

## **Report to the Cabinet**

**Report reference: C/077/2006-07.**

**Date of meeting: 13 November 2006.**



**Epping Forest  
District Council**

**Portfolio: Leader of the Council.**

**Subject: Langston Road Industrial Estate, Loughton – Development Proposals.**

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### **Recommendations:**

- (1) That the Head of Legal, Administration and Estates, in consultation with the Leader of the Council be authorised to offer the T11 Development Site, Langston Road, Loughton for sale on the open market by the invitation of offers for the freehold interest**
- (2) That, in addition, the Head of Legal, Administration and Estates, in consultation with the Leader of the Council be authorised to negotiate and agree the principal terms for an agreement with Essex County Council for vehicular access rights through the T11 Development site;**
- (3) That, conditional upon the satisfactory outcome of (2) above, the District Council participate in a joint marketing exercise with Essex County Council of the T11 Development Site and Essex County Council's adjoining land, such marketing exercise to require prospective purchasers to submit separate bids for (a) T11 alone and (b) T11 and Essex County Council's adjoining land combination;**
- (4) That the District Council's Langston Road Depot be retained for the time being for operational purposes; and**
- (5) That a further report on the outcome of any marketing exercise be submitted to Cabinet for consideration.**

### **Report:**

1. Several new developments have recently been completed or are under construction at the Langston Road Industrial Estate, Loughton. These include the Britannia Centre warehouses, VW and BMW vehicle showrooms, Sterling House offices, Higgins Group and Kier Group headquarters buildings and construction work is due to commence on a Mercedes-Benz vehicle dealership. Towards the end of Langston Road, the Bank of England has reportedly agreed to sell the former bowls green and car park at its Britannia Sports Group for employment generating development.

2. The Cabinet and the Finance, Performance Management and Corporate Support Services Portfolio Holder have previously received reports on development proposals for the Langston Road Industrial Estate. These reports considered the development potential of the Council's T11 site, Essex County Council's adjoining land and the Council Depot. These three sites are as shown by black border on the plan attached as Appendix 1.

3. Planning permission was granted to the Council on 11 October 2006 for Class B1 (offices/light industrial), Class B2 (general industry) and Class B8 (warehousing and distribution) on the T11 site. An Environmental Assessment, a Traffic Impact Study and other surveys were commissioned in support of this planning application. The planning consent includes standard conditions together with the following:

- (a) no more than 20% of the site shall be used for Class B8 warehousing/distribution;
- (b) highway improvement works off Langston Road; and
- (c) contributions towards highway works (£100,000-£150,000), the Broadway Town Centre Enhancement Scheme (£25,000) and estate signage.

4. Negotiations have progressed with Essex County Council Property Services on the principal terms for vehicular access rights through the T11 site to facilitate development of the County's land-locked site. Although agreement has not yet been reached on the proportion of the sale proceeds payable to the District Council, the backbone of the transaction has provisionally been negotiated, as summarised later in this report.

5. Given the progress preparing the T11 site for development, decisions are now required as to whether to market the site for sale separately or to offer it in conjunction with the Council Depot and/or the adjoining land owned by Essex County Council.

#### **T11 Development Site:**

6. The T11 Development Site, situated between the Council Depot and the Seedbed Centre, has a frontage location on Langston Road. It comprises a gross area of approximately 2.6 acres/1.0 hectare.

7. To generate a rental income whilst the District and County Councils have investigated the future development possibilities for their sites, the District Council has let a plot comprising 1.50 acres/0.60 hectares within the T11 site to Galliard Homes Limited on a short-term basis for car parking. This company owns the former OCE premises (now known as Sterling House) opposite the T11 site, which has been refurbished to provide offices and warehouse accommodation for the company's own occupation and part let to external occupiers. The two-year lease excludes renewal rights, generates a rental income of £26,000 per annum and expires on 6 March 2007.

8. A Civil Engineer's report has been commissioned on the feasibility of creating an access roadway through the site to serve the County Council land. That report considered four potential routes; the preferred route through the T11 site is shown approximately on the plan attached as an Appendix.

#### **Essex County Council Land:**

9. The County Council's potential development land, comprising a net developable area of about 4.5 acres is situated to the rear of Prospect Business Park and the Seedbed Centre, as shown on the attached plan. This site is at a lower level than the existing developments in Langston Road and also that of the T11 site. It was originally part of the River Roding flood plain, however, since the building of the M11 motorway it appears to be remote from the remainder of the flood plain in this area.

10. This site is identified in the Local Plan for Business/General Industrial purposes, however, it is effectively land-locked, vehicular access is potentially only obtainable via the

District Council's T11 site or land (previously used as a bowling green) within the curtilage of the Britannia Sports Ground.

11. The site has also been identified as being suitable for a new Waste Transfer Station, Civil Amenity Point and Materials Recycling Facility. A plot of approximately 0.9 hectares/2.25 acres would be required for this purpose.

#### **Council Depot:**

12. Constructed in the mid 1980's, this development provides offices, stores and workshop facilities for a range of Council services and external contractors. The total floor space amounts to 32,633 square feet/3032 square metres upon a site having an area of 2.8 acres/1.8 hectares.

13. Council Services occupying the Depot include:

- Fleet Maintenance – workshops including MOT facility;
- Grounds Maintenance DSO – workshops and offices; and
- Museum Service – storage of artefacts.

External contractors in occupation include:

- Women's Royal Voluntary Service (WRVS) - Meals-on-Wheels Service; and
- Cory Waste Management (CWM) - Refuse Collection Service (offices, workshop and parking).

14. The WRVS accommodation is let on the terms of a lease excluding renewal rights and incorporating a rolling 12-month break clause. CWM occupy their floor space by virtue of the management contract granted by the District Council. This agreement obliges the District Council to provide the contractor with suitable depot accommodation within the District to service the refuse collection contract.

15. Currently, the freehold value of the Depot site with the buildings used for industrial/business purposes is about £2.2 million. As a site suitable for redevelopment with the benefit of planning consent for Class B1 (light industry/offices), Class B2 (general industry) and for Class B8 (warehousing), the current land value is in the region of £2 million assuming suitable ground conditions and other development considerations.

16. The Building Cost Information Service Building Costs Index indicates that the cost of replacing the existing Depot accommodation would be about £3 million. This estimate disregards the cost of purchasing the necessary land.

#### **Planning and Development Potential:**

17. The T11 site, ECC land and Council Depot are identified in the Local Plan as suitable for employment development – Class B1 (light industrial/offices) and B2 (general industry) – and, possibly, for Class B8 (warehousing).

18. The T11 site could be developed on its own being particularly suitable for a Prospect Business Park type high quality office/light industrial scheme. However, taken together with the adjoining Council Depot and ECC land there is scope for a comprehensive development scheme.

19. The County Council has requested that the two Councils unite to bring forward a joint sale to achieve a comprehensive development in the area. To this end, negotiations are in

progress on the principal terms for vehicular access over the T11 site. These negotiations have produced a provisional agreement for the Cabinet's consideration leaving only the proportion of the sale proceeds to be agreed. The principal terms may be summarised as follows:

- (a) the District Council to grant a vehicular access route of adequate width and service routes through the T11 site for construction works of both infrastructure and buildings and for the subsequent use of the County Council land;
- (b) on completion of the sale of the County Council's land, the County Council shall pay a premium to the District Council equal to the sum of:
  - (i) a proportion (under negotiation) of the open market value of the County Council's land as evidenced by the offer accepted for the sale of the land;
  - (ii) such increased costs as incurred by the District Council as a result of an increased specification or length of access road constructed on the T11 site to permit vehicular access to the County Council's land; and
  - (iii) the market value of that area of the T11 site sterilised as a result of the access road;
- (c) the County Council to pay to the District Council a proportion (under negotiation) of any overage payable for the development of the County Council's land;
- (d) to expedite the sale process, it is not considered necessary for a specific legal agreement to be drawn up prior to the marketing as long as the two councils are agreed that such an agreement will be completed simultaneously with the exchange of contracts for onward sale of the two sites; however, it will be prudent to document the agreed terms and the calculation of payments by an exchange of correspondence in advance; and
- (e) the County Council require that sufficient land be reserved for a possible Waste Transfer Station within its site.

20. Whilst the Depot is an operational asset, it is now appropriate to consider its development potential and possible disposal as part of a comprehensive scheme. Clearly, to decant the various occupiers to alternative premises will delay any sale and this should be measured against any benefits of assembling a larger site for disposal.

21. The land fronting Langston Road may have potential for retail warehouse development (Class A1) and there is known market interest from national operators willing to pay up to £1.5 million per acre for good sites with the benefit of planning consent for this purpose. However, the present formal planning policy position is that such a proposal would be contrary to the Local Plan and Government advice. As a landowner, if the Council wanted to support retail warehousing it would be likely to lead to any planning application being called into a Public Inquiry.

22. Any planning application will have to contend with supplying a detailed retail assessment and a detailed transportation assessment. These will be expensive and will have to reflect on the Council's previous rejection of food retail by Tesco's on land at Langston Road. Advice from developers' advisers suggests that a budget of at least £250,000 should be allocated to vigorously pursue an application through the appeal process. The Head of Planning Services advises that the national picture of appeal decisions on this sort of proposal has been mixed in recent times.

23. Langston Road has become a new focal point for the main vehicle dealerships with Volkswagen and BMW occupying prominent sites. A Mercedes-Benz showroom is at the planning stage and there is known market interest from other dealerships. To facilitate an employment generating development, the Finance, Performance Management and Corporate Support Services Portfolio Holder directed at his 20 February 2006 Portfolio Holder Briefing that the Council's planning application for the T11 site shall not include vehicle showrooms and that a restrictive covenant be included in any sale prohibiting this use or retail warehouse development.

**Land Values:**

24. To put the development proposals into a financial context, the site values may be summarised as follows:

<b>Development</b>	<b>T11 Site £</b>	<b>Council Depot £</b>	<b>Combined Sites £</b>
Light/General Industrial/Office/Warehouse	1,950,000	2,100,000	4,050,000
Vehicle Showrooms	2,080,000	2,240,000	4,320,000
Retail Warehousing	3,900,000	4,200,000	8,100,000

25. Joint T11 Site and ECC Land Disposal:

	<b>£</b>	<b>Notes</b>
T11 Site Sale	1,430,000	For sale as 2 plots – net developable area circa 2.2 acres
Add		
ECC Payment to EFDC for diminution in value and additional road costs	520,000	Assumes current unproven development value of ECC land exceeds diminution in value of T11 site
add		
Proportion (circa 25-30%) of market value of ECC land	50,000	Currently without planning consents or site surveys
add		
Possible future overage payments (circa 25-30%) from development of ECC land	300,000	Payable as site developed
Total Capital Receipts	2,300,000	Assume 5 year development programme

26. These figures are very indicative and may not be considered as formal valuations. Ultimately the value of the sites will be determined by the appropriate planning consents, site surveys and prospective purchasers bids.

### **Land Disposal:**

27. Strategic decisions are now required as to whether the District Council:

(a) offers the T11 site for sale as a separate plot for development; or

(b) concludes negotiations with the County Council on the principal terms of vehicular access rights through the T11 site and participates in a joint marketing of the two sites. If marketed on a joint basis, prospective purchasers could be invited to submit separate offers for the T11 site alone for the Cabinet's consideration;

(c) includes or excludes the Depot in these development proposals. Having a 105-metre Langston Road frontage, the Depot could be developed separately in a later phase; or

(d) pursues a planning application for retail warehousing or vehicle showroom development (Class A1). Irrespective of whether the Depot is included or not, an overage clause could be incorporated in the T11 site sale. In this way, the Council would benefit from future payments if planning permission were granted for retail warehousing or vehicle showrooms and the consequent enhancement in land value.

28. The Leader of the Council has visited the sites and concurs with the recommendations at the beginning of the report as the best way forward to achieve a comprehensive development in the area.

### **Statement In Support Of Recommended Action:**

29. The implementation of the recommendations will assist the two Councils to promote a major development scheme providing large-scale employment opportunities and significant capital receipts.

### **Other Options Considered And Rejected:**

30. The recent development of the Langston Road Industrial Estate as a business centre and the latent demand for development sites in this area suggests that it is an appropriate time to bring these sites forward for development. Retention of these sites for future development is an option but no longer considered appropriate.

31. Whilst a retail warehouse development would produce the highest land value, a planning application for this use is not considered appropriate as current planning policy is opposed to such development in this location. To protect the Council's position it is recommended that an overage clause be incorporated in the sale as described in paragraph 27 (d) above.

### **Consultation Undertaken:**

32. Development proposals for the T11 site and ECC land are under discussion between the two Councils and with interested developers.

### **Resource Implications:**

**Budget Provision:** Capital receipt and possible future overage from the sale of a major development site. Planning consultancy, environmental assessment, ground conditions investigations and marketing agents' costs.

**Personnel:** Valuation and Estate Management Service, planning, environmental and property consultants.

**Land:** Depot, T11 development site and ECC land, Langston Road Industrial Estate, Loughton.

**Community Plan/BVPP Reference:** FPM1 – maximise capital receipts.

**Relevant Statutory Powers:** Section 123 Local Government Act 1972 – best consideration for land and property assets.

**Background Papers:** Property file EV/844 and planning application EPF/1450/06.

**Environmental/Human Rights/Crime and Disorder Act Implications:** None.

**Key Decision Reference (if required):** N/A.