

MUNICIPAL YEAR 2016/2017 REPORT NO. **255**

MEETING TITLE AND DATE:

Cabinet
26th April 2017

REPORT OF:

Executive Director -
Regeneration and Environment

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Agenda – Part: 1

Item 7

Subject: Meridian Water: Land Acquisition

Wards: Upper Edmonton & Edmonton Green

KD Num: 4442

1. EXECUTIVE SUMMARY

- 1.1 On 10 February 2016 Cabinet (KD4229) agreed the increase to the Neighbourhood Regeneration Capital Programme to fund the next stages of a number of regeneration initiatives which include Meridian Water land acquisition.
- 1.2 On 29 April 2016 Cabinet (KD4033) delegated authority to the Director Regeneration & Environment and the Director Finance, Resources and Customer Services to develop and finalise the Heads of Terms for the acquisition of land identified in the Part 2 report.
- 1.3 The same report delegated authority to the Cabinet Member for Economic Development and the Cabinet Member for Finance acting with the Director of Regeneration and Environment and the Director of Finance, Resources and Customer Services to exchange and complete the purchase agreements.
- 1.4 The purpose of this Report is to approve the Agreement for Sale and seek authorisation to exchange contracts and complete purchase of two Sites in Meridian Water comprising c. 13 hectares (c. 32 acres).

1. EXECUTIVE SUMMARY (continued)

- 1.5 Part 1 of this Report describes the Site and acquisition proposal, and sets out the reasons for recommendation and regeneration benefits of proceeding with this acquisition.
- 1.6 Part 2 of this Report sets out the terms of Sale, and summarises the salient points from our professional team's due diligence in support of this purchase. It also summarises the meanwhile strategy for the site, and presents the Business Case for the purchase.

2. RECOMMENDATIONS

- 2.1 To approve the terms of the sale as set out in the Agreement for Sale and associated legal documents (appended to Part 2 of this report) for the purchase of two sites in the east of Meridian Water Regeneration Area: a 10 hectare (24.5 acre) site known as Stonehill Estate (**Stonehill**) and a 3 hectare (c. 7.3 acres) site known as Hastingwood Estate (**Hastingwood**) (the **Sites**) (see Site Plan at Appendix 1).
- 2.2 To authorise the Assistant Director Legal and Governance to complete the legal requirements to enable entering into the Conditional Agreement for Sale and exchange and complete contracts.
- 2.3 To note that the recommendations for approval of all expenditure associated with the purchase of the Sites can be found in Part 2 of this report.

3. BACKGROUND

3.1 Background Context

- 3.1.1 Meridian Water comprises approximately 85 hectares in the south east of the Borough and is one of the largest regeneration areas in London. Roughly 55 hectares is developable land. Located within the Central Leaside growth area and the Mayor of London's wider Upper Lee Valley Opportunity Area. It has significant redevelopment potential.
- 3.1.2 On 10 February 2016 Cabinet (KD4229) agreed the increase to the Neighbourhood Regeneration Capital Programme to fund the next stages of

a number of regeneration initiatives which included Meridian Water land acquisition. The report specifically notes that the sum stated to acquire the Site is included within the Capital Programme.

3.1.3 On 18 May 2016 Cabinet (KD4241) approved the outcome of the Meridian Water Master Development Partner procurement process. Barratt London is the preferred master developer (the **Master Developer**). We are currently working towards contract close with the Master Developer, expected by May 2017.

3.2 Land Acquisition to date

3.2.1 The Council has adopted a proactive strategy of coordinating the delivery of the Meridian Water development following feedback from developers that multiple landownerships were a barrier to development. The Council's strategy is to acquire all developable land at Meridian Water. This not only ensures the delivery of the project but also ensures that the Council has control at every stage of the development process which is crucial to ensure quality is maintained.

3.2.2 To date the Council has been very successful in concluding land acquisition agreements by private treaty and has already acquired c22 hectares of land within Meridian Water. This includes:

- Three National Grid sites (Willoughby Lane, Meridian Way and Leaside Road) in April 2015;
- Orbital Business Park in June 2015;
- Phoenix Wharf in July 2016;
- Ikea Clear Site in December 2016; and
- VOSA in March 2017.

3.2.3 These recent acquisitions take the proportion of land in Meridian Water in Council ownership up to 42% of the 55 hectares of developable land.

3.2.4 This report is seeking authorisation to acquire two large Sites in private ownership located in the east of the Meridian Water Regeneration area. Together they comprise c. 32 acres of land (c. 13 hectares) (see Red Line plan appended to Part 2 of the report). An addition of this land to the Council portfolio would take the total land holdings in Council ownership up to c. 87 acres (c. 35 hectares) or c. 64% of the developable land in Meridian Water.

3.2.5 This proposed acquisition is consistent with the overall acquisition strategy for Meridian Water. A team of specialist consultants has provided external advice on this acquisition, including Jones Lang LaSalle (**JLL**), who negotiated the terms of sale and provided advice on meanwhile use and income; BNP Paribas (**BNPP**), who undertook the Red Book Valuation; Trowers & Hamlins LLP (**Trowers**), who provided legal advice and is

undertaking the conveyancing; Matt Bodley Consulting, who has provided advice on compulsory purchase implications, and PricewaterhouseCoopers (**PWC**), who have undertaken financial scrutiny of the Business Case. All consultants have also contributed to the production of this Cabinet Report.

3.3 Introduction to the Sites and the Purpose of Acquisition

- 3.3.1 The two sites that the Council is seeking approval to purchase are known as the Stonehill and Hastingwood Industrial Estates. The sites are located adjacent to one another and are situated in the eastern part of the Meridian Water Opportunity Area, between the River Lee Navigation and the River Lea. The combined freehold ownerships total approximately 13 hectares (32 acres), equating to c.68% of the brownfield land east of the River Lee Navigation. Combined with the Council's existing land ownership at Phoenix Wharf – and the VOSA acquisition (which completed in March 2017), the proposed acquisition will result in the Council's ownership increasing to c.83% on this element of the Meridian Water Opportunity area.
- 3.3.2 The Stonehill site comprises approximately 10 hectares (24.5 acres) and includes a 3.5 acre land parcel situated east of Harbet Road. The site is bounded to the north by the A406, the west by the River Lee Navigation, the east by greenbelt land and the south by industrial units (including the Hastingwood Estate). The Hastingwood site comprises a 3 hectares (7.3 acre) multi-let industrial estate and is bounded to the north by the Stonehill Estate, the west by industrial units under third party ownership, the east by the River Lea and the south by Phoenix Wharf. Both sites are accessed from Harbet Road.
- 3.3.3 The current use of the Sites is for industrial, and the acquisitions will be made on the basis of existing industrial use. A full description of the uses and tenancy structure is described in Part 2 of this report.
- 3.3.4 The two sites were first developed for industrial purposes in the late nineteenth century and have remained in such use over time, albeit with piecemeal redevelopment having taken place. The Stonehill site comprised approximately 90% industrial buildings and 10% office buildings prior to the commencement of a comprehensive demolition programme by existing owners, which is now well progressed. At the time of purchase, the Stonehill Site is expected to be fully cleared to slab level which means the Site will have land of c. 21 acres of open storage land. The only exceptions are: (i) a small unit south of Antony Way, which is at the very end of a long lease and will not be demolished, and (ii) Block F, a long narrow building (c. 23,000 sq ft) on the south east flank of Stonehill. Both are located at the periphery of the site, and will not impact interim uses of the site.
- 3.3.5 To the east of Harbet Road (in the Green Belt), there are no buildings, just a handful of short term leases, including a waste transfer station and car park.

- 3.3.6 The Hastingwood Estate has been maintained to a higher standard and comprises a mix of buildings, accommodating a large number of small businesses, including a banqueting hall, a nightclub and multiple vehicle workshops. In total Hastingwood Estate comprises approximately 185,000 sq. ft. of existing accommodation.
- 3.3.7 The Sites are being acquired on the basis of their value for existing industrial use while having regard to their regeneration potential for residential-led mixed use development. In the short term, the Sites will be used for industrial and storage use. However, the medium-term objective for the Sites (in a window of 10-15 years) is to enable the comprehensive redevelopment of the Sites for residential-led mixed use as set out in the Edmonton Leaside Area Action Plan (**ELAAP**) and in accordance with the Meridian Water Master Developer Framework Agreement (**MDFA**). The ELAAP will provide the planning policy framework guiding future development in this part of Edmonton, and is currently out for consultation.
- 3.3.8 In the period between acquisition and development, the Site will be used for meanwhile uses by renting space out to occupiers on a leasehold basis. This will consist of a collection of new and existing tenants (see Part 2 for further details of existing tenants, and forecasts for interim use of the site for income generation).
- 3.3.9 This additional 13 hectares (c. 32 acres) will mean that the Council has taken a very important step forward in acquiring the land that will enable the vision of Meridian Water to become a reality. The significance of this land acquisition is that it comprises the largest parcel of land in single ownership on the east back of the River Lea Navigation. It would consolidate the Council as the largest landowner in all parts of the Meridian Water Regeneration Area from the west end of the area (at Willoughby Lane) right up to the River Lea itself and the boundary with Waltham Forest in the east.

3.4 **Proposed Development on Sites**

- 3.4.1 On 18 May 2016 Cabinet (KD4241) approved the outcome of the Meridian Water Master Development Partner procurement process. Barratt London is the preferred master developer (the **Master Developer**).
- 3.4.2 The MDFA protects the Council's financial position in relation to the development at Meridian Water by guaranteeing a minimum return on investment for development plots that are progressed as well as including a mechanism to benefit from anticipated uplift in land values.
- 3.4.3 The proposed development on this part of Meridian Water consists of two main elements: the e-commerce building and residential-led mixed use development.
- 3.4.4 In order to achieve the full scale of development summarised in this section, the Council would first need to buy out the operational long leases on the Hastingwood Estate (see Part 2 of this report for more details).

3.4.5 The information set out below is provided on the basis of the Master Developer's latest projections as set out in *Meridian Water: Phasing Strategy – post-bid update February 2017*, as well as from updates with SEGRO and Barratt London.

3.5 E-commerce Centre

3.5.1 The current illustrative masterplan confirms the planned location of a major commercial hub in the north corner of the Stonehill Site, known as the e-commerce building. This is an important facility that when built will make a significant contribution to the core economic development goals of Meridian Water, through major job creation, regeneration of unused brownfield land and attracting innovative and dynamic businesses to the borough. This builds on the strategic vision of the Draft Meridian Water Regeneration Framework, which was endorsed at Cabinet on 10 February 2016 (KD 4252).

SEGRO

3.5.2 In Barratt's bid, SEGRO was put forward as the developer partner that would be responsible for delivering the e-commerce building in Meridian Water. SEGRO is a well-established lead business for developing warehouses and light-industrial property. The company is keen to build on its existing presence in the borough by taking advantage of this well connected site in the East of Meridian Water with its direct link onto the North Circular.

The Vision

3.5.3 The current proposed building is a vast three storey c. 420,000 square foot structure, unique in the UK for its scale and scope. An extract of Barratt London/SEGRO bid document setting out their proposal for this development together with CGIs is appended to Part 2 of this Report. SEGRO is committed to delivering quality design as exhibited in its other London developments, such as North Hyde Gardens, Hayes and Winnersh Triangle, near Reading. The intensification of activity over three/four floors connected by dynamic long vehicular ramps and a frontage activated by SMEs, start-ups and maker space, has the potential to create a bold and exciting facility, a landmark that will be immediately associated with Meridian Water. This model of combining the production process of design, manufacture and distribution is relatively rare in the UK, certainly in London, but a popular model used elsewhere in Western Europe and the Far East. "Here East" in Stratford is the only comparable example in London.

3.5.4 SEGRO has requested a c. 6 acre plot to site its building, which would incorporate c. 15% office to support a principal use for distribution and logistics. Potential tenants include the likes of DPD, Ocado, John Lewis, K & N, DHL and a number of pharmaceutical, engineering and high-end manufacturing businesses. With in-built design flexibility, overtime, the e-

commerce centre will house an increasing number of start-up and SME businesses in these and related sectors.

Jobs and Opportunities

3.5.5 The facility will deliver far-reaching benefits in terms of skills and employment. SEGRO estimate the e-commerce centre creating up to 1,000 sustainable jobs with a diversity of occupations and salary range.

3.5.6 The e-commerce centre will be the first significant step for Barratt London (with SEGRO) on delivering on its contractual commitment to provide 6,700 high quality jobs. These include provision up to salaries of £80,000/annum, reflecting the specialist nature of such opportunities. A key driver for this work is to enable Enfield residents to compete for these roles, through partnerships with colleges, schools, employment agencies and others.

Salary Brackets		£20,000	£30,000	£40,000	£50,000	£60,000	£70,000		Total FTE
	≤£20,000	£20,000 - £29,999	£30,000 - £39,999	£40,000 - £49,999	£50,000 - £59,999	£60,000 - £69,999	£70,000 - £79,999	≥£80,000	
Commercial	39	86	62	69	58	13	56	45	429
Storage & Distribution	151	167	180	74	0	0	0	0	571
	19%	25%	24%	32%					1000

3.5.7 The above table is an estimated split of jobs in the e-commerce centre based on the Barratt London and SEGRO bid. As the above table shows, roughly 43% of the jobs are expected to fall in the Commercial sector, and 57% in the Storage & Distribution. It also shows that roughly a third will be in an income bracket of £40,000 per annum or more.

3.5.8 The e-commerce centre will provide an exciting complement to the emerging Meridian Works development on the Orbital Business Park (on the opposite side of the canal). As home of makers and creators, the e-commerce centre will offer move-on space, more sophisticated and expensive equipment (e.g. 3D printers), distribution facilities and logistics support infrastructure, and contribute to the growing cluster of exciting and diverse economy at Meridian Water.

Timeframe

3.5.9 According to the current Phasing Strategy, the e-commerce building is scheduled to be built out between December 2020 and October 2023. However, the Master Developer would be willing to bring this element forward if land could be made available early. SEGRO's own timetable is to secure planning permission in 2018, start build in 2019 over a 12-18 month period and open the new centre in 2020/2021. This would constitute a game-changing early delivery for Meridian Water that would help put the development firmly on the map as a centre for employment, enterprise and economic activity. However, if the acquisition of the Sites does not go ahead, it would not be possible to bring forward this development in this timescale.

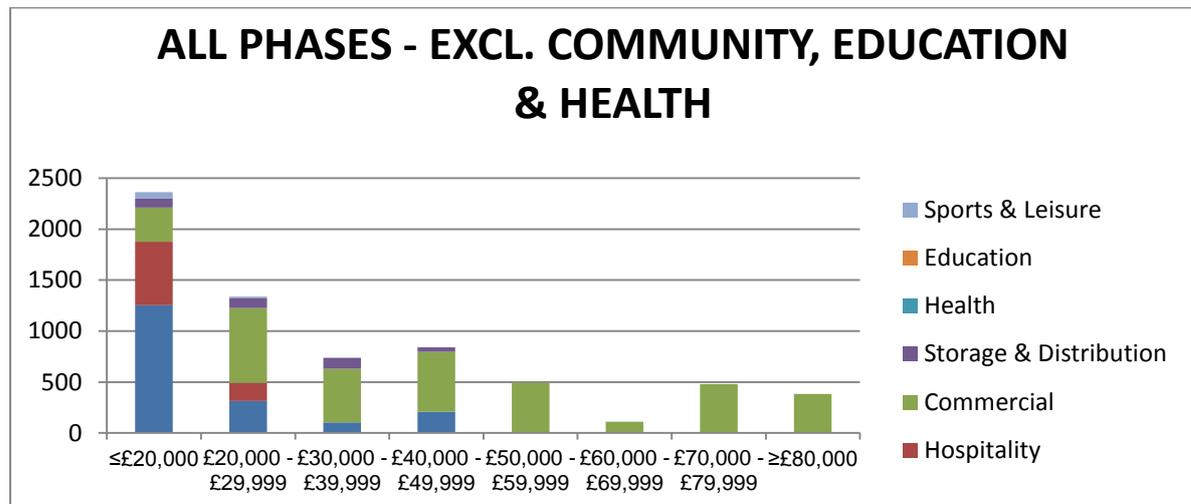
Other Employment on the Sites

3.5.10 As part of the family of documents that make up the MDFA, it is Barratt London's responsibility to produce an Employment Strategy, which is currently under development.

3.5.11 This emerging Employment (and skills) Strategy identifies how, when and where the contractually agreed 6,700 jobs will be delivered through the Meridian Water development (excluding Health & Education). The four sectors already identified as constituting the lead role in delivering employment are:

- Digital and Media
- High Value Engineering
- Pharmaceuticals/R&D
- E-commerce

3.5.12 In the strategy, the developer commits to no more than 35% of these being in the £15k-£25k salary band, 35% in the £25k-£50k salary band, and 30% at least £50k. See the graph below for a more detailed visual breakdown of the employment figures by salary and sector.



3.5.13 The acquisition of the Sites is a particularly important part of the jigsaw in enabling the delivery of this ambitious employment strategy because of its strategic location of the Stonehill Triangle between the North Circular, Harbet Road and the River Lee Navigation. The Council has great aspiration for Meridian Water as a place of creativity and employment. Meridian Water is uniquely located to marry the burgeoning opportunities of the new economy (along the London-Stansted-Cambridge growth corridor), and the substantial and growing demand for distribution and logistics space (along the length of the North Circular and inner-ring roads of London). The Stonehill Site is the appropriate location to marry these two economic forces, in a way that will facilitate a positive high-value transition in the local economy.

3.5.14 As soon as it is built, the e-commerce centre will act as a catalyst for economic development elsewhere in Meridian Water and Enfield. It will embody the diversification of employment and economic opportunities that Meridian Water represents with in-built flexibility to intensify as a centre of employment and innovation.

3.6 Residential development and communities facilities

3.6.1 Together, the Stonehill and Hastingwood sites would provide all or part of the land needed for five of the Master Developer's phases. In order to realise the full development potential of both these Sites, the Council would have to buy-out existing operational long leases on the Hastingwood Estate only.

3.6.2 These phases will include the delivery of two important social facilities in eastern Meridian Water: the Birchdale Primary School and a new nursery. The Primary School will have a total floor area of 2,200 sq. m (23,680 sq. ft.). The School is scheduled to be built between 2029 and 2032 to serve the new communities in eastern Meridian Water. The Nursery, 565 sq. m (6,080 sq. ft.), will be located roughly in the middle of the eastern area.

3.6.3 On the basis of the number of residential units designed for each phase apportioned for those phases where only part of the land will be acquired in this Agreement for Sale, Barratt's architects calculate that the acquisition of these Sites will unlock land for an estimated c. 2,200 units.

3.6.4 These phases are scheduled to be built out later in the development in a timeframe of between 13 and 19 years. The financial model of the MDFA ensures that the Council's investment would be returned and that it would also benefit from any uplift in the value of the land, which coming at the end of a significant regeneration project, can be expected in the case of these plots.

3.6.5 Part 2 of this report provides further analysis of forecast disposal value of the Sites.

3.6.6 This acquisition will help fulfil the Council's obligation to the Master Developer in terms of land acquisition and assembly. Securing ownership and control of a large key plot of land in the centre of the scheme boosts developer confidence in the scheme and helps provide a greater level of certainty over timescales and strategy for delivery.

3.7 Agreement for Sale

3.7.1 Jones Lang LaSalle (JLL) was instructed to negotiate purchase of the Site.

- 3.7.2 In December 2016, the Seller accepted the principles of the Offer Letter, sent by JLL on behalf of the Council, which set out the basic terms of the sale including the purchase price and payment structure.
- 3.7.3 The two Sites are to be treated as two separate purchases, for which contracts are to be exchanged simultaneously.
- 3.7.4 This report seeks approval for exchange and completion of the purchase of both the Stonehill and Hastingwood sites. Subject to financial implications, it is likely that exchange and completion will take place at the same time in May 2017. However, it is important to note that the payment structure for purchase is spread over more than one payment, designed to ease financial pressure on the Council (see Part 2 for more details).
- 3.7.5 Trowers & Hamlins LLP (Trowers), as the appointed Council's solicitors, are providing legal support and undertaking the conveyancing on behalf of the Council.
- 3.7.6 Gowlings are representing the Seller and are drafting the Agreements for Sale. There are two agreements for sale: one for each Site with a Transfer relating to each. Solicitors will also produce any ancillary documents relating to the tenanted property such as assignments of rent arrears and rent deposits etc.
- 3.7.7 An outline description and comment on the Agreements for Sale is provided in Part 2 of this report.
- 3.7.8 In accordance with the Council's Property Procedure Rules, a Red Book Valuation has been undertaken by BNP Paribas. The findings of the Red Book Valuation are summarised in Part 2 of this report.
- 3.7.9 This negotiated settlement is another example of the Council securing control of land through negotiated methods. JLL has produced a Purchase Report to support the proposed acquisition of the Sites.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1.1 The alternative option to acquiring the sites now by private treaty would be to acquire them at a later date either by private treaty or by use of a Compulsory Purchase Order (CPO). Both of these options are considered significantly less desirable in terms of cost and risk.

4.2 Private Treaty Acquisition at a later date

- 4.2.1 Our agents have advised that the Seller is unlikely to be willing to sell the land to the Council by private treaty agreement at a later date. We know that the Seller intends to develop the land for industrial and distribution uses and has obtained outline planning permission for 46,451 sq. m (500,000 sq.

ft.) B1c, B2 and B8 uses. The permission was granted in September 2015 on appeal.

4.2.2 The site is currently vacant and not income-producing and therefore if the Seller does not sell now they are very likely to commit to proceeding with their development proposals. This would not be entirely straightforward for them as they would need to obtain full planning permission before they could proceed. If the Seller takes the decision to go down this route they are likely to commit to it and the opportunity for a private treaty agreement will be lost in the short to medium term.

4.2.3 The current status of the land as a vacant site presents an opportunity for the Council and the Seller to reach a private treaty agreement at a fair price, which is consistent with the price paid for other plots of land across Meridian Water.

4.3 **Compulsory Acquisition**

4.3.1 The Council has compulsory purchase powers available under section 226 of the Town and Country Planning Act 1990 to acquire land for development in certain circumstances, and on 6 September 2016 the Cabinet resolved in principle to use these powers.

4.3.2 Guidance on the use of compulsory purchase powers is set out in a Government guidance note: *The Guidance on Compulsory Purchase and the Crichel Downs Rules for the disposal of land acquired by, or under the threat of, compulsion published in October 2015 by the Department for Communities and Local Government*. The Council's approach to this acquisition is in accordance with this guidance and in line with CPO principles. A team of specialists and professionals including Guy Roots QC and Matt Bodley, specialist CPO surveyor, have been providing ongoing advice on our land acquisitions in Meridian Water and ensuring that our approach follows CPO guidance and principles.

4.3.3 The Guidance states that acquiring authorities should attempt to acquire land by private treaty agreement before embarking on the compulsory purchase process and that compulsory purchase is intended as a last resort in the event that private treaty negotiations fail.

4.3.4 In this case, the acquisition has been negotiated with a willing seller and there is an opportunity to acquire the land by private treaty at market value on the basis of agreed terms.

4.4 **Option of buying in ten years' time.**

- 4.4.1 As stated above Government guidance on the use of CPO requires private treaty acquisitions to be based on a price which is equivalent to compulsory purchase compensation. Therefore, at any single point in time there should be no difference between the price paid by private treaty or compulsory acquisition. However, the price level can change over time due to changes in market conditions, changes to the property and changes to the planning status of the land. Due to the time taken to obtain an implementable CPO (particularly in the face of a likely objection from the Seller) it is likely to be at least two years before the Council would be in a position to compulsorily acquire the Sites.
- 4.4.2 Changes in market conditions can result in prices increasing or decreasing over time but the long term trend is for prices to increase. An increase in price is more likely due to the ripple effect of the early phases of the Meridian Water regeneration. One of the Sites is currently vacant but the Seller intends to develop 46,451 sq. m (500,000 sq ft) of industrial and distribution accommodation. If they manage to undertake all or part of this development the value of the Sites will increase significantly. Work undertaken by JLL has shown that the cost of acquiring the land at this time, once developed for its consented industrial scheme, would be significantly more expensive (over twice as expensive by today's prices).
- 4.4.3 Furthermore, if the developed properties are leased to third party occupiers they would be entitled to disturbance compensation for the cost of relocating if their properties were compulsorily acquired which would be a significant cost which does not currently exist whilst the Site is largely vacant. The emerging planning policy in the ELAAP is seeking to change the use of the land from industrial to mixed use incorporating residential which is likely to increase the value of the Sites.
- 4.4.4 In general terms, if a CPO were to be needed, the CPO process itself is an onerous tool with high associated legal and surveyor fees, not to mention Council staff time and resources (especially if there are objections).

5. REASONS FOR RECOMMENDATIONS

- 5.1 The acquisition of the Sites will enable the Council to exercise control over a key plot of the land within the Meridian Water Masterplan area, which will help accelerate housing delivery.
- 5.2 To provide a greater level of certainty over the timescales associated with the development of Meridian Water and to increase developer and stakeholder confidence in the delivery of the Masterplan.

- 5.3 The purchase of the Sites will underpin the delivery of the Meridian Water Housing Zone and this land could support a mixed use development at a later date, including providing the land for c. 2,200 homes.
- 5.4 To provide an important opportunity to bring forward both meanwhile and permanent development that could begin to release the economic potential of Meridian Water, create jobs and spearhead investment in the area. The e-commerce centre proposed for the northern part of Stonehill could be brought forward at a very early stage creating up to 1,000 new jobs and proving a major catalyst for economic regeneration in this part of the borough.
- 5.5 Also see Part 2 of this report.

6. COMMENTS OF THE EXECUTIVE DIRECTOR OF FINANCE, RESOURCES AND CUSTOMER SERVICES, AND OTHER DEPARTMENTS

6.1 Financial Implications

See Part 2 report.

6.2 Legal Implications

- 6.2.1 The Council has power under section 1 of the Localism Act 2011 to do anything that individuals generally may do provided it is not prohibited by legislation and subject to public law principles. The recommendations detailed in this report are in accordance with the Council's powers.
- 6.2.2 Section 120(1)(b) of the Local Government Act 1972 gives Councils a specific power to acquire land for the benefit, improvement or development of their area. In addition, the Council has powers under section 227 of the Town and Country Planning Act 1990 (the Planning Act) to acquire land by agreement in order to facilitate redevelopment or improvement. Where agreement cannot be reached, the Council has the power under various enactments (particularly section 226 of the Planning Act) to acquire land compulsorily. A compulsory purchase order however is a lengthy process and Government guidance states that a CPO should only be made as a measure of last resort. It is therefore noted that purchase by agreement has been pursued in this case.
- 6.2.3 When considering an acquisition of property the Council must act in accordance with its Property Procedure Rules, including obtaining advice that the terms negotiated represent value for money.

6.3 Property Implications

- 6.3.1 The valuation methodology used in calculating the value of this site is consistent with the best practise principles of acquiring land under compulsory purchase.
- 6.3.2 The council is purchasing this property with the assurance, provided by independent experts, that a comprehensive development agreement is to be entered into with a Developer Partner and that the cost of acquisition (including all tax implications) sits within the financial parameters of the overall viability assessment for the comprehensive Meridian Water scheme.
- 6.3.3 Assurances have been provided from independent advisors with regards the deliverability of the meanwhile uses and income for the site.
- 6.4.4 Any future lettings/ meanwhile uses must comply with the Council's Land and Property Protocols, and the Council's statutory responsibilities as Corporate Landlord.

7. KEY RISKS

Key risks considered arise from the liabilities associated with the acquisition and development of the site. Conversely not acquiring the site poses a risk to the Council's ability to deliver the vision for Meridian Water.

7.1 Legal Risks

Key Legal Risks will be added on completion of Trowers' due diligence work currently being undertaken. A Key Risks Report prepared by Trowers will be appended to Part 2 of this report.

7.2 Financial Risks

- 7.2.1 **Risk** – The key financial risk is that the Council is unable to recover the amount that it is paying for the Sites.

Mitigation – The deal offered by the preferred Master Developer for Meridian Water ensures that disposal of land plots for development is governed by four guiding financial principles that guarantee a return on investment. For example, there is a minimum residential plot value which means that development of a particular phase cannot proceed until this plot value can be achieved.

- 7.2.2 **Risk** – By the time the Council comes to dispose of the Sites for development, there has been a downturn in the housing market, which could be due to a number of possible causes of which Britain leaving the European Union and the resultant economic consequences could be one.

Mitigation – The MDFA being put in place with the preferred Master Developer requires a financially viable position to be achieved before the Council disposes of any land. The MDFA protects the Council against downside risk while not capping the Council’s ability to capture upside.

7.2.3 **Risk** - There is currently no established residential market at Meridian Water and therefore levels of sales and values assumed in the development appraisal, produced by JLL, are yet to be tested.

Mitigation - The Sites are being purchased using commercial valuation which is consistent with the Red Book. Any change in planning designation to residential / mixed use is likely to increase the land value.

7.3 **Development Risks**

7.3.1 **Risk** – Intrusive site investigations have been undertaken by the Seller, which confirm that ground conditions are appropriate for continued meanwhile and industrial use. However further investigations will be required in advance of the redevelopment of the Sites for residential-led use, and remediation may be required at this stage.

Mitigation – Intrusive ground investigations undertaken by the Seller’s Consulting Engineers Campbell Reith demonstrate that the contamination risk on the whole of the Sites is from low to medium. Further site investigations and appropriate remediation measures will be undertaken in due course by the Master Developer as part of their statutory and development responsibilities. If at the time of disposal, the cost of remediation of the Sites means that a phase is unviable for development, the Council will not release the land to the Master Developer until such time as it is viable and can recover its investment (through the mechanisms of the financial model). The mitigation would be to continue to use the Sites for industrial use until such time as the market improves or circumstances change to make the development phases viable.

7.3.2 **Risk** – The development could be affected by flooding given the provisions of the Strategic Flood Risk Assessment.

Mitigation – Flood risk will be mitigated through the measures set out in the Masterplan and through the implementation of appropriate design solutions. In short, this allows for an appropriate amount of flood storage. Provided that proper attention is paid to design, which will be tested by the Environment Agency through the planning process, there is no reason why residential development here should prove any more problematical than anywhere else, in so far as flood-risk is concerned.

7.3.3. *For further Development Risks please see Part 2 of this report*

8. IMPACT ON COUNCIL PRIORITIES

- 8.1 The immediate acquisition of the Sites described in this Report would enable the early development of new homes in Meridian Water. The preferred Master Developer has now been selected and has begun work with the Council and the design team on progressing Meridian Water. This acquisition helps to confirm and open up new opportunities for developing the next stages of mixed use residential-led development after Zone 1. Any subsequent development would be guided by the Masterplan and other relevant policy documents which, amongst other objectives, seek to achieve fairness for all, sustainable growth and development of strong communities.

9. EQUALITY IMPACT IMPLICATIONS

- 9.1 The draft Masterplan was subject to an initial Equalities Impact Assessment/Analysis (EqIA) to ensure that consultation promoted equal opportunities. During the master-planning process, demographic data was collected in relation to residents of Edmonton in order to determine which groups to target for community engagement and to also help assess the equalities issues the Masterplan proposals will need to consider.
- 9.2 These issues were summarised in the final EqIA report that was reported to the Local Plan Cabinet Sub-Committee at its 11th September 2013 meeting.
- 9.3 Any further equalities impact issues will be examined at the planning application stage on individual sites.

10. PERFORMANCE MANAGEMENT IMPLICATIONS

- 10.1 Delivery of a comprehensive regeneration scheme at Meridian Water is a corporate priority within the Council's Business Plan for 2016-2018. Completion of the Masterplan and the delivery of phased infrastructure improvements including increased rail services, station improvements and new homes will help to meet the strategic priority: "a borough that attracts inward investment and supports sustainable regeneration and growth."

11. HEALTH AND SAFETY IMPLICATIONS

- 11.1 There are no Public Health Implications directly arising from the acquisition of the Site pursuant to the terms of the Agreement but the intention to remediate and develop the Site when finally used for residential development is likely to have positive benefits.

12. PUBLIC HEALTH IMPLICATIONS

- 12.1 A component of the Meridian Water Masterplan concerns the need to improve access to healthy living corridors. In accordance with the Core Strategy, all new areas brought forward for development will have

appropriate provision of green space and parks, as well as sufficient access to new sports and health facilities to support the new communities.

Background Papers

None

Appendices

See Part 2