

## REQUEST FOR DIRECTOR DECISION – DD2507

### Title: Romford Housing Zone, London Borough of Havering – Bridge Close Amendment

#### Executive Summary:

MD1632 designated Romford, within the London Borough of Havering (LB Havering), as a Housing Zone for the delivery of up to 3304 new homes of all tenures. DD2215 subsequently approved committing £12.4 million grant to enable LB Havering to purchase the affordable housing delivered within a public/private joint venture (JV) established to develop the Bridge Close industrial estate. Grant was to be drawn down partly at the vacant possession and partly at start on site milestones. Development of the site aimed to deliver 1,070 homes, of which 35% are affordable.

To ensure delivery of the regeneration at Bridge Close, this decision form is seeking reprofiling of the £12.4 million grant already committed through DD2215 to support LB Havering with delivery of the project in a revised JV structure. This decision form also seeks approval to extend completion dates for the Bridge Close intervention to 31 March 2029.

#### Decision:

That the Executive Director of Housing and Land and the Executive Director of Resources, after consulting with the Deputy Mayor for Housing and Residential Development, approve:

1. The reprofiling of the £12.4 million grant already committed through the Borough Intervention Agreement (BIA) between the GLA and LB Havering dated 23 March 2018 (pursuant to DD2215), to support LB Havering in the buy-out of their JV partner, land assembly and other related costs to facilitate the development of the scheme at the Bridge Close site, together with related amendments to the BIA as set out in this Director Decision form; and
2. An extension to the deadline for completions in the Romford Housing Zone to the end of 31 March 2029.

#### AUTHORISING DIRECTOR

I have reviewed the request and am satisfied it is correct and consistent with the Mayor's plans and priorities.

It has my approval.

**Name:** Rickardo Hyatt

**Position:** Executive Director, Housing & Land

**Signature:**



**Date:**

4 March 2021

## **PART I - NON-CONFIDENTIAL FACTS AND ADVICE**

### **Decision required – supporting report**

#### **1. Introduction and background**

- 1.1 In March 2016 Romford Town Centre was designated as a Housing Zone (HZ) by MD1632. Funding of £34.9 million was indicatively allocated to deliver up to 3304 new homes (of all tenures). Following this designation, the GLA and LB Havering entered into an Overarching Borough Agreement in September 2016, which formalised the indicative allocation.
- 1.2 In February 2018, DD2215 approved committing £12.4 million of the £34.9 million indicative allocation to enable LB Havering to purchase 214 affordable housing units from a public/private Joint Venture (JV) established to develop the Bridge Close industrial estate. DD2215 sets out that the Bridge Close intervention will deliver a total of 1,070 homes by 2026. The JV was originally in the form of a Limited Liability Partnership between LB Havering (50%) and a Special Purpose Vehicle (SPV) owned by Savills Investment Management Limited and First Base Limited (50% total).
- 1.3 A Borough Intervention Agreement (BIA) was entered into between the GLA and LB Havering in respect of the £12.4 million Housing Zone grant funding in March 2018. This agreement, under which LB Havering are required to procure delivery of 909 homes at the Bridge Close site (214 affordable and 695 market homes), profiled funding to be drawn down partly at the vacant possession and partly at start on site project milestones. The BIA also refers to a further 161 affordable homes that LB Havering were to provide through other funding sources to reach the overall target of 1070 new homes.
- 1.4 As a result of this funding commitment from the GLA, the JV was established in April 2018, and the SPV acquired significant property interests within the existing development boundary. Since establishment, the JV has progressed further land assembly, developed a masterplan and detailed plot designs, and undertaken significant local engagement and consultation.
- 1.5 The JV has been assembling land within the area. With the inclusion of additional properties where third party landowners have expressed interest in completing on an unconditional basis, it is anticipated that the JV are likely to be in control of approximately 48% of the proposed site by June 2021. This will leave 52% of the site to be acquired through private treaty or by means of a Compulsory Purchase Order (CPO). On this basis, a planning application has been developed and will be submitted by 30 June 2021.
- 1.6 Due to commercial risks, whilst current modelling indicates that the scheme is viable and deliverable for the Borough, the private partners in the JV have decided not to proceed and prioritise their investment elsewhere in London. As a result, and to safeguard the regeneration of Bridge Close, LB Havering has proceeded to buy out the SPV's interest in the JV. The JV limited liability partnership now comprises of LB Havering and a wholly owned subsidiary Bridge Close Regeneration Nominee Company Limited. LB Havering will therefore deliver the regeneration through this JV or directly (if it subsequently acquires the JV's interests).
- 1.7 This decision form seeks approval to reprofile the release of the previously committed £12.4m funding. This was due to be released at vacant possession and start on site. The new proposal is to allow LB Havering to draw down the funding earlier to reimburse the costs of buying out the SPV's interest in the JV and to proceed with site assembly for the project.
- 1.8 Allowing LB Havering to draw down funds earlier to support land assembly and the buyout is deemed the best approach to enable housing delivery to proceed on the site. It will ensure that the scheme can continue, utilising previously allocated grant funding to enable the delivery of much needed affordable housing. LB Havering have also assessed that directly delivering the scheme themselves is the best commercial option to ensure the regeneration can proceed. If the change to the BIA is not

agreed by the GLA, the regeneration scheme would be unlikely to proceed. The assets of the JV would be sold, and the design work completed to date would be redundant, impacting the delivery of affordable housing in the Borough.

- 1.9 Based upon the forecasted expenditure profile provided by LB Havering, GLA officers are satisfied that it is not possible for LB Havering to have funded the buyout of the SPV themselves from their own resources whilst maintaining the land acquisitions programme.
- 1.10 LB Havering will be contractually required to deliver (directly or through the JV) 214 affordable homes, and therefore the direct affordable housing outputs originally agreed for this funding are unchanged. LB Havering will still be contractually required to procure delivery of 909 direct homes overall, as per the original proposal approved under DD2215. A further 161 affordable homes will be delivered by LB Havering through other funding sources to reach the overall target of 1070 new homes.
- 1.11 In parallel, following discussions with their team, LB Havering will also seek to increase the level of affordable housing up to 50% and may look to bid under a future affordable homes programme to convert 215 of the market housing units to affordable housing.
- 1.12 In addition to housing, LB Havering will remain contractually committed to procuring delivery of a new three-form primary school, a health centre and approximately 46,000 sq. ft of commercial floor space for use as offices and flexible workspace. This will help to deliver a transformational regeneration of this area of London and deliver the Mayors wider objectives. Reprofiling the funding will facilitate these wider regeneration objectives.

#### *Programme*

- 1.13 In June 2014, MD1366 approved the prospectus for the Housing Zones programme and set out the funding envelope. The prospectus does not refer to a deadline year for completions, but does refer to a 10-year programme, with the caveat that some Housing Zones will be shorter and some longer.
- 1.14 The homes on the Bridge Close site were originally forecast to complete in 2025/2026. Due to protracted negotiations between LB Havering and the private sector JV partner, the completion dates for Bridge Close have been delayed to 2028/29 and consequently LB Havering have requested the GLA's agreement to extend the completion dates for this Housing Zone as part of this approval.
- 1.15 Given the issues with the JV partner negotiations, it is appropriate to allow a contractual delay to these homes. However, officers will work closely with LB Havering to look at opportunities to bring forward the speed of development wherever possible.
- 1.16 The revised delivery timetable with key milestones will be included within an amended BIA. Key dates include:
  - securing planning approval by December 2021
  - starts on site by March 2023; and
  - completing homes by March 2029.
- 1.17 Following a detailed review of LB Havering's programme and resourcing strategy for the development, GLA officers are confident these milestones can be met with the resources available and the structure in place within LB Havering.
- 1.18 An amendment to the existing BIA with LB Havering will be drafted to reflect the revised use of the £12.4 million Housing Zone grant funding. The delivery timetable and milestones will also be revised. The BIA will include appropriate clauses allowing the GLA to recover the grant funding if the scheme does not meet key milestones and the housing outputs are undelivered to protect the GLA's position.

- 1.19 DD1485 sets out the change management process for the Housing Zones programme. Proposed changes to Housing Zones are rigorously assessed by a Housing Zone Steering Group comprising senior officers from the GLA, including the Assistant Director of Housing and Heads of Area. This Steering Group ensures that key objectives of the programme are being met and projects continue to offer value for money.
- 1.20 The Housing Zone Steering Group has reviewed the proposed changes set out in this decision form and recommended the changes for approval. The intervention for Bridge Close was originally intended to complete within 10 years and the funding was awarded on the basis that the grant would be used to purchase affordable housing from the JV rather than for land assembly. Given these significant changes to the basis on which DD2215 was taken, and in accordance with paragraph 18.15 of the Mayoral Decision Making in the Greater London Authority document (the current Mayoral Scheme of Delegation), it is appropriate that this change is approved by a new Director Decision.

## **2. Objectives and expected outcomes**

- 2.1. The purpose of the HZ programme is to increase housing supply by accelerating or unlocking development. The early release of the £12.4 million HZ funding will support LB Havering in the buyout the previous JV partner and to continue with land assembly. This will enable the regeneration of Bridge Close and unlock housing supply in the Romford Town Centre Housing Zone.
- 2.2. As part of this HZ funding agreement, LB Havering will contractually commit to delivering 214 affordable homes.
- 2.3. The BIA also contractually commits LB Havering to delivering 695 other new homes. DD2215 originally approved these as homes for outright sale, however LB Havering will seek to increase the level of affordable housing up to 50% and may look to bid under a future affordable homes programme for conversion of these market homes to affordable units.
- 2.4. A further 161 affordable homes at the Bridge Close site (in addition to the 909 homes, including 214 affordable, committed to be delivered under the BIA) are expected to be delivered through other funding sources.
- 2.5. 134 of the 214 affordable homes funded through the Housing Zones programme are expected to start on site prior to 31 March 2023 thereby contributing to the Mayor's target to deliver 116,000 affordable housing starts by that date. LB Havering are working on plans to expedite delivery of the remaining affordable homes.
- 2.6. As noted, in addition to housing, LB Havering will remain contractually committed to procuring delivery of a new three-form primary school, a health centre and approximately 46,000 sq. ft of commercial floor space for use as offices and flexible workspace.

## **3. Equality comments**

- 3.1. Under section 149 of the Equality Act 2010 (the "Equality Act"), as a public authority, the GLA must have 'due regard' to the need to eliminate unlawful discrimination, harassment and victimisation, and to advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not. Protected characteristics under the Equality Act comprise age, disability, gender re-assigned, pregnancy and maternity, race, religion or belief, sex, sexual orientation and marriage or civil partnership status.
- 3.2. This funding will increase the number of affordable homes in London, in turn helping to implement the current policies set out in the London Housing Strategy, published in May 2018. In September 2017 the GLA published an Impact Assessment, including an equalities impact assessment, of that

strategy. Policies related to increasing housing supply and delivering affordable housing were also covered by the Integrated Impact Assessment (IIA) for the Draft London Plan, published in November 2017.

- 3.3. The IIA concluded that the cumulative impact of these policies combined with policies for flexible housing mix, inclusive design and accessible housing would contribute to creating inclusive communities, relieve housing pressures that disproportionately affect lower-income groups and ensure the needs of different groups are taken into account in housing design.
- 3.4. The BIA with LB Havering requires the Borough to have due regard to the public sector equality duty under Part 11 of the Equality Act 2010.
- 3.5. This decision is therefore expected to have positive impacts on persons with a protected characteristic under the Equality Act, and increasing the supply of housing in London through the development of Bridge Close will help to address problems such as overcrowding and homelessness, which evidence indicates disproportionately affect specific groups, including Black, Asian, Minority Ethnic groups and women.
- 3.6. The delivery of new and additional homes will also help to implement the objectives of the Mayor's Equality Diversity and Inclusion Strategy "Inclusive London" (May 2018). This includes working with organisations such as councils to help increase the supply of homes that are genuinely affordable to buy or rent. As above the approval sought in this decision form will help to tackle the inequalities experienced by certain groups of Londoners most affected by the city's shortage of affordable homes by directly delivering 214 affordable homes.

#### **4. Other considerations**

##### *Key risks and issues*

- 4.1. The following key risks and mitigations have been considered as part of this decision.

##### *Planning*

- 4.2. Bridge Close has not yet been submitted for planning and therefore there is a risk that the proposals will not achieve a planning approval and the programme will be subject to further delays.
- 4.3. Bridge Close has a specific site allocation within The Romford Area Action Plan (adopted in 2008) for residential development. LB Havering have advised that the planning application is largely ready to submit, and the project team have extensively consulted with the Local Planning Authority, Cabinet Members, Quality Review Panel, Strategic Planning Committee and the public. It is anticipated that minimal further consultation will be required ahead of the submission.
- 4.4. GLA officers will monitor progress against milestones for planning approval and appropriate mechanisms will be included within the BIA to recover the funding if the project does not progress as planned.

##### *Financial viability*

- 4.5. There is a risk that due to market conditions Bridge Close may become unviable for LB Havering and the housing outputs will not be delivered.
- 4.6. Key milestones will be included within the BIA and if not achieved then appropriate clauses will be included in the contract to recover the funding and protect the GLA's position. Market trends will also be kept under review and the scheme will be phased to align with predicted market demand.
- 4.7. LB Havering aim to deliver the scheme at 50% affordable and will look to bid for additional grant through a future affordable homes programme to convert private units to affordable housing, in order to further de-risk the project and its dependency on market sale.

4.8. Further detail on this risk has been provided in part 2 of this Decision Form.

*Complexity of land assembly*

- 4.9. Delivery of Bridge Close relies on complex land assembly and LB Havering have around two thirds of the site by area still to acquire. If the land assembly takes longer than anticipated within LB Havering's programme there could be a delay in delivery of the housing outputs.
- 4.10. Private treaty discussions are underway with both residential and commercial owners and occupiers and advisors have been engaged to find suitable relocation properties where necessary.
- 4.11. The Council will look to use CPO powers to progress land assembly and their programme currently has Cabinet considering whether to progress with a CPO, having exhausted all other options, in November 2021. GLA officers will monitor progress against milestones for land assembly and appropriate clawback mechanisms will be included within the BIA will allow the GLA to recover the funding in the event that milestone dates are not met.

*Further risk analysis*

- 4.12. LB Havering appointed KPMG to provide independent advice on the deliverability of the scheme, which has been shared with the GLA. KPMG highlighted key risks associated with the project, including changes in market conditions impacting scheme viability for the Borough, as well as recommendations on how viability risks could be mitigated. This analysis has been reflected in the risk analysis conducted and has informed discussions on the project.
- 4.13. LB Havering also obtained KPMG's commercial and financial advice in relation to the buyout of the JV partner, including a valuation of the JV's land interests. The purchase price of the buyout was informed by this advice and took into account the assets and liabilities of the JV.

*Links to Mayoral strategies and priorities*

- 4.14. The London Housing Strategy sets out the policy rationale for the GLA to take a more interventionist approach in London's land market, with the aims of: building more social rented and other genuinely affordable homes; accelerating the speed of building; and capturing value uplift for public benefit.
- 4.15. A failure over recent decades to build the number and type of homes London needs has resulted in a housing crisis characterised by increasing affordability pressures and rising housing need. To address this, the London Plan sets a target of 52,000 new homes a year over the next 10 years, with a strategic target for 50% of these to be genuinely affordable. This site will make a significant contribution to LB Havering's housing targets and meeting their affordable housing needs.

*Conflicts of interest*

- 4.16. The officers involved in the drafting and clearance of this form do not have an interest to declare in accordance with the GLA's policy on registering interests which might, or might be seen to, conflict with this Director's Decision.

*Consultations and impact assessments*

- 4.17. The GLA has engaged with the parties to this proposed intervention, as it has considered appropriate.

## **5. Financial comments**

- 5.1. This decision seeks approval for the re-profiling of the Housing Zone grant awarded to the LB Havering, by paying it earlier, to enable them to buyout their Joint Venture partner and proceed with the development of the Bridge Close industrial estate. The decision to award the grant was taken in DD2215.

- 5.2. The funding will now be drawn down by the LB Havering at the beginning of the programme rather than in two instalments; vacant possession and start on site as per the previous agreement.

## **6. Legal comments**

- 6.1. Under section 30(1) of the Greater London Authority Act 1999 (as amended) ("GLA Act"), the GLA has the power to provide the funding for the intervention with LB Havering described in this report and to extend the timescales for delivery providing it considers that doing so will further one or more of its principal purposes of: promoting economic development and wealth creation, social development, and the improvement of the environment in Greater London.
- 6.2. As stated in DD2215, the intervention will unlock the delivery of housing, including affordable housing, and it is open to the GLA to take the view that funding it will promote both social and economic development, and is therefore within its power, contained in section 30(1) of the GLA Act.
- 6.3. In exercising the power contained in section 30(1) of the GLA Act, the GLA must have regard to the matters set out in sections 30(3-5) and 33 of the GLA Act, and also the Public Sector Equality Duty in section 149 of the Equality Act 2010, which are explained in paragraph 7.3 of the legal comments of MD 1632. In this respect regard should also be had to section 3 of this report.
- 6.4. In order to ensure that the proposals under this Director Decision have contractual effect, the Borough Intervention Agreement between the GLA and LB Havering should be reviewed and amended accordingly.

## **7. Planned delivery approach and next steps**

<b>Activity</b>	<b>Timeline</b>
Amendment to Borough Intervention Agreement completed	By 30 April 2021
Planning Approval	By 31 December 2021
Confirmation of CPO	By 31 October 2022
Start on Site	By 31 March 2023
Practical Completion	By 31 May 2028

### **Appendices and supporting papers:**

None.

## Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FoIA) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** This form (Part 1) will either be published within one working day after it has been approved or on the defer date.

## Part 1 - Deferral

### Is the publication of Part 1 of this approval to be deferred? YES

If YES, for what reason: the decision form contains confidential and commercially sensitive information.

Until what date: Until the Borough Intervention Agreement has been signed by both parties which is estimated for 30 April 2021.

## Part 2 – Sensitive information

Only the facts or advice that would be exempt from disclosure under FoIA should be included in the separate Part 2 form, together with the legal rationale for non-publication.

### Is there a part 2 form – YES

## ORIGINATING OFFICER DECLARATION:

Drafting officer to confirm the following (✓)

### Drafting officer:

Alice Noonan has drafted this report in accordance with GLA procedures and confirms the following:

✓

### Assistant Director/Head of Service:

Neil Hook has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

### Financial and Legal advice:

The Finance and Legal teams have commented on this proposal, and this decision reflects their comments.

✓

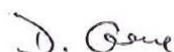
### Corporate Investment Board

This decision was agreed by the Corporate Investment Board on 1 March 2021.

## EXECUTIVE DIRECTOR, RESOURCES:

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

**Signature**



**Date**

4 March 2021