Department for Transport

# The Department for Transport Land Strategy

5 October 2011

# Contents

## Introduction

This Land Strategy sets out an overview of our plans, programmes and projects as well as the strategy to be followed by officials in making property related decisions relating to housing land held by the Department for Transport (DfT).

## Organisational Structure

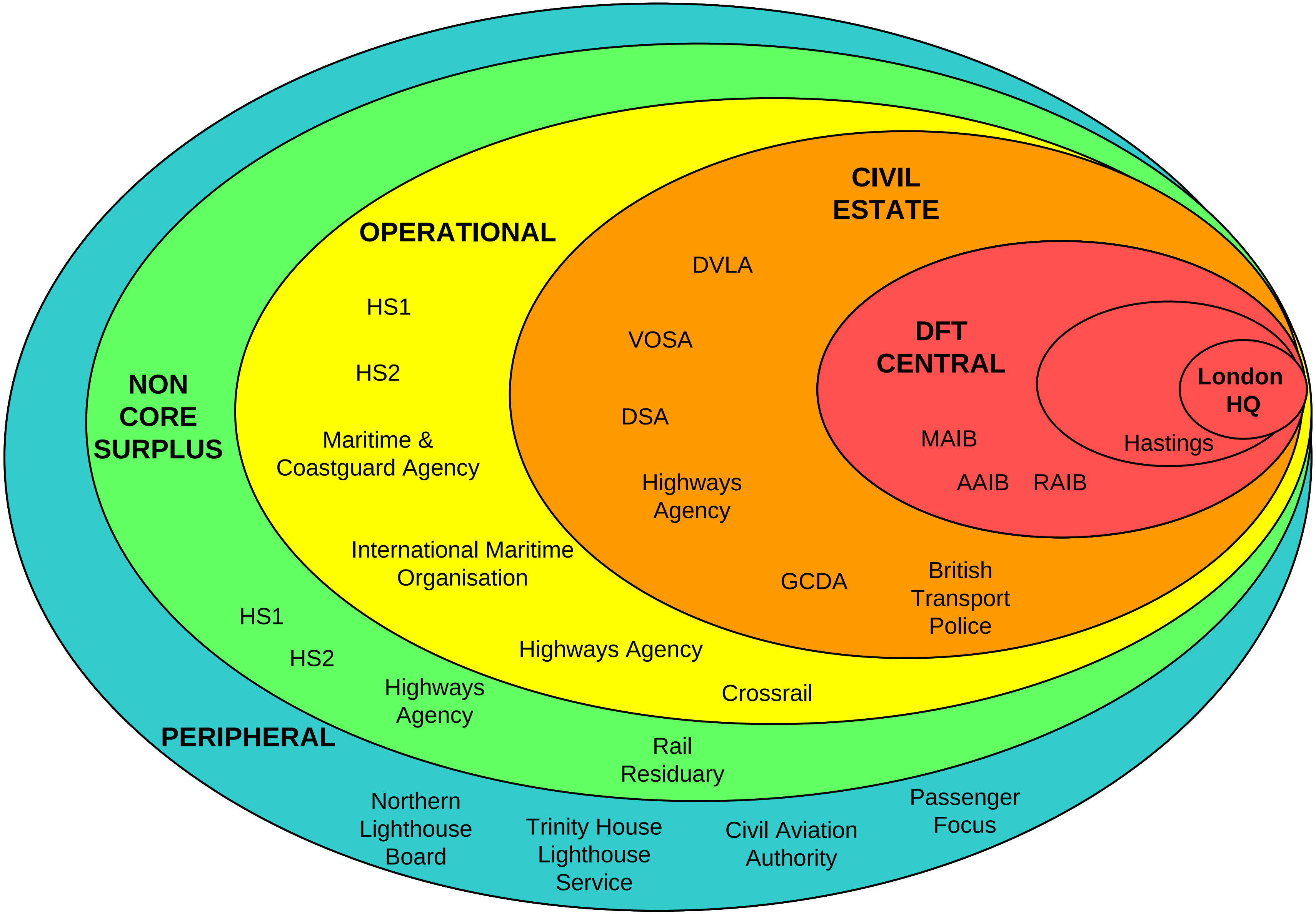
The DfT is a federated organisation and comprises a Central Department (responsible for policy decisions), seven Executive Agencies (responsible for operational delivery) and other associate bodies (such as High Speed 1, High Speed 2 and British Railways Board (Residuary)). The diverse nature of the business operations of DfT requires DfT and its Agencies to hold a complex range of assets in order to facilitate its business delivery. These include offices, training centres, driving test centres, weighbridges, Goods Vehicle Testing Stations, Marine Rescue Stations, aircraft hangers, radio sites and sea defences.

The DfT Estate comprises of circa 87,944 assets, of which, 81,229 assets[1] relate to Operational Highway. The majority of the remainder, 4,900, are BRBR.

The nature and extent of the total assets held by DfT are shown in the diagram below.

[1] The 81,229 operational Highway assets might be a larger number of individual property holdings upon investigation of the deeds packets.

***Figure 1 – Diagrammatic Representation of the DfT Estate***



## Strategic Principles

The strategic principles by which the Estate is managed are these:

1. All property is classified as Core or Non-Core. Core property is that which is used, or held, at present (and will still be at the end of a ten-year business planning horizon). Core Property is sub-divided into: (i) Permanent Core; and (ii) Temporary Core. Non-Core property is divided into: (i) “Land Held Pending Transport Scheme Use”; and (ii) Surplus property.
2. With the exception of Headquarters property and the Accident Investigation Branches all property decisions are delegated to the Agencies or Sponsored Bodies. It is a condition of the delegations that those organisations record their property on e-PIMS and we intend to widen that to include a requirement to record property boundaries in 2012.
3. Surplus property (which, by definition, is all Non-Core) is sold, after due diligence is undertaken and (where appropriate) planning permission is first obtained. Land Held Pending Transport Scheme Use (which is also all Non-Core) is reviewed by the relevant Agency or Sponsored Body to ensure that as soon as the route of the Transport scheme is finally known (or the scheme is abandoned) any land which is not needed is deemed to be Surplus.
4. Before Surplus land is sold DfT ensures that no other part of DfT needs it for a Transport Use via the Surplus Land Register. The Surplus Land Register is notified before the sale process commences.
5. As part of its operational structure in the future, DfT and its Agencies will only hold property which is required as part of its business delivery strategy, i.e. Core property. All Non-Core property will be disposed or reallocated via agreed procedures unless classified as Land Held Pending Transport Use. DfT has a portfolio of Land Held Pending Transport Scheme Use and DfT Agencies and Bodies (in particular the Highways Agency (HA)) will further review those holdings to ensure that surplus land is released for sale as soon as the route of a scheme is decided. The same will apply as soon as a scheme is abandoned.
6. The relevant DfT Agency or Sponsored Body has responsibility for disposal and accountability for capital receipts. In the case of London & Continental Railways (LCR) and British Rail Board Residuary (BRBR) (both of which are companies wholly owned by the Secretary of State) DfT monitors their performance through business plans and remits to maximise their capital receipts. In the case of the Highways Agency (and other Agencies) DfT exercises its role through the Sponsorship monitoring route. HA is expected to dispose of surplus property and substantial capital receipts from the sale of surplus property have been consistently achieved for many years.

LCR, BRBR and HA have been fully engaged in the preparation of this Land Strategy and are aware that the release of land for housing is a Government priority.

## Sources of housing land supply

The main sources of housing land supply held by the DfT Estate family comprises these:

### *Highways Agency*

The total estimated number of housing units on Highways Agency land is likely to be 145-150 units (see Annex A and Annex E)

| HA | Range | |
|---|---|---|
| CSR TOTAL | 145 | 145 |
| POST CSR TOTAL | 0 | 5 |
| TOTAL RANGE | 145 | 150 |

### *British Rail Body (Residuary) Ltd*

It is estimated that the total number of housing units might be from 1,693 to 1,973 in the CSR period - see Annex B and Annex E.

BRBR is expected to be abolished by 31 March 2013 under the proposed Public Bodies Abolition legislation subject to Royal Assent which is anticipated in 2011 and subject to subsequent parliamentary approval to the Abolition Order which is expected in 2012. DfT will look to London & Continental Railways will take over the management of any surplus BRBR property (which has positive value) on the abolition of BRBR. Liabilities such as burdensome structures (bridges and other structures relating to former railway lines) will mainly transfer to HA. DfT will manage the transfer in a way which does not delay any asset sales and consultation with staff of BRBR is shortly about to commence.

| BRBR | Range | |
|---|---|---|
| CSR TOTAL | 1693 | 1973 |
| POST CSR TOTAL | 75 | 610 |
| TOTAL RANGE | 1768 | 2583 |

### *London & Continental Railways Ltd*

The total number of units which might be delivered by 2019-20 is 3,266 However 1,181 of these relate to sites where planning permission has yet to be obtained and it includes 643 units where the land has already been sold. The land at Kings Cross being developed by London & Continental Railways in partnership with Argent and Excel will deliver an estimated 1,960 units of housing (of which 1,428 represents the London and Continental Railways former 73% share of the site). Likewise the land at Chobham Farm being developed by London & Continental Railways in partnership with the private sector is estimated to produce 1,085 units (of which 725 units are attributable to London & Continental Railways for their anticipated 55% share of the site). See Annex C and Annex D.

| LCR | Units |
|---|---|
| CSR TOTAL | 1161 |
| POST CSR TOTAL | 1462 |
| SITES PREVIOUSLY SOLD TOTAL | 643 |

### Other Agencies

Other agencies of DfT do have some surplus land from time to time which might be sold for housing but is unlikely to be significant in terms of the current initiative.

### *High Speed 2 (HS2)*

High Speed 2 Ltd is wholly owned by the Secretary of State. Land and property which is bought for HS2 will be recorded on e-PIMS (including boundaries electronically) and, in the interim, HA are providing property advice to assist HS2 and manage properties. Initially land and property bought for HS2 will be classified as: "Non-Core – Land Held Pending Transport Scheme Use". Once the route of HS2 is decided any unneeded land will be declared as being "Non-Core – Surplus". DfT has a policy of reviewing Land Held Pending Transport Scheme Use. However it is too early to be specific as to the precise application to any particular property until further decisions following the completion of consultation and the approval of parliament. For that reason it is not possible to predict at this stage the extent to which such surplus land could add to housing land supply. Some property is being bought (under the Exceptional Hardship Scheme) and the position will be kept under continual review.

## Cross Cutting Issues

DfT and its Agencies and Bodies will work closely with the Homes & Communities Agency (HCA) in terms of the release of land for housing and will consult with HCA where requested to do so in respect of any particular site. DfT will look favourably upon proposals such as "build now, pay later" (subject to H M Treasury approval) and care will be taken minimise the flooding local housing markets. DfT will sell land as quickly as possible once it has been declared surplus, however this will normally be after planning permission has been obtained. In some cases claw-back clauses to protect the Taxpayer will be included in sale agreements. The presumption will be in favour of early sales subject to the interests of the Taxpayer being kept in mind in terms of value for money.

## Property Recording Project "Electronic Domesday Book"

A key component of the DfT Land Strategy is the fact that DfT has created an electronic link between e-PIMS (the mandatory system for the recording of property on the Civil Estate) and a Geographical Information System. This enables DfT to electronically identify all of its land-holdings on an electronic map base. All DfT landholdings are being loaded onto the system and substantial progress has been made. DfT expects this to be complete in 2012 and all new land acquisitions and disposals (including for HS2) will be recorded onto the system (dubbed the “Electronic Domesday Book”). This will assist with the early identification of any surplus property once the routes of road, rail and other Transport projects have been decided and will assist in avoiding the orphaning of property assets.

# Annex A – Highways Agency disposal of land for housing

| SITE | FORECAST SALE DATE | COMMENTS | UNITS | FINANCIAL YEAR |
|---|---|---|---|---|
| Properties at Stourbridge Road, Hagley, Worcestershire | 21/10/2011 | This is a multi property site consisting of houses and a former pub being sold subject to a clawback, additional 5 units anticipated. | 5 | 2011/12 |
| Barn at Brains Lane, Sparkford, Yeovil, Somerset | 31/08/2011 | Planning permission obtained for conversion of Barn to residential use - marketing to commence | 1 | 2011/12 |
| Land at Park Prewett Hospital Site, Basingstoke, Hampshire | 01/04/2012 | Planning application submitted - Basingstoke requiring additional information. Due to be determined in Sept 2011 | 122 | 2012/13 |
| The Old Bakery, 92 Redwick Road, Bristol, South Glos, | 29/06/2012 | Residential property with large garden/paddock adjacent to M48 planning potential for circa 5 units being investigated | 5 | 2012/13 |
| Land East of Church Lane, Pyecombe, West Sussex | 31/03/2013 | Planning team in place - Requires agreeing a deal with the neighbouring land owners valuer to open discussion. | 12 | 2013/14 |

### Summary

| | 2011-12 | 2012-13 | 2013-14 | 2014-15 | Future |
|---|---|---|---|---|---|
| **Units** | 6 | 127 | 12 | 2 (not yet identified) | 3 (not yet identified) |

## Annex B – BRBR disposal of land for housing

| Site Name | Number of Housing units | Number of Housing Units - High Risk | Notes | Disposal Year |
|---|---|---|---|---|
| Bexhill: Former Galley Hill Sidings | 65 | | | 2011/12 |
| Colchester Town: Lower Yard, Magdalen Street | 90 | | | 2012/13 |
| Elstree: Land to rear of former goods yard | 0 | | Network Rail land | 2016/17 |
| Folkestone West: Former goods yard | 0 | 30 | | 2013/14 |
| Hassocks: Land north of Clayton Tunnel | 0 | | | |
| Hertford East: Coal yard | 50 | | | 2013/14 |
| Marks Tey: Site of Stanway Sidings | 128 | | | 2011/12 |
| Rye: Land north of station (back land) | 0 | | | |
| Tadworth: British Transport Police Training Centre | 8 | | | 2012/13 |
| Wivelsfield: Land at Keymer Jn (west of line) | 0 | | | |
| Wivelsfield: Land at Keymer Jn (east of line) | 5 | | | 2012/13 |
| Wivelsfield: Land near Bridge 153 | 0 | | | |
| Wivelsfield: Land north of Leylands Road (west of line) | 0 | | | |
| Aintree: Aintree Triangle | 130 | | | 2012/13 |
| Bedford St Johns: Old station site and goods yard | 50 | | Based on significant area of pos likely to be required to retain current existing use and possibly expand | 2013/14 |
| Bristol: Ashton Gate, former Engineers Depot | 120 | | | 2013/14 |
| East Croydon: Land at Lansdowne Road | 30 | 150 | 176-191 apartments scheme designed. Would need change in planning. | 2013/14 |
| Whitchurch: Former Goods Yard & Branch | 90 | | | 2013/14 |
| Oxford: South End Yard | 200 | | | |
| Colne: Colne to Foulridge closed railway | 0 | | | 2013/14 |
| Swindon: Former Sidings | 175 | | | 2013/14 |
| Haltwhistle: Land South of Station | 33 | | | 2012/13 |
| Westbury: Site of Former Training School and agricultural land | 240 | | | 2013/14 |

| Site Name | Number of Housing units | Number of Housing Units - High Risk | Notes | Disposal Year |
|---|---|---|---|---|
| Charwelton: Station site and cutting | 0 | | | |
| Hull Springbank: Land at Calvert Lane | 105 | | Included railway embankment. Reverted to original allocation boundary. | 2012/13 |
| Leamington Spa: Land in Goods Yard | 75 | | | 2015/16 |
| North Pole Depot | 0 | 485 | Blue area is 32.5 acres which might be surplus. | 2015/16 |
| Old Oak Common: Land and building adjacent to Old Oak Common Lane | 0 | | Retained for possible HS2 purposes. Railway embankments with café at bottom. No residential potential. | |
| Swinton: Site of Electric House | 6 | | | 2012/13 |
| Wivelsfield: Land to rear of Valebridge Road | 6 | | | |
| Carlisle: London Road Yard | 60 | | Number emerged in discussion with Persimmon | 2011/12 |
| Former goods yard, Gobowen | 23 | | | 2012/13 |
| Glazebrook: Site of former sidings | | 30 | Site sizes estimated. Retained for transport use therefore high risk. | 2014/15 |
| Glazebrook: Triangle of land at Moss Road | | 20 | Site sizes estimated. Retained for transport use therefore high risk. | 2014/15 |
| Selhurst: Former Emergency Spur (land at Roden Gardens) | 4 | | | 2012/13 |
| Stafford: Land off Wolverhampton Road | 50 | | Going into auction within next few months | 2011/12 |
| Uckfield: Former station site and goods yard | 25 | | | 2013/14 |
| Weston super Mare | | 100 | | 2013/14 |
| Total | 1768 | 815 | | |

Notes:

Several of the above sites have not been released for disposal and are currently retained for possible transport projects. These are: Bedford, Glazebrook, North Pole and Wivelsfield (all).

# Annex C – London & Continental Railways Ltd: Land Strategy

LCR manages its assets to maximise their value over the longer-term.

LCR's development strategy has been to use its major sites as equity to participate in the increased developer's profit, and enhanced property values, arising in the long-term from the regeneration around the HS1 stations.

LCR has some of the most exciting regeneration property assets in the country. They fall into four areas:

- A significant share interest in King's Cross Central General Partnership Ltd plus additional loans. This is now a well-established joint venture company where LCR is an active partner and board member.
- A 50% share of Stratford City Business District Ltd (a 50/50 joint venture company with Lend Lease). This is a new joint venture which has just been established to take forward The International Quarter at Stratford City, and is based on the King's Cross Central approach with an active role for LCR as partner and board member.
- A land pooling arrangement with the London Borough of Newham involving 15 acres of land at Leyton Road, Stratford. Once a land pooling agreement has been signed the intention is to select a development partner and establish a joint venture company based on LCR's experience with both King's Cross and Stratford. LCR has been proactive in establishing this venture.
- Surplus transport related properties including surplus HS1 sites and other transport related properties where there is development potential and the opportunity for LCR to add value prior to disposal.

The first three areas all involve long-term regeneration projects where values will mature over time, as the schemes develop; the market recognises the full potential of location; and infrastructure investment is completed. The fourth areas currently involve shorter and medium term sites where LCR is adding value through a positive stewardship and disposal strategy.

LCR's development team has a very successful track record of minimising property costs and maximising the value of LCR's property assets. LCR has considerable experience in negotiating land pooling agreements with adjoining owners and establishing joint venture companies with development partners. LCR has worked with long-term development partners to manage the key assets at King's Cross Central and Stratford City. The aim has been to share in the equity growth that comes with participation in development joint venture companies. LCR has been able to use the land as equity to match capital contributions from the development partners. Working closely with our partners LCR has fully participated in setting the strategic direction of the joint venture businesses.

Stewardship of LCR's interests includes:

1. Marketing and sales of the smaller surplus land sites;
2. Adding value to the smaller and medium sized sites by resolving any planning and land issues;
3. Concluding existing property obligations in relation to LCR properties;

4. Board representation on the joint venture companies which have been or are to be established;
5. Participating in joint venture company working groups to monitor the progress of the schemes and address any issues that LCR can assist with, particularly in relation to public bodies etc.;
6. Approval of joint venture budgets and business plans to ensure value is created for the joint venture rather than being diverted into development partners management fees; and
7. Assisting partners with any transport or Olympic interface issues.

The primary risks for the business relate to the uncertainties of the economy and in particular the strength of the property market. These risks are managed actively through the governance of the joint venture companies and the skills of our commercial development partners.

### *Governance*

LCR is a wholly owned Government company with an independent high profile Board. It is anticipated that LCR will continue to be a Government owned property development company with an experienced property executive. Government control and direction will continue to be through the LCR Board, with LCR executive representatives on the special purpose vehicle boards and management groups. LCR has an agreed Business Plan which guides its future direction.

Various nodal centres in London; Paddington and Broadgate and the East side of London including Canary Wharf have been going through this process for 20 years or more, partly as a consequence of natural evolution of its economy from trade and industry to services, the decentralisation of activity, and significant investment in new infrastructure. All of LCR’s major regeneration projects face this challenge.

Value is created over time as a result of investment in a sequence of different aspects, from land assembly and remediation, through infrastructure and servicing to construction and “animation” of the social realm. As a consequence land values can move from virtually zero or in some cases negative value to values that are among the highest in that city (e.g. La Defense in Paris; Spinningfields in Manchester; Brindley Place in Birmingham)

Stratford and King’s Cross have evolved in different ways to suit the different opportunities each location presents. Both allow incremental delivery of phases within a clearly articulated masterplan and delivery strategy; both will have strong elements of public realm and social investment in place by the time the first phases are delivered; and both have delivery partners in place with relatively strong balance-sheets and excellent experience of delivering projects of this type.

LCR’s two large principal land assets – King’s Cross Central and Stratford City - are following pretty much the ideal value growth curve; with KXC being ahead in establishing a sense of place prior to becoming a mature project with premium values. Moreover, the significant enabling costs have already been borne and the bulk of the financing needed now is project financing for building construction and delivery. LCR’s sites are about to enter the most significant value enhancing phase.

### *LCR and housing land supply*

LCR's key development sites are large mixed use schemes where the rate of residential development is driven by a number of factors:

1. Market demand for private sector homes;
2. Availability of finance for both infrastructure and building development;
3. The overall commercial phasing of each schemes infrastructure;
4. The availability of funding for any affordable homes;
5. The planning consent requirements in terms of phasing and timing of the different elements of these mixed use schemes; and
6. Each schemes business plan programme.

See Annex D for fuller details of LCR sites

### *King's Cross Homes*

The land at King's Cross, which is being developed by LCR in partnership with Argent, DHL and Hermes, will deliver an estimated 2,046 units (of which 1,494 represent LCR's 73% share of the original site area) including student housing. The development of King's Cross residential plots is determined by the partnership's business plan.

These homes will offer a range of affordable housing options. They include shared ownership, shared equity and other 'intermediate' homes for sale and/or rent, and social housing - including extra care homes for the frail/elderly. Many of the affordable homes will be targeted at local people and be transferred, upon completion, to our affordable housing partner, One Housing Group. Approximately 44% of the total number of homes will be affordable.

A key issue going forward is the availability of grant funding from the HCA to underpin the pricing required to deliver the planning obligations in relation to the affordable homes. With the change in housing grant regime there will be a need to negotiate new arrangements with Camden to keep the project on track.

### *Chobham Farm and Angel Lane sites*

All of these sites are to be let to the ODA until after the Olympics.

**Chobham Farm North** site is leased to the ODA/LOCOG until after the Olympics. It is currently subject to a land-pooling arrangement with other major landowner (and discussions underway with another) to facilitate a wider comprehensive development. A development agreement with a joint venture development partner is anticipated 2012-2015. This may take a similar form to LCR's arrangements at King's Cross and Stratford City. Consideration is currently being given to accelerated preparation of an outline and first phase planning application with potential for earlier delivery of a first phase. Delivery will be phased over a number of years and timing is likely to be impacted by the large supply of other residential land and developments in the local area e.g. Olympic Village and Park site. The figures for Chobham Farm North (included within the total Chobham Farm figures above) reflect LCR's anticipated 55% share of the site.

**Chobham Farm South and Angel Lane** sites are both subject to an option agreements and their development will depend on the outcome of this option arrangement. Chobham Farm South site is leased to the ODA/LOCOG until after the Olympics. Development options already exist on the site within the local development framework. A new permanent site access is required onto Angel Lane Bridge. LCR anticipated sale of this site post Games during 2013-2014. Around 285 homes are assumed as part of this mixed use development. No design work has yet been undertaken.

Angel Lane site is to be leased to the ODA/LOCOG until after the Olympics. Development options already exist on the site. An outline application was submitted in February 2010 for the development and it has been resolved to grant permission subject to completion of a S106 Agreement. A new permanent site access is required onto Great Eastern Road. LCR anticipated that the site will include 274 homes and will be brought forward for sale during 2013-2014.

### *Stratford City: Zone 2*

Zone 2 has outline planning consent for approximately 334 homes, 30% of which will be affordable. The residential plots for part of the land LCR has committed to the joint venture company with Lend Lease (The International Quarter). The land is leased to ODA until after the Olympics. This residential element of Zone 2 forms a small and later component of a large office development site. It will be developed in the later stages of the development due to the significant volume of new and available residential properties in the area post Olympics.

# Contacts

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