

Item No. 15.	Classification: Open	Date: 18 October 2011	Meeting Name: Cabinet
Report title:		169 to 172 and 170a St Georges Mansions, Blackfriars Road and Pocock Street Garages, London SE1 8ER – Disposal of Freehold interest	
Wards affected:		Cathedrals	
Cabinet Member:		Councillor Richard Livingstone, Finance, Resources and Community Safety	

FOREWORD - COUNCILLOR RICHARD LIVINGSTONE CABINET, MEMBER FOR FINANCE, RESOURCES AND COMMUNITY SAFETY

In 2005, the council agreed to the disposal of the Pocock Street garages, initially as one of the Elephant & Castle Early Housing Sites. In 2009, the council took the decision to remove this property from the early housing sites programme and market the site for sale. Hyde Housing also terminated their hostel programme in the neighbouring block at 169-172 Blackfriars Road in 2009, and so in July 2009 the council added this property to the garages site for sale.

This report recommends the sale of these premises, the details of which are set out in the closed report. This disposal would generate a considerable receipt that will contribute, through the housing investment programme, to make every council home Warm, Dry and Safe. It is also anticipated that the development will deliver on-site affordable housing.

RECOMMENDATIONS

That the Cabinet authorises

1. The disposal of the council's freehold interest in 169 to 172 and 170a St Georges Mansions, Blackfriars Road and Pocock Street Mansions, London SE1 8ER ("the site") in accordance with the terms and conditions set out in the closed report.
2. The earmarking of the capital receipts for the purposes of the Housing Investment Programme.
3. Authorise the Head of Property to agree any variations to these terms (within the scope of his delegated authority) that may be necessary to achieve the successful disposal of the site.
4. In the unlikely event that the sale to the preferred bidder does not proceed to exchange, the Cabinet authorises the Head of Property to agree the terms of a sale with any one or combination of the under bidders set out in the closed report and/or any other third party, provided that these terms conform with the council's legal obligation to achieve the best consideration reasonably obtainable.

BACKGROUND INFORMATION

5. The site is divided into two distinct sections. The front section of the site “169 to 172 Blackfriars Road” (cross hatched in the attached plan) is occupied by a five storey pre war era building with a yard at the back which is let to the adjacent pub (this pub is in private ownership). The ground and basement levels of the building are retail and associated storage space whilst the upper floors, known as 170a St Georges Mansions, are residential with each floor comprising a self contained 5 bed room unit. The retail units are currently let on long term commercial leases whilst the residential units are occupied by Camelot Ltd on a short term basis to provide security.
6. The rear section of the site “Pocock Street Garages” (hatched in the attached plan) is occupied by 45 single storey garages of which approximately 21 are let under licence.
7. Pocock Street Garages was designated as a Proposal Site for residential uses in the Southwark Plan 2007 and has retained this status with the adoption of the Core Strategy.
8. At the then Executive meeting on the 27 July 2005 it was agreed to dispose of the Pocock Street Garages site as part of the Elephant and Castle Early Housing Sites Programme. However on the 29 January 2009 the former Project Director of Elephant and Castle made a delegated decision to remove a number of sites including Pocock Street Garages from the Elephant and Castle Early Housing Sites programme and placed it on the council’s Disposal Register to support future council policies. The reason given for this decision was that it was no longer economically viable to develop the sites in accordance with the terms of the Elephant and Castle Early Housing Sites Programme due to the deterioration of the economy and property market.
9. The development team within the Property Division was tasked with identifying the most suitable way to dispose of Pocock Street Garages. During 2009 Hyde Housing’s lease of the upper parts of 170a St Georges Mansions expired and they vacated the property. Hyde had previously used the upper parts as short term hostel accommodation. The upper parts require significant investment to ensure they are fit for purpose and this will be expensive. Following Hyde’s exit it was determined that the most suitable way forward would be to include 169 to 172 Blackfriars Road in a disposal with the Pocock Street Garages site. This would enhance the chances of a more comprehensive and appropriate development occurring on the site.
10. Pocock Street Garages was declared surplus to requirements by the then Strategic Director of Regeneration and Neighbourhoods on the 19 June 2007. 169 to 172 Blackfriars Road was declared surplus to requirements by the Regeneration Director on the 14 September 2011.
11. BNP Paribas Real Estate was appointed following a competitive tender process to act as the council’s marketing agent with a brief to dispose of the site in line with the statutory framework.

12. Prior to advertising a comprehensive marketing pack was produced and accessed by interested parties via a web link. Within this pack was a brochure, site plan, report on title and service searches, existing leases, standard copy of a garage licence, topographical survey, asbestos register, desktop site survey, Rights of light survey, planning note, EPCs and a new homes market report.
13. The site was widely marketed with half page colour adverts appearing in the Estates Gazette for two consecutive weeks whilst another advert appeared in the Property Week. The agents contacted 141 parties prior to the adverts and there were another 183 requests for details following publication.
14. Offers were invited on a conditional on planning or an unconditional basis and the deadline was 12pm Friday 29 July 2011. In total 20 offers were received from 18 different parties. Six of the offers were on an unconditional basis, with 13 offers on a conditional on planning basis and one offer a hybrid of the two. Following submission the agents recommended short listing the top four bidders.
15. The four shortlisted bidders were then invited to review their offers and submit their best and final offers by the 19 August 2011. A total of 6 offers were received as one bidder submitted 3 different offers.
16. A detailed assessment of the offers was undertaken by the marketing agent and the development team. This assessment looked at the strengths and weaknesses of each offer considering factors such as the terms, funding, track record of the bidder and proposed schemes.
17. Based on this assessment the agents made their recommendation to select the offer outlined in the closed report.

KEY ISSUES FOR CONSIDERATION

Policy implications

18. The site is held for housing purposes and the provisions of section 32 of the Housing Act 1985 govern the terms of any disposal. The General Consents for the disposal of houses and land 2005 enables local authorities to dispose of land held for housing purposes provided that they received the best consideration that can be obtained. The Head of Property is satisfied that the recommended offer represents best consideration that can reasonably be obtained.
19. The site is currently under utilised and not fulfilling its potential. Disposal and subsequent development of this site will provide much needed new homes to help meet the council's housing targets as set by the Mayor of London. The site will be developed in accordance with current planning policy which will ensure that 35% of the units/habitable rooms will be affordable and all the units will be required to meet Code for Sustainable Homes Level 4.

Impact on tenants

20. The tenants occupying the ground floor retail units 169 & 170, 171 and 172 Blackfriars Road and the yard to the rear have been kept informed about the Council's proposal to dispose of the site. They will remain in occupation following the disposal in accordance with the terms of their lease agreements. Following completion of the contract the new owner of the site will become their landlord.
21. There are 45 garages on the site and less than 50% are occupied. It will be necessary to obtain vacant possession of the garages to enable development of the site. The occupiers will be given as much time as possible before notice is served requiring possession of their units. For those who require alternative garages attempts will be made to find available units on other council owned garage sites. However as mentioned the site has been earmarked for development for at least five years.

Community impact statement

22. The disposal of this site will lead to its development which will have a positive impact on the community. The site is under used and adds little to the surrounding area. A high quality residential development will improve the area, provide much needed new homes, increase the viability of neighbouring retail units, landscaping of the immediate site and provide a S106 payment to mitigate the impacts of the development.

Resource implications

23. The retail units, rear yard and garages generate an annual rental income that will cease to be payable to the council once the site is sold.
24. The disposal of the site will release revenue currently allocated towards security and maintenance of the site and buildings.
25. The disposal of the site will generate a capital receipt.
26. The disposal of the site will generate internal officer fees and external agent's fees that will have to be paid by the council. The preferred bidder has agreed to make a capped contribution towards the council's legal fees.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Communities, Law & Governance

27. As the site falls within the council's housing portfolio the disposal can only proceed in accordance with Section 32 of the Housing Act 1985 for which purposes the consent of the Secretary of State for the Department of Communities and Local Government is required.
28. A number of general consents have been issued in the General Housing Consents 2005.

29. Consent A 5.3.1 states:

A local authority may, subject to the provisions of this consent, dispose of a building held for the purposes of Part II to any individual for the best consideration that can reasonably be obtained, where:

- a) The building was not constructed by or for any local authority for the purpose of providing housing accommodation; and*
- b) The building consists of residential accommodation and non-residential accommodation; and*
- c) All or most of the ground floor consists of non-residential accommodation; and*
- d) The residential accommodation is vacant or let with the non-residential accommodation under a tenancy to which Part II of the Landlord and Tenant Act 1954 applies.*

30. The report confirms in paragraph 5 that the building forming 169 to 172 Blackfriars Road is a pre-war building consisting of non-residential accommodation on the ground floor and residential accommodation above, and that the residential accommodation is essentially vacant being occupied by Camelot Limited on a short term basis to provide security.

31. The report confirms at paragraph 10 that this part of the site was declared surplus to requirements by the Regeneration Director on the 14 September 2011.

32. General consent E3.1 states

A local authority may dispose of any land held for the purposes of Part II for the best consideration that can reasonably be obtained, provided that any dwelling-house included in the disposal

- a) Is vacant;
- b) Will not be used as housing accommodation; and
- c) Will be demolished

33. The disposal of the garages site to the rear does not include the sale of any dwelling but the land is held for housing purposes.

34. The closed report confirms that the offer for the site represents the best consideration that can reasonably be obtained.

35. If Cabinet is satisfied that the consideration being obtained for the site represents the best consideration that can reasonably be obtained and that the transaction represents value for money they may proceed with approval of the recommendation.

Departmental Finance Director

36. This report recommends that the Cabinet authorises the disposal of the council's freehold interest in 169 to 172 and 170a St Georges Mansions, Blackfriars Road and Pocock Street Mansions, London SE1 8ER, and the earmarking of the receipt for the housing investment programme. It also authorises the Head of Property to negotiate a variation to these terms and to agree the terms of a sale with any one or

combination of the under bidders set out in the closed report and/or any other third party if the sale to the preferred bidder does not proceed.

37. The Finance Director notes that best consideration will be obtained per paragraph 18. Paragraph 26 confirms that preferred bidder has agreed to make a capped contribution towards the council's legal fees.
38. Paragraph 23 identifies that there will be a loss of annual rental income to the housing revenue account, and paragraph 24 confirms that disposal of the site will release revenue currently allocated towards security and maintenance of the site and buildings.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Case file	Tom Kemp Development Team, Property Division, 160 Tooley Street, SE1 2QH	Tom Kemp on 020 7525 5529

APPENDICES

No.	Title
Appendix 1	OS plan, indicating the property – boundary highlighted in bold

AUDIT TRAIL

Cabinet Member	Councillor Richard Livingstone, Finance, Resources and Community Safety		
Lead Officer	Eleanor Kelly, Deputy Chief Executive		
Report Author	Tom Kemp, Surveyor		
Version	Final		
Dated	6 October 2011		
Key Decision?	Yes		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title	Comments Sought	Comments included	
Strategic Director of Communities, Law & Governance	Yes	Yes	
Departmental Finance Manager	Yes	Yes	
Cabinet Member	Yes	Yes	
Date final report sent to Constitutional Support Services		6 October 2011	