

Report to the North Weald Airfield Strategy Cabinet Committee



**Epping Forest
District Council**

Date of meeting: 31 July 2007.

Subject: Future Use of Hangar One.

Officer contact for further information: Derek Macnab (01992 – 564260).

Democratic Services Officer: Gary Woodhall (01992 – 564470).

Recommendations/Decisions Required:

(1) That, provided it is felt best consideration has been obtained, a minimum ten-year lease with Becro Engineering Limited at a annual rent of £85,000 per annum subject to review after 5 years on a full repairing basis, for the purposes of fabricating structural steelwork, be agreed as the best future option for the use of Hangar One;

(2) That the final terms of the lease, to include further information about the proposed refurbishment and maintenance works, be negotiated with Becro Engineering Limited and reported to the Cabinet for final approval by the Finance, Performance Management and Corporate Support Services Portfolio Holder; and

(3) That, as the proposed future manufacturing use is a departure from the current general storage or distribution users, any potential environmental impact of the proposal be fully considered as part of the planning application process.

Report:

1. In addition to the Retail Market, Hughmark International also leases a building known as Hangar One. This building erected by the Royal Air Force in the mid 1930s for the housing and maintenance of aircraft, is located within the Employment Zone of the Airfield, as shown on the Map attached at Appendix 1.

2. Hughmark's original intention in entering into the lease was to use the facility for a covered extension to their market activities. This has proven not to be altogether successful, in part due to being an unpopular location with traders, but mainly because of practical issues such as the general condition of the Hangar and in particular the main doors, which require the assistance of a forklift truck to open and close.

3. As a result and in accordance with the terms of their Agreement, on 25 June 2007 Hughmark International served notice on the Council to terminate their lease, on 31 December 2007. (They were granted a full repairing lease in May 2005, expiring on 31 December 2010, with annual break clauses exercisable by either party effective on 31 December 2007 and annually thereafter). The lease for Hangar One currently provides £85,000 annual income to the Council, therefore as a result of the termination there will be not only a loss to the Council of £85,000 per annum, but also a significant cost to the Council of ongoing maintenance of the whole structure. Unfortunately, there is no historic cost information on this.

4. However, under the terms of the previous lease, to a warehousing tenant, the Council was only responsible for the routine day-to-day maintenance of the roofs, the cost for which is now estimated to be in the region of £15,000 per annum. It should be noted that as the building is over 70 years old, the main roof is reaching the end of its economic life and will

need to be fully refurbished in the very near future. Other necessary works will include replacing or repairing the main doors and providing modern electrical and mechanical services.

5. As per the Retail Market, the future of Hangar One was discussed at the Council's Management Board meeting on 15 November 2006, who requested that Leisure Services were to liaise with Estates regarding the possible replacement of Hangar One, and also with Planning and Estates about the possibilities for further rationalisation of land within the Airfield.

6. To date, Leisure and Estates have reviewed the present situation and concluded that the best option for the Council, if seeking to rationalise land use, would not be to redevelop the site itself but market it as a development opportunity. The sale price would therefore reflect the development value of the land value less the cost of demolition of the existing building. The resultant figure however would be less than the capitalised rent of the existing building, provided rental levels are maintained at present values.

7. In light of this, Hangar One was discussed further at the Management Board meeting of 20 June 2007. It was decided that Estates should continue to review the position with Hughmark International and if possible obtain the best consideration for the Council from a new tenant, if Hughmark International terminate the Lease.

8. Prior to their decision to terminate, Hughmark International instructed a commercial agent (Kemsley Whiteley and Ferris) to market the hangar, initially to assess the future letting potential. It is the view of the Head of Leisure, and Legal Services, that the Council has an obligation to advertise and market Hangar One. This would be in order to show that the Council has obtained best consideration. The fact that Hughmark International has marketed the unit (they used the same company as the Council had previously used) could demonstrate that best consideration was pursued and thus allow the Council to discuss terms with the new applicant. This would save time and expense to the Council and secure a continuous income stream for the letting of Hangar One, minimising the chances of the applicant looking elsewhere.

9. Kemsley Whiteley and Ferris have now confirmed the extent of their marketing activity. This commenced on 14 February 2007 with marketing particulars being circulated to 680 commercial agents in the London and Home Counties area via the Estate Agents Clearing House distribution system. In addition a 'To Let' board has been prominently displayed on the property. Websites have become the primary marketing tool for property of this type rather than traditional paper based advertising. The Kemsley Whiteley and Ferris website links directly into the Estates Gazette Property Link website providing maximum market exposure.

10. As a result of the marketing activity the Council was informed by Hughmark International that Becro Engineering Ltd, an existing tenant of the Council at Brooker Road Industrial Estate, Waltham Abbey, had shown interest in leasing Hangar One. They have offered an annual rent of £85,000 subject to review after 5 years. The condition of the Hangar has not been flagged up as an insurmountable issue by Becro, who have also verbally advised that the company would spend "...£1million..." refurbishing the hangar.

11. However in order to achieve a return on their investment Becro would need a minimum ten-year lease without break clauses. In addition a change of use to General Industrial (Class B2) will be needed. The Company fabricates structural steelwork for the building industry and are steelwork subcontractors to major construction firms including McAlpine, Balfour Beatty and Fitzpatrick. The manufacturing process involves making up bespoke structural steel sections from standard lengths of steel and erecting them on site. The production process is largely automated involving considerable investment in machinery. Their fully qualified workforce would be in the order of 60-70 with approximately 50% employed at the hangar and the remainder on construction sites. They intend to run an apprenticeship scheme and have been awarded funding by the Learning and Skills Council.

12. Members should be aware that there are concerns regarding the proposed change of use from storage to manufacturing, as this would be a new departure for the Airfield. These centre on the noise levels created by the manufacturing and vehicle movements, which may conflict with other Airfield users. Becro are making a planning application and the noise factor will be considered as part of this process. They also state that there will be five HGV movements a day with the occasional low loader, but with no oversize loads. Movements will be restricted to Monday-Friday during normal business hours, which would reduce the impact on the Saturday Market and other events.

13. Hangar One is situated within the Employment Zone on the Airfield and as such Planning Policy E1 in the Local Plan suggests that General Industrial (B2) uses are appropriate for this location. The East of England Plan is expected to require a substantial net increase in employment and therefore employment land. There has been a loss of employment land within the District and therefore the assumption is that existing employment land should be retained.

14. As highlighted earlier, Airfield leases granted in the last 10 years terminate at the end of 2010, with break clauses effective from the end 2007 and annually thereafter. They are contracted out of the security of tenure provisions of the Landlord and Tenant Act. However, the other principal leases within the Employment Zone are all long-term leases, pre-dating the above practice, as follows:

- (i) Hangar 1 - Vacant 31 December 2007;
- (ii) Hangar 5 - Lease expires 31 July 2008 but tenant entitled to new 15-year lease;
- (iii) Hangar 3 - Ground lease expires 26 February 2110;
- (iv) Bassett Business Units - Ground Lease expires 31 March 2117; and
- (v) Booker Warehouse - Ground lease expires 12 December 2135.

15. Accordingly granting a medium-term lease on Hangar One would not prejudice the potential for any comprehensive redevelopment for employment purposes.