

# GREATER LONDON AUTHORITY

## REQUEST FOR MAYORAL DECISION – MD3120

### Blackwall Reach phase 4a land disposal

#### Executive summary:

Greater London Authority Land and Property Ltd. ("GLAP") seek consent to enter into an agreement for lease and surrender with Arvin and Sons Ltd. ("Arvin") and other supplementary agreements to facilitate the delivery of Blackwall Reach phase 4, which is the final phase of the Blackwall Reach Regeneration Project ("BRRP"). Once a satisfactory planning consent has been obtained, GLAP will grant Arvin a 999-year leasehold over the land known as "phase 4a", which will unlock development across the rest of phase 4 by relocating a TfL bus loop.

The background to this transaction is that in 2014, the phase 4a land was excluded from a compulsory purchase order granted for land parcels across the rest of BRRP due to insufficient negotiations with the leaseholder, Arvin, and therefore remains in their ownership. As it stands, phase 4 cannot be delivered until Arvin's current leases expire in 2050.

Phase 4 is a key component of the overall BRRP with outline consent for 850 homes, including 50 per cent affordable housing by habitable rooms, a new bus loop and integral public realm for all users of the Blackwall DLR station.

#### Decision:

The Mayor is asked to approve:

- i. GLAP entering into an agreement for lease and surrender with Arvin & Sons Ltd. to deliver phase 4a of Blackwall Reach
- ii. variations to the existing Principal Development Agreement with London Borough of Tower Hamlets and Swan Housing Association for the wider Blackwall Reach Regeneration Project ("BRRP") to exclude delivery of phase 4a
- iii. a delegation to the Executive Director of Housing and Land to agree to vary the s106 Agreement for the Outline Consent (PA/12/00001/P0) for the BRRP to incorporate the independent delivery of phase 4a and 4b without the need for a further Decision form
- iv. a delegation to the Executive Director of Housing and Land to allow GLAP to enter into supplementary agreements with Arvin & Sons Ltd. to facilitate delivery at Blackwall Reach phase 4a once detailed planning permission has been achieved without the need for a further Decision form
- v. a delegation to the Executive Director of Housing and Land to grant 999-year leases of the land known as "phase 4a" to Arvin & Sons Ltd. for a premium once detailed planning permission has been achieved without the need for a further decision form.

#### Mayor of London

I confirm that I do not have any disclosable pecuniary interests in the proposed decision and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature:



Date:

25/4/23

## **PART I – NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR**

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

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

- 1.1. In 2012, outline planning consent was granted for the Blackwall Reach Regeneration Project (BRRP) in east London, to provide up to 1,575 homes, including 50 per cent affordable housing by habitable rooms, a school, a park, and public realm (PA/12/00001/PO). This area covered the overall development site (Appendix 1), the former Robin Hood Gardens and its surrounding mixed-use neighbourhood. In this consent, the phase 4a site contributed the land required for the final phase of a multi-phase development. This consent has since been amended in December 2020 to include a more flexible definition including a maximum development of either 1,575 homes or 191,510 sqm residential floorspace (PA/20/02331/NC).
- 1.2. The delivery terms were agreed and set out in a Principal Development Agreement (“PDA”) between the London Borough of Tower Hamlets (“LBTH”), GLA Land and Property Limited (“GLAP”), and Swan Housing Association. This project was broken down into four phases with most of the land owned by LBTH and GLAP.
- 1.3. During this process, it was agreed by LBTH and GLAP that a compulsory purchase order (“CPO”) would be sought to secure the remaining land parcels necessary for delivery across BRRP. In 2014, LBTH was granted a CPO which enabled land at BRRP to be assembled up to, and including, phase 3. The CPO did not include the land required for phase 4. This part of the CPO was not concluded due to insufficient negotiations and so the land remained owned by Arvin and Criterion Capital Limited (“Criterion”).
- 1.4. Phase 1A was completed in 2015, providing 98 homes and Woolmore Primary School. In 2021, a further 242 homes were completed in phase 1B. Phase 2 is due for completion in early 2024. This phase contributes the Millennium Green, a vast and vibrant park in the heart of the development, alongside 268 homes. Bordering the eastern edge of the park, phase 3, which was granted detailed consent in October 2021, will deliver 324 homes with a target commencement date for March 2024. The original phases are shown in Appendix 1.
- 1.5. The land originally envisaged as being developed out as phase 4 is broken down into three constituent parts (see Appendix 2):
  - the phase 4a site (title no. EGL200588) which is mainly land leased by Arvin
  - phase 4b land (NGL397279 & EGL195503) which is owned by GLAP
  - Criterion Capital land (EGL369366).
- 1.6. Whilst included in the outline consent for phase 4, it has subsequently been decided that the Criterion Capital land will be delivered directly by Criterion due to the granting of a separate planning consent for a build-to-rent scheme. It is therefore excluded from contributing to the outline consent. This exclusion has not impacted the overall quantum of development in the outline consent.
- 1.7. As mentioned above, the granting of the CPO also excluded two leasehold parts of phase 4 (titles NGL212320 and NGL476279 which are leased to Arvin until 2050 (see Appendix 2). These leases form part of the phase 4a site which makes up two-thirds of the remaining space earmarked for phase 4 delivery.
- 1.8. Additionally, an objection to the CPO by TfL was removed once a requirement to re-provide an existing bus loop (“the bus loop”) within the final phase was added. The bus loop is currently

situated on the remaining GLAP freehold land, known as phase 4b and must be delivered in advance of any other development across phase 4. Alone, the phase 4b land is too constrained to accommodate the bus loop and the remaining development.

- 1.9. As a result, phase 4 is currently unable to come forward. The overall site is restricted by a combination of the bus loop, the Blackwall tunnel, and the leases to Arvin. Without phase 4, the BRRP remains unfinished, leaving a disjointed estate, and an unpleasant route to central London for thousands of residents via Blackwall DLR station ("the station"), which sits a five-minute walk southwest.
- 1.10. Currently, the phase 4a site consists of a marketing suite for earlier phases at the BRRP, Arvin's offices and a tile storage yard, disused iron sheds and under-utilised parking. Parts of the site are particularly undesirable and yet much frequented given its proximity to the station.
- 1.11. Without delivering phase 4a this area will almost certainly remain a blemish on the wider BRRP for the foreseeable future. GLAP and LBTH have thoroughly explored all potential delivery options and GLAP have been working with Arvin on a solution over the last 24 months (see below alternative options).
- 1.12. Since July 2021, Arvin and GLAP ("the parties") have been actively negotiating a mechanism that delivers phase 4 as envisaged by the amended consent. The joint aims of the parties are to provide c.850 homes, the bus loop, and associated public realm as part of the wider regeneration at BRRP. This will also include new site offices for Arvin with their storage facility moving elsewhere.
- 1.13. It is important to note that as the new leases have not been procured by a competitive process and to seek to ensure compliance with public procurement requirements, these restrictions must be framed in the negative. Therefore, should Arvin choose to build, these restrictions dictate when, what and how they build. They also include mechanisms to terminate the leases, should that be necessary. The intention is to split the existing phase 4 into two, phase 4a and phase 4b. Phase 4a will be delivered by Arvin on the site first, through a partnership with Galliard Homes Ltd and phase 4b will be delivered later through the original PDA.
- 1.14. In efforts to prioritise estate cohesiveness, these plans start with a new bus loop at phase 4a, thereby unlocking independent development capacity at the location of the existing bus loop and within the phase 4b land.
- 1.15. To deliver phase 4a, Arvin will be granted 999-year leases that cover the site and will surrender their existing leases. These leases seek delivery of the above as quickly as possible and Arvin have demonstrated this intention in the draft legal agreements. These leases will be heavily restricted as detailed in Part 2.

#### Planning context

- 1.16. Strategically, the London Plan recognises in Policy H1, that to meet housing demand across the capital supply must be optimised on all suitable and available brownfield sites, especially those with public transportation accessibility levels of (PTAL) of 3 or above and those that are located within 800m of a station. The phase 4a site meets all these criteria.
- 1.17. The phase 4a site is within the Isle of Dogs and South Poplar Opportunity Area which identifies Blackwall as an area which should support a new neighbourhood and docklands community. LBTH's Local Plan identifies that this sub-area should deliver 57 per cent of the borough's additional homes by 2031, a minimum of 31,209 homes. Whilst the phase 4a site does not have a specific site allocation under the Local Plan, the Blackwall area itself is highlighted as one which should aim for very high housing growth.

- 1.18. When taken together with the extant outline planning permission, these planning documents demonstrate that GLAP is strongly and widely supported in its ambition to deliver a residential-led development on the phase 4 site. Any other form of land use development for the phase 4a site would likely struggle to successfully integrate within the existing and future residential development in the immediate area.
- 1.19. This is further supported by progress on the earlier phases of the BRRP, being constructed by Swan, as covered above. For phase 4, there have been a series of pre-application meetings between GLAP, Arvin and the Local Planning Authority to agree how to deliver the final phase. To date, the LPA have expressed support for the design and proposed delivery mechanisms presented.

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

### Strategic objectives

- 2.1. By prioritising construction of the bus loop within phase 4a, Arvin will unlock the GLAP-owned land at phase 4b for development, contributing 387 homes at 50 per cent affordable by habitable room. Aside from that, the construction will also renovate crucial TfL infrastructure supporting thousands of residents in East London.

#### *a. Affordable homes*

- 2.2. If consented, the final phase will deliver 850 homes at 50 per cent affordable by habitable room and 178 family-sized homes in a sustainable location with high accessibility to public transport. 209 of these homes are to be let at social rent and will support those on the council's waiting list, with no further decants from previous phases. Additionally, it has been agreed that the affordable homes delivered in phase 4a will be on a nil grant basis.

#### *b. Comprehensive redevelopment*

- 2.3. Phase 4 construction will close the link between the rest of the new estate and the Blackwall DLR station – a key commuter route to central London. Expediting delivery in this manner will help phase 4 follow the design and placemaking principles embedded within earlier phases. It will also support site-wide estate management – providing a consistent service to all residents – and support demand for local businesses.

### Proposed transaction

- 2.4. These objectives will be safeguarded through a series of agreements between GLAP and Arvin. The agreements contain control mechanisms that aim to align phase 4a delivery with the outline permission and deliver the phase in a timely and cohesive manner. These contractual arrangements are described below.
- 2.5. Through an Agreement for Lease and Surrender ("AfLS"), GLAP and Arvin will enter new 999-year leases between Arvin and GLAP on the phase 4a site and concurrently Arvin will surrender their existing leases, once a satisfactory planning consent is obtained.
- 2.6. These new leases will facilitate the development of the phase 4a site through a Building Agreement and other supplementary agreements to be executed between the same parties. These new agreements will be subject to the provisions highlighted below.

### Key terms

- 2.7. The original consent indicated that phase 4 would deliver 643 homes including 50 per cent affordable homes by habitable rooms. It is anticipated that the new phase 4 sub-phases will deliver 850 homes in total, with:
- 463 homes in Phase 4a with 50 per cent affordable housing by habitable rooms
  - 387 homes in phase 4b with 51 per cent affordable housing by habitable rooms.
- 2.8. As the proposals have increased in density since the original outline consent, there has been an increase in the number of homes being delivered. The affordable housing percentage requirements have remained as they were in the original outline consent, therefore there has been an increase in the absolute number of affordable homes being delivered. There were 260 homes in the original consent, this rises to 344 homes in this new proposal, 35 per cent of which will be let at social rent levels.
- 2.9. To formalise this position through planning, the existing section 106 Agreement ("s106") will be amended to split delivery of phase 4 into these two elements. This amendment will also incorporate Arvin as a party to the s106. This new agreement will be authorised by all existing parties (GLAP, LBTH and Swan) and Arvin. Swan and LBTH are fully supportive of the plans to split phase 4 as described above. Any agreement with Arvin will be subject to their entry into the s106 and agreement between the s106 parties.
- 2.10. To date, Swan, due to its track record of successful delivery across Blackwall Reach, expressed interest in carrying out the development of phase 4b in line with the original agreements. However, the merger with Sanctuary Housing Association has wider implications for the Swan business and the pipeline is still under review.

#### Variations to the Principal Development Agreement and s106 Agreement

- 2.11. The existing PDA must be varied to reflect the removal of phase 4a land from the development. This alters the obligations placed upon Swan to account for their loss of developable land. None of these changes are material and have been agreed in principle by both Swan and LBTH.
- 2.12. As mentioned above, the s106 agreement must be varied to split phase 4 to ensure that obligations do not fall on developers which are outside of their control. As it stands development quantum across BRRP is captured in Development Zones rather than by phase with phase 4 straddling Development Zones 3 and 4. The s106 amendments move phase 4a delivery metrics into Development Zone 4 only. This means that obligations that fall to Arvin are those solely linked to phase 4a, whilst all other remaining obligations are picked up through the other phases. These are shown in Schedule 3 of the AfL&S.

#### Alternative delivery options

- 2.13. Importantly, whilst this delivery route for phase 4 at Blackwall Reach is by far the quickest and simplest, it also captures the strategic benefits envisaged in the original consent. In its entirety, phase 4 is set to deliver 850 homes and nearly 5,000 square metres of open space alongside a new transport network that will serve not only the local community but those travelling via the station to central London and beyond.
- 2.14. Nonetheless, alternative delivery options have been considered as set out below. The underlying key factors which affect all delivery options are that (a) Arvin has existing leases on over around 75 per cent of the phase 4a site which run until 2050 and, that (b) phase 4b cannot be delivered independently from phase 4a.

- 2.15. The existing leases restrict GLAP's control of delivery across Phase 4. Aside from negotiating a resolution with Arvin which delivers Phase 4, the remaining options to modify or extinguish these restrictions are to:
- a. Use CPO powers to acquire Arvin's leases*
- 2.16. The wider BRRP was unlocked through a partly successful CPO undertaken by LBTH in 2014. This CPO provided the land needed to deliver phases 1-3, but specifically excluded the land leased to Arvin. It was determined that attempts to engage and negotiate a settlement with Arvin had not been sufficiently explored.
- 2.17. Through the mechanism described above, negotiating a resolution between the parties on the commercial terms we are describing is demonstrably possible and therefore a second CPO is not deemed to be a suitable solution at this moment.
- b. Await the termination date*
- 2.18. Waiting for the leases to run down is undesirable for all parties, and one which clearly does not deliver the best outcome for the overall site or its surroundings. This is an area of extensive regeneration. Leaving phase 4 unfinished for over 30 years would leave a serious disconnect between the station and the new neighbourhood further north, as well as the quality of the placemaking and public realm.
- 2.19. It should be noted that on its own, phase 4b is undevelopable and therefore a delay in phase 4a delivery would also entail a delay for the whole of phase 4. This is so as the phase 4b land does not have the space requirements to deliver both the bus loop and the quantum of development needed for viability purposes. Therefore, the bus loop must be reprovided in advance of any development at Phase 4b.

### **3. Equalities comments**

- 3.1. Under section 149 of the Equality Act 2010, as public authorities, the Mayor and the GLA are subject to a public-sector equality duty and must have 'due regard' to the need to:
- eliminate unlawful discrimination, harassment, and victimisation
  - advance equality of opportunity between people who share a relevant protected characteristic and those who do not
  - foster good relations between people who share a relevant protected characteristic and those who do not.
- 3.2. Protected characteristics under section 149 of the Equality Act are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation, and marriage or civil partnership status. Throughout the progression of this project, due regard has been had to the 'three needs' listed above.
- 3.3. The proposals seek to support, accelerate, and stimulate housing supply, with a focus on a minimum London Plan compliance on affordable housing delivery, and an aspiration to deliver more, which should help in responding to minority ethnic housing needs. Indeed, Black, Asian and mixed/other minority ethnic Londoners are more likely to live in poverty (defined as having an income below 60 per cent of the national median) and more likely to be affected by London's high housing costs than White Londoners.<sup>[1]</sup> Additionally, the Mayor's Inclusive London Strategy identifies the additional

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<sup>[1]</sup> GLA Housing & Land: Housing and race equality in London: an analysis of secondary data.

supply of affordable housing as supporting the wider housing needs of children and young people, low-income households, migrants and refugees.

- 3.4. There are also requirements in the legal agreements which support local employment and the inclusion of London Living Wage requirements for employees, and sub-contractors of the developer.

#### 4. Other considerations

##### Risks and issues

No.	Risk	Impact	Likelihood	Mitigation
1	Arvin exit the scheme early before the development is completed	High	Low	Licence to assign only allows assignment to Prestage Place Ltd which the owners of Arvin must remain in until the earlier of overage being paid or the leases being terminated.
2	LBTH/Swan are unwilling to support variations to the PDA/s106	High	Low	LBTH/Swan have been fully informed as developments over phase 4 have occurred and are supportive of the delivery strategy for phase 4.
3	Development costs are higher than expected due to macroeconomic issues	Medium	Medium	Arvin's land and overage payments are subject to deduction provisions for works and costs being shared across phase 4a and phase 4b. The shared works costs are specific, capped, and subject to evidence.
4	TfL do not support the bus loop proposals and planning consent is refused.	High	Medium	TfL have been engaged on the project for over 12 months during the pre-application process for phase 4a. Ongoing dialogue is being facilitated to support the delivery of the project.
5	Delayed construction	Medium	Low	There are contractual long-stop dates which are gateways for development to continue. Should these be missed then GLAP has the option to step in and complete the development.
6	Poor build quality	High	Low	Arvin have partnered with Galliard who are highly experienced developers. There are several design standards built into the Building Agreement which must be adhered to.

##### Links to Mayoral strategies and priorities

- 4.1. 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 homes, improving affordable housing provision, and capturing value uplift for public benefit.
- 4.2. London's housing crisis, characterised by increasing affordability pressures and rising housing need, has resulted in an ambitious housing target in the new London Plan which will require the efficient and best use of land (GG22 of the London Plan). This proposal assists with London's housing demand by delivering efficient use of land through increased residential density.



- 4.3. The project supports the Mayor's Good Growth principles by providing residential alongside some mixed-commercial space and new public transport infrastructure, which will allow a new community to grow and thrive (GG5 of the London Plan).

#### Conflicts of interest

- 4.4. There are no known conflicts of interest to note for any of those involved in the drafting or clearance of this decision.

### **5. Finance comments**

- 5.1. It is considered by the GLA's appointed valuer that the proposed disposal terms are in line with the General Consent provided from DLUHC to GLA for Undervalue disposals.
- 5.2. GLAP has step-in rights if there is a failure by either Arvin or the Developer to fulfil their contractual obligations.

### **6. Legal comments**

- 6.1. Section 30 of the Greater London Authority Act 1999 (as amended) (GLA Act) gives the Mayor a general power to do anything that he considers will further one or more of the principal purposes of the GLA, as set out in section 30(2):
- promoting economic development and wealth creation in Greater London
  - promoting social development in Greater London
  - promoting the improvement of the environment in Greater London.
- 6.2. In formulating the proposals in respect of which a decision is sought, officers confirm they have complied with the GLA's related statutory duties to:
- pay due regard to the principle that there should be equality of opportunity for all people
  - consider how the proposals will promote the improvement of health of persons in Greater London; promote the reduction of health inequalities between persons living in Greater London; contribute towards the achievement of sustainable development in the United Kingdom; and contribute towards the mitigation of or adaptation to climate change in the United Kingdom
  - consult with appropriate bodies.
- 6.3. Sections 1 to 3 of this report indicate that the decision requested falls within the GLA's statutory powers.

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

Activity	Timeline
Agreement for lease and surrender completed	May 2023
Principal Development Agreement varied	May 2023
Planning submission (for phase 4a)	September 2023
Planning approval (for phase 4a)	February 2024
s106 varied	March 2024



Supplementary agreements completed	February 2024
Start-on-site (for phase 4a)	May 2025
Practical Completion (for phase 4a)	January 2028

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

Appendix 1: Site wide masterplan and phasing

Appendix 2: Phase 4 ownerships

## Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) 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 approval or on the defer date.

### Part 1 Deferral:

**Is the publication of Part 1 of this approval to be deferred? No**

**Part 2 Confidentiality:** Only the facts or advice considered to be exempt from disclosure under the FOI Act should be 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:

Marc Jacquemond has drafted this decision form in accordance with GLA procedures and confirms the following:

✓

### Sponsoring Director:

Tim Steer has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

### Mayoral Adviser:

Tom Copley has been consulted about the proposal and agrees the recommendations.

✓

### Advice:

The Finance and Legal teams have commented on this proposal.

✓

### Corporate Investment Board


This decision was agreed by the Corporate Investment Board on 24 April 2023.

✓

## EXECUTIVE DIRECTOR, RESOURCES:

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

**Signature:**




**Date:**

24/04/2023

## CHIEF OF STAFF:

I am satisfied that this is an appropriate request to be submitted to the Mayor.

**Signature:**



**Date:**

24/04/2023