

	<b>Cabinet</b> 20 June 2022
	<b>Report from the Director of Finance</b>
<b>Purchase of Blocks D and E and part of block A comprising of both affordable units and market units at Euro House, Fulton Road, Wembley HA9 0TF</b>	

<b>Wards Affected:</b>	Wembley Park
<b>Key or Non-Key Decision:</b>	Key
<b>Open or Part/Fully Exempt:</b> <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Part Exempt – Appendix 1 is exempt as it contains the following category of exempt information as specified in Paragraph 3, Schedule 12A of the Local Government Act 1972, namely: "Information relating to the financial or business affairs of any particular person (including the authority holding that information)"
<b>No. of Appendices:</b>	One Appendix 1 (Exempt) Draft Head of Terms
<b>Background Papers:</b>	None
<b>Contact Officer(s):</b> <small>(Name, Title, Contact Details)</small>	Minesh Patel, Director of Finance 020 8937 4043 <a href="mailto:Minesh.Patel@brent.gov.uk">Minesh.Patel@brent.gov.uk</a>  Amanda Healy, Head of Finance 020 8937 5912 <a href="mailto:Amanda.Healy@brent.gov.uk">Amanda.Healy@brent.gov.uk</a>  Tanveer Ghani, Operational Director of Property & Assets 020 8937 1722 <a href="mailto:Tanveer.Ghani@brent.gov.uk">Tanveer.Ghani@brent.gov.uk</a>

## 1.0 Purpose of the Report

- 1.1 This report seeks permission to negotiate and thereafter purchase a mix of affordable units in Blocks D and E and market units in Block A forming part of a development of Euro House, Fulton Road Wembley HA9 0TF. The Council will enter into an underlease for up to 60 years of Blocks A, D and E, from an Asset Special Purpose Vehicle (ASPV) who will have entered into a 999 year headlease with the freeholder. The freeholder is Crown Wembley LP. The

Council will have an option with ASPV to acquire the headlease for a peppercorn upon the expiration of the 60 year underlease. The site will be developed by a developer called Regal London. The scheme is due to start in September 2022 with an estimated practical completion date of Q4 2025 for the affordable rented homes.

- 1.2 To finance the purchase of this block, the Council will take a lease of up to 60 years from the ASPV, with rents set at current day social rents and indexed at CPI plus 1% subject to a cap of 5% and a floor of 1%. Upon completion of the underlease, a reversionary 939-year lease will be granted at nil rent or peppercorn.
- 1.3 The developer will continue to insure the premises during the construction and until completion of the contract.

## **2.0 Recommendation(s)**

2.1 Cabinet is asked to:

- (i) Delegate authority to the Director of Finance in consultation with the Cabinet Member for Finance Resources and Reform and the Operational Director of Property and Assets to negotiate a unit mix of social and market units that delivers a financially viable scheme and the terms and thereafter enter into a underlease for up to 60 years (to be made between L.B. Brent and Asset SPV) in respect of the affordable homes and market units within the Fulton Road Development subject to (a) clean and marketable title (b) financial and legal due diligence, (c) all commercial terms having been agreed between the parties and (d) vacant possession, with a target completion date as soon as possible after the grant of the long lease of 999 years (the headlease).

## **3.0 Detail**

- 3.1 The existing site measures approximately 1.29 ha in size and comprises the former headquarters of Euro Car Parts, a large self – contained two storey, detached warehouse building split over 5,000 square meters (Gross Internal Area). The planning application reference of the development is 21 / 2989.
- 3.2 The planning permission is dated 24 March 2021 for the redevelopment of the current site to provide five new blocks (A to E) ranging from part 12 to part 24 storeys in height which will be physically connected by a central podium level.
- 3.3 The developer is seeking a buyer for the affordable units. The ASPV has proposed a leasing arrangement where the Council pays rent for up to the first 60 years of the lease, with a reversion for the remaining 939 years for nil consideration.
- 3.3 In the current development, 218 affordable units will be provided through intermediate rented, shared ownership and London Affordable Rent tenures.

- 3.4 Through the proposed lease, the Council is aiming for a target mix that will remove all the intermediate units and replace them with the most affordable social rented units. In the proposed target mix, the Council has also negotiated an increase in the number of affordable units provided by the development to 252, an uplift of 34 more affordable units.

	<b>Market</b>	<b>Shared Ownership/ Intermediate</b>	<b>London Affordable Rent</b>	<b>Social Rent</b>	<b>Total</b>
Original Scheme	-	138	80	-	<b>218</b>
Proposed Scheme	46	-	-	252	<b>298</b>

- 3.5 The target mix has also been re-designed in favour of larger properties, increasing the number of 3 bed units by 33, to help support the sizes with greatest demand.
- 3.6 To allow for the increase in the number of genuinely affordable units, the target mix includes the acquisition of 46 market units which provides a subsidy that ensures the financial viability of the development
- 3.7 Of the 252 affordable units in the target scheme there will be 98 in Block D and 154 in Block E. The breakdown of the 252 social rented and 46 market rented homes are as follows:

	<b>Market</b>	<b>Social Rent</b>	<b>Total</b>
Block A	46	-	46
Block D	-	98	98
Block E	-	154	154
<b>Total</b>	<b>46</b>	<b>252</b>	<b>298</b>

	<b>Studio</b>	<b>1 Bed</b>	<b>2 Bed</b>	<b>3 Bed</b>	<b>Total</b>
Block A	-	33	9	4	46
Block D	-	30	35	33	98
Block E	-	28	74	52	154
<b>Total</b>	<b>-</b>	<b>91</b>	<b>118</b>	<b>89</b>	<b>298</b>

- 3.8 Through undertaking the proposed lease, the Council will be able to increase the delivery of affordable units whilst reducing the proposed rent level for all the affordable products and ensure a more optimal unit mix to meet the local housing need.

#### **4.0 Former headquarters of Euro Car Parts**

- 4.1 The former headquarters of Euro Car Parts is in Wembley. The development comprises the demolition and redevelopment of the site to provide the erection of five buildings ranging from ground plus 14 to 23 storeys; comprising up to

759 residential units, retail floorspace and workspace / storage floorspace, private and communal amenity space, car parking, cycle parking, ancillary space, mechanical plant, landscaping and other associated works.

- 4.2 The building occupies a prominent corner location at the junction of First Way, Fifth Way and Fulton Road in the south and west of the site. The site forms part of the Wembley Growth Area and is currently allocated in the adopted Wembley Area Action Plan and in the Council's recently adopted Local Plan (2021) for a mixed use, residential led scheme.

## **5.0 Financial Implications**

- 5.1 The total cost of the lease based on a term of up to 60 years is circa £128M. The social rented units will sit within the HRA and the Council will utilise the most effective mechanism to manage the market rented units. There has not been an opportunity to purchase these units or vary the tenure and size mix through a traditional financing mechanism.
- 5.2 The proposed scheme provides a target of 252 affordable units and 46 market units to be delivered through the lease. To ensure the scheme is financially viable, the Director of Finance in consultation with the Lead Member for Finance and the Operational Director of Property and Assets will negotiate the optimal unit mix that supports the increased delivery of the affordable units from the original proposal. This may result in a variation in the affordable unit and market unit mix from the target mix described in section 3.4 above.
- 5.3 With the proposed target scheme converting 34 market units to social rented units, this will enable the Council to claim £100k per unit for the additionality provided by the scheme and £28k per unit for the remaining 218 affordable units. The total grant claim expected to fund this development is £9.5M.
- 5.4 It has been assumed that the Council will receive 100% Stamp Duty Land Tax (SDLT) relief based on the assumption that:
- a) The Council is deemed to be a relevant housing provider that is controlled by its tenants; and
  - b) The application of GLA grant receipts meets the requirements of a qualifying public subsidy.
- 5.5 These assumptions will need to be fully tested with the Council's tax advisors and HMRC. Failure to secure the SDLT exemption noted above would increase the cost of the scheme.

## **6.0 Legal Implications**

- 6.1 Section 120 of the Local Government Act 1972 provides that

For or the purposes of —

- (a) Any of their functions under this or any other enactment; or
- (b) The benefit, improvement or development of their area.

The Council may acquire by agreement any land, whether situated inside or outside their area.

- 6.2 The Council will be purchasing a number of affordable homes and market units (to rent out) that will be rented to Council tenants. Section 79 of the Housing Act 1985 provides that the tenant of a Council property will be a secure tenant if in accordance with section 81 of the Housing Act 1985 the dwelling is the tenant's main or principal home. Accordingly, the provisions of the Housing Act will entitle the secure tenant to purchase their home under the right to buy scheme.
- 6.3 The Council has the power to dispose of property under Section 123 of the Local Government Act 1972 for the best price reasonably obtainable (This type of disposal would be covered under the General Consents and would not need specific consent under Circular 06/03).
- 6.4 The Council's Legal department will undertake all the necessary due diligence prior to the 60 year underlease being entered into. Accordingly, all the necessary searches and Title information will be examined prior to entering into the 60 year underlease to ensure that the Council will acquire the property with good and marketable title.
- 6.5 Section 9 of the Housing Act 1985 provides that the Council may provide housing accommodation —
  - (a) By erecting houses, or converting buildings into houses, on land acquired by them; or
  - (b) By acquiring houses.
- 6.6 The General Consent 2013 section A3 provides for the sale of properties on shared ownership lease terms.

## **7.0 Equality Implications**

- 7.1 No equality implications have been identified.

## **8.0 Consultation with Ward Members and Stakeholders**

- 8.1 This paper will be circulated to all Ward Members.

## **9.0 Human Resources / Property Implications**

- 9.1 There are no further property implications or human resources implications in Relation to this report.

**Report sign off:**

***Minesh Patel***  
Director of Finance