

OVERVIEW & SCRUTINY COMMITTEE

22nd August 2018

RESPONSE TO REASONS FOR CALL IN

PART 1

Relating to the Following Decision:

Decision: Genotin Road Car Park, Enfield Town

Decision Date: 25th July 2018

Decision of: Cabinet

Key Decision No: KD 4567

- 1. Reasons for Call In**
- 2. Response to Reasons for Call In**

GENOTIN ROAD REPORT CALL-IN

Reason why decision is being called in :

1. The recent report agreed by the Cabinet on 25th July 2018 to enter into a development agreement with Metaswitch Networks Ltd sets out the risks involved in carrying out the proposed office development but did not explain which party was going to be liable for them; Metaswitch or Stoford Developments.

Response to 1

The key risks, section 8 (part 2) of the report outlines both the commercial property investment risk and commercial property development risks. As appropriate, the risks section focuses on risks to the council. The report did not set out to identify the risks being taken by either the tenant or the developer as the Council are only concerned with the risks which affect them.

As is normal in commercial property, some of the Council's risks arise from tenant and or developer performance. How we mitigate these risks is describe in Section 8.

2. If LBE is being asked to shoulder all or most of the risks involved in this development, then the proposed development needs to be revised or dropped.

Response to 2

The risks highlighted in the report are no different from any other commercial property investment or development. We have taken steps to mitigate risk wherever possible e.g. by undertaking due diligence on the tenant's and in due course the main contractor's financial standing, the rental risk (drop in revenue) is mitigated by inflation linked increases, and the Council have a construction cost funding cap beyond which cost will be the responsibility of the tenant or developer. Future

flexible building use is mitigated by ensuring the building can be let on a floor by floor basis.

As with any development the Council will be set to gain significant financial benefits of 6% yield on costs, an overall positive contribution to the council's revenue budget, whilst ensuring 400 plus high skilled jobs remain within the borough, as well as the creation of a Grade A office building.

3. The report did not explain what Metaswitch intended to do with their current office site, how much they were likely to profit from its development or whether any of these profits would be ploughed back into the new development or used in some other way to defray LBE's costs.

Response to 3

Metaswitch's existing premises (one owned, two are leased) are not under the council's control and are not part of the commercial property investment and development agreement. The current proposed heads of terms provide a positive financial revenue impact for the council's overall budget. Through planning policy and Planning Committee we will be able to influence the future use of the Metaswitch existing occupied buildings.

4. The report did not address the possibility of relocating Metaswitch to another more suitable site within the borough such as Innova Park.

Response to 4

Metaswitch have not expressed an interest in relocating to another location in the Borough. On the contrary they have a strong preference for a site within close proximity to their current operation in order to continue to retain and recruit high quality staff. See Appendix 1 for further information.

Officers understand that Metaswitch have other short listed sites which lie outside the Borough and in the event that the Genotin road car park site is not available then it is very likely that the borough will lose the 400 staff to a neighbouring borough.

In the extreme case that Metaswitch did consider alternative locations in the borough, the town centre would lose a valuable anchor occupier which supports the Enfield Town economy.

5. The proposed development agreement would only require Metaswitch to enter into a 15 year lease after which they could walk away. The financial risk to LBE of being unable to relet this bespoke office building to another tenant was not given sufficient weight within the report.

Response to 5

A 15 year lease is a highly acceptable and industry standard lease length and well above the Investment Property Database average of circa 6 years. The lease contains no break provisions. By the end of the lease, Metaswitch would have re-paid the Council's capital outlay in full if the Council were to choose to commit the full income received from Metaswitch during the lease period towards paying down the

debt. In summary, after 15 years at the expiry of the current lease, the investment is expected to generate a positive net present value.

Following that, the asset will remain within the ownership of the Council. The lease length is not therefore considered an impediment to a commercial property investment

In addition, the property fundamentals for the development are strong. The building shall provide Grade A office accommodation in Enfield to a BREEAM Excellent rating, of which no building currently exists within the borough. The building shall also have the benefit of being able to be sub-let floor by floor. The building is well placed in the Town Centre with excellent rail communications and 96 car parking spaces. Our property consultants - GVA believe that this building provides strong re-letting characteristics. This is of course omitting the potential scenario whereby Metaswitch (who have been in Enfield since 1981) do not renew at the end of the lease.

6. The report did not say how many drivers parking in the existing Genotin Road overground car park, the most popular car park in the town, might be persuaded to use the surplus spaces in our multi-storey car parks, which are less popular. The huge impact for the Town if shoppers went instead to other destinations with more convenient parking was not explored in the report.

Response to 6

Enfield Town has a Variable Messaging System (VMS) which advises drivers in real time as to the capacity in all of the main town centres car parks, easily guiding drivers to the available parking spaces. Officers accept that Genotin Road car park is a popular car park. However, as stated above, the council has a duty to ensure it is achieving best value from all of its assets and the proposals within the Cabinet report and this call-in paper highlight the financial benefits of this development. Car park occupancy surveys have demonstrated that there is sufficient spare capacity in the remaining car parks to absorb the displaced demand. Whilst the level of car parking will therefore continue to be sufficient to support the town centre, it is important to bear in mind that fewer people travel by car to Enfield Town than walk, cycle or use public transport, and that car trips are estimated to account only for an estimated 40% of the town centre spend (Economic Impact Assessment of Cycle Enfield Scheme on Enfield Town, Regeneris Consulting Ltd, November 2016).

7. The use of the Portcullis staff car park opposite the Civic Centre was dismissed because of cost and unsuitability. This car park is large, in decent repair and could with little investment be used to re-provide Genotin Road. At the very least, it should be considered for public use at weekends and Christmas. (see 3 above)

Response to 7

The access road leading to Portcullis staff car park is a narrow single lane with a limited number of passing points. This arrangement is adequate for staff use on the basis that the majority of entrance and exit movements are tidal, i.e. the majority of movements into the car in the morning and leaving the car park in the evening. However, the sub-standard arrangement is not acceptable as an access to a busy public car park. Officer evaluations are that the cost of undertaking the bank

stabilisation and road widening would be prohibitive and not value for money. Finally, the distance from the town centre makes this not attractive for town centre users. A much more sustainable option for weekends and bank holidays would be the use of the current ground floor civic centre car park.

8. The report does not make reference to the Enfield Town Centre, Framework Master Plan's (adopted March 2018) proposals for regenerating around Enfield Town station and Transport Hub.

Response 8

The report does reference the Town Centre Framework Masterplan and proposals for the Station and Genotin Road Car Park site, see section 3.5 of the cabinet report.