site has potential for a residential led redevelopment, expected to provide well over 100 units, with ancillary commercial space. A purchaser would prepare a specific scheme for planning approval. As public sector land, there is a planning policy objective that a redevelopment should provide 50% affordable housing. The terms of sale will ensure that the Council secures a payment reflecting the redevelopment potential and the balance of risks in the

development process. The site has been valued by consultant valuers, Avison Young and the summary figures are included in Exempt Appendix 2.

- 3.6 The disposal of the site will enable the Council to generate a capital receipt to fund priority programmes. The size and location of the site will be attractive to developers and the fact that part of the site is free of buildings will reduce demolition costs. However, there is still a risk that uncertain market conditions might adversely affect the value or progress of a sale.
- 3.7 The site could be sold on either a freehold or long leasehold basis. The latter may result in marginally lower bids but with the possibility that long term future changes may give rise to opportunities to secure an additional return. In either scenario overage payments may be appropriate linked to the purchaser's redevelopment proposals. It is recommended that a decision on the basis of disposal is delegated to officers, taking into account the advice of the consultant valuers appointed to deal with the marketing and evaluation of bids.
- 3.8 There are a variety of possible disposal methods, including auction, formal tender and informal tender. Whilst the advice of consultants will be sought on the best option to meet the Council's objectives, it is likely that an informal tender process will be most appropriate. The reason behind this is that it enables the Council to fully test the market, with a full marketing campaign, which provides flexibility to undertake multiple bidding rounds as necessary to secure the best outcome. This includes enabling interested parties to make assumptions for their bid and offer increased payments should they eventually secure increased density or a more valuable scheme.
- 3.9 In order to explore the development potential and inform valuations, a feasibility study was prepared by LTS Architects. This included options for schemes, one of which delivered 120 residential units. Prior to the commencement of marketing the site, Planning colleagues will be engaged in order that they are fully up to speed when queries from potential purchasers are received.

#### **4 EQUALITIES IMPLICATIONS**

- 4.1 There are no specific equalities implications arising from the decision to dispose of the site. The subsequent redevelopment will result in the provision of new residential accommodation, including affordable housing, and commercial employment space.

#### **5 OTHER STATUTORY IMPLICATIONS**

- 5.1 This section of the report is used to highlight further specific statutory implications that are either not covered in the main body of the report or are required to be highlighted to ensure decision makers give them proper consideration. Examples of other implications may be:
- Best Value Implications,
  - Consultations,

- Environmental (including air quality),
- Risk Management,
- Crime Reduction,
- Safeguarding.
- Data Protection / Privacy Impact Assessment.

5.2 The site is held by the Council in the HRA.

## **6 COMMENTS OF THE CHIEF FINANCE OFFICER**

6.1 The report is seeking approval to dispose of the Commercial Road Car Pound site on the open market. This disposal, if approved will generate a capital receipt that will be available for use to support capital spending priorities made in line with approved capital governance processes.

6.2 The Car Pound site is currently used to accommodate several public realm teams. These teams will need to be relocated into other Council accommodation. There will be a cost associated with decanting these teams which will either need to be met from existing public realm budget allocations or offset against any future capital receipt.

6.3 The Car Pound is a HRA asset. The HRA is not receiving any benefit from being the freeholder as the General Fund is not being recharged by it for occupying the site. As a result, the HRA will not incur any revenue loss from the disposal of the site.

6.4 If the decant occurs in advance of the sale of the site then there is a risk of void costs being incurred, including the need for 24-hour security. This cost would fall on the HRA for which there is no budgetary provision. In such circumstances the Council should consider a meanwhile use for the site to avoid any such costs.

## **7 COMMENTS OF LEGAL SERVICES**

7.1 The general power of disposal is section 123 of the Local Government Act 1972 which gives the Council the power to dispose of land held by it in any manner it wishes provided that the local authority achieves the best consideration that can reasonably be obtained except where the disposal is for a short tenancy (i.e. a term not exceeding seven years) or where the Council has the consent of the Secretary of State.

7.2 Case law has shown that the consideration which a local authority receives in order to achieve best consideration must have an economic or monetary value. There is no particular process to be followed but there does need to be evidence to show that best consideration has been assessed and is being achieved, for example, through independent valuations or market sale.

7.3 The Secretary of State have issued a general consent for disposals of land under section 123 for less than best consideration. This allows a local authority to dispose of land for less than best consideration if it considers that

the disposal will contribute to the promotion or improvement of the economic, social or environmental well-being of its area and the extent of the undervalue is no more than the sum prescribed in the consent.

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## **Linked Reports, Appendices and Background Documents**

### **Linked Report**

- None

### **Appendices**

- Appendix 1, Location plan
- Exempt Appendix 2, Valuation information

### **Background Documents – Local Authorities (Executive Arrangements)(Access to Information)(England) Regulations 2012**

- None

### **Officer contact details for documents:**

- N/A