

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD2190

Title: Wembley (Brent) Housing Zone – Wembley Parade

Executive Summary:

The purpose of the Housing Zones programme is to increase housing supply by accelerating and/or unlocking development. This Mayoral Decision allocates £34.5m to accelerate housing delivery within the Wembley (Brent) Housing Zone. It also requests that the Mayor agrees to provide an interest-bearing loan facility to Anthology Wembley Parade Limited to fund the construction of 195 homes – of which 40% will be affordable – in the Wembley Parade scheme in Brent.

Decision:

That the Mayor:

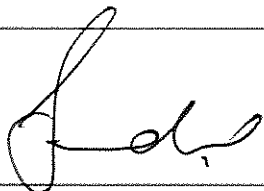
- Approves the allocation of £34.5m of Financial Transaction funding to be made available for the purposes of accelerating and/or unlocking housing delivery within the Wembley (Brent) Housing Zone; and
- Contractually commits this Financial Transaction funding to Anthology Wembley Parade Limited to accelerate housing delivery within the Wembley (Brent) Housing Zone, noting that legal and financial due diligence has been satisfactorily completed as described in the report below.

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:

12/12/12

PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR

Decision required – supporting report

1. Introduction and background

Introduction

- 1.1 MD1545 designated Wembley (Brent) as a Housing Zone (HZ) and indicatively allocated it £8m of grant funding – subject to the outcome of legal and financial due diligence – to unlock and accelerate housing in the area. Following this designation, the GLA and the London Borough of Brent (LBB) entered into an Overarching Borough Agreement in March 2016, which formalised the indicative allocation.
- 1.2 This report seeks the Mayor's approval to allocate a further £34.5m of Financial Transaction (interest-bearing loan) funding to the Wembley (Brent) HZ. It is proposed that GLA Land and Property Limited (GLAP) commits this funding to Anthology Wembley Parade Limited (AWP) in the form of an interest-bearing loan to facilitate development of the Wembley Parade site on North End Road. AWP – a wholly-owned subsidiary of Anthology Group Limited – will repay the loan by March 2020.
- 1.3 The loan funding will support the delivery of 195 new homes on the site, of which 79 will be affordable (40%). It will bring the total number of homes expected to be delivered in the Wembley (Brent) HZ to 2,743.
- 1.4 AWP approached the GLA to explore options to fund development costs for the site. If the proposed interest-bearing loan is not approved, AWP would need to access the financial markets to fund development, which would slow down delivery of the Wembley Parade scheme. The loan funding will therefore accelerate delivery of housing.
- 1.5 Due diligence has been completed in respect of the proposed intervention. The details of this work are set out below and in Part 2 of this report.
- 1.6 The £34.5m loan will be funded through the £200m facility that DCLG awarded to the GLA to support the HZ programme.
- 1.7 Approximately £2m of additional funding from the Mayor's Affordable Homes Programme 2016-21 will be sought to increase the proportion of affordable housing on the site from the 23% approved in the planning permission to 40%. This is in line with the Mayor's Affordable Housing and Viability Supplementary Planning Guidance, published in August 2017. This Mayoral Decision does not seek approval for funding from the Affordable Homes Programme 2016-21 for this scheme; any further funding other than the £34.5m commercial loan facility described in this document will require separate approval.
- 1.8 LBB will retain oversight of delivery across the HZ by implementing the governance arrangements outlined in the Overarching Borough Agreement between LBB and the GLA.

Summary

- 1.9 The Wembley Parade site is located in the north of the Wembley (Brent) HZ, adjacent to Wembley Park station. The Anthology Group's US parent is reluctant to provide funding to the scheme over the value of equity it is willing to commit. GLA funding improves the risk profile of the scheme and will accelerate delivery of the site compared to if other sources of funding had to be secured.

Proposition

- 1.10 The Wembley Opportunity Area is designated in the London Plan and, in January 2015, LBB adopted the Wembley Area Action Plan. The area plan provides LBB with a clear policy position with regards to development in the Wembley area.
- 1.11 The proposed commercial loan will support the Wembley Parade scheme. The scheme is expected to deliver 195 new homes, of which 79 will be affordable (40%), by December 2019. It is in conformity with the vision for the Wembley (Brent) HZ.

Funding

- 1.12 The Wembley (Brent) HZ does not currently have an indicative allocation for Financial Transaction funding. Consequently, this report seeks the Mayor's endorsement to commit £34.5 million of Financial Transaction funding (see MD1481 regarding Financial Transactions) in the form of interest-bearing loans from the existing uncommitted funding in the HZ programme on the basis it will be repaid in full by March 2020.

Stakeholders / Contractual Arrangements

- 1.13 The counterparty in respect of the funding agreement is Anthology Wembley Parade Limited (AWP) (a wholly-owned subsidiary of Anthology Group Limited). AWP will enter into a HZ Development Facility Agreement with GLAP. It is also proposed that GLAP enters into various additional agreements to ensure it has adequate security in respect of the loan funding (as described in Part 2).

Appraisal

- 1.14 Project due diligence and an assessment of creditworthiness has been undertaken. The GLA's retained property consultants, Lambert Smith Hampton, reported that AWP's cost and value assumptions were generally in line with its expectations. Further detail is included in Part 2.
- 1.15 The GLA's Interest Rate Setting Board considered a report summarising the scheme and the counterparty's creditworthiness on 11 September 2017. Guided by the methodology in the European Commission's communication in relation to setting interest rates and in accordance with State Aid rules, including consideration of the counterparty's creditworthiness and the security on offer, the Interest Rate Setting Board determined the interest rate to be offered to AWP has been made on the basis that it is equivalent to a market rate and is subject to contract. The rate is detailed in Part 2.

Project Milestones

- 1.16 The scheme received planning permission in September 2017. Start on site is due to commence in January 2018 and the final homes are expected to be completed in December 2019. The loan will be repaid by March 2020.

Governance

- 1.17 GLAP will enter a contract with AWP. A designated officer from the GLA's Housing and Land Directorate will manage this relationship through quarterly meetings, with overview from the Housing and Land Directorate Management Team. The funding agreement also places reporting obligations on the counterparty linked to project milestones.

Conclusion

- 1.18 The proposed Housing Zones loan will facilitate and accelerate delivery of the Wembley Parade scheme.

2. Objectives and expected outcomes

- 2.1 The loan agreement will accelerate the delivery of a residential development comprising 195 homes, including 79 affordable homes.

3. Changes to the Wembley (Brent) Housing Zone

- 3.1 LBB has revised a number of its estimated start on site and completion dates compared to the position set out in MD1545 and the Overarching Borough Agreement.
- 3.2 In accordance with the Housing Zones Change Management Process (DD1485), Housing Zones Steering Group approved the proposed changes to the level of indicative funding and the number of homes to be delivered in the HZ on 24 October 2017. Given the increase in the indicative allocation in the Wembley (Brent) HZ, it was agreed the changes fell within a 'Tier 3' pre-contract variation, and would therefore require approval via a Mayoral Decision.

4. Equality comments

- 4.1 The Mayor published a draft London Housing Strategy in September 2017. The strategy has a three-month consultation period and an equality impact assessment will also be undertaken in parallel.
- 4.2 The Mayor's Vision for a Diverse and Inclusive City was issued as a consultation draft in June 2017. The first chapter of this document is entitled "A Great Place to Live". Priority outcome 1.1 in the vision refers to delivering affordable, accessible and decent homes. This loan funding will help to deliver new affordable homes in London.
- 4.3 The designation of a HZ within an area is designed to identify a site or sites as an area for housing growth and delivery within London. It is often partnered with a series of funding streams and non-financial assistance to deliver these new homes. This decision will facilitate these goals and ultimately ensure that the needs of different groups are considered in the design and development of housing.
- 4.4 The Wembley (Brent) HZ will contribute towards the implementation the policies as set out in the existing London Housing Strategy. In January 2014, the GLA published an integrated impact assessment ("IIA"), including an equalities impact assessment, of that strategy. The policies related to increasing housing supply, to which the Wembley Parade scheme will contribute, were covered by the IIA for the Further Alterations to the London Plan.
- 4.5 The IIA concluded that updating housing projections and targets would support the delivery of sufficient housing and may help to stabilise housing prices, thereby promoting equal opportunities throughout communities. Furthermore, the provision of housing – including maximising the delivery of affordable housing – would be in line with other policies of the London Plan (such as Policy 3.5), which ensure that the needs of different groups are taken into account when designing housing.
- 4.6 In order to access funding, Anthology will be required to enter into a contract with GLAP. The contract places the following obligations on Anthology in respect of the Equality Act 2010:
- Anthology shall comply in all material respects with all relevant Legislation, including but not limited to legislation relating to: health and safety; welfare at work; and equality and diversity.
 - Anthology shall have, and fully comply with, a policy covering equal opportunities designed to ensure that unfair discrimination on the grounds of colour, race, creed, nationality or any other unjustifiable basis directly or indirectly in relation to the Works is avoided at all times. It

will also provide a copy of that policy and evidence of the actual implementation of that policy upon request by GLAP.

5. Other considerations

a) Key risks and issues

- 5.1 Key risks to the success of this HZ intervention include sales risk and cost-inflation risk. Further information is included in Part 2 of this decision.

b) Links to Mayoral strategies and priorities

- 5.2 The Wembley Parade development will contribute to the ambition in the draft London Housing Strategy to invest in London's growth areas, which include HZs. Up to 79 affordable homes accelerated by this loan funding are required to start on site prior to 31 March 2021, thereby contributing to the Mayor's target to deliver 90,000 genuinely affordable housing starts by that date.
- 5.3 The purpose of the Housing Zones programme is to increase housing supply by accelerating and/or unlocking development to deliver over 75,000 homes by 2026. The redevelopment of this site, and the levels of affordable housing proposed, will contribute towards this objective and support the aim to deliver at least 42,000 homes per annum as prescribed by the Further Alterations to the London Plan March 2015.

c) Impact assessments and consultations

- 5.4 The GLA has engaged with relevant stakeholders, including LBB, with regards to this proposal. It is not considered necessary or appropriate to consult any other persons or bodies including those specified in section 32(1) of the Greater London Authority Act 1999 for the purposes of this Mayoral Decision.

d) Know your customer

- 5.5 In line with its Anti-Money Laundering Policy as approved by DD2095, GLA officers have carried out Know Your Customer (KYC) checks to verify the identity of the contracting entity: Anthology Wembley Parade Limited (AWP).
- 5.6 AWP is a private and unlisted public UK company (Number: 9269929). A search of the Financial Conduct Authority online register confirmed AWP is not FCA authorised. A Certificate of Incorporation was obtained for the company and a Companies House search confirmed AWP remains active and registered. Additionally, the identity of the individual with whom GLA officers dealt with while negotiating the loan agreement was verified.
- 5.7 MD2036 provided approval for contractually committing HZ loan funding to another company in the Anthology group structure: "Anthology Development 4 Limited", now named "Anthology Hale Works Limited". At the time, the GLA commissioned GVA Real Estate Finance (GVAREF) to review the group structure and the corporate documentation that Anthology submitted to ensure compliance with KYC and anti-money laundering requirements. This included a review to identify Anthology's ultimate beneficiaries and verification of the identity of the four directors that exerted control over the Anthology Group.
- 5.8 In order to update these KYC checks for the purpose of the loan agreement with AWP, it was confirmed three of these four directors are also directors of AWP. An updated proof of identity was obtained for each of the three current directors of AWP. Additionally, it was confirmed that Anthology's ultimate beneficiaries remain the same as when MD2036 was approved.

- 5.9 GLA officers also confirmed that AWP's lawyers have undertaken client due diligence checks on AWP, including checks for Politically Exposed Persons.

e) Environmental considerations

- 5.10 The scale of the HZ programme presents significant opportunities for innovative building design to reduce resource costs, and unlock investment connecting new developments to necessary utility and social infrastructure assets. Such assets include: low-carbon decentralised energy and water networks; green infrastructure; waste and recycling collection infrastructure; low-emission transport hubs; and parks and open spaces. Boroughs and counterparties to HZ designation should look to include opportunities to address environmental and wider regeneration, quality of life and place-making benefits that are viable and will help unlock investment in line with policy ambitions set out in the London Plan. GLA support can be made available to help identify environmental opportunities in specific locations.

6. Financial comments

- 6.1 This decision requests approval for the allocation and commitment of £34.5m Financial Transaction funding to Anthology Wembley Parade Limited (AWP) – a wholly-owned subsidiary of Anthology Group Limited – to accelerate housing delivery within the Wembley (Brent) Housing Zone. This funding is in addition to the indicative allocation of £8m grant funding made available under MD1545. The commitment will be made as loan funding, and is repayable by March 2020 based upon conditions listed in Part 2 of the decision.
- 6.2 The Housing Zones programme is funded by £200m of loan funding from DCLG, known as 'Financial Transaction' funding as well as £400m from the Mayor's Housing Covenant 2015-18 programme. The funding quoted above is capital in nature.
- 6.3 Financial Transaction funding is currently over forecast by £59m against the £200m budget. The indicative allocation of £34.5m for the Wembley (Brent) Housing Zone will bring the total over forecast to £293m. It should be noted, however, that the current commitment will bring the total of committed funds to £194m. Housing and Land officers are currently negotiating with DCLG further funding arrangements to be able to extend the Housing Zones loan programme further.
- 6.4 GLAP will be subject to corporation tax on the interest receivable on the loan to AWP (currently at 19% but reducing to 17% from 1 April 2020 onwards). It is possible that GLAP may not get a full tax deduction for the interest it pays to the GLA and there could thus be a cost in GLAP.

7. Legal comments

- 7.1 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 proposed intervention provided 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. The intervention will unlock and/or accelerate the delivery of housing and 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.
- 7.2 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 MD1457. As is noted in paragraph 7.4 of MD1457, the London housing strategy, which included a policy for Housing Zones, has been subject to an Integrated Impact Assessment, and GLA officers consider that the delivery of new and additional homes within the Housing Zones programme will help

to implement Objectives in the Mayor's Equalities Framework "Equal Life Changes for All." (See also sections 4 and 5 of MD1457).

- 7.3 The GLA has engaged with LBB in relation to the intervention which is the subject of this Mayoral Decision. GLA officers have confirmed it is not considered necessary or appropriate for the GLA to consult with any other persons or bodies including those specified in section 32(2) of the GLA Act for the purposes of this Mayoral Decision.
- 7.4 The provision of the proposed loan on market terms is likely to constitute a specified activity, as defined under section 34A of the GLA Act and the Greater London Authority (Specified Activities) Order 2013/973. Accordingly, it will need to be provided by a subsidiary company of the GLA, as is proposed. GLA Land and Property Limited (GLAP) is a subsidiary of the GLA.
- 7.5 Further legal comments are set out in part 2.

8. Planned delivery approach and next steps

Activity	Timeline
Completion of loan agreement	December 2017
Start on site (expected)	January 2018
Completion of development (expected)	December 2019
Repayment of loan	March 2020

Appendices and supporting papers:

Annex 1 – Scheme cash flow

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

If YES, for what reason:

Until what date: (a date is required if deferring)

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:

Dan Maton has drafted this report in accordance with GLA procedures and confirms the following:

✓

Sponsoring Director:

Simon Powell, under Director delegation, has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

Mayoral Adviser:

James Murray 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 the 11 December 2017.

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

Date

[Signature] 11.12.17
RM MIDDLETON ON BEHALF OF MARTIN CLARKE

CHIEF OF STAFF:

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

Signature

Date

[Signature]

11/12/2017