

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD2459

Title: Hendon Land Fund

Executive Summary:

The GLA is supporting the disposal of two surplus Mayor's Office for Policing and Crime (MOPAC) sites in Hendon through the London Development Panel 2 (LDP2). The sites are to deliver a total of 60% affordable housing to support a wider portfolio approach in combination with the Paddington Green project.

Reflecting the requirement for a higher percentage of affordable housing than would be delivered through a standard policy compliant disposal with 50% affordable housing GLA is proposing to use the £486m strand of Homes for Londoner's Land Fund (approved under Mayoral Decision MD2396) to underwrite a potential shortfall in the consideration to MOPAC below the agreed market disposal level up to a maximum (as set out in Part 2) to ensure that MOPAC can satisfy its requirements to dispose of sites for a commercial return on the Hendon sites.

Decision:

In accordance with MD2396 the Executive Director of Housing and Land approves:

The recommendation for GLA Land and Property Ltd to underwrite the consideration to MOPAC, up to the maximum outlined in Part 2 of this decision, using the Homes for Londoner's Land Fund.

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: Interim Deputy Executive
Director of Housing and Land

Signature:



Date:

17 March 2020

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1 On 27th November 2018, MD2396 approved £486m of funding from the Ministry of Housing, Communities and Local Government (MHCLG) to help unlock and accelerate housing delivery in London through land assembly, infrastructure investment and provision of gap funding. A Memorandum of Understanding (MoU) between the MHCLG and the GLA for this funding is aimed at unlocking sites capable of delivering 8,000 housing completions in London by 2030.
- 1.2 MD2396 grants the Executive Director of Housing and Land in consultation with the Deputy Mayor for Housing and Residential Development delegated authority to approve, via a director decision, the allocation of the MHCLG funding in accordance with the terms associated with the programmes and in pursuit of the Mayor's housing ambitions.
- 1.3 In accordance with the Investment Strategy, the proposals in this report were considered by the Land Fund Investment Committee, which in noting the strategic importance of the proposed intervention, endorsed the recommendation to allocate funding from the Land Assembly Fund in principle, subject to further due diligence.

MOPAC Sites

- 1.4 The Metropolitan Police Service (MPS) has identified sites in its estate that are surplus and is proposing to dispose of them. In the interests of securing affordable housing and an effective disposal route, GLAP has been working in partnership with MPS and Mayor's Office for Policing and Crime (MOPAC) to explore how the surplus sites can be best brought to the market. Three sites have been identified that are the subject of this paper - two sites at Hendon, LB Barnet (map at Appendix 1) and the Paddington Green site, LB Westminster.
- 1.5 The Mayor acting as Police and Crime Commissioner has a statutory duty to secure the effectiveness and efficiency of policing and is not entitled to override this with wider public policy considerations. In addition, when disposing of land MOPAC has a fiduciary duty to obtain the best value it can. Therefore, MOPAC is obliged to seek to achieve the current unconditional market value, as set out in Part 2.
- 1.6 Through initial scoping work, including pre-application planning discussions with the relevant boroughs and the GLA, the Hendon sites (the Old Driving School & the Rowan Drive sites) are assumed to deliver a total of 733 homes and the Paddington Green site will accommodate 451 homes.
- 1.7 The Paddington Green site is currently under an unconditional offer from a developer with an adjacent site and could create a significant new residential area through the release of a restrictive covenant by the neighbouring land owner. It is proposed the assumption for affordable housing provision is 35%. The site is being linked with the Hendon sites where additional provision of affordable housing will be possible. This portfolio approach will ensure that the cumulative output is 50% affordable housing thereby delivering value for money for MOPAC and safe-guarding affordable housing outputs for London as a whole.
- 1.8 By making this intervention and underwriting the difference between bids received and the agreed unconditional market value to MOPAC, GLA is requiring that a higher proportion of affordable housing will be brought forward than if the sites were disposed of independently. The use of the London Development Panel 2 (LDP2) will also ensure that the route to market is as efficient as possible and the disposal costs are kept to a minimum. The LDP2 is a single-lot framework of 29

established developers, house builders, contractors and Registered Providers of Social Housing (RPs) who have been carefully selected through a rigorous competitive procurement process. The Panel offers comprehensive development and construction services and can be used by public landowners for sites in Greater London, providing a streamlined and efficient method for selecting development partners for their sites

- 1.9 It is not proposed that GLAP acquires the sites because of the additional burden of Stamp Duty Land Tax (SDLT) that would arise through the purchase and onward sale. Instead GLAP will provide expertise and support to MOPAC to take the site through the LDP2 process and secure a development partner without taking an upfront interest in the land. By working together in this way, the two bodies will be able to achieve efficiencies in sale costs and ensure that the overall objectives of the project are still realised. It is hoped that this model could be replicated to support other public sector land disposals and reduce the SDLT burden.

Site Description

- 1.10 The Hendon sites are located within Colindale, London Borough of Barnet, between Edgware and Brent Cross, approximately 1.2 miles North West of Hendon town centre. Colindale is located approximately 8 miles North West of central London.
- 1.11 Colindale underground station is 400 metres to the west of Site 1 and 900 metres west of Site 2, providing transport links to central London via the Northern line. Hendon railway station is located 1 mile to the south of both sites and is served by London Overground Thameslink with regular trains to London St Pancras International, City Thameslink and London Blackfriars. The M1 motorway lies to the east of both sites, linking them to Central London, as does the train track for Network Rail and to the west of both sites is Silkstream Park and Edgware Road.
- 1.12 The surrounding area is predominately residential, comprising mostly new-build flats and both semi-detached and terraced houses. The proposed development will be situated next to existing MPS facilities in an established area of recently built residential developments. The Redrow Homes' 'Colindale Gardens' development surrounds both sites, which is a scheme comprising 2,900 homes.
- 1.13 Site 1 is bordered by Aerodrome Road to the north which has a mixture of new-build residential properties and student accommodation, and a retained MPS building to the east. The remainder of the site is surrounded by the Redrow development. Site 2 is bordered with a retained MPS facility, and the Redrow development to the north and west.
- 1.14 Site 1 comprises 3.16 acres of land that is broadly rectangular in shape. The majority of the Site is covered by a single building, the former MPS driving school, which relocated in 2019. The former driving school was built in the 1950's. The remainder of the site comprises a privately-operated vehicle fuelling station located to the west of the main building, which includes underground storage tanks for diesel and petrol along its eastern boundary, and hard standing. Site 1 is approximately a six-minute walk from Colindale underground station.
- 1.15 Site 2 comprises 2.55 acres of land that is broadly rectangular in shape and was formerly residential accommodation for the MPS. All previous buildings on site have now been demolished, leaving a cleared site. Site 2 is approximately a ten-minute walk from Colindale underground station.
- 1.16 Colindale has undergone significant regeneration in the last ten years in which a range of new residential developments have undergone construction. The two sites are situated in a sought-after location which are anticipated to appeal to a wide range of the members of the LDP2.

Planning Context

- 1.17 The following development is proposed on the subject sites:
'Comprehensive redevelopment of existing sites, including the demolition of all existing buildings, provision of residential led mixed-use development, comprising up to 733 residential units in buildings ranging from six to twenty one storeys, up to 838 sqm of non-residential floorspace (Use Classes A1-A4, D2), together with associated open space, landscaping, access and car parking.'
- 1.18 Pre-application planning advice has been sought from both Barnet Council and the GLA. Barnet Council concluded that the basic principle of redeveloping the sites to provide a mixed-use scheme is supported in principle, subject to a detailed assessment of any future submission. The GLA made the following key points:
- the principle of redevelopment of the two sites for residential purposes is acceptable;
 - the sites constitute public land, and the GLA will therefore expect any development on the sites to deliver its full potential in terms affordable housing (the Mayor's strategic target is at least 50% affordable housing on public land);
 - where 50% affordable housing is delivered on public land, the tenure of additional affordable homes above 35% is flexible;
 - a division of housing tenures across separate sites is discouraged by the London Plan and the Housing SPG;
 - the scale, massing and density is supported in principle; and
 - the GLA and TfL would seek lower levels of car parking than the 490 spaces proposed over the two sites.

2. Objectives and expected outcomes

- 2.1 The GLAP intervention aims to:
- i. Accelerate housing delivery on surplus public-sector land
 - ii. Safeguard delivery of 60% affordable housing to support the wider portfolio approach to MOPAC's site disposals.
- 2.2 Funding requirement: GLAP will underwrite the difference in value between the land value in the winning bid received and the agreed open market value of the site up to a maximum amount, as set out in Part 2 of this decision using the Homes for Londoner's Land Fund.
- 2.3 Timing of investment: where there is a shortfall the payments to MOPAC would be made in accordance with the commercial proposal of the selected Developer through the LDP2 process. As a result, GLAP's shortfall payments would be paid in line with the milestones identified through the contract documents which will reduce the risk of GLAP making payments that are in advance of need or having to recover the money if there is a termination event or delay outside of the control of the developer.
- 2.4 The exact amounts and timings of the payment will be fixed through the procurement process and therefore this assessment is based on a worst-case scenario that the full maximum amount (as set out in Part 2) is required to be paid to MOPAC upfront. The final requirement will be updated through the MD that seeks approval for the developer appointment.

Value for Money

- 2.5 The Initial Benefit Cost Ratio (BCR) of the project has been assessed to be 1.57 on the assumption of a worst-case scenario that there is a maximum shortfall payable and that the payment must be made upfront at the point of contracting and all the homes are delivered at the end of the programme period. The adjusted BCR is 1.61.

- 2.6 In recognition that GLAP is taking the financial risk for underwriting the scheme MOPAC has offered to share equally any consideration beyond an agreed threshold (as set out in Part 2 of this decision) with GLAP which would be reinvested into the Land Fund.
- 2.7 In addition, GLAP will be entitled to the development overage realised by MOPAC as a result of value uplift over the lifetime of the development up to the repayment of any underwriting that was required and a 25% share thereafter.

Project Delivery – Roles and Responsibilities

- 2.8 The Housing and Land team at the GLA will provide commercial and procurement expertise to administer the LDP2 procurement and contracting processes on behalf of MOPAC.
- 2.9 MOPAC will help to shape and inform the contracting documents using its knowledge of the site and the ongoing requirements of the retained estate.

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 intervention is to ensure that the amount of housing, particularly affordable housing is maximised through the development process and that the certainty of housing delivery is assured through LDP2 contracting.
- 3.3. When considering the needs of the existing community and those that will be affected by the proposed development (both currently and in the future development scheme), any development activity will look to minimise disadvantages to all protected characteristic groups within society. This decision is therefore not expected to have any negative impact on persons with a protected characteristic under the Equality Act, as it will enhance existing facilities for those using the current site and provide community led regeneration on the remaining site.

4. Other considerations

Links to Key Mayoral Objectives

- 4.1 Draft New London Plan (Policy H1) promotes the increase of supply of housing in general and affordable housing.
- 4.2 Draft New London Plan (Policy H5) outlines a strategic target for 50% of all new homes delivered across London to be affordable and specifically on public sector land. The site will deliver 60% affordable housing.

Declarations of Interest

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

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	<ul style="list-style-type: none"> Both organisations will work together to agree mutually acceptable parameters for the procurement
Risk that bids come in below the threshold of the underwriting	The project does not proceed and no housing is built	<ul style="list-style-type: none"> MOPAC has reserved the right to proceed in the event that the underwriting does not meet the whole shortfall
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	<ul style="list-style-type: none"> Both organisations are working with planners at LB Barnet to ensure buy-in to the approach
Political		
Change of policy with regards to the delivery of affordable housing.	It is no longer justifiable to require the increased proportion of affordable housing	<ul style="list-style-type: none"> Both organisations agree an exit strategy for the project in the event that there isn't an imperative for the procured level of affordable housing

5. Financial comments

- 5.1 This decision requests approve for the recommendation to underwrite the consideration to MOPAC, up to a maximum outlined in part 2 of this decision, using the Land Fund (MHCLG Land Assembly Fund) for the sites as detailed above.
- 5.2 The VAT, Tax and SDLT consequences of this proposal depends on the structure adopted and how this is to be documented in the legal agreements. To ensure the optimum position for all of the parties, further input and advice will be needed from Finance before settling on the final structure and finalising the legal agreements.

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 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.

6.2 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 as set out above in section 3.

6.3 Sections 1-3 of this report indicate that the decision requested of the Executive Director of Housing and Land, in consultation with the Deputy Mayor for Housing and Residential Development, is within the GLA's statutory powers.

7. Planned delivery approach and next steps

7.1. Key next steps:

Activity	Timeline
Contract between MOPAC/GLAP complete	April 2020
Launch Expression of Interest to LDP2	May 2020
Procurement programme	May 2020-Feb 2021
Appoint development partner	March 2021
Complete Development Agreement	June 2021
Start on site	December 2022

Appendices and supporting papers:

Appendix 1 – Hendon site locations

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: 1 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:

Philippa Bancroft has drafted this report in accordance with GLA procedures and confirms the following:

✓

Assistant Director/Head of Service:

Simon Powell 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 16 March 2020

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

M. D. Ellis

Date 16.3.20