

Report title

Disposal of former Clerkenwell Fire Station

Report to	Date
Corporate Services Directorate Board	10 November 2020
Commissioner's Board	19 November 2020
Deputy Mayor's Fire and Resilience Board	9 December 2020
London Fire Commissioner	

Report by	Report number
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Executive Summary

This report seeks approval 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 £168k 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 this paper. The recommended option is to seek London Borough of Islington (LBI) 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.

This paper requests a full open marketing campaign is undertaken on a joint agency basis. On this basis the property is expected to achieve circa £8.12m 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 £102k (1.26%) plus marketing costs of £63k to include the costs of the surveys, pre-planning application and the marketing campaign.

Recommended decisions

For the London Fire Commissioner

That the London Fire Commissioner (LFC) delegates full authority to the Assistant Director of Property to:

1. Dispose of the former Clerkenwell Fire Station for not less than £8.12m following a detailed marketing campaign to be undertaken by Dron & Wright and Jones Lang Lasalle (JLL) on behalf of the London Fire Brigade (LFB).
2. Agree to the expenditure of 1.26% of the final sale value as the joint agency fee (at least £102k at the expected disposal value) and the associated incentivised fee structure (Table C), noting the separate marketing costs of £63k agreed by Director of Corporate Services under delegated authority as reflecting the total disposal costs for this site.

Introduction and Background

1. 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. (Please refer to Appendix 1 for photographs and site map).
2. The site is located within the Clerkenwell Ward of the LBI, 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.
3. The primary planning policy for the property consists of LBI'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 LBI'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;
 - f. Include the LBI 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.
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 £786k, encompassing security, utilities and maintenance on site.
 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 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 LBI. Hence, prior to the scheduled dates for exchange of contract with a number of developers, a sale did not proceed.
 6. In Quarter 2 of 2016, the GLA instructed LFEPA to put the marketing and disposal initiatives on hold, pending discussions between the parties as to how the property could contribute to the Mayor's Homes for Londoners (HfL) agenda. The LFC report quarterly to the established HfL Board on how LFC's estate has contributed to this Mayoral objective, including updates on sites providing potential opportunities to support the HfL agenda. Discussions ensued with LBI regarding the optimum disposal route for the former Clerkenwell fire station site.
 7. In March 2019 an informal Memorandum of Understanding (MoU) was entered into between LFC, LBI and the GLA to obtain an agreed valuation and provided for the LBI to purchase the site. In the summer of 2020, LBI confirmed that they would not be proceeding with the purchase of the property.

Meanwhile Use

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.
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 homeless team and Stonewall Housing to support timely discussions on planning the best route forward. This had the joint agreed aims of providing 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.

Disposal Options

10. 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.
- 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 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 this option would be in the region of £9.75m (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 £8.12m) of 2.4%.

Under the Fire and Rescue Service Act 2004, and various Housing Acts, 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

11. In preparing this paper 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 LBI Planning officers, options would be enhanced to include the preparation and submission of a formal pre-application to LBI planning department. This approach will add value to LBI's consideration of options for this site and maximise the development potential whilst remaining within the aspirations of the LBI planning brief regarding this site.
12. 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 report. 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.
13. To support a pre-planning application process, four potential options have been considered for submission (see appendix 2). 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 sq ft
Sui Generis (social infrastructure) GIA	1,335 sq ft
Commercial GIA	9,235 sq ft
Estimated number of housing units	Circa 50 subject to more detailed planning discussions
Total GIA	52,689

Market Background

14. 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

15. In February 2019, the Memorandum of Understanding on LBI'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 £7.8m and £11.8 m.
16. 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 2021 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.
17. The assessment of value in this paper, 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 sq.ft. 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 sq. ft. for the intermediate tenure and £250 per sq.ft. for the social rented element. A rent of £45 per sq. ft. for the non residential retail or leisure units, located within the ground and lower ground floors of the existing building has been assumed.
18. 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 £8.12m.

Disposal Costs

19. The fixed marketing costs have been split into the following three phases:
 - a) Phase 1 – site withdrawn just prior to the pre-application process
 - b) Phase 2 – site withdrawn just prior to its market launch
 - c) Phase 3 – site withdrawn following its 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)	Liaison to prepare an appropriate feasibility scheme; Planning Lab (consultants) to provide planning policy input: Arranging and attending a pre-application meeting.	£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)	Site Review & Due Diligence Creation of 3D Model Design Stage – analysis and report	£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	Nil Cost

	our disposal experience of similar opportunities.	
Digital (Phase 3)	Dron & Wright website, JLL website, CoStar, Estates Gazette, Property week, Creation of a data room.	Nil Cost
	Total Phase 3	£7,000
	TOTAL FEE	£63,420

20. 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 and 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 and Wright selected 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.

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 +

21. On the minimum disposal value the total fee for a sale of £8.12m 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.
22. 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-app (Phase 1) an abortive fee of 25% + VAT (£25,578 + VAT) will be charged.

Table D - Abortive fee milestones

Milestone	Abortive Fee
Marketing: 30% - 50% (30% particulars being drafted – 50% Awaiting approval of final marketing recommendations)	30% - 50%
Formally marketing: 50% - 80% (50% if site is pulled immediately after marketing commences – 80% if bids are taken. Solicitation of terms of sale from contracting party: letter of intent in draft format and negotiations ongoing to finalise	50 – 80%
Execution of letter on intent, heads of terms with contracting party	80 - 90%
Participation in contract negotiation with contracting party, includes all relevant activities up to (but not including) execution of final contract for sale or lease. Future overage / clawback payments to the client from the purchaser will not attract an agency fees.	90 – 100%

Outline Programme

23. Subject to LFC decision, marketing is planned to commence in Q4 of 20/21 financial year with completion expected within the 21/22 financial year, subject to the optimal offer being unconditional on planning.

Equality Impact

24. The Public Sector Equality Duty requires us, in the exercise of all LFC functions (i.e. everything the LFC does), 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.
25. 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.
- 26. 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.
- 27. 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.
- 28. 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. As advised in this report, the current licence to occupy will expire at the end of March 2021.
- 29. 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.
- 30. 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 LBI 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.

Procurement and Sustainability

- 31. 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.

Strategic Drivers

32. 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.

Workforce Impact

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

Finance comments

34. This report recommends that the former Clerkenwell Fire Station is disposed of for not less than £8.12m, with a joint agency fee of 1.26% of the final sale value for a minimum of £102k, in addition to separate marketing costs of £63k. These disposal costs will be met from the ultimate capital receipt. The report notes that completion is expected in the 2021/22 financial year.
35. The capital programme currently includes an estimated capital receipt for this sale of £11.8m 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. Any variation against the estimated receipts will be reported on as part of the regular financial position reports and incorporated as part of the ongoing budget process for future years.

Legal comments

36. 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.
37. 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.
38. 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.
39. 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.

List of Appendices

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2.	Pre – application planning options	

APPENDIX 1

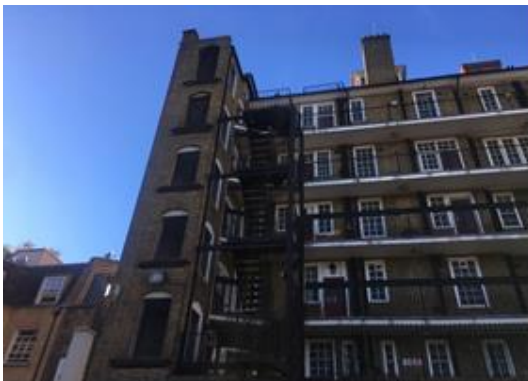
Photographs – former Clerkenwell Fire Station.



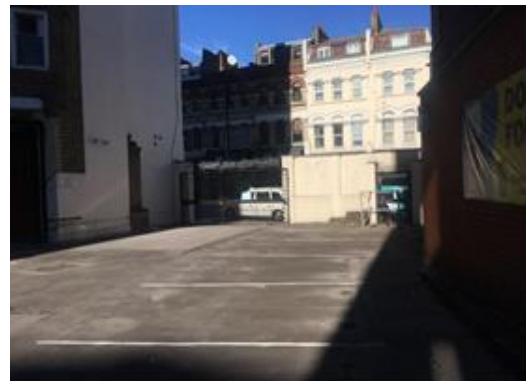
Rosebery Avenue, front elevation



Rear elevation



Integrated drill tower



Drill yard (towards Farringdon Road)



Drill Yard (above car park)



Victorian Washroom (fifth floor)

Site Map – former Clerkenwell Fire Station



Pre- application planning options

The following four options were assessed to in preparation for a pre-planning application for submission to LBI.

Areas	Scheme 01	Scheme 01 Plus	Scheme 02	Scheme 02 Plus
Residential GIA (sq ft)	35,575	42,119	25,177	18,267
Sui Generis GIA (sq ft)	9,967	1,335	1,335	1,335
A3/A4 GIA (sq ft)		9,235	9,235	9,235
Business GIA (sq ft)			13,950	20,860
Total GIA (sq ft)	45,542	52,689	49,697	49,697

GIA – Gross Internal Area

Sui Generis - (social infrastructure classification)

A3/A4 - Non residential, retail or leisure