

PART 2 – CONFIDENTIAL FACTS AND ADVICE

DD2459

Title: **Hendon Land Fund**

Information may have to be disclosed in the event of a request under the Freedom of Information Act 2000. In the event of a request for confidential facts and advice, please consult the Information Governance team for advice.

This information is not suitable for publication until the stated date because:

It contains commercially sensitive information relating to the values agreed between the parties which should remain out of the public domain until the procurement process for the Hendon Sites is completed.

Date at which Part 2 will cease to be sensitive or when this information should be reviewed with a view to publication: December 2021

Legal adviser recommendation on the grounds for not publishing information at this time:

The contents of Part 2 include sensitive information which relate to the GLAP's commercial interests, the disclosure of which could prejudice those interests. For those reasons it is considered that the information contained in this report and appendices is exempt from publication in reliance upon the exclusions contained in section 43 (2) (Commercial Interests) of the FOI Act 2000 and because the public interest in withholding the information outweighs the public interest in releasing it.

Legal Adviser - I make the above recommendations that this information is not suitable for publication at this time.

Name: TFL legal

Date: 18 February 2020

Once this form is fully authorised, it should be circulated with Part 1.

Decision and/or advice:

1. As set out in Part 1, whilst being prepared to underwrite the land value the GLA wants to limit the financial exposure arising from the transaction and will only progress a Development Agreement through the LDP2 procurement where the offered consideration falls within the parameters of the contemplated maximum 'losses', allowed on a disposal under the GLA General Consent, the lower of £10m or 30% of the overall value.
2. Market Assessment
GLA and MOPAC jointly appointed Avison Young to undertake a valuation of the sites to understand the land value based on three scenarios to demonstrate how the requirement for 60% affordable housing would impact on the consideration. See report at Appendix 2. The values established are set out below:

Basis of Valuation	Amount
Current unconditional Market Value Policy compliant 50% affordable	£33,000,000
Market Value with 50% Affordable, conditional upon planning through LDP2	£36,000,000
Market Value with 60% Affordable, conditional upon planning through LDP2	£35,500,000

- 2.2 On this basis it is proposed that the GLA uses Land Fund investment to underwrite a shortfall of up to £10,000,000 of the £33,000,000 consideration MOPAC is obliged to achieve as 'best value'. In the event the procurement through the LDP2 does not achieve the estimated land value of £33,000,000 the GLA will make a series of shortfall payments to MOPAC. This is because MOPAC would expect to achieve £33,000,000 if the land was taken to the market and offered for sale unconditionally to deliver 50% affordable housing.
- 2.3 However, recognising that the Land Fund will not underwrite the full value of the site it is proposed that the shortfall is limited using the GLA's General Consent parameters for disposals of land at less than full value, i.e. the lower of £10,000,000 or 30% of the land value. If the winning bidder through the LDP2 procurement process does not offer a consideration of £23,000,000 GLA will not be obliged to enter into the Development Agreement. For any offer over £23,000,000 GLA will make a shortfall payment to ensure that MOPAC receives £33,000,000 in total for the site. The underwriting is limited to £10,000,000 to generate a total land receipt of £33,000,000 as this, together with the £23,000,000 consideration, is what MOPAC could expect to receive with an unconditional sale to the market and therefore enables MOPAC to satisfy its requirements to achieve a commercial best value for the site but also benefit from the additional value realised at Paddington Green by only delivering 35% affordable housing.
- 2.4 It has been agreed that in the event that the consideration offered through the LDP2 process falls below £23,000,000 and MOPAC wishes to proceed it will have the option to do so (subject to satisfying its own Best Value requirements).
- 2.5 Through the joint valuation process the estimated value of the sites delivering 60% affordable housing has been established as £35,500,000 and therefore it is not anticipated that GLA will be required to make a shortfall payment, but MOPAC requires assurance that it will not be financially penalised for requiring additional affordable housing on the Hendon sites.
- 2.6 As referenced in Part 1, in recognition that GLAP is taking a financial risk for underwriting the scheme MOPAC has agreed to share equally any consideration received from the successful bidder where it is beyond the threshold of £35,000,000, with GLAP.