

REQUEST FOR DEPUTY MAYOR FOR FIRE & RESILIENCE DECISION – DMFD93

Title: Disposal of former Clerkenwell Fire Station

Executive Summary:

This report recommends the Deputy Mayor for Fire and Resilience gives approval to the London Fire Commissioner (LFC) to progress the marketing and sale of the freehold property known as Former Clerkenwell Fire Station, 42-44 Rosebery Avenue, London, EC1R 4RN. The property would be marketed for sale on the basis that vacant possession would be ensured by London Fire Brigade (LFB) ahead of completion. During the 20/21 financial year, the anticipated holding cost of this property is £168,000 for security, utilities and maintenance. The property is also partly occupied under licence to The Outside Project as a 'meanwhile use' until the site is sold.

Several disposal strategies have been evaluated which are outlined in report LFC-0434. The recommended option is to seek London Borough of Islington (LB Islington) support to a pre-planning application for a residential scheme which maximises the development potential of the site and the number of housing units generated, supporting the Mayor's Homes for Londoners commitment. The property value is constrained by the building having a Grade II* heritage listing as well as being in a conservation area. Opinions sought from two independent agencies have confirmed that despite the market uncertainty caused by the Covid-19 pandemic, the property is of high enough profile and quality to create substantial interest from potential purchasers.

Report LFC-0434 proposes that a full open marketing campaign is undertaken on a joint agency basis.

The London Fire Commissioner Governance Direction 2018 sets out a requirement for the London Fire Commissioner to seek the prior approval of the Deputy Mayor before "the acquisition or disposal of any freehold interest in land (including buildings)..." and to "to seek prior consent before '[a] commitment to expenditure (capital or revenue) of £150,000 or above'".

Decision:

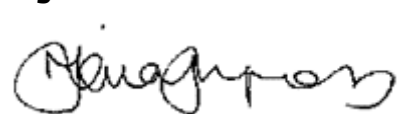
That the Deputy Mayor for Fire and Resilience authorises the London Fire Commissioner to:

Dispose of the freehold interest in the property known as the former Clerkenwell Fire Station, 42-44 Roseberry Avenue, London, EC1R 4RN for an amount not less than set out in the Part 2 decision, together with incurring expenditure on the final sale price on agency fees as set out in the Part 2 decision.

Deputy Mayor for Fire and Resilience

I confirm that I do not have any disclosable pecuniary interests in the proposed decision.
The above request has my approval.

Signature:



Date:

22 February 2021

PART I – NON-CONFIDENTIAL FACTS AND ADVICE TO THE DEPUTY MAYOR

Decision required – supporting report

1. Introduction and background

- 1.1 Report LFC-0434 to the London Fire Commissioner sets out the background for the request to progress the marketing and sale of the freehold property known as Former Clerkenwell Fire Station, 42-44 Rosebery Avenue, London, EC1R 4RN. The property comprises the majority of an island site bounded by Rosebery Avenue, Farringdon Road, Topham Street, and Coldbath Square and consists of a square section on the Rosebery Avenue and Farringdon Road side. The former fire station building occupies the majority of that area, together with a rectangular shaped site on the Topham Square and Coldbath Square side.
- 1.2 The site is located within the Clerkenwell Ward of the London Borough of Islington (LB Islington), the majority of which lies within the Rosebery Avenue Conservation Area. The south-east section of the drill yard is adjacent to the Clerkenwell Green Conservation Area. The surrounding area contains a mix of uses including offices, retail, restaurants and other commercial uses, with Exmouth Market located within close proximity to the north of the site. In terms of public transport, the site has the highest possible Public Transport Accessibility Level (PTAL), with Farringdon Station the closest, providing both mainline and underground services. A number of other stations are also within walking distance of the site.
- 1.3 The primary planning policy for the property consists of LB Islington's Local Plan together with the London Plan (2016). Planning policy requires at least 50% affordable housing to be met on site with 70% of all new affordable housing charged at social rents. Following a public consultation exercise, a supplementary planning document in the form of a Planning Brief was published in November 2014. The Planning Brief outlines LB Islington's objectives for any future development proposals for Clerkenwell Fire Station, to include the following:
 - a. ensure that Clerkenwell Fire Station continues to be an important community asset that is publicly accessible to the local community;
 - b. the Grade II (now II*) listed building in a way that meets the LBI's policies and standards and also modernises it for new homes and new infrastructure;
 - c. provide a museum in the fire station building or another publicly accessible social infrastructure use;
 - d. deliver a range of new homes including affordable homes, to better meet local housing needs in the neighbourhood;
 - e. provide a high quality amenity space, primarily for future residents, in the fire station yard; and
 - f. include LB Islington-owned forecourt area, which includes now-disused underground public toilets with a podium above, to create a high-quality public space for the local community. If not included, a contribution towards transforming this area will be sought by Islington Council.
- 1.4 Clerkenwell Fire Station was declared surplus to operational requirements in January 2014, under the fifth London Safety Plan (LSP5). Holding costs incurred in respect of the empty property since that date until March 2020 have been £786,000, encompassing security, utilities and maintenance on site. During the 20/21 financial year, the anticipated holding cost of this property is £168,000 for security, utilities and maintenance.
- 1.5 In 2014, the freehold interest was subsequently marketed, with offers being sought on both an unconditional basis and for a 'subject to planning' disposal. The London Fire and Emergency Planning Authority (LFEPA), the former Authority responsible for the London Fire Brigade (LFB), agreed to progress with an unconditional disposal and 'best bids' were requested accordingly. In relation to a number of development proposals, the proposed uses of the site did not accord with feedback

received from the Planning Officers at the London Borough of Islington. Hence, prior to the scheduled dates for exchange of contract with a number of developers, a sale did not proceed.

- 1.6 In quarter 2 of 2016/17, it was agreed to put the marketing and disposal initiatives on hold, while the GLA and LFEPA worked in collaboration to find a deliverable solution that met the objectives of LFEPA, the Mayor's Homes for Londoners agenda and LB Islington. Discussions ensued with LB Islington regarding the optimum disposal route for the property.
- 1.7 In March 2019 an informal Memorandum of Understanding (MoU) was entered into between the LFC, LB Islington and the GLA to obtain an agreed valuation and provided for the London Borough of Islington to purchase the site. In the summer of 2020, LB Islington confirmed that they would not be proceeding with the purchase of the property.

Meanwhile Use

- 1.8 Since April 2019, and to support Mayoral priorities in tackling homelessness, it was agreed with the GLA homelessness team that the vacant LFC property could host a meanwhile use pending its disposal. This involved the part ground (appliance bay), second and third floors being subject to a licence granted by LFC to St Mungo's Community Housing Association and the GLA. Permitted uses under this licence has supported delivery of London's first LGBTQ+ Homeless Shelter and Community Centre delivered by Stonewall Housing working with The Outside Project as well as the 'No Second Night Out' assessment and reconnection service for people new to the streets which was operated by St. Mungo's.
- 1.9 A licence extension until March 2021 has been agreed to enable The Outside Project to continue operating whilst planning takes place by Stonewall Housing and the GLA to relocate this service to alternative premises. The Covid-19 pandemic has removed the feasibility of some services and St Mungo's role as party to the licence expired on 30 September 2020, although the LGBTQ+ homeless shelter continues to operate. Aware of the change in direction on the disposal of this building, LFB officers immediately engaged with officers from the GLA homelessness team and Stonewall Housing to support timely discussions on planning the best route forward. This had the joint agreed aims of providing the LFC with timely vacant possession to dispose of the asset whilst ensuring planning could take place to implement a transition plan and relocate the service to alternative premises and ensure its continuation. GLA officers have indicated a potential site exists and regular communication with LFB officers will be established so each party can be kept informed of progress from respective positions.

2. Objectives and expected outcomes

Strategic Drivers

- 2.1 The successful disposal of the former Clerkenwell Fire Station, closed as part of the fifth London Safety Plan, will provide a substantial capital receipt to support future investment in fire stations, training, vehicles and equipment across the capital to ensure the protection of London and those who work, visit and live in London. This receipt will support the delivery of the work to respond to the recommendations from the Grenfell Tower Inquiry and the recent report from Her Majesty's Inspectorate of Constabulary and Fire and Rescue Services.

Disposal Options

- 2.2 The following three options were considered to inform the recommended disposal strategy.
 - a) **Open Market Disposal on an Unconditional Basis** – in this option the freehold interest is sold without the sale being made subject to any significant conditions. This is a relatively straightforward route, which should be capable of being fully implemented in a fairly short

timeframe and satisfies the requirements for LFC to achieve best consideration reasonably obtainable on the disposal in accordance with Section 123 of the Local Government Act 1972.

- b) **Open Market Sale on a Subject to Planning Basis** – in this case the freehold interest is sold on a basis where the completion of the sale is conditional upon a planning consent being granted for the purchaser's development proposals. This is a complex route which could take up to several years to implement fully. Should a contract complete, it may enable a higher value to be obtained, but it would be difficult to demonstrate that best consideration has been met due to:
- additional delays being incurred and the risk of the sale not completing if planning consent is not secured;
 - ongoing maintenance and repair costs; and
 - the impacts and cost of significant LFC officer and professional advisor time to monitor the purchaser's initiatives in obtaining appropriate planning permission.
- c) **LFC retain the site for income** – should the LFC be in the position to retain the existing building as a residential investment.
- Under the Fire and Rescue Service Act 2004, and various Housing Acts, the LFC has legal constraints in acting as a residential landlord. A private developer/property investor would need to be engaged as an operating partner to ensure that appropriate residential tenancies could be granted to occupiers and managed on LFB's behalf. In light of this and the high levels of risks involved for public finances and capital borrowing, this is not a viable option to pursue.

Recommended Disposal Strategy

- 2.3 In preparing report LFC-0434 several elements were reviewed to inform the recommended disposal strategy, which is to progress with an open market disposal on an unconditional basis. Informed by professional independent advice, as well as early engagement with the London Borough of Islington's planning officers, options would be enhanced to include the preparation and submission of a formal pre-application to the London Borough of Islington's planning department. This approach will add value to the London Borough of Islington's consideration of options for this site and maximise the development potential whilst remaining within the aspirations of the London Borough of Islington planning brief regarding this site.
- 2.4 A pre-planning application is recommended rather than obtaining a full planning application and detailed consent as this would require an additional holding period as previously referenced in this DMFD. The agents advising on the sale have confirmed that the development market would prefer to undertake a bespoke application for their own scheme, or will make a subject to planning offer. There are a number of developers and development companies who could be keen to secure such speculative opportunities. All offers would have to be considered against a consistent scoring matrix to determine the optimum party.
- 2.5 To support a pre-planning application process, four potential options have been considered for submission (as set out in Appendix 2 of LFC report-0434). Table A summarises the optimal scheme which is deemed to be a direct interpretation of the LBI Planning Brief for a residential-led development which retains a version of the historic layout of the yard with additional density to

enhance the commercial viability of the site. These have been appraised and the proposed scheme showed the highest achievable value at this time in line with the Planning Brief.

Table A – the optimal scheme proposal for site use and density

Use type	Scheme areas
Residential Gross Internal Area (GIA)	42,119 square feet
Sui Generis (social infrastructure) GIA	1,335 square feet
Commercial GIA	9,235 square feet
Estimated number of housing units	Circa 50 subject to more detailed planning discussions
Total GIA	52,689

Market Background

- 2.6 The impact of the Covid-19 pandemic on the wider economy and the property market continues to evolve. At the beginning of 2020 there was strong demand for development sites in London and a supply/demand imbalance which was driving up prices. There is currently uncertainty around prices, profits, construction costs and finance. However, the LFB professional advisors have reported that based on their analysis, property as an asset class remains a preferred investment as stock volatility in recent months and inflation have impacted on confidence in alternative investment options. In order to optimise the marketing programme the proposed timeline assumes that there will be 3-4 months required for pre-marketing activities resulting in marketing commencing in spring 2021.

Valuation Approach

- 2.7 In February 2019, the Memorandum of Understanding on the London Borough of Islington's purchase of the site described the valuation process to be adopted to ensure LFC was achieving best consideration. This process involved the instruction of three independent valuers to conduct a RICS 'Red Book' valuation of the freehold interest by LFC, LBI and the GLA to report the market value.
- 2.8 The valuations were undertaken before the current market uncertainty caused by the Covid-19 pandemic. The International Valuations Standards Council (IVSC), whose standards have been adopted by 'RICS Red Book' issued communications in the spring of 2020 entitled 'Dealing with valuation uncertainty at times of market unrest'. This confirms valuers should not apply pre-crisis criteria to their valuations as this approach is based on the potentially erroneous assumption that values will return to their pre-crisis levels and there is no way of predicting this assumption is correct.

Disposal Costs

- 2.9 The fixed marketing costs (exclusive of VAT) have been split into the following three phases in the event that the site is withdrawn at any stage:
- Phase 1 – up to the pre-application process
 - Phase 2 – up to its market launch
 - Phase 3 – following market launch

The total fixed cost for the transaction is outlined in Table B below. The costs are displayed based on **negotiated costs** secured by the marketing agents.

Table B - Fixed marketing costs

Initiative	Description	Market Quotes
Pre-application prep advice (Phase 1)	<p>Liaison to prepare an appropriate feasibility scheme;</p> <p>Planning Lab (consultants) to provide planning policy input:</p> <p>Arranging and attending a pre-application meeting.</p>	£21,450
Pre-application fee (Phase 1)	LB Islington fee for providing pre-application service (site visit, meeting and written advice)	£10,720
Daylight sunlight + Rights of Light (Phase 1)	<p>Site Review & Due Diligence</p> <p>Creation of 3D Model</p> <p>Design Stage – analysis and report</p>	£8,000
	Total Phase 1	£40,170
Topographical Survey (Phase 2)	To produce a topographical survey to support the marketing of the property as a site with potential for future development	£1,450
Utilities Survey (Phase 2)	To undertake a survey to identify and locate the routing of all underground utilities.	£3,300
Brochure Design (Phase 2)	Instruct designer to produce a professionally designed interactive marketing brochure	£6,500
Contamination Survey, Steel Survey and Timber Survey	Transfer of London Borough of Islington surveys	£5,000
	Total Phase 2	£16,250

Advertising (Phase 3)	Half page colour adverts in the Estates Gazette and Property Week	£7,000
Mailing (Phase 3)	We will also ensure that details are distributed electronically as a mail out to targeted in-house marketing lists and further to previous interested parties from our disposal experience of similar opportunities.	Nil Cost
Digital (Phase 3)	Dron & Wright website, Jones Lang LaSalle (JLL) website, CoStar, Estates Gazette, Property week, Creation of a data room.	Nil Cost
	Total Phase 3	£7,000
	TOTAL FEE	£63,420

- 2.10 The previous marketing history in disposing of the freehold interest of this site supports a revised joint marketing approach to take advantage of the different benefits each proposed party contributes to its methodology. Dron & Wright as contractual providers of professional estates management services for LFC who know the property, were supportive of harnessing the benefits of a revised approach to assure LFC's position in the disposal process. As a result, Dron & Wright selected Jones Lang LaSalle (JLL) based on their competitive fee proposal, market experience in similar lot sizes and experience of working with complex listed property disposals for public sector bodies. Table C shows the proposed incentivised fee structure to be attributed to a final sale value.

Outline Programme

- 2.11 Subject to the Deputy Mayor's authorising the LFC to dispose of the freehold interest in the property, marketing is planned to commence in quarter 4 of 2020/21 financial year with completion expected within the 2021/22 financial year, subject to the optimal offer being unconditional on planning.

3. Equality comments

- 3.1 The London Fire Commissioner and the Deputy Mayor for Fire and Resilience are required to have due regard to the Public Sector Equality Duty (s149 of the Equality Act 2010) when taking decisions. This in broad terms involves understanding the potential impact of policy and decisions on different people, taking this into account and then evidencing how decisions were reached.
- 3.2 It is important to note that consideration of the Public Sector Equality Duty is not a one-off task. The duty must be fulfilled before taking a decision, at the time of taking a decision, and after the decision has been taken.
- 3.3 The protected characteristics are: Age, Disability, Gender reassignment, Pregnancy and maternity, Marriage and civil partnership (but only in respect of the requirements to have due regard to the need

to eliminate discrimination), Race (ethnic or national origins, colour or nationality), Religion or belief (including lack of belief), Sex, and Sexual orientation.

- 3.4 The Public Sector Equality Duty requires decision-takers in the exercise of all their functions, to have due regard to the need to:
- (a) Eliminate discrimination, harassment and victimisation and other prohibited conduct.
 - (b) Advance equality of opportunity between people who share a relevant protected characteristic and persons who do not share it.
 - (c) Foster good relations between people who share a relevant protected characteristic and persons who do not share it.
- 3.5 Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
- (a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic where those disadvantages are connected to that characteristic;
 - (b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;
 - (c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
- 3.6 The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.
- 3.7 Having due regard to the need to foster good relations between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to—
- (a) tackle prejudice, and
 - (b) promote understanding.
- 3.8 An Equality Impact Assessment (EIA) has been undertaken to support this disposal strategy. The EIA has found that there is significant potential adverse impact on the LGBTQ+ homeless shelter service provided by The Outreach Project as a result of the LFC decision to dispose of this asset should The Outreach Project not secure an alternative site to accommodate the service. However, it should be noted that the initiative to utilise areas of the former Clerkenwell fire station to support this service was agreed by all stakeholders as a temporary meanwhile use only, pending clarification of disposal arrangements. As advised in this report, the current licence to occupy will expire at the end of March 2021.
- 3.9 Notwithstanding the previous constraints and agreements in place on selling this site, LFC must now progress with its disposal. In recognition of the impact this will have on the current meanwhile use, immediate consultation between LFB officers and all other stakeholders commenced in July 2020 to mitigate any adverse impacts through effective planning. Several meetings have taken place with both the GLA Homelessness team and Stonewall Housing representatives to agree the next steps. As a result LFC are supporting an extension to the meanwhile use until March 2021 as preparation takes place to market the site. The GLA Homelessness team and Stonewall Housing are currently planning the relocation of The Outside Project service. A regular touchpoint between all parties has been agreed to monitor and support progress in providing LFC with vacant possession.
- 3.10 The EIA has also highlighted the potential positive impact on people with low incomes as the disposal of this asset is being planned to maximise the residential development potential of this site whilst supporting local planning policies for 50% affordable housing and the Mayor's Homes for Londoners

commitment. This site is also intended to provide high quality amenity space for the local community. Whilst LB Islington planning policies will support this approach, it should be noted that after completion of the sale LFC will have no control over the planning application to be submitted for the future of this site.

4. Other considerations

Workforce comments

- 4.1 No workforce implications have been identified, therefore no staff side consultations have taken place.

Sustainability implications

- 4.2 The subject matter expertise to market this site on behalf of LFC is being commissioned through the contractual provisions of the current LFC estates management contract with Dron & Wright. As the report is recommending a disposal of an LFC asset, there are no future sustainability impacts to consider as this would be the purchaser's onward responsibility.

5. Financial comments

- 5.1 The report notes that completion is expected in the 2021/22 financial year.
- 5.2 The capital programme currently includes an estimated capital receipt for this sale as set out in the Part 2 decision in 2021/22. The position will be reviewed as the disposal progresses and further information on likely receipts becomes available.

6. Legal comments

- 6.1 Under section 9 of the Policing and Crime Act 2017, the London Fire Commissioner (the "Commissioner") is established as a corporation sole with the Mayor appointing the occupant of that office.
- 6.2 Section 1 of the Fire and Rescue Services Act 2004 (the "2004 Act") states that the Commissioner is the fire and rescue authority for Greater London.
- 6.3 Under Section 327D of the GLA Act 1999, as amended by the Policing and Crime Act 2017, the Mayor may issue to the Commissioner specific or general directions as to the manner in which the holder of that office is to exercise his or her functions.
- 6.4 By direction dated 1 April 2018, the Mayor set out those matters for which the Commissioner would require the prior approval of either the Mayor or Deputy Mayor for Fire and Resilience (the "Deputy Mayor"). Under paragraph 2.1a the prior approval of the Deputy Mayor is required for any disposal of a freehold interest in land. Under paragraph 2.1b the prior approval of the Deputy Mayor is required before a commitment to expenditure (capital or revenue) of £150,000 or above as identified in accordance with normal accounting practices.

Appendices and supporting papers:

None.

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** This form (Part 1) will either be published within one working day after approval or on the defer date.

Part 1 Deferral:**Is the publication of Part 1 of this approval to be deferred? Yes**

If YES, for what reason: The commercial interests of the London Fire Commissioner require deferral of the decision until after the sale has been finalised.

Until what date: 1 June 2021

Part 2 Confidentiality: Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form – Yes

ORIGINATING OFFICER DECLARATION:

Drafting officer to confirm the following (✓)

Drafting officer

Richard Berry has drafted this report with input from the LFC and in accordance with GLA procedures and confirms the following:

✓

Assistant Director/Head of Service

Niran Mothada has reviewed the documentation and is satisfied for it to be referred to the Deputy Mayor for Fire and Resilience for approval.

✓

Advice

The Finance and Legal teams have commented on this proposal.

✓

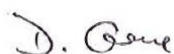
Corporate Investment Board

This decision was agreed by the Corporate Investment Board on 18 January 2021.

EXECUTIVE DIRECTOR, RESOURCES:

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature



Date

22 February 2021