



# **Chrisp Street Regeneration**

## **Report on the Conduct of Pre-Compulsory Purchase Acquisitions**

Prepared for  
London Borough Tower Hamlets

27<sup>th</sup> January 2021

## **Contents**

1	Introduction	3
2	Monitoring Role	3
3	Executive Summary	4
4	Public Communications	5
5	Residential Acquisitions	7
6	Commercial Acquisitions	10
7	Conclusion	12

---

## Compulsory Purchase and Infrastructure

Meloneze Wynter MRICS  
Senior Strategic Asset Manager  
Asset Management  
Place Directorate  
London Borough of Tower Hamlets  
Town Hall  
London  
E14 2BG

John Davies  
Director  
BNP Paribas Real Estate  
5 Aldermanbury Square  
London  
EC2V 7BP  
Tel: +44 (0) 20 7338 4136  
Email: john.davies@realestate.bnpparibas

Date: 27<sup>th</sup> January 2021

Dear Meloneze,

## **CHRISP STREET REGENERATION REVIEW OF PRE-COMPULSORY PURCHASE ACQUISITIONS**

### **1 Introduction**

In accordance with your instructions we have conducted a further review of the conduct and progress of acquisitions undertaken by the Council's development partner, CSDL/HARCA, in advance of the Council making a compulsory purchase order ('CPO'). This report updates the reviews set out in the reports to you dated 29<sup>th</sup> March 2019 and 4<sup>th</sup> June 2020.

The regeneration is being undertaken by a partnership between Chrisp Street Developments Limited ('CSDL'), a wholly owned subsidiary of Telford Homes, who will be responsible for delivering the scheme, and Poplar HARCA ('HARCA'), who will be responsible for owning and managing the affordable housing.

### **2 Monitoring Role**

I am a Director in the Compulsory Purchase and Infrastructure team at BNP Paribas Real Estate ('BNPPRE'). Over the past 16 years I have acted for acquiring authorities on numerous regeneration, housing and transport schemes across the country. I also act extensively for claimants affected by CPO, dealing with claims both in the shadow of and following compulsory purchase.

BNPPRE was appointed by the London Borough of Tower Hamlets in December 2018 to monitor the conduct of pre-CPO acquisitions by CSDL/HARCA to ensure that negotiations with affected parties were being undertaken in a fair manner and in accordance with good CPO practice having regard in particular to the government's *Guidance on Compulsory purchase process and The Crichel Down Rule* (updated 2019) and the provisions of the CPO compensation code.

Prior to our appointment the Council's regeneration officers Monju Ali and Aaron Cahill monitored the progress of acquisitions by CSDL/HARCA, attending regular update meetings as well as frequent ad hoc communication with their consultants. Upon our appointment we were briefed by Mr Ali and Mr Cahill on the history of acquisitions to date.

Since December 2018 we have attended monthly acquisition monitoring meetings with CSDL, HARCA and their commercial, residential and CPO consultants to review the acquisition schedules property by property. We have also had extensive further ad hoc correspondence and meetings with them and prior to the making of the Order we have reviewed all outstanding negotiations including the history of contacts with claimants for a representative sample of commercial and residential acquisitions.

We have attended a number of meetings with affected parties where we deemed it appropriate for the Council to monitor progress directly or to facilitate a negotiated settlement.

In the months preceding the making of the Order we have written on several occasions on behalf of the Council to all outstanding landowners inviting them to a meeting in order that the Council can explain its proposals and to provide assistance in facilitating settlements.

## 3 Executive Summary

### **Residential private leasehold acquisitions**

- Continued good progress on residential acquisitions with 10 out of 10 (100%) of phase 1 flats acquired and 23 out of 35 (66%) of phase 2 flats either completed or terms agreed. There are 12 remaining acquisitions where terms have not been agreed.
- CSDL/HARCA have demonstrated in several cases a willingness to offer compensation packages in excess of the strict requirements of the compensation code in order to acquire by agreement
- CSDL/HARCA have been sensitive and flexible in accommodating the needs of leaseholders in the provision and adaptation of relocation properties
- CSDL/HARCA should demonstrate their continuing commitment to acquiring the remaining 12 leaseholds by agreement where reasonably possible and liaise with leaseholders to mitigate the impact of acquisition both prior to and following the confirmation of the Order and until the point where service of GVD/Notice to Treat becomes necessary.

### **Commercial acquisitions**

- There are 7 remaining acquisitions or lease variations to be completed; 59 out of 68 acquisitions (87%) have been completed. In 2 of those cases the grant of short-term leases on flexible terms which would avoid the need for CPO are close to being concluded. There are therefore 5 cases under negotiation.
- Evidence of continued engagement with leaseholders in an effort to resolve matters by agreement provides a strong underpinning to the case for CPO
- The remaining independent retailers appear to involve subsidiary/compensation issues upon which the parties are in continuing active discussions
- CSDL/HARCA have sought to accommodate retailers within the scheme where reasonably possible
- Compensation offers, which are based on the Leasehold Offer, meet the entitlement under the Compensation Code and in some aspects significantly exceed it. For instance, we note that CSDL have undertaken to meet the full cost of fitting out and equipping shops without adjustment for the obsolescence of existing facilities
- There remains significant further engagement to be had with the multiple retailers but these again appear to relate to subsidiary matters of specification and compensation. CSDL/HARCA have made reasonable efforts to relocate multiple retailers within the scheme where the retailers have been ready to make a business decision

- CSDL/HARCA should make continuing efforts to relocate retailers and acquire existing leases by agreement both prior to and following the confirmation of the Order
- There is widespread satisfaction with the relocation offer for lockups with only 1 trader out of 31 expressing opposition
- The former Post Office sorting office was, after being acquired by CSDL/HARCA, re-let to Iridium to sub-let as flexible workspace until vacant possession was needed for the development. CSDL/HARCA have been working with Iridium since August 2020 to clarify and regularise the position of all sub-tenants to ensure that vacant possession can be provided as agreed. Good progress has been made on securing statutory declarations from tenants. Out of the 55 units there remain 11 cases where declarations have not been obtained but they include 7 cases where Iridium are waiting for the return of keys or are seeking immediate possession. CSDL/HARCA have informed us that they will continue to liaise with Iridium to endeavour to resolve the other 4 cases before the CPO is made.

### **Conclusion and Recommendations**

We are satisfied with CSDL/HARCA's conduct of acquisitions in regard to both making reasonable efforts to acquire both the residential and commercial interests by agreement and in making reasonable efforts to mitigate the impact of acquisition by offering relocation premises.

Before the making of the Order we have recommended and CSDL/HARCA have agreed the following matters:

- a) Website – we note that CSDL/HARCA have now added a statement drawing leaseholders' attention to the Council's translation services. A link to the suite of CPO documents will be added once the Order is made
- b) A commitment to ongoing dialogue with the multiples, which the Council will monitor.
- c) A commitment to ongoing dialogue with the remaining residential leaseholders including seeking to acquire by agreement. CSDL/HARCA have drawn up an individualised approach to engagement for each leaseholder which will be implemented in the remaining weeks prior to the making of the CPO. The Council will monitor ensuing action plans.
- d) Endeavour to resolve the status of the 4 remaining Iridium sub-tenants to confirm that compulsory purchase will not be needed.
- e) CSDL/HARCA have provided further clarity on the information provided to leaseholders regarding the leasehold offer and their rights in regard to the CPO process and compensation. CSDL/HARCA has collated a comprehensive record of engagement with supporting documentation which it has shared with the Council prior to the making of the Order.

## **4 Public Communications**

### **Overview**

HARCA have been in control of communication with the local residents of Chrisp Street. Key stakeholders have been identified as: market traders, shopkeepers, shoppers and residents; as well as the wider public who will also be informed and be able to comment on the scheme. HARCA have used and are planning to use different forms of communication including:

- Newsletters
- Flyers /Signage
- Website
- Chrisp Street Consultative Group
- Estate Board system

## **Current Public Communications**

### **Newsletters**

There have been a series of newsletters for market traders explaining how and where the market will move to during the refurbishment of Market Square. Local residents are also kept informed through a quarterly newsletter that is distributed to approximately 8,000 households, with copies also being available in local community centres, doctors' surgeries and other public buildings. The last physical newsletter was sent out in December 2019. Due to Covid-19, updates have since then been provided on the website, the last one in August 2020. A further update will be uploaded before the Order is made.

### **Website**

This has information about the regeneration, with sections such as: Useful Downloads (Offer brochures), FAQs, Useful Links (Chrisp Street planning website and the Council's website), Contacts (email, phone number, address).

We have viewed the project website and subject to the two remaining actions recommended above we are satisfied that it provides the information (or links thereto) to enable the public to appraise itself of the proposals.

### **Flyers/Signage**

Shoppers have access to information through posters displayed in the Management Office and (prior to the Covid-19 pandemic) flyers which were distributed through the retail outlets. When the works begin hoardings will be erected around the building sites. These hoardings will be dressed regularly with updates on progress as well as advertising for existing businesses within the market. A signage and wayfinding strategy is being developed.

We have generally found communications on the ground to be very good and accessible to local people, mainly due to the well-staffed and well-located Management Office, which is situated in a retail unit on Market Way, in the centre of the scheme.

### **Chrisp Street Consultative Group**

This is chaired by a local ward member and made up of representatives of traders, residents, local community groups, HARCA and CSDL. The group meets quarterly to be updated on progress and to discuss the future of the market but meetings have been suspended during Covid-19.

### **Estate Board System**

Lansbury South & North Estate Board is made up of residents who live in and around Chrisp Street Market. As the residents most likely to be impacted by the project, all Estate Boards have been kept up to date with progress.

### **During COVID-19**

CSDL/HARCA's retail consultant AMM Ltd is usually the point of contact on the ground but they have worked remotely during lockdown. However the management office in Chrisp Street Market has continued to be manned by a Knight Frank professional (centre manager), who is working there during the week to set up social distancing measures. Having the management office staffed has kept the communication lines with the commercial tenants open as the centre manager has directed enquiries regarding the development to AMM.

### **Conclusion**

It has been shown that there has been engagement with the Chrisp Street Consultative Group and Estate Board system and clearly there has been extensive consultation with residents/traders both on a formal and on a more informal day-day basis. Communications on the ground are accessible and from our observations professional and responsive.

## 5 Residential Acquisitions

### Overview

The land interests affected by the proposal include: a 100 pitch Street Market; 31 lock-up premises (and associated WC block); 212 homes; 64 small to medium sized commercial units providing a range of retail, café, food and other services; and four major business units, principally the bank, post office, and two major supermarkets, one of which has the benefit of an associated car park at street level to the east of Chrisp Street. Also included are the Council's Idea Store; One Stop Shop; and a Children's Centre (formerly known as the Sure Start Centre), split over two sites. There are also 31 lock-ups for concept and start-up retail businesses.

### Review of Residential meetings/negotiations/offer

We had a conference call with Tony Draper of HARCA on 7th May 2020 to address the current status of the residential private leaseholders in the multiple buildings within the redevelopment and I have since had a series of further calls with him. The status of all acquisitions was reviewed at the latest monthly Acquisitions Review meeting held on 25 November 2020.

At present, as shown in the table below (*Table of residential acquisitions*) that there are only 16 remaining acquisitions to be completed. Of those, terms have been substantively agreed in 4 cases so there are 12 active negotiations to be concluded. There are no further leaseholds to be bought out in Phase 1, which is very positive to see.

*Table of residential acquisitions:*

Block	Total Homes	Total Leaseholds	Leaseholds Acquired	Leaseholds to be Acquired
<b>Phase 1</b>				
Aurora	8	5	5	0
Clarissa	16	5	5	0
<b>Phase 2</b>				
Ennis	16	4	1	3
Fitzgerald	73	8	5	3
Kerbey - Nos 2-30	15	2	2	0
Kilmore	16	5	2	3
Market Square - Nos 35-59	25	16	9	7
<b>Total</b>	<b>169</b>	<b>45</b>	<b>29</b>	<b>16*</b>

\*Includes 4 cases where terms have been informally agreed

### Spot Check of Three Residential Acquisitions

We asked CSDL/HARCA to provide full details, including supporting correspondence, of the conduct of negotiations for a sample of cases which in our view would capture a range of issues they had to address in order to secure agreement. Three cases are described below.

### **Flat in Aurora House – Dispute of Market Value**

In March 2019 we reported on the one remaining challenging acquisition then in progress in phase 1. We had accompanied Robert Lantsbury (HARCA), Monju Ali and Aaron Cahill (LBTH) to a meeting with the co-leaseholders in January 2019.

Following the meeting and taking on board the leaseholders' concerns about the basis of the previous valuation an improved offer was issued and accepted by the leaseholders. The acquisition was completed in September 2019.

We noted that there was uncertainty whether the initial valuation reflected the correct basis of valuation inasmuch as the property should have been valued in a no-scheme world disregarding blight caused by the CPO proposals. The revised valuation correctly clarified the basis of valuation.

### **Flat in Clarissa House – Resident leaseholders lease swap**

The leaseholders were disabled and therefore needed help in finding a new home but wished to stay within the Chrisp Street area.

In 2017 the leaseholders viewed a relocation property provided by HARCA as a potential lease swap and this was agreed, including adaptation works to the property to be carried out by CSDL/HARCA. On the 14 June 2019 contracts were exchanged on the sale of 2 Clarissa House and 14 Cordelia Street.

### **Flat at Kilmore House – Absentee leaseholder deal**

An initial valuation report was prepared by Savills for HARCA. The leaseholder then commissioned their own valuation from Hilbery & Chaplin. On the 29 October 2018 an all-inclusive offer was accepted and the acquisition was completed on 30 November 2018.

### **Attendance at Leaseholder Meetings prior to Making of Order**

On 24 August 2020 the Council wrote to all of the remaining 16 leaseholder whose properties CSDL/HARCA have been unable to acquire by agreement. In the letters the Council stated that it intended to make an Order in autumn 2020 and that it wished to arrange a meeting either at the property or at Chrisp Street Management Office. Where no response was received, reminder letters from the Council reiterating the offer to meet were sent on 3 September 2020 and 8 October 2020 and BNPPRE has subsequently followed up with further reminders by email.

The purpose of the meetings, which were attended by representatives of the Council, BNPPRE and HARCA, was to explain why the Council supported the regeneration scheme; its intention to make a CPO; the CPO process including the right to object to the Order; the basis of compensation under the compensation code; their right to obtain independent professional advice, the cost of which would be reimbursed; and how the Council could assist in addressing the leaseholders' concerns and facilitate constructive negotiations with HARCA in order to avoid the need for compulsory acquisition.

### **Review of Correspondence for a Sample of Cases**

In November 2020 the Council requested that BNPPRE review the correspondence between CSDL/HARCA and leaseholders on a sample of 3 outstanding acquisitions. We have reviewed copies of the main correspondence and of the contact sheets summarising all contact with the leaseholders provided by CSDL/HARCA.

### **Flat at Fitzgerald House – Owner/Occupier**

16 contacts (letters, emails, telephone conversations and visits to the property) are recorded between November 2018 and October 2020.

Following a meeting with the Council and HARCA in December 2018 a joint letter was sent in January 2019 summarising the meeting and explaining the Council's intentions regarding a CPO and their wish to acquire by agreement. A written offer was sent in July 2020 and a reminder letter reiterating the offer was sent in October 2020.



The above contacts are in addition to a letter sent by the Council on 24 August 2020 following which the Council, BNPPRE and Poplar HARCA attended a meeting with the leaseholder on 3 September 2019.

#### **Flat at Kilmore House – Absent Landlord**

16 contacts (letters, emails, telephone conversations and visits to the property) are recorded between August 2017 and October 2020.

Following a meeting with the Council and Poplar HARCA in December 2018 a joint letter was sent in January 2019 summarising the meeting and explaining the Council's intentions regarding a CPO and their wish to acquire by agreement. An independent valuation was prepared for HARCA in August 2017 and the leaseholder was informed of the valuation. A written offer was sent in July 2020 and a reminder letter reiterating the offer was sent in October 2020.

In addition, the Council has written to the leaseholder twice and BNPPRE emailed once between August 2020 and October 2020 seeking a meeting to explain the CPO and facilitate negotiations.

#### **Flat at Market Square – Owner Occupier**

11 contacts (letters, emails, telephone conversations and visits to the property) are recorded between September 2018 and October 2020.

An independent valuation was prepared for HARCA and a written offer made in June 2016. A further written offer was sent in July 2020 and a reminder letter reiterating the offer was sent in October 2020.

In addition, the Council has written to the leaseholder three times between August 2020 and October 2020 seeking a meeting to explain the CPO and facilitate negotiations.

We note that despite requests for meetings by HARCA there has been limited cooperation from the leaseholders.

#### **Conclusions from Sample**

There is a long and well recorded history of engagement with the leaseholders included in this sample. We note that in the third case the leaseholders have been reluctant to engage but it is clear HARCA have given them repeated opportunities to do so.

Offers supported by independent valuations were issued in all cases in July 2020 and in two of the cases earlier offers were made, in 2016 and 2017.

We are satisfied that HARCA have made thorough efforts to engage with the leaseholders including by Bengali-speaking personnel and that reasonable efforts have been made to acquire by agreement. The Council has been able to explain its intention to use CPO powers if necessary. This engagement has been supplemented by direct letters from the Council between August 2020 and October 2020.

#### **BNP Paribas Real Estate Commentary – Residential Acquisitions**

- CSDL/HARCA have made very good progress on residential acquisitions with 100% of phase 1 completed and 66% (23 out of 35 flats) of phase 2 substantively agreed or completed
- Negotiations appear to have been handled in a policy-compliant and sensitive manner
- Been prepared to take on board representations made by leaseholders and significantly increase the Market Value offer where it is justified
- CSDL/HARCA have been sympathetic and responsive to the special needs of leaseholders over and above compensation by identifying and adapting a relocation property
- They have drawn leaseholders' attention to their entitlement to take independent professional advice

- Since 24 August 2020 the Council has written to the remaining 16 outstanding leaseholders inviting them to a meeting with the Council and BNPPRE to explain the Council's proposals, the CPO process and the Compensation Code. The Council offered to provide assistance in facilitating agreement of terms between HARCA and the leaseholder. During October 2020 the Council or BNPPRE has written to all leaseholders who had not responded.

## 6 Commercial Acquisitions

### Commercial Offers

Commercial acquisitions are being conducted by AMM Ltd with the support of CPO specialists Gerald Eve for more complex compensation issues.

We have had numerous meetings and calls with AMM and have been updated on the state of acquisitions through regular tracker schedules.

As the table below indicates, 59 out of 68 (87%) agreements have exchanged with only 5 out of 68 (7%) not agreed at all (i.e. excluding those where heads of terms have been agreed or agreements are in legals).

Following the lifting of the first Covid-19 lockdown during which many operated with skeleton staffing, retailers focussed on non Covid-19 issues and while the second lockdown again distracted companies' resources to a more limited extent there has been active engagement with all of the outstanding multiple retailers.

Phase	Category	Terms to be agreed	Heads of Terms Agreed	Legal Documents in Preparation	Legal Documents Exchanged	Total
Phase 1	Relocations	1	0	1	21	23
Phase 2	Relocations	3	0	3	16	22
Phase 1	No Relocations	1	0	0	17	18
Phase 2	No Relocations	0	0	0	5	5
Total		5	0	4	59	68

### Multiples

There are four remaining acquisitions:

1. Renewal of existing lease on flexible terms agreed subject to agreement of short-term rent. A relocation shop within the scheme has been offered but the claimant is unable to make final decision on relocation terms until its financial position has stabilised.
2. Terms for new flexible lease agreed which will allow CSDL to obtain possession without recourse to CPO
3. Relocation shop agreed and heads of terms drafted but detailed specification under active discussion between AMM Ltd and retailer's agent.
4. Relocation shop agreed and heads of terms under negotiation but claimant unwilling to make final decision until post-Covid-19.

## **Independents**

There are three remaining independent retailers who need to relocate. BNPPRE and the Council met with each of these in August 2020. Relocation properties within the scheme have been agreed in all three cases and AMM have either agreed or are near to agreeing heads of terms with the retailers.

## **Concept and Start-Up Traders – Lockups**

There are 31 lockups, 4 being in phase 2 and 27 in phase 1. All but 2 of the lockups now have formal leases, which to be suitable for these informal type of businesses are terminable upon 3 months' notice.

There is widespread satisfaction with the relocation offer and only one trader has expressed opposition. HARCA have clearly consulted closely with traders, put all but three units on more regularised leases (but without rent increases) and arranged new accommodation that has been almost universally welcomed.

## **Iridium – Former Post Office Sorting Office**

This property was acquired by CSDL from the Post Office Limited and re-let to Iridium on terms, outside of the security of tenure provisions of the Landlord and Tenant Act 1954, allowing CSDL to obtain vacant possession when it wished to commence redevelopment works. Iridium operates serviced offices from the premises in the meantime.

We understand that AMM on behalf of CSDL are currently in discussions (the last meeting was on 20 November 2020) with Iridium and its lawyers regarding the status of one or more sub-tenants who may have been granted rights in breach of the head-lease granted to Iridium.

As discussed above, it is anticipated that vacant possession for development will be obtained as provided for in the contractual agreement with Iridium and compulsory purchase will not be necessary.

## **Sample Review of Correspondence**

### **Multiple Retailer – Vesey Path**

We have reviewed copies of the main correspondence and of the contact sheets summarising all contact with one commercial leaseholder, provided by CSDL/HARCA.

Between August 2015 and September 2020 there have been over 120 contacts between CSDL/HARCA's retail consultant, AMM Ltd, and the surveyor acting for the multiple retailer. These largely consist of brief emails and telephone conversations but it is clear that there has been close dialogue between the parties for a number of years. The retailer is represented by an agent who is very experienced in CPO and retail agency matters.

A new unit within the scheme has been identified and accepted in principle by the retailer as being suitable. Heads of terms have been issued but the final specification and terms for the new unit have not yet been finalised.

The Council and BNPPRE attended a meeting with the retailer's agent on 7 August 2020.

The record of engagement indicates that AMM has from an early stage explained the development proposals to the retailer and has made all reasonable efforts to engage with the claimant on the terms for a relocation to a new shop within the scheme. From our review of the correspondence and having attended the meeting with the retailer's agent, we are satisfied that all reasonable efforts have been made to conclude an acquisition by agreement. It is common for large retailers to put off concluding such agreements until the last moment given the competing priorities of managing a large estate and the wish not to commit resources to such matters as detailed store design until it is absolutely necessary.

---

## **BNP Paribas Real Estate Commentary – Commercial Acquisitions**

Having attended meetings on behalf of the Council with the other outstanding retailers we are satisfied that negotiations have been conducted in a similar manner to the sample case described above and that AMM have made all reasonable efforts to explain the proposals to claimants and to seek to acquire by agreement.

# 7 Conclusion

### **Residential Private Leaseholders**

As noted, CSDL/HARCA have completed the acquisition of all 10 units in phase 1 and are seeking to actively engage with the 12 remaining leaseholders where agreement has still to be reached in phase 2, a process that the Council is actively engaged in and will continue to monitor.

### **Commercial Tenants**

As stated in our March 2019 report, AMM Ltd, the developer's retail agent, clearly has an intimate understanding of the properties and leaseholders and their practical needs and has been in contact with the claimant over a number of years, for which they have kept detailed records. I can confirm that this remains the case.

The fact that there are remaining outstanding commercial acquisitions is, in the case of the independents, caused by subsidiary/compensation issues which are likely to be resolved by negotiation.

In the case of multiples, it is to be expected in the current economic climate and the impact of Covid-19 that these companies will defer decisions as long as possible. Nevertheless, in three out of the four cases a suitable relocation unit has been agreed in principle and terms are at an advanced stage of discussion. The progress of negotiations with the multiples will continue to be monitored by the Council.

Based upon our monitoring of their conduct since December 2019 and our review of the correspondence they have had with landowners, we are satisfied that CSDL/HARCA have sought to engage over a considerable period of time with affected parties and keep them informed of the progress of the scheme and of their rights. CSDL/HARCA appear to have made all reasonable efforts to acquire the residential and commercial interests by agreement and to mitigate the impact of acquisition. As a consequence, we are satisfied that the Council should proceed to make a CPO and, if agreement cannot be reached with landowners in parallel with the CPO process, to acquire the remaining properties by compulsory purchase.

Yours sincerely,

**John Davies**  
**Director**  
**Compulsory Purchase and Infrastructure**