

## CABINET

10 November 2015

<b>Title:</b> Barking Housing Zone – Intervention Agreements	
<b>Report of the Cabinet Member for Regeneration</b>	
<b>Open Report</b>	<b>For Decision</b>
<b>Wards Affected:</b> Abbey	<b>Key Decision:</b> Yes
<b>Report Author:</b> David Harley, GM Economic Development and Sustainable Communities	<b>Contact Details:</b> Tel: 020 8227 5316 E-mail: <a href="mailto:david.harley@lbbd.gov.uk">david.harley@lbbd.gov.uk</a>
<b>Accountable Divisional Director:</b> Jeremy Grint, Divisional Director of Regeneration	
<b>Accountable Director:</b> Chris Naylor, Chief Executive	
<b>Summary:</b> <p>In July 2015 Cabinet received a report recommending entering into an ‘Overarching Borough Agreement (principles document)’ with the Greater London Authority (GLA) in relation to the Barking Town Centre Housing Zone. Following a Living and Working Select Committee Call-In this was agreed by Cabinet on the 1 October. The Overarching Borough Agreement has now been signed and sets out the overarching principles upon which Borough Zone Funding may be made available and the Borough's role in securing the delivery of the zone outputs. The Cabinet report set out the background to the Housing Zone and how it is critical to achieving the Council’s ambitions for growing the borough.</p> <p>The next layer of agreements are the specific ‘Intervention Agreements’ which will set out the detailed terms and conditions upon which specific amounts of Borough zone funding will be advanced to the Borough by the GLA for each site. The July Cabinet report also set out where further approvals were needed for a number of schemes in the Housing Zone. This report is focussed on taking forward one of the key schemes - Cambridge Road, which is also integrally linked to proposals for the Borough to become a Creative Industries Zone through a separate funding bid to a GLA/London Enterprise Panel funding stream known as the London Regeneration Fund.</p> <p>The Cambridge Road site, adjacent to Barking Station, is one of the key Housing Zone schemes led by Swan New Homes who propose a striking building which reflects the site’s important status as a key gateway into the Borough. The Council owns a small proportion of the site, however, Swan’s land together with the Council’s creates a much more significant development opportunity. As part of the Housing Zone bid, it was recognised that Barking needs facilities which help change perceptions of the town centre, attracting people which will help support the broadening of the town centre’s retail, restaurant and leisure offer. It is therefore proposed that part of the ground floor of the development is used as a creative industry hub. This forms a key element of the Council’s Creative Industries Zone bid which will deliver a mixed use development which really signals the unlocking of Barking’s potential with facilities which attract creative</p>	

industries to the town centre. The Housing Zone would subsequently deliver grant funding of £650,000 covering the fit out costs of the space and some shell and core contribution. The 'something-for-something' offer of the Housing Zone would be that the Council, in lieu of capital receipt for its land (valued at £747,000), takes a 250 year lease for a peppercorn rent for the ground floor space.

The report sets out the Creative Industries Zone proposals and specifically the case for the Cambridge Road intervention.

## **Recommendations**

The Cabinet is asked to:

- (i) Agree to enter into an agreement with Swan New Homes to transfer the Council's freehold ownership shown in red on Appendix 1 in return for a 250 year lease at a peppercorn for the ground floor space as set out in paragraph 3.4 of the report;
- (ii) Agree to enter into an Intervention Agreement with the Greater London Authority for £650,000 of grant funding towards the shell and core and fit-out costs for the ground floor of Cambridge Road; and
- (iii) Endorse the funding bid submitted to the London Regeneration Fund for a programme of inventions to establish a Barking Creative Industries Zone.

## **Reason(s)**

Delivery of the Barking Housing Zone and Creative Industries Zone are central to the Borough's objective of 'Growing the Borough' by enabling the delivery of significant numbers of new homes and commercial space in the town centre and helping change perceptions of the town centre and 'unlocking Barking's potential'.

## **1. Background**

1.1 Following a Living and Working Select Committee Call-in, in October 2015 Cabinet approved a number of recommendations to take forward the Barking Town Centre Housing zone. A number of schemes are under development and will be subject to more detailed Cabinet reports in due course. This report focuses on one specific site in the Housing Zone - Cambridge Road. Whilst primarily providing new homes, the proposal will also deliver a new creative industry hub and therefore forms a critical part of the developing proposals for the Barking to become a Creative Industries zone. This report sets out the proposals for a Barking Creative Industries Zone and the details of the proposed agreements relating to the Cambridge Road site with Swan Housing and the GLA.

## **2. Barking Creative Industries Zone**

2.1 There is substantial evidence that Central London and much of inner East London are losing creative industries (activities which trade creativity, knowledge and information) as sites are redeveloped for residential use or rents are hiked up. This is identified as a major problem for London's economy however it offers a good opportunity for Barking Town Centre which has strong potential to accommodate

creative industries looking for space building on a range of existing facilities and assets. The Council's adopted 2014 Town Centre Strategy recognises the important role art and culture play in the regeneration of the town centre with a core objective being becoming 'East London's Cultural hub'. Creative industries not only bring jobs and vibrancy to a location they critically help with changing perceptions and the image of an area which can help attract investment, a widening of the retail, food and beverage offer and generally give a positive 'buzz'. More creative industries in the town centre is critical to improving the leisure and evening economy, which has long been identified as a key challenge and is regularly cited in public consultation on the town centre.

- 2.2 The GLA/London Enterprise Panel have launched the London Regeneration Fund (LRF) – a new competitive funding stream “specifically to help London’s High Streets and places of work by supporting innovative and place-based projects.” The fund consists of £20m capital funding only and bids needed to be submitted by the 2 October with announcements in December/January for successful schemes to be funded from 2016/17. The prospectus highlights the importance of projects that lever in match funding - both capital and revenue. The GLA is very supportive of the holistic approach LBB takes to funding streams and interventions, notably through comprehensively linking housing, High Street and arts and culture interventions into a clear strategy for the Town Centre’s growth. This is an approach which many other boroughs fail to successfully deliver but it is the best way of maximising the impact of the funding and ensuring long term growth.
- 2.3 A Council led bid for Barking to become a Creative Industries Zone is focussed on delivering (on a phased basis over time) significant new space for creative industries at affordable rents. The creative industries would benefit from support and facilities from organisations such as Barking and Dagenham College and their partners at The Broadway, Creative B&D, Studio 3 Arts, the newly formed Barking Enterprise Centres CIC, Create London and Bow Arts amongst others. The London Regeneration Fund capital would be used to deliver workspace and facilities to support the growth of the sector. Appendix 3 consists of a marketing brochure submitted as part of the bid. Development of the land behind Barking Enterprise Centre set out in the July Cabinet report could deliver 12 apartments prioritized for people working in local creative industries whilst Gascoigne West could deliver a further 40 units for artists.
- 2.4 The LRF bid recognises the strengths of the Ice House Quarter and the successes of Creative Barking and Dagenham and has a dual focus on bringing creative industries who need space from outside the borough and also supporting home grown talent arising from Creative Barking and Dagenham and other interventions. The Chief Executive of the Arts Council on a visit to Barking and Dagenham recently stated ‘Talent is everywhere, opportunity is not’ and this bid is a real opportunity to unlock opportunities. London Regeneration Fund bids require at least 50% match funding, which the Council’s bid has been able to achieve through existing creative and cultural investments such as The Broadway Theatre.

### **3. Cambridge Road**

- 3.1 The Cambridge Road site adjacent to Barking station (shown in Appendix 1) has lain empty for many years as landowner Swan New Homes has been unable to progress a viable scheme. This is therefore exactly the type of site Housing Zone

interventions are designed to unlock. This site is therefore proposed as the flagship housing zone site showcasing Barking's potential and containing high quality apartments and a ground floor use which symbolises Barking's improving offer to attract residents. A planning application has been submitted following positive LBB and GLA pre-app meetings.

- 3.2 Appendix 2 contains an image of the proposal. The Council owns a part of the southern end of the site (shown in red on Appendix 1) which on its own could not deliver a significantly sized development. Therefore LBB and Swan's land need to be pooled in order to deliver the site's full potential, particularly given its proximity to the station. Cabinet in July and October gave approval to the principle of the Council and Swan pooling the land and working collaboratively, with Swan being the lead development partner given their majority landholding.
- 3.3 High quality architects Studio Egret West have designed a scheme for Swan involving buildings of circular appearance with around 274 studio, one and two bed apartments. Whilst the current design at its highest point (nearest the station) is 25 storeys, the design seeks to minimise the sense of height through the use of circular towers which soften the building outline and optimise views from apartments. The varying heights of the buildings and central gap in between allows light through and avoids creating a single, dense block of development, while the quality of the design and materials would reflect its status as the highest building in the borough. The building responds to its surroundings in terms of materials and colours and provides quality, dual aspect apartments with private balconies and shared communal roof gardens. It provides strong ground level entrances as well as generous public realm. The circular forms help reduce the wind vortex effect of tall buildings as well as improving solar orientation and being extremely resource efficient (a circle as opposed to a square can have the same area but 12% less exterior wall.)
- 3.4 The Council's landholding has been independently valued at £747,500 and it is proposed that for this value that Swan provide 485sqm of ground floor shell and core space to the Council for a 250 year lease at a peppercorn/nil premium. This space would form a key feature of the Creative Industries Zone with space for a key creative industry organisation. The apartments combined with an innovative ground-floor commercial offer would provide a key destination in the housing zone and clearly signal change in Barking and its town centre.
- 3.5 The Council utilising its land is seen as part of the Housing Zone's 'something-for-something' arrangement whereby the GLA provides funding for housing delivery and the Council uses its assets to deliver something which enhances the zone's offer to new and existing residents. The aim of the ground floor space would be to include a flexible venue for activities and events both during the day and in the evening which not only supports other Creative Industries Zone proposals but also delivers a programme and support for artists plus provides an evening cultural venue. If this objective is not realised given the length of the lease it is important the ground floor space is flexible enough to enable other creative industries to operate. Occupiers would be required to cover all costs and there would therefore be no costs to the General Fund.
- 3.6 In order to proceed with the development, Swan New Homes would require the transfer of the Council's land prior to construction commencing. To address the low risk presented by the Council transferring the land prior to the ground floor space

being built, the agreement proposes an escrow account or bond whereby £747,500 (the agreed land value) is held securely until completion. If Swan fulfil their obligations and deliver the ground floor space with 250 year peppercorn lease then they would receive the money back, if for whatever reason they did not, the Council would receive its capital receipt in full.

- 3.7 The Housing Zone Overarching Principles agreement identifies £650,000 grant for LBBD for the Cambridge Road site. This requires an intervention agreement between LBBD and the GLA and would be utilised to cover the costs of fitting out the ground floor space. Cabinet approval is sought to enter into this agreement.
- 3.8 The scheme would deliver just over £1m in Community Infrastructure Payments and £2m New Homes Bonus to the Council plus additional Council tax and business rate income.

### Tenure Mix

- 3.9 The tenure mix for Cambridge Road is mostly private for sale properties with 49 shared ownership units (18%). A viability assessment has been produced as part of the planning application which clearly sets out how any further affordable units would mean the proposed scheme was undeliverable. The proposed tenure mix reflects the case made in the July Cabinet report that new private for sale and shared ownership apartments benefitting from Barking’s superb accessibility widening the choice for working residents who can help support the widening of the town centre’s retail and evening economy. The Housing Zone is about unlocking development potential on sites which otherwise would struggle to be brought forward for development. The Cambridge Road site is a prime example of this, having lain empty for over 10 years, with development proposals are only now emerging thanks to the Council’s willingness to pool its land and the GLA offering Swan Housing a loan for the construction cost to help with cashflow. Members should note that there will be other schemes in the Barking Housing Zone delivering sub-market rented housing (including 50% of market rent – the equivalent of a social rent).

## 4. Options Appraisal

- 4.1 The table below provides an options appraisal for the Cambridge Road site:

Option	Advantages	Disadvantages
Proposal set out in this report	High quality scheme for Barking, unlocks GLA grant funding. Provides long term Council asset	No capital receipt. Scheme cannot viably deliver more than 49 shared ownership units.
Council takes capital receipt of £747k rather than lease of ground floor space	Capital income for the Council.	Loss of £650k GLA grant. Weakens Creative Industries Zone proposals. No arts hub.
Stand alone development on Council land	Complete control of opportunities on the site.	Development potential on smaller site severely limited. Limited capital resources could be better used elsewhere. Failure

		to deliver potential of larger site. Cannot deliver 485sqm floorspace and housing.
Utilise Council land value for sub market rented housing including social rent units,	Creates additional resources for delivering affordable housing.	Land receipt would not deliver many units. Failure to address Barking's potential for creative industries – which is more likely to generate long term income to deliver housing.

## 5. Consultation

- 5.1 In developing the Barking Town Centre Housing Zone proposals there has been extensive discussion with developers, Housing Associations and key town centre stakeholders. Presentations have been made to the Barking Town Team. There was extensive public consultation on the Barking Town Centre Strategy which specifically highlighted the Housing Zone and the critical role new housing can play in unlocking Barking's potential.
- 5.2 Specifically in relation to the Cambridge Road, there has been consultation with the GLA and a public consultation event held in Vicarage Field Shopping Centre. The event saw 40 attendees with 11 providing written responses all of which were positive. A positive meeting has also been held with Hapag Lloyd, owners of the neighbouring site.

## 6. Financial Implications

Implications completed by: Carl Tomlinson, Finance Group Manager

- 6.1 The financial implications for the proposed Cambridge Road development, along with the other 9 proposals contained in the Barking Housing Zone Overarching Borough Agreement with the GLA, were detailed in the report agreed by Cabinet on 21<sup>st</sup> July 2015.
- 6.2 In summary, for the Cambridge Road scheme, Swan New Homes are to receive a £29.195m lower interest loan from the GLA to assist with cash flows and the up front development costs. This will be a direct agreement between the two parties and, therefore, there will be no financial implications for the Authority in this element of the scheme.
- 6.3 Subject to Cabinet approval, it is proposed that the Authority enters into an Intervention Agreement with the GLA for £650,000 of grant funding. This will be non repayable grant funding which will be used towards the cost of the shell and core and fit-out costs for the ground floor of the Cambridge Road development. It is proposed that part of the ground floor area is used as a creative industry hub, housing an arts organisation.
- 6.4 It is proposed that the new development will be sited for the most part on land already in the ownership of Swan New Homes as well as a smaller area of land that

is currently owned by this Council. The area of Council owned land is currently vacant and, although it currently incurs no costs and generates no income, it has been valued at £747,500. In exchange for this area of land it is proposed that Swan provide within the new development 485 sqm of ground floor shell and core space to the Council for a 250 year lease at a peppercorn/nil premium.

- 6.5 To mitigate the risk of the Council transferring the land prior to the ground floor space being built, the agreement proposes an escrow account or bond whereby £747,500 (the agreed land value) is held securely until completion. If Swan fulfil their obligations and deliver the ground floor space with 250 year peppercorn lease then they would receive the money back, if for whatever reason they did not, the Council would receive its capital receipt in full.
- 6.6 The proposed scheme would not be viable if the area of Council owned land was excluded from the plans and, although the Authority will be forgoing a capital receipt, it is also unlikely that the Council could develop a viable scheme for this relatively small piece of land in isolation. The loss of this potential capital receipt is also offset to a considerable degree by the £650k non repayable grant funding which will be received from the GLA.
- 6.7 The scheme proposes that around 274 residential units are created and this will attract a new homes bonus of around £2.0m if the Government continues to support the scheme. The Community Infrastructure Levy payable to the Council in respect of this development has also been estimated at around £1.0m. The additional residential units will increase the Council Tax base and the proposed commercial units in the ground floor area will generate additional business rate income. Without specific details around the sizes and numbers of these units, however, it is difficult at this stage to accurately estimate the actual amounts that will be forthcoming.
- 6.8 On completion of the development, the residents of the creative industry hub will be expected to cover the full costs of the space they occupy with no costs being borne by the Council. The units will be added to the Authority's commercial property portfolio.

## **7. Legal Implications**

Implications completed by: Evonne Obasuyi, Senior Lawyer

- 7.1 The report proposes the freehold transfer of Council owned land to Swan Housing for market value to facilitate delivery of new housing and promote wider economic development objectives and the leaseback of part to the Council to enable use of the space for creative industries providing a social and community benefit.
- 7.2 The Council has powers to effect disposal pursuant to section 123 Local Government Act 1972 which enables local authorities to dispose of land held by it in any manner it wishes providing it is not for a consideration less than the best that can reasonably be obtained, unless the Secretary of State consents to the disposal or the transaction is to further local well-being.

## 8. Other Implications

- 8.1 **Risk Management** - Barking Housing Zone forms a key element of addressing the Council's 'Growing the Borough' priority however it also generates high reputational risk if the Council is not able to deliver the schemes proposed.
- 8.2 **Contractual Issues** - The report sets out that the Council would need to enter into an agreement with Swan for the transfer of the Council land. This has been negotiated between Swan and the Council's lawyers. To access the GLA grant funding an 'Intervention Agreement' would be required.
- 8.3 **Staffing Issues** - Staffing issues for the Housing Zone delivery were addressed as part of the July Cabinet report.
- 8.4 **Customer Impact** - The impact on retail, leisure, health services and schools will be significant as new communities move into the borough to access new housing. The housing numbers proposed are informing service planning across the Council, particularly the Local Plan Review in terms of needs for social infrastructure. This also relates to the Community Infrastructure Levy charging which contributes towards social infrastructure. The tenure mix of proposed developments is critical in determining the extent of the impact on social infrastructure and public services, which high levels of 1 and 2 bed private units will help to minimise.

No equality impact assessment has been undertaken to date, but will be part of submission from the developers of each site.

- 8.5 **Safeguarding Children** - No direct issues arising but the planning process will ensure the creation of a safe area to live and play. It is expected many of the 1 and 2 bedroom apartments being delivered as part of the scheme will not attract (or be primarily marketed to) families with young children.
- 8.6 **Health Issues** - Each property will be built under strict environmental policies and good quality design with high levels of energy efficiency.

New housing will have a positive impact on increasing the ability to access good quality housing for residents of London to meet the housing shortage. In terms of health needs for doctors' surgeries etc. this forms part of the social infrastructure requirements being addressed as part of the Local Plan Review with the Housing Zone figures included in the analysis.

The relationship between poor housing and ill health is a complicated one which involves many different factors. Evidence suggests that living in poor housing and indoor environments cause or contribute to many preventable diseases and injuries, such as respiratory, nervous system and cardiovascular diseases and cancer. A degraded urban environment, with air and noise pollution and lack of green spaces and mobility options, also poses health risks.

Housing Zones provide an opportunity for us to consider housing conditions as one of the mechanisms through which social inequalities translates into health inequalities, thus providing an opportunity to intervene and develop programmes to overcome such inequalities and provide adequate housing conditions for everyone.



- 8.7 **Crime and Disorder Issues** - More town centre housing will increase surveillance and make the centre more active helping to reduce crime and disorder. Increasing town centre prosperity will also help address crime and disorder issues. The Cambridge Road scheme is subject to planning approval which will consider crime and disorder issues and look to mitigate any impacts through design changes.
- 8.8 **Property / Asset Issues** - This report has significant property/asset issues as set out in the body of the report.

#### **Background Papers Used in the Preparation of the Report:**

- Housing Zones : A Prospectus (Mayor of London June 2014)  
<https://www.london.gov.uk/sites/default/files/2014%2006%2013%20FINAL%20Housing%20Zones%20Prospectus.pdf>

#### **List of appendices:**

- Appendix 1: Cambridge Road site  
Appendix 2: Cambridge Road image  
Appendix 3: Barking Creative Industries Zone brochure