



Executive
9 December 2013

**Report from the Strategic Director of
Regeneration and Growth**

Wards affected: Wembley Central

Brent House – Proposed disposal on a subject to planning basis.

Not for publication ('below the line')

Appendix 3 of this report is not for publication.

1.0 Summary

1.1 In December 2010 the Executive considered options for the future use of the Brent House site in Wembley High Road, and agreed in principle to the marketing of the site. This report proposes that the Council enter into a 'subject to planning' contract for the disposal of a long leasehold interest in Brent House, 349-357 High Road, Wembley, London HA9 6BZ, as shown in Appendix 1, to Stoford Ltd, keeping in reserve the bid from Henley Homes Ltd.

2.0 Recommendations

That the Executive:

- 2.1 Approve the disposal of a long leasehold interest in Brent House on a subject to planning basis to Stoford Ltd for a capital receipt upon the grant of planning consent.
- 2.2 That, as a reserve, subject to satisfactory resolution of matters highlighted in the confidential appendix, in the event that the above offer does not proceed satisfactorily that the offer from Henley Homes Ltd also be approved.

- 2.3 Grant delegated authority to the Operational Director Property and Projects to agree the terms of the transaction in consultation with the Chief Finance Officer.

3.0 Detail

Background

- 3.1 Brent House is situated at 349 – 357 High Road Wembley HA9 6BZ and comprises a 1960's 10 storey office building in two separate blocks joined by a central service core providing 9,124 m² (98,214 sq. ft.) over ten floors of office and basement storage served by 3 passenger lifts on a site of 0.8 ha (1.9 acres/7,843 sq. m.) with 155 parking spaces. The building was re-clad and extensively refurbished in the 1990s.
- 3.2 Brent House is well served by main line and underground train plus bus services. Wembley Stadium station (national rail services) is three minutes walk (10 minutes to Marylebone), Wembley Central station (Bakerloo Line and national rail services) is five minutes walk and Wembley Park station (Metropolitan Line/ Jubilee Line – 15 minutes to Baker Street, 30 minutes to the West End) is fifteen minutes walk. Access to the A406 North Circular Road is a mile south east, providing easy access the A40, Central London, the M1 and national motorway network.
- 3.3 Brent House is situated within the Wembley Regeneration Area, as designated within the Council's Local Development Framework Core Strategy (2010). The Wembley Area Action Plan identifies the site as part of the Wembley Link lands - with a primary function of stitching together the older traditional High Road with the new large scale mixed use development adjoining the stadium. Further detail on the planning policy framework is provided in paragraphs 3.11 onwards below.
- 3.4 The Council acquired the freehold interest of Brent House in 2008 for £17.1m. The purchase was a strategic acquisition to support the Civic Centre project and was seen as a long-term investment which could be used to house the Council's back office staff. At the time of acquisition Brent Council was paying out £948k per annum in rent plus service charge for use of the building.
- 3.5 Subsequent to the acquisition of Brent House, the Civic Centre strategy fundamentally shifted to a one site solution based upon the acquisition of the current Civic Centre site from Quintain Estates. The terms of purchase of the Civic Centre site were favourably influenced by the Council's ownership of Brent House.
- 3.6 The Council has recently vacated Brent House and moved all staff who previously worked there into the Civic Centre.

- 3.7 An Electricity sub-station located in the under-croft is leased to Eastern Group for a term expiring 2064.
- 3.8 Airwave and Vodafone both have leases of aerial sites on the roof producing a combined income of £33k p.a. Consultants have been appointed to negotiate an early surrender of both leases which is anticipated in Q1/Q2 2014. Property is negotiating the final terms of this surrender but anticipate no additional significant costs arising to the Council.
- 3.9 Air France is a long standing tenant of the Council and an important local employer. They currently employ around 200 staff based at Brent House. They lease floors six and seven (both east & west wings) and part of the fifth floor (east wing) for a term expiring in May 2014 at a passing rental of £330k p.a. On 14th October 2013 the Executive provided authority to the Operational Director Property and Projects to extend Air France's lease beyond May 2014 so as to maximise the rental income and maintain occupancy whilst the long term future of the site is resolved.
- 3.10 The proposed disposal of Brent House will be subject to the Council offering vacant possession of the site, with exception of the electricity sub station. This process will be managed by the Operational Director, Property and Projects. Subject to the decision of the Executive in regard to this report notice to terminate the lease will need to be served on Air France with consequent financial implications although discussions have commenced at an informal level as to any future possible occupational collaboration.

Planning Policy

- 3.11 The current lawful use for Brent House is as B1 Offices.
- 3.12 Wembley is an important strategic town centre, identified as a growth area in the Council's Local Development Framework Core Strategy (2010), which needs to strengthen its offer to remain competitive.
- 3.13 The Council's strategy is to create a continuous active frontage from Wembley High Road to Wembley Park Station, via the new London Designer Outlet and the Wembley Park Boulevard.
- 3.14 Brent House is an important and prominent site in the delivery of the wider regeneration strategy for Wembley.
- 3.15 Brent House and the adjacent Elizabeth House site was included in the Council's Site Specific Allocation 'W8 - Brent House and Elizabeth House' and allocated for a mixed use development including residential, retail, office and amenity space.

- 3.16 The redevelopment of Elizabeth House by Octavia Housing has recently been completed, delivering 115 residential units, of which planning permission required that 37% habitable rooms be for affordable housing.
- 3.17 A Supplementary Planning Document (SPD) to the Council's 2010 Core Strategy identified the Wembley High Road to Wembley Triangle area as the 'Wembley Link'. Any redevelopment of Brent House should help create a link so as to encourage movement to and from the large scale regeneration area surrounding the Stadium via the White Horse Bridge and the Wembley Park Boulevard. The SPD encourages the use of retail and other active uses at ground floor level in this location to help ensure a continuous animated frontage along the length of the Wembley Link area.
- 3.18 Site Allocation W8 Brent House and Elizabeth House is being updated/amended by the Council's Wembley Area Action Plan Preferred Options document which promotes a food store on the Brent House site, with mixed use development on the frontage. This document also references the need for any development on the Brent House site to facilitate the redevelopment of the adjacent Copland School. Public consultation on this document was completed in October 2012.
- 3.19 Policy WEM5 of the Local Development Framework (Tall Buildings) restricts tall buildings in Wembley to key nodes. This effectively restricts the height of any future redevelopment proposals for Brent House to that of the adjacent Elizabeth House.
- 3.20 Brent's "Shaping the future of Housing in Brent – Housing Strategy 2009-14", sets out the boroughs aspirations in terms of affordable homes targets on new development, noting that its position aligns with the Mayor with a starting point of 50%. The strategy later states in section 8.1.2 that at a London level, the Mayor has rejected the over 50% affordable housing target for new developments, taking a more sophisticated area based approach where supply should meet market demand providing for a site based approach.

4.0 Results from Marketing

- 4.1 The Executive in December 2010 agreed to the marketing of Brent House and the appointment of Colliers International to provide advice and guidance to the marketing and selection of purchasers. Accordingly Colliers were appointed to market the property by way of an informal tender process.
- 4.2 Property particulars, appendix 2 were prepared and advertised on Colliers' webpage from the 3rd April 2013, an advert was placed in Estates Gazette on 13th and 27th April 2013, and in the Wembley and Brent Times on the 18th April and 2nd May, with particulars placed on our Brent Property webpage and Collier's International website.

- 4.3 In total, some 140 enquiries were received in response to the marketing exercise. Eight accompanied viewings were undertaken during the process.
- 4.4 First stage bids were invited on Friday 28th June and a total of eight bid submissions were received on an unconditional and subject to planning basis. The majority were for residential conversion/redevelopment of the Brent House site with varying levels of social/affordable housing and one bid included provision for a hotel. The exception being a single bidder whose proposal was led by a major retail store with housing. One bidder was discounted from further consideration as they bid at an unacceptably low level.
- 4.5 Second stage bids were invited following feedback from the planning department. Bidders were asked to re-submit their schemes based on varying levels of affordable housing in the range 15% - 30%. Subsequently four bidders were shortlisted for interview.

Rejected Bids

- 4.6 One Housing Group submitted a low financial proposal which was rejected.
- 4.7 Bellway Homes initially proposed a scheme for between 327 and 346 homes. This was considered an over-development of the site, with concerns regarding proximity to site boundaries, height and relationship to Elizabeth House, residential amenity, insufficient mix of uses to meet the aspiration of the Wembley Area Action Plan and density in excess London Plan Policy. Bellway addressed some of these issues in its second round bid proposing a scheme of 272 homes but this resulted in a reduction in its financial offer to an unacceptable level.
- 4.8 Criterion Capital was the only party to submit an unconditional bid, based on conversion of the existing building to residential to an estimated 135-140 homes. Whilst planning permission for residential conversion is not required prior to 30th May 2016, it would be to external alterations to the premises. They did not submit a bid at the second round.
- 4.9 Qatar Property Group's proposal was based on conversion of the existing building to an unspecified number of homes and was rejected due to the relatively low value.

Shortlisted bids

- 4.10 At the first stage of bids bidders assumed a range of affordable housing percentages, in order to measure the bids on a like for like basis using the maximum rounded percentage of affordable homes bid on, all bids were analysed on the basis of 30% affordable housing.

- 4.11 Real Estate Developments/Peveril Securities submitted a bid on the basis of securing a planning consent for a 5,000m² major retail store with associated parking for 240 cars, a local sized store of 131m² plus 156 homes with parking for a further 150 cars (Total 390 cars) broadly in line with planning policy supporting the regeneration of this section of the High Road. However, there were concerns regarding the ability to deliver the bid in particular the major retail store which was the major element in driving the bid's potential value.
- 4.12 A subject to planning bid was received from Pinnacle Developments Ltd. This scheme was revised in light of feedback from the planning department, to deliver 220 homes with, 100m² of commercial accommodation, 3,000m² apartment/hotel accommodation (100 rooms) and a large community park with unspecified levels of parking. From a planning perspective the scheme has a number of merits the bid was ultimately rejected due to the relatively low financial offer.
- 4.13 Henley Homes submitted a subject to planning bid, showing plans that redeveloped the site for 269 homes of which 80 would be affordable, plus 1,580m² of retail, with 90 car parking spaces. Feedback from the planning department was that the proposals had some merits and could be deliverable. This is a new build proposal. Whilst an impressive submission based on their track record this would be Henley's largest development, and there remain questions around its deliverability
- 4.14 Stoford Ltd propose to convert and extend the premises to provide a 158 bed hotel that provides for 90 new jobs, 66 homes (of which around 22 would be affordable) and 465m² of retail with 165 car parking spaces. Planning policy identifies Wembley as the preferred location for a new hotel development. The scheme is a refurbishment developed to the specification of Whitbread Premier Inn that will be delivered in partnership with Anglo Holt Construction Ltd. Both parties have a long standing track record and have partnered in the past and are financially robust.

Preferred bidder

- 4.15 Based on the bid assessment criteria, Appendix 2, and the detailed bid analysis at Appendix 3, we propose to proceed with Stoford Ltd as the preferred bidder and should matters not progress with them to approve as the reserved bidder Henley Homes Ltd.

5.0 Future Action subject to Decision

- 5.1 It is proposed that the following principal documents will be entered into between the Council and the Developer:-
1. An Agreement for Lease, conditional upon the grant of a detailed Planning Permission for the proposed development. A nominal deposit will be received on exchange of this Agreement.

2. Following the grant of a detailed Planning Permission a lease for a term of 250 years, containing obligations on the part of the Developer to commence and complete the building works within an agreed timetable. The agreed premium will be paid on completion of this lease.
3. An Overage deed, by which the Council will have the right to additional payments should the quantum of development be increased and/or proceeds realised be in excess of agreed base limits. This will be secured by a covenant given by the building tenant.

5.2 Timetable

- 5.3 The following timetable is proposed, which may be subject to change as details are further developed.

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| Executive Decision finalised | December 2013 |
| Exchange of Contracts, on a subject to planning basis. | March 2014 |
| Sale Completion | December 2014 |

6.0 **Financial Implications**

- 6.1 The property is currently occupied by Air France with Vodafone and Airwaves masts located on the roof. A total rental income stream of £363k per annum a (as detailed in paragraphs 3.13 and 3.14 above) will be foregone should the recommendations to this report be approved.
- 6.2 The financial scoring element of the bid assessment criteria was based on the capital receipt offer (excluding Community Infrastructure Levy, Ground Rent, Council Tax, Business Rate or New Homes Bonus implications) at 30% Affordable Housing provision.
- 6.3 As is well known, shortly after acquisition in 2008 for £17.1m, the global financial market collapse precipitated on property crash and, in particular relevant to Brent House, values in the secondary office market dropped by up to 60%. Therefore, Brent House was re-valued in 2010 (1st April 2009) on an owner-occupier, existing use value at £8.375m. This impaired value was taken into account and reflected in the Council's accounts and Asset Register in the year of valuation. The current depreciated Net Book Value carried forward on the Council's Asset Register for Brent House is £4.519m.
- 6.4 The purchase of Brent House was undertaken through the utilisation of unsupported borrowing totalling £17.695m, attracting an annual debt charge of £1.031m which is met from the Central Capital Financing Budget. The charge comprises principal and interest and was forecast for

repayment over a period of 40 years. The forecast outstanding principal on the unsupported borrowing at the end of 2013/14 is £16.886m. The debt charge associated with the property is within the Council's base revenue budget.

- 6.5 The capital receipt offer from both the preferred and reserve bidders, as set out in Appendix 3, are in excess of the property's carrying Net Book Value on the Council's Asset Register but are lower than the outstanding principal on the unsupported borrowing.
- 6.6 Transaction costs for the disposal are to be covered by the capital receipt on disposal. This is estimated to be in the region of 1% of the sale price including legal costs.
- 6.7 The council is not contractually obliged to accept any bid. An alternative option would be to leave the site as it is and seek to let it out as offices. A possible attraction of this is that if the property market continues to rise the council might be able to sell the site for more at a future date. However, this would also expose the council to the downside risk of a fall in the market. Furthermore, the council would be liable for maintenance, security, vacant rates and similar costs until a sale could be agreed, and it appears unlikely that there would be significant opportunities to generate rental income to offset these in the interim. This option is not therefore recommended.

7.0 Legal Implications

- 7.1 Under Section 123 of the Local Government Act 1972 the Council has a general power to dispose of properties including by way of the sale of the freehold or the grant of a lease. The essential condition is that the Council obtains (unless it is a lease for 7 years or less) the best consideration that is reasonably obtainable.
- 7.2 Disposal on the open market either via auctioneer, marketing agent (sealed bids tender) or to a special purchaser by way of private treaty will satisfy the best consideration requirement.

8.0 Diversity Implications

- 8.1 See attached INRA, appendix 4.

9.0 Staffing/Accommodation Implications (if appropriate)

- 9.1 There are no staffing implications.

10.0 Background Papers

- 10.1 Executive Report 13 December 2010, Report from the Director of Regeneration and Major Projects, Civic Offices and Property Disposals.

11.0 Appendices

Appendix 1: Disposal Plan

Appendix 2: Marketing Particulars & Bid Assessment Form

Appendix 3: Exempt from publication – Bid Analysis

Appendix 4: Equality Analysis

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