

**REQUEST FOR MAYORAL DECISION – MD1363**

**Title:** Disposal of three plots at Beam Reach 8

**Executive Summary:**

This Mayoral Decision is seeking approval for the disposal of three plots on Beam Reach 8 in line with the Mayor’s objectives to support and increase economic, particularly industrial, activity in the Rainham area. The plot disposals are to three expanding companies that wish to locate in this easily accessible site. The land is currently vacant and all the units will require planning and construction and it is expected that the plots will be complete and occupied by the end of 2015.

**Decision:**

That the Mayor:

1. Approves the sale of three plots of land on Beam Reach 8 in accordance with the terms set out in the Part 2 confidential paper and associated professional fees;
2. Approves the payment of the road fee to Marick (Beam Reach) Limited as detailed in the Part 2 confidential paper to be financed from the sales receipt; and
3. Delegates authority to the Executive Director for Housing and Land to agree the deductions to be made for abnormal costs as set out in Part 2 of this paper

**Mayor of London**

I confirm that I do not have any disclosable pecuniary interests in the proposed decision, and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

**Signature:**

**Date:**

## **PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR**

### **Decision required – supporting report**

#### **1. Introduction and background**

- 1.1. Beam Reach 8 forms part of the industrial land in London Borough of Havering that GLA Land and Property Limited (GLAP) inherited from the London Development Agency (LDA). The site was assembled by the LDA to support the development of industrial activity in the area. Beam Reach 8 is part of a series of sites that were identified as suitable for smaller occupiers.
- 1.2. Beam Reach 8 comprises four distinct strategic industrial, brownfield development sites, located between Coldharbour Lane, Ferry Lane and the River Thames in Rainham. In total this comprises 12.4 hectares of developable land and is within the London Riverside Opportunity Area, identified in the London Plan as providing land for industrial and manufacturing uses.
- 1.3. On 30th October 2005, Havering Council granted outline permission for 100,000sqm of B1b, B1c, B2 and B8 industrial and warehousing uses. The GLA supported the scheme. The original outline planning permission was subsequently renewed on 19th January 2009, via an application to vary existing conditions from the 2005 permission. The permission was then further renewed on 4th April 2013, again via condition variation, the permission having been partially implemented by this date.
- 1.4. Easter Developments (Rainham) Limited (Easter) entered into a long-term leasehold in February 2010 to develop 23 small units (20,000sqm in total) upon the Beam Reach 8 site. These were constructed and sold/let over a 24 month period. As part of this development, it was necessary for Easter to remediate the site and construct an access road, in accordance with the planning permission gained by the LDA in 2005.
- 1.5. Since the Easter acquisition, H Smith Food Group Plc, a food distribution company, purchased 0.55 hectares of the Beam Reach 8 (Unit 24) site in 2013, the subject of MD1251.
- 1.6. Easter went into administration and the successor company, Marick (Beam Reach) Limited (Marick) is now taking forward the development of the site.

#### **2. Objectives and expected outcomes**

- 2.1. The GLA has received offers from three companies for the plots identified on the attached plan and is looking for approval to dispose on the basis of an agreed gross price per acre and subject to deductions relating to the extra-over costs of building on this particular site.

#### **3. Other considerations**

- 3.1. Planning: Beam Reach 8 is within the London Riverside Opportunity Area as identified in the London Plan and is designated for industrial and manufacturing uses and therefore these uses fit within the profile of the area. Early discussions with LB Havering indicate that the buildings proposed would be acceptable on the site as they meet the requirements to preserve the views through from the SSSI to the east, across the site to the Thames to the west and do not exceed the existing building heights.
- 3.2. Financial completion: All three companies that have offered for the plots are seeking expansion space for a growing business and therefore are likely to proceed with the purchase and have demonstrated financial capability to purchase.
- 3.3. Abnormals: Although the site has undergone extensive works to remove contaminated material and remediation in order to undertake any development, each plot will require further works which will incur additional costs, including external levelling, extra over cost for piling, extra over costs for suspended slabs, and raising of the site's level:
- 3.4. Piling: The ground conditions of the area are generally very poor, with made ground, peat and soft clays extending to approximately 8m below existing ground level. As such the only viable foundation solution is piling.

- 3.5. Suspended slabs: The ground conditions also require fully suspended floor slabs to be supported on these piles.
- 3.6. Building level: There is ground contamination on this site with heavy metals and low levels of radioactivity. The existing reports covering the complete area recommend a covering of clean inert fill over the existing ground. The site is at risk of fluvial flooding from the River Thames. Finished floor levels for new development need to be set at 1.5m AOD.
- 3.7. The above factors were assessed internally at the time of the disposal to H Smith group in 2013, as well as externally by Bradbrook Consulting, and CBRE. SPP has taken further advice from cost consultants AECOM regarding the quantification of deductions, the details of which are set out in the confidential Part 2 of this paper.
- 3.8. Access Road for Beam Reach 8C
- 3.9. In February 2010, the LDA entered into a long-leasehold with Easter relating to the development of industrial units upon Beam Reach 8 which required an extension to Ferry Lane to be built to provide access to the plots. This spine road would serve both plots of land being immediately developed and the LDA's retained land, which together comprise Phase 8C of the business park. At the time that the road was needed the LDA did not have the resource to construct it and did not want to own or maintain an unadoptable estate road. On this basis, it was agreed that Easter would carry out the construction and take a lease of the land on which it was sited. The LDA was paid a premium sum for the land on which the estate road was to be built.
- 3.10. As the road serves the LDA's retained land it was agreed that Easter would be reimbursed both the land cost and the construction cost on a pro-rata basis as-and-when the plots developed and sold.
- 3.11. As Easter (now Marick) are now taking forward the development of two of the plots for disposal this amount is taken out of GLAP's receipt as a Development Abnormal and therefore there is no requirement for GLAP to make a separate payment. The third plot will be subject to a repayment to Marick which is detailed in Part 2.
- 3.12. Estate Road to the development plots:
- 3.13. The access road to the site where the plot disposals are proposed has not been constructed and an amount will need to be deducted from the receipt to pay for an estate road (shown in grey on the site plan). The preference is to have a single contract for this road and therefore the cost will come in a single deduction from one of the plot disposal receipts. The developer will undertake the procurement and construction of the road; it will not fall to GLAP to complete it.

#### **4. Financial comments**

- 4.1. This paper recommends the disposal of parts of the Beam Reach 8C site into subplots.
- 4.2. Each of these plots is designated as Development Stock on the GLAP asset register and was last valued as at 31st March 2014.
- 4.3. The 2014-15 capital spending plan approved spend of £75,000 in 2013-14 and £50,000 in 2014-15 for Beam Reach 8.
- 4.4. In 2013-14 the spend of up to £75,000 for disposal costs is to be met from underspends in other projects within the Land & Property portfolio
- 4.5. This expenditure in relation to disposal cost is revenue in nature and will be monitored as part of the revenue programme.
- 4.6. Subject to MD approval of the road payment to Marick, this will require an expenditure budget. All costs are to be coded separately as expenditure and income not coded net.
- 4.7. As this is a part- disposal the proportion of the book value attributable to what is disposed of is arrived at using the formula:-

A

## A+B

- 4.8. Where A is the proceeds of what is disposed of and B is the market value at the date of the disposal of the interest in the site that GLAP retains. Where B cannot be determined or to obtain this value would not be cost effective, a land area apportionment method will be used.
- 4.9. Best consideration has been met for each of these plot disposals in that the consideration exceeds the unrestricted market value for each asset on a value per acre basis. However, as the abnormal costs are to be met from sales proceeds this will significantly affect the profit on the disposal of the sites.
- 4.10. GLAP has opted to tax this property; therefore the sales price will be subject to VAT.
- 4.11. Any profit on these disposals will be a taxable trading profit. There should, however, be brought forward trading losses that can be offset against any profits on these disposals so it is unlikely any corporation tax liability will arise. Any payments in relation to the road should be allowable for corporation tax purposes.

## 5. Legal comments

- 5.1. Section 30 of the Greater London Authority Act 1999 (as amended) ("GLA Act") give the Mayor a general power to do anything which he considers will further one or more of the principal purposes of the GLA. The principal purposes, as set out in section 30(2), are:
  - a) Promoting economic development and wealth creation in Greater London;
  - b) Promoting social development in Greater London; and
  - c) Promoting the improvement of the environment in Greater London
- 5.2. Given the above, section 34 of the Act, which allows the Mayor to do anything which is calculated to facilitate, or is conducive or incidental to, the exercise of any of his functions (including his functions under section 30); and the Mayor's powers (under section 38 of the GLA Act) to delegate to any GLA member of staff functions of the Authority that are exercisable by him, the Mayor has power to agree to the Decisions set out above.
- 5.3. As noted above, Eversheds LLP have been instructed to act for GLAP in connection with these proposed disposals having acted for GLAP on the previous disposal to H Smith.

## 6. Housing Investment Group

- 6.1. HIG endorsed the disposal at the meeting on 19 March 2014.

## 7. Planned delivery approach and next steps

<b>Activity</b>	<b>Timeline</b>
Planning permission secured	May 2014
Finalisation of legal agreements	May 2014
Exchange and completion of legal agreements	May 2014
Start on site for plots	May 2014 onwards
Completions of plots	December 2014 onwards

## 8. Appendices and supporting papers:

- 8.1. Appendix 1- site plan

**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:

To enable legal completion of the sale to be achieved.

Until what date: 30 August 2014

**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:**

Philippa Bloomfield has drafted this report in accordance with GLA procedures and confirms the following have been consulted on the final decision.

✓

**Assistant Director/Head of Service:**

Simon Powell has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

**Sponsoring Director:**

David Lunts has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

**Mayoral Adviser:**

Richard Blakeway has been consulted about the proposal and agrees the recommendations.

✓

**Advice:**

The Finance and Legal teams have commented on this proposal.

✓

**EXECUTIVE DIRECTOR, RESOURCES:**

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

**Signature**

**Date**

**CHIEF OF STAFF:**

I am satisfied that this is an appropriate request to be submitted to the Mayor

**Signature**

**Date**