

## PART 2 – CONFIDENTIAL FACTS AND ADVICE

**DMD93**

**Title: Disposal of former Clerkenwell Fire Station**

*Information may have to be disclosed in the event of a request under the Freedom of Information Act 2000. In the event of a request for confidential facts and advice, please consult the Information Governance team for advice.*

**This information is not for publication until the stated date, because:**

Information relating to the London Fire Commissioner's disposal of Clerkenwell Fire Station contains commercially sensitive information.

**Date** at which Part 2 will cease to be confidential or when confidentiality should be reviewed:  
1 December 2021.

**Legal recommendation on the grounds of keeping the information confidential:**

Under Section 43 of the Freedom of Information Act, the commercial interests of the London Fire Commissioner require the information to be kept confidential.

**Legal Adviser** - I make the above recommendations that this information should be considered confidential at this time

**Name:** Justine Curry

**Date:** 03/02/21

*Once this form is fully authorised, it should be circulated with Part 1.*

**Confidential decision and/or advice:**

Report LFC-0434 proposes that a full open marketing campaign is undertaken on a joint agency basis. On this basis the property is expected to achieve circa £8,120,000 in the open market following an 8-12 week marketing campaign and further purchaser negotiations. The estimated total disposal cost at this value is the joint agency fee of a minimum £102,000 (1.26% of the anticipated sale price) plus marketing costs of £63,000 to include the costs of the surveys, pre-planning application and the marketing campaign.

*Options considered to inform the recommended disposal strategy*

a) **LFC retain the site for income** – should the LFC be in the position to retain the existing building

as a residential investment.

Without developing the yard area of the fire station, it is expected an initial capital expenditure for option c would be in the region of £9,750,000 (to include build costs, professional fees, Community Infrastructure Levy payments, full planning application and listed building consent etc.) taking approximately 3-4 years to complete. The property, when completed and fully let, could produce an income of approximately £435,000 per annum (assuming 50% affordable rents), achieving a yield on expenditure of approx. 4.5% pa, and an overall yield on the property (assuming the opportunity cost of the property as being £8,120,000) of 2.4%.

#### *Valuation Approach*

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. The outcome of the valuations delivered in 2019 ranged between £7,800,000 and £11,800,000.

The assessment of value in report LFC-0434, based on the joint valuation appraisal of the scheme from two independent agencies, has used comparable development schemes and has applied a private sales rate of £1,350 per square foot. To comply with local planning policy, an allowance has been applied for 50% of the residential units to be affordable, with an assumed ratio of 70:30 between social rented and intermediate housing tenures. An assumption has been made that the affordable housing will be sold on to a Housing Association at a rate of £400 per square foot. for the intermediate tenure and £250 per square foot. for the social rented element. A rent of £45 per square foot. for the non-residential retail or leisure units, located within the ground and lower ground floors of the existing building has been assumed.

In terms of development build costs, Building Cost Information Service (BCIS) indexation has been applied to each use type in the proposed scheme, plus a further allowance for professional fees, Mayoral and Borough Community Infrastructure Levies (CIL) and finance (at 6.00%). Using a Profit on Cost of 20% within the appraisal produces a site price estimate of £8,120,000.

Table C shows the proposed incentivised fee structure to be attributed to a final sale value.

**Table C – Joint agent incentivised fee structure to be applied to final sale value.**

Sale Price Tranches	Fee Rates	Joint Agency fee incurred
£0 - £8,120,000	1.26%	£102,312
£8,120,001 - £11,800,000	1.50%	£121,800 - £177,000
£11,800,001 +	2.50%	£295,000 +

On the minimum disposal value the total fee for a sale of £8,120,000 would produce a figure of £102,312 + VAT. Attributable fees for sale price ranges are highlighted above. The disposal fee will be equally shared between the joint agents and become payable 50% on exchange and 50% upon legal

completion of the transaction.

In the event of an abortive transaction, or should LFC withdraw the property from the market, for whatever reason, an abortive fee will be levied by the agents based on agreed milestones and percentages (see Table D below) and using the above figure of £102,312 + VAT as the base fee for such calculations, but also as a maximum capped level. If the site is withdrawn prior to the pre-application (Phase 1) an abortive fee of 25% + VAT (£25,578 +VAT) will be charged.

#### *Financial Comments*

Report LFC-0434 recommends that the former Clerkenwell Fire Station is disposed of for not less than £8,120,000. A minimum joint agency fee of 1.26% will be incurred on the final sale value, this percentage will increase if the value of the disposal increases, as per Table C above. If the sale is for £8,120,000, the joint agency fee will be £102,312 plus vat, in addition to separate marketing costs of £63,420. These disposal costs will be met from the ultimate capital receipt. The report notes that completion is expected in the 2021/22 financial year.

The capital programme currently includes an estimated capital receipt for this sale of £11,800,000 in 2021/22. This is within the range of the estimated property values provided, although at the higher end of this. The position will be reviewed as the disposal progresses and further information on likely receipts becomes available.

#### **Appendices and supporting papers:**

Report LFC-0434 – Disposal of former Clerkenwell Fire Station