

REQUEST FOR MAYORAL DECISION – MD2750

MOPAC Colindale Sites

Executive Summary:

The GLA is supporting the disposal of two surplus Mayor's Office for Policing and Crime (MOPAC) sites in Colindale through the London Development Panel 2 (LDP2). Together, the sites will deliver at least 733 new homes, of which 60% will be affordable housing, to support delivery of MOPAC's Planning Portfolio Agreement.

Reflecting the requirement for a higher percentage of affordable housing than would be delivered through a standard policy compliant disposal with 50% affordable housing, Director Decision (DD) 2459 approved the use of the £486m strand of the Homes for Londoners Land Fund (approved under Mayoral Decision (MD) 2396) to underwrite a potential shortfall in the consideration to MOPAC below the agreed unconditional open market value up to a maximum cap (as set out in Part 2 of this decision) to ensure that MOPAC can satisfy its requirements to dispose of the sites for best value.

This decision seeks approval for a small number of changes to the previously agreed approach as set out below and in confidential Part 2. The Land Fund Investment Committee has endorsed the recommendation in this Decision having previously endorsed the original proposal in DD2459.

Decision:

The Mayor approves:

1. the GLA providing project support to MOPAC for the disposal of two of MOPAC's sites at Colindale via the London Development Panel 2 and underwriting of any shortfall between the current unconditional open market value of the sites and the land price offered by the successful bidder to MOPAC, up to the cap outlined in Part 2 of this decision;
2. in principle, the transfer of funds to make up the shortfall to MOPAC by means of a capital grant to MOPAC under section 120 of the Greater London Authority Act 1999 (GLA Act, as amended) and delegates the Executive Director for Housing and Land authority to approve the making of such a grant up to the maximum cap set out in Part 2 of this decision; and
3. delegates to the Executive Director for Housing and Land authority to consult the London Assembly and enter into shared services arrangements with MOPAC under section 401A of the GLA Act for the GLA to provide professional, technical and administrative services in support of the project including to recover a proportion of third party external project costs from MOPAC.

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: 26/02/2021

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1 The Metropolitan Police Service (MPS) and MOPAC have identified sites in their estate that are surplus and are seeking to dispose of them. In the interests of securing affordable housing, officers in the GLA have been working in partnership with MPS and MOPAC to explore how the surplus sites can be brought to the market.
- 1.2 Two of MOPAC's sites in Colindale (the Old Driving School & the Rowan Drive sites) have been identified and are the subject of this decision (plan at Appendix 1). Initial scoping work suggests the sites can deliver approximately 733 homes.
- 1.3 A portfolio approach has been approved for the disposal of the Paddington Green Police Station site (recently sold for residential-led development at 35% affordable housing), and the two Colindale sites where over-provision of affordable housing will be possible. It is proposed that 60% affordable housing is delivered across the two Colindale sites to make up for the shortfall at Paddington Green. This portfolio approach will ensure that the cumulative output across the three sites is 50% affordable housing thereby delivering value for money for MOPAC and affordable homes for London.
- 1.4 In order to secure higher levels of affordable housing whilst ensuring MOPAC achieves best value in the disposal of the Colindale sites, DD2459 provided approval for the GLA (through its wholly owned subsidiary) GLA Land & Property Limited (GLAP) to underwrite and fund the gap between the land price offered by the successful bidder and the unconditional open market value of the sites up to a cap (set out in Part 2) and to support MOPAC in taking the sites through the LDP2 to secure a development partner.

2. Objectives and expected outcomes

Underwriting land value gap

- 2.1 To secure high levels of affordable housing and ensure MOPAC secures best value from the disposal of the two Colindale sites, GLAP agreed to underwrite any gap between the land price offered by the successful bidder and the unconditional open market value, subject to a cap (set out in Part 2). This arrangement was approved under DD2459 based on a valuation in 2019. The valuation has been refreshed and Part 2 of this decision provides an update and a revised proposal for underwriting. It is therefore recommended that the GLA underwrites the current unconditional open market value (to a cap). Further details can be found in Part 2 of this decision.
- 2.2 It is proposed this amount will be paid to MOPAC by means of the GLA making a capital grant under section 120 of the GLA Act 1999. As the precise amount is not known at this point it is proposed the Mayor approves the principle of the grant payment and delegates final approval and payment in due course to the Executive Director for Housing and Land.

Costs and shared services in support of project

- 2.3 Decision DD2459 also provided approval for GLAP to provide project management services to run the LDP2 procurement exercise. Further scrutiny of the VAT and corporate tax position has questioned whether it would be more appropriate for the GLA to provide services to MOPAC to ensure that the development is delivered in a way which is tax efficient and in accordance with the objectives of each of the parties.

- 2.4 It is proposed that GLA provides MOPAC with various project management services to run the LDP2 procurement exercise on behalf of MOPAC including procuring the developer and negotiating and managing the resultant development agreement. It is therefore proposed that:
- the GLA and MOPAC share external third-party costs in the procurement of a development partner for the sites (as outlined in Part 2 of this Decision);
 - the GLA provides professional, technical and administrative services to MOPAC through a shared services arrangement under section 401A of the GLA Act. Before shared services arrangements can be entered into by the GLA the Mayor must consult the London Assembly (in practice GLA Oversight Committee). It is proposed the Mayor approves a delegation to the Executive Director for Housing and Land to consult the Assembly and (subject to considering their views) to enter into the necessary shared services arrangements under section 401A with MOPAC. The procurement exercise will commence in February 2021 and the shared services agreement will be prepared, consulted upon and entered into as soon as possible afterwards; and
 - the GLA enters a Cooperation Agreement with MOPAC to document the underwriting set out at 2.1 above, the priorities for the project and the respective roles, decision making processes and risk sharing arrangements between the GLA and MOPAC in the procurement.

Transfer of freehold

- 2.5 The previous decision highlighted that in order to facilitate the LDP2 process and the use of the development agreement structure the freehold will be passed to GLAP at the point that the development is practically completed by the selected developer. The parties have since agreed that a more pragmatic approach would be for MOPAC to retain the freehold of the land until the scheme is practically completed at which point it has the option to transfer the freehold of the land to the developer.
- 2.6 By making the above interventions, the GLA is ensuring that a higher proportion of affordable housing will be brought forward than if the sites were disposed of independently whilst allowing MOPAC to secure best value. The use of the LDP2 will also ensure that the route to market is as efficient as possible and ensure the affordable homes are 'locked in' for delivery under the development agreement.
- 2.7 To support these objectives, it is proposed that the GLA leads on taking the Colindale sites through the LDP2 process to secure a development partner without taking an interest in the land and if required, provide a shortfall payment to MOPAC to ensure that MOPAC achieves best value for the sites.
- 2.8 The arrangements will be documented in a Cooperation Agreement between the GLA and MOPAC.

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-assignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation and marriage or civil partnership status.
- 3.2 The purpose of this proposed intervention is to ensure that the amount of housing, particularly affordable housing, is maximised through the disposal of these sites and that the certainty of housing delivery is assured through LDP2 contracting.

- 3.3 This will help to reduce disadvantages to all groups in society, including those with protected characteristics, by increasing affordable housing supply. This means more people will be able to access good quality affordable homes. This decision is therefore not expected to have a negative impact on people with a protected characteristic under the Equality Act.
- 3.4 As part of the LDP2 procurement process, the GLA will ask bidding panel members to set out their approach to promoting equality and diversity within their organisation and their business activities and how this approach would then be applied in the delivery of this project.

4. Other considerations

Key risks and issues

Risk	Impact	Mitigation
Commercial		
MOPAC has specific procurement requirements that impact on the commercial return	Risk of GLA investment being required is increased	Both organisations will work together to agree mutually acceptable parameters for the procurement (the minimum requirements)
Risk that bids come in below the threshold of the underwriting	The project does not proceed and no housing is built	MOPAC and GLA have individually reserved the right to proceed in the event that the underwriting does not meet the whole shortfall (each in their absolute discretion)
Planning and/or Technical		
The proposed level of affordable housing is not acceptable to LB Barnet	The scheme does not receive planning permission and cannot be completed	GLA is engaging with planners at LB Barnet. From a policy perspective, the level of affordable housing is compliant with both the Local and London Plans.

Links to Mayoral strategies and priorities

- 4.1 The new Publication London Plan (Policy H1) promotes the increase of supply of housing in general and affordable housing.
- 4.2 The new Publication London Plan (Policy H4) outlines a strategic target for 50% of all new homes delivered across London to be affordable and specifically on public sector land. Under this policy, public sector landowners with an agreement with the Mayor may provide 50% affordable housing across a portfolio of sites provided at least 35% affordable housing is provided on each site, with the required affordable housing tenure split on the initial 35%. As noted, MOPAC has such a portfolio agreement with the Mayor under which the Colindale sites will deliver 60% affordable housing (50% across the portfolio).

Declarations of interest

- 4.3 There are no conflicts of interest to declare for those involved in the drafting or clearance of the form.

5. Financial comments

- 5.1 The proposal is seeking approval for GLA to contribute a potential top-up payment to MOPAC, towards the consideration of the disposal of MOPAC's sites in Hendon. This will enable 60% of affordable homes to be secured on the development of the sites. GLA's contribution will be funded from MHCLG Land Assembly Fund.

- 5.2 The risks associated with the disposal are outlined above. VAT and Corporation tax implications of the proposal have been considered by GLA tax consultants.

6. Legal comments

- 6.1 GLA is able to use the LDP2 Framework Panel to procure a developer to deliver a housing scheme for these sites jointly with MOPAC, structuring the scheme in a way that allows GLA to procure and manage delivery of the scheme on behalf of MOPAC, whilst MOPAC is obliged to dispose of its land directly to the developer under the Development Agreement. External advisors will be appointed and the proposed structure and process will be subject to further legal advice as the scheme progresses.
- 6.2 Section 30 of the Greater London Authority Act 1999 (as amended) (GLA Act) gives the Mayor a general power to do anything which he considers will further one or more of the principal purposes of the GLA as set out in section 30(2) which are:
- promoting economic development and wealth creation in Greater London;
 - promoting social development in Greater London; and
 - promoting the improvement of the environment in Greater London

and, 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; and
 - consult with appropriate bodies.
- 6.3 Sections 1 - 3 of this report indicate that the decision requested falls within the GLA's statutory powers.
- 6.4 The GLA has power to provide professional technical and administrative services to MOPAC under section 401A of the GLA Act following consultation with the Assembly. The project management services it is proposed are provided to MOPAC fall within this category. The GLA may choose whether or not to charge MOPAC for services provided.
- 6.5 The GLA has power to provide a capital grant to MOPAC under section 120 of the GLA Act 1999. No limitations or conditions can be imposed on the payment.
- 6.6 The Mayor has power to authorise the Executive Director for Housing and Land to approve the section 120 grant and section 401A shared services.

7. Planned delivery approach and next steps

- 7.1 The indicative programme for the project is as follows:

Action	Timeline
GLA to enter Cooperation Agreement with MOPAC	February 2021
Commence LDP2 procurement exercise (issue of EOI/sifting brief)	February 2021
Sifting brief deadline	February 2021

Issue Invitation to Tender	April 2021
Contract award	October 2021
Development Agreement signed	December 2021

Appendices and supporting papers:

Appendix 1: Site plan

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: To maintain the confidentiality of the transaction until the LDP2 procurement process is concluded.

Until what date: 31 January 2022

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:

Lauren Noble has drafted this report in accordance with GLA procedures and confirms the following:

✓

Sponsoring Director:

Rickardo Hyatt 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.

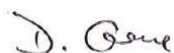
✓

Corporate Investment Board

This decision was agreed by the Corporate Investment Board on 22 February 2021.

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature**Date**

23 February 2021

CHIEF OF STAFF:

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

Signature**Date**

22 February 2021