

## MUNICIPAL YEAR 2018/2019 REPORT NO. 16

### MEETING TITLE AND DATE:

Cabinet 4<sup>th</sup> July 2018

### REPORT OF:

Executive Director Place

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**Agenda – Part: 1**

**Item: 8**

**Subject: Genotin Road Car Park,  
Enfield Town**

**Wards: Town**

**Key Decision No: KD 4567**

**Cabinet Member consulted:  
Cllr Ahmet Oyken**

### 1. Executive Summary

- 1.1 This paper follows from a Cabinet report (no.93) on the strategy for Genotin Road Car Park in November 2017.
  - 1.1.1 The Council and Metaswitch have engaged in discussions over the past 18 months as they have outgrown their existing premises. In an effort to retain Metaswitch in Enfield the Council and external agents undertook to identify a site within Enfield Town or in the vicinity for them to relocate to. Genotin Road Car Park is the only site that satisfies their space and time requirements.
  - 1.1.2 Cabinet supported the retention of Metaswitch in the Borough and noted the development of a new office for them would support Enfield Town renewal and deliver positive outcomes for the whole borough.
  - 1.1.3 Cabinet delegated authority to officers to progress final terms of the Option Agreement for the identified site of the Genotin Road Car Park. The delegation required a further report to Cabinet prior to any Option Agreement being entered into.
- 1.2 The aim of this report is for Cabinet to enable the Council to grant an institutional lease for, a grade A office building to Metaswitch Networks Limited and fund the development of that building, at an acceptable rate of return, whilst retaining this major employer and business in Enfield Town
- 1.3 This transaction will allow the company to bring forward a new Global headquarters building in Enfield. The development will be subject to planning committee approval.
- 1.4 Retaining a global company and major employer in the borough sends a clear message that the Council is 'open' for business. It also will give greater confidence to future occupiers whom we hope to attract to the Town Centre in light of the new Town Centre Framework Masterplan.

## **RECOMMENDATIONS**

- 2.1 To delegate authority to the Executive Director Place in consultation with Executive Director Resources to agree Heads of Terms and enter into a contract on those terms for an agreement for lease, including arrangements for the funding of the development of an office on land known as Genotin Road Car Park. On completion of the development, Metaswitch will enter into a business lease for a minimum of 15 years. The Council will retain the freehold of the property. The car park will be made available for public use at the weekend and evenings
- 2.2 In the event that Heads of Terms are not agreed for the preferred option above, that Cabinet delegate authority to the Executive Director Place in consultation with Executive Director Resources to agree Heads of Terms for a freehold disposal of the Genotin Road car park to Metaswitch and generate a capital receipt.
- 2.3 The contract (whether it be a development agreement, lease, or contract for sale) to be in a form approved by the Director of Law and Governance.

## **3. BACKGROUND**

- 3.1 Metaswitch Ltd is an Enfield success story. The firm has been located in Enfield Town for approximately 36 years, founded in 1981 from an initial workforce of only 7 staff; it now has 400 employees in Enfield and over 700 worldwide. Metaswitch Networks Ltd is a global leading network software provider who provide technical support and software for over 1,000 network operators. It is funded by Sequoia, one of the world's leading technology investors and continues to trade well in the increasingly competitive technology market. The company's headquarters are in Enfield, with offices in the; USA, Mexico, Hong Kong and Singapore.
- 3.2 Metaswitch currently occupy three sites in the town centre, the largest being their Church Street office. They have outgrown their Church Street office, and with leases expiring on their other sites, Metaswitch approached Enfield Council about opportunities to remain in the town centre, grow their business, and consolidate into a new global headquarters building. Metaswitch's alternative global headquarters locations were Dublin, Belfast and Cambridge, where Metaswitch already have options. The November Cabinet Report describes the economic benefit of Metaswitch to the Town Centre (please see Appendix 1).
- 3.3 Following a review of site options with officers, in November 2017 Cabinet delegated authority for officers to progress an option agreement to either develop or sell the site of Genotin Road car park

to Metaswitch for a new global headquarters office building. Members supported the principle of retention of Metaswitch in the borough and noted that there would be a detailed planning process on the detail of the development. The proposed development constitutes a new office development for Metaswitch Networks Ltd as well as employee car parking spaces. The development terms include for the employee car parking spaces to be made available to the public at the weekend and selected evenings.

### **3.4 Initial Cabinet Approval**

3.4.1 On the 15th November 2017 the Cabinet agreed in principle to further work being undertaken in respect of pursuing the following two options;

#### **Option 1: Freehold Disposal**

- A freehold disposal of the Genotin Car Park at Market Value. This value was derived at the time by an external RICS Registered Valuer and was based upon a residential scheme that would provide the Council a higher return as opposed to the land value for an office development.

#### **Option 2: Investment**

- The Council agrees to finance the development of the Office once Metaswitch decides to enter into a 125 year development lease. The Council would charge a ground rent equivalent to the loss of car parking income during the development period. On completion the development agreement would be replaced by an institutional lease for a minimum of 15 years. The Council would retain the freehold of the property. This would result in the car park being available for public use at the weekends and some evenings, the maintenance and cost of running the car park would be liable to the tenant.

3.4.2 Option 2 was considered more favourable for the Council as it would retain partial control of the parking provision at the weekends and some evenings. The Council would also benefit from long term income and would have the ability to sell the asset on the open market in the future.

3.4.3 From a wider socio-economic view, approval was seen as a rare opportunity to retain a key business in the Borough and support the creation of a global HQ building in the London Borough of Enfield. Furthermore, support for the scheme would highlight Enfield Council's commitment to Business and Economic development in the Borough whilst forming part of the regeneration of Enfield Town. The retention and expansion of Metaswitch in the Borough was viewed as providing economic benefits for the wider Enfield business community. Finally,

the expansion was viewed as a potential catalyst for further employment development in the Town Centre.

### **3.5 Since the Initial Cabinet Approval – Town Centre Framework Masterplan**

3.5.1 Enfield Council adopted a Town Centre Framework Masterplan in March 2018. This describes how the town centre could adapt and develop to meet the current and future needs of the borough. This outlines short and medium-term development plans to support the health of the town centre, across office, shopping, residential and leisure uses. This masterplan identifies the Genotin Road car park site as a short-term development opportunity for mixed-use development to strengthen the economy of the town. It describes public realm improvements and the potential access relationships of the car park site to adjacent sites.

3.5.2 To inform the Town Centre Framework Masterplan, an Enfield Town Parking Strategy was prepared for the Council by Alan Baxter Limited. The Parking Strategy indicates that even with the full loss of Genotin Road car park (123 spaces), the remaining parking supply in the Town Centre would be appropriate, at below 90% demand, on typical weekdays and Saturdays. The strategy notes that without Genotin Road car park, seasonal Christmas shopping parking demand would exceed supply. The development agreement, described below and in the Part 2 report, include for the Metaswitch car park to be available for public use on weekends and some evenings.

3.5.3 The November cabinet requested officers to explore the feasibility of opening Portcullis car park to the public. After initial investigations, officers believe Portcullis would need significant upgrading works, including improving access (it is currently one-way) to be suitable as public car park. However, expanding Civic Centre public parking at weekends and seasonal periods does seem feasible. A full car parking strategy for the borough is underway and will be brought forward soon, including a review of faith and evening parking in the Town Centre. Timings indicate that concerns around Enfield Town's parking supply can be resolved through the planning process, where transport impacts are appropriately considered.

### **3.6 Since the Initial Cabinet Approval – Discussions with Metaswitch**

3.6.1 Metaswitch in January 2018 appointed a developer through a formal procurement process resulting in Stoford Developments as the nominated developer.

3.6.2 Stoford Developments subsequently produced architectural designs in conjunction with an Architect and pre planning application discussions have commenced including a public meeting on the design proposals.

- 3.6.3 During April and May 2018, Cushman & Wakefield (appointed agents to Metaswitch/Stoford) approached the Council seeking to agree terms based on the financing of the development.
- 3.6.4 The Council have appointed GVA to provide advice on the structure and terms have been agreed on the following basis.

### **3.7 Proposal and Structure**

- 3.7.1. The proposal is for the Council to enter into legal agreements to facilitate the development of the building by Metaswitch, which will contract with Stoford. and subsequent letting to Metaswitch.
- 3.7.2 The original proposal for an option agreement has now fallen away and has been replaced by terms for a conditional contract subject to planning consent and other conditions with subsequent completion of agreements dealing with financing, an agreement for lease and institutional (occupational ) lease.
- 3.7.3 With regards to car parking, Metaswitch's consolidation will includes a reduction in staff car parking per head from their current provision. With regards to public car parking, the development agreement terms include a requirement for the car park associated with the Metaswitch development to be available for public use during evenings and weekends.

**Please see section 6 of this report for details of the due diligence compiled on the proposed deal.**

**See Part 2 report for detail of the proposed deal.**

### **3.8 The Development**

Construction of the proposed office building will be subject to planning processes including approval by committee.

## **4. ALTERNATIVE OPTIONS CONSIDERED**

- 4.1 Not seeking retain Metaswitch Networks Ltd in the Town Centre is likely to see Metaswitch relocate outside the borough. This would result in the loss of 370 jobs, c £630,000 spend in the Town Centre by staff, and a lost opportunity to enhance the Town Centre.
- 4.2 A further option which retains Metaswitch is to sell the car park land freehold to Metaswitch, who will finance the proposed office development separately. This results in a one-off cash receipt of to the council. Officers do not recommend this as it harms the Council's ability to shape the Town Centre over time as well as loses out on a valuable property investment opportunity.

## **5. REASONS FOR RECOMMENDATIONS**

- 5.1 The development of a new grade A office building and pre-letting to a local business represents a solid financial investment opportunity for the Council. The Council will receive ongoing rental income significantly above the car park income and make a reasonable return on the expenditure to build the development.
- 5.2 It also retains a key business in the borough and support the expansion of a significant employer to create a global HQ building in the London Borough of Enfield. It could help act as a catalyst for further employment development in the Town Centre.

## **6. COMMENTS OF THE EXECUTIVE DIRECTOR OF RESOURCES AND OTHER DEPARTMENTS**

### **6.1 Financial Implications**

- 6.1 The Council currently receives an income from the existing car park. This income would be lost should the site be disposed of or if the site was given an alternative use. However, the lost income would be replaced by a lease rent for an office building (funded by the Council) significantly above the car park income. Final Financial Implications are also reserved pending receipt of full and agreed Heads of Terms.
- 6.2 Financial due diligence has been undertaken on three options:
- A: no change, retain the land as a car park
  - B: sell the land for redevelopment to Metaswitch Networks
  - C: the proposed Heads of Terms:
    - o 15 years post construction
    - o 40 years post-construction.
- 6.3 The four financial due diligence workstreams include: consideration of our professional adviser's views; capital investment appraisal using net present value calculation; implications on the council's annual revenue budget and capital budget. In addition, an assessment of the financial standing of Metaswitch.
- 6.4 In conclusion, financial due diligence indicates that the highest financial return arises from Option C – development of the land to rent to Metaswitch. There are risks with any such development, however these risks need to be viewed alongside the qualitative benefits. This is summarised in this simple cost benefit table. (Refer to part 2 for the supporting details of the calculations included in this table and additional financial due diligence such as the annual revenue implications and financial standing of Metaswitch.)

### **6.5 Cost benefit table**

	<b>Option A: Retain car park</b>	<b>Option B: Sell land to Metaswitch</b>	<b>Option C: Develop land and rent building to Metaswitch</b>
NPV (17 years)	£4.720m	£1.719m	£5.738m (£9.682m excluding notional interest and land )
NPV (42 years)	£8.147m	£0.862m	£10.780m (£14.723m excluding notional interest and land)
Balance sheet impact			The Council will own an “A class” office building – potential for future uses include, renting, council offices and housing conversion. This needs to be balanced against any risk that the building may not be lettable.
Benefits to economic sustainability and employment and town centre	No change in existing economic benefit from existing users continuing to access town centre.  Impact on employment and town centre is dependent on the likelihood that Metaswitch Network will seek to move out of Enfield and the town centre.		Metaswitch is key employer with a highly skilled workforce of over 400 employees of which 200 live locally.  Further Metaswitch aims to increase their workforce based at Enfield; the Genotin Road site would be the Headquarters of this international company.  Commitment to Business and Economic development in the Borough whilst forming part of the regeneration of Enfield Town.  The economic benefit to the town would increase as Metaswitch moved staff into the new building and expanded.

## **6.2 Legal Implications**

- 6.2.1 By Section 123 of the Local Government Act 1972 (“S.123 of the LGA”) and Section 1 of the Localism Act 2011 the Council has the power to dispose of land in any manner it wishes, subject to certain conditions.
- 6.2.2 The Council has a statutory duty to obtain the best price reasonably obtainable, subject to certain exemptions.
- 6.2.3 State aid rules in relation to the disposal of land require (unless other exemptions apply) the disposal to be at market value and (in these circumstances) an independent valuation. As noted, GVA has provided advice to the Council in relation to whether the proposed arrangements equate to market value.
- 6.2.4 In accordance with the Council's Property Procedure Rules the inclusion of property on the disposals programme requires approval either by the appropriate Cabinet member or by Cabinet itself.
- 6.2.5 The Property Procedure Rules require all disposals to be made on a competitive basis, unless justified and approved otherwise.
- 6.2.6 In this particular case, as the intended transaction is to be on a non-competitive basis, a valuation report will be required in order to justify the disposal on the terms proposed, and in particular that it achieves best value.
- 6.2.7 The Public Contracts Regulations 2015 (the Regulations) require the Council to follow the competitive tendering procedures set out in the Regulations when procuring contracts for services, works and supplies over specified thresholds. Contracts for the disposal of land are specifically excluded from the Regulations and it is proposed that the transaction is structured so that it is a disposal of land which does not amount to a works or services contract requiring a competitive tendering procedure under the Regulations.
- 6.2.8 Final legal implications are also reserved pending receipt of full and final Heads of Terms.

## **6.3 Property Implications**

- 6.3.1 External consultants (GVA Grimley) have undertaken valuations that estimate the market value of the land at the Genotin Road.
- 6.3.2 The Council is of the opinion that the disposal is in line with the Council Property Procedure Rules and the Council have obtained best value under s123 of the LGA (1972); the valuation received confirms the price offered for the land.

## **7. PERFORMANCE MANAGEMENT IMPLICATIONS**

The legal agreements will have deadlines and dates for both Metaswitch and the Council to adhere to and will be managed accordingly.

## **8. KEY RISKS**

See Part 2 report

## **9. IMPACT ON COUNCIL PRIORITIES**

- 9.1 By retaining Metaswitch Networks in the Borough, families are not uprooted and moved and the local economy is not damaged with the long term future of Enfield Town secured.
- 9.2 The development of the office and global headquarters building will confirm to stakeholders that Enfield supports opportunity creation and job retention and is business friendly, which will lead to onward supply chains seeking to relocate to Enfield thereby creating jobs and prosperity.
- 9.3 Metaswitch are a community company with over half of the workforce residing in Enfield. The company are charitable with donations to local charities and hospices high on their agenda every year. Together this company has been part of Enfield since it's conception.

## **10. EQUALITIES IMPACT ASSESSMENT**

- 10.1 The council has a vision to create a fairer future for all by promoting social and economic equality in an economically vibrant borough.
- 10.2 The retention of a key employer providing highly skilled and secure work in our borough supports this ambition.
- 10.3 In formulating the specific recommendations of this report the potential impact on the equalities has been taken into account, including people identified as having protected characteristics.
- 10.4 There are 10 blue/brown badge holders spaces in Genotin Road car park, mitigations will be taken into account in the design and planning stages.

## **11. PUBLIC HEALTH IMPLICATIONS**

The reduction in car parking spaces will have a positive impact on public health through less reliance on short car journeys and use of alternative modes of transport including walking and cycling.

## **12. HR IMPLICATIONS**

Delivering this development scheme within the tight time constraints together with various other complex projects and schemes in the pipeline will require additional resources, initially will be met from within existing sources, however specialist areas where delivery is concerned may need to be met from external sources.

## **BACKGROUND PAPERS**

None.