GREATER**LONDON**AUTHORITY

REQUEST FOR MAYORAL DECISION – MD3178

Title: Compressor House disposal

Executive summary:

In August 2018, the Mayor (under cover of Mayoral Decision (MD) 2338) approved expenditure of up to £212.5m for the Royal Docks Enterprise Zone (EZ) Delivery Plan, to deliver an integrated and catalytic package of projects under the five strategic objectives of Place, Connectivity, Economy, Activation and Promotion.

This MD requests approval for the disposal of a long-leasehold interest in Compressor House, to Really Local Group (RLG). This disposal delivers on the ambitions of MD3019, which approved the acceptance of Levelling Up Funding from the London Borough of Newham, and Royal Docks Good Growth Funding. This formed a unique opportunity to link the surrounding communities, especially Beckton and Custom House, with the benefits of the Royal Docks EZ – in this case through the lens of digital inclusion. The refurbishment and subsequent occupation of Compressor House by RLG will deliver on these ambitions.

In accordance with Royal Docks EZ Programme Board governance and funding responsibilities for all Royal Docks EZ projects, the investment set out in this MD was considered and endorsed by the Royal Docks EZ Programme Board on 16 March 2023.

Decision:

That the Mayor approves the leasehold disposal of Compressor House, for 10 years, to Really Local Group to deliver a project that addresses priorities of good growth, levelling up and Royal Docks placemaking; and provides best value for the GLA Land and Property Limited commercial asset.

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: 17/12/23

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

Decision required – supporting report

1. Introduction and background

1.1. Compressor House is on the northern bank of Royal Albert Dock (RAD) in the Royal Docks, adjacent to Royal Albert station and next to London Borough of Newham's (LB Newham) offices. It is a 10-minute walk from Custom House station, on the Elizabeth Line, and is in the freehold ownership of GLA Land and Property Limited (GLAP), a GLA subsidiary company.

1.2. Compressor House was built in 1914 for cold storage of Royal Docks cargo. It retains many original features, including hoists, rails and winching machinery. The space is approximately 6,200 square foot, which increases to 7,100 square foot if the mezzanine space on the east side is included. Internally, the property is an open hall up to the exposed roof (8-9 metres).

1.3. Compressor House was, until June 2021, under the leasehold control of ABP London Investment Ltd (ABP) as part of the wider RAD development. The building requires investment to bring it back into a usable condition. It is in GLAP's interest to bring the building into active use for both financial and placemaking purposes, and to reduce its maintenance and security liabilities.

1.4. Through LB Newham's successful application to the Government's Levelling Up Fund (LUF), £1.725m capital funding has been secured to invest in Compressor House's renovation, as per MD3019. The Royal Docks Team (RDT) conducted an open market process to find a new operator of the building. This was through the Royal Docks Good Growth Fund (GGF). Really Local Group (RLG) has been appointed as preferred operator and, subject to approval, will become the building's tenant. Heads of Terms have been agreed in principle for a 10-year leasehold disposal to RLG. A subsequent agreement for lease will be developed following this Mayoral Decision (MD).

1.5. It is a requirement of LUF that there is £563,000 of local match-funding provided. This has been secured via an RLG application to the Royal Docks GGF, as per DD2634.

1.6. RLG has extensive regeneration experience across both development and operations. It creates and restores cultural infrastructure, principally on the high street. Typically, operations revolve around a three or four screen independent cinema, although in this case there is a wider exploration into digital media and flexible event space, rather than a cinema. RLG developed Catford Mews; and recently opened Ealing's first new cinema in 14 years at the Ealing Project, manages workspace Peckham Levels; and is developing schemes in Canning Town, Hayes, Bermondsey, Sutton and elsewhere in the southeast. RLG is an established operator in the market.

1.7. The original vision was for enabling works to Compressor House to be delivered by the GLA, and for the then-unspecified tenant to deliver fit-out. It has subsequently been agreed by all parties (including TfL's legal and estates advisors) that it is preferable and possible that the tenant (RLG) delivers all the specified capital works. Following completion of the works and associated conditions, the lease will commence.

2. Objectives and expected outcomes

2.1. The aim of investing in Compressor House is to deliver a project in line with the financial, social and place-making aspirations of the RDT and its partners, notably LB Newham via its LUF proposals. The ambitions of RLG include the asset becoming a destination venue in the heart of East London; and bringing significant social value and cultural wealth-building to the local and wider community.

2.2. With the project being part-funded by the LUF, outcomes and outputs associated therewith are linked to this funding programme – specifically, in this case, digital inclusion linked to both the council's

Levelling Up project and Newham Sparks.[1] Other thematic areas of stated relevant focus include Digital and Urban Technology; Young People; Arts, Creativity and Culture; and Heritage.

2.3. The Royal Docks Cultural Placemaking Strategy 2021 outlines the vision to mould the Royal Docks into the cultural engine of London. Within this, Compressor House provides the opportunity to become a destination space, a cultural hub or an event space that converges multiple communities within the Docks. This will also support the wider RAD development site, through a range of events, exhibitions and performances with a focus on digital inclusion, heritage and learning.

2.4. The RLG business plan sets the vision for the building as a flexible community hub with a full-service café/bar; areas available for hire (at commercial/discounted rates) capable of meeting a wide range of purposes, including exhibitions and performances; and a digitally enabled learning/meeting room.

2.5. The Agreement for lease will have a number of pre-conditions to be met following satisfaction of which, the lease can be drawn down.

2.6. The details of the agreed commercial terms are covered in the accompanying Part 2 report.

3. Equality comments

3.1. Section 149(1) of the Equality Act 2010 provides that, in the exercise of their functions, public authorities must have due regard to the need to:

- eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010
- advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
- foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

3.2. Relevant protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, and sexual orientation.

3.3. The LUF is by definition aimed at equalising investment between and within communities UK-wide. LB Newham was awarded this funding to, in part, reflect the systemic disadvantages that its communities face. The investment at Compressor House responds directly to this agenda. Such structural inequalities also reflect the headline Newham policy of Community Wealth Building, and the Recovery agendas of both the Mayors of London and Newham, all of which are core themes running through all EZ programme activities. Specifically, the project aims to address digital exclusion by offering basic digital inclusion services and training, exposure to digital creative skills training, and digital cultural activity as part of the broader events-based offer of the venue.

3.4. LB Newham is an integral partner in realising this opportunity. Key to this vision is the borough's commitment to addressing inequality and creating economic, social and environmental value for all. LB Newham's community wealth-building agenda will be a key focus for the site – addressing economic and social disparities in local communities; and putting local communities at the centre of shaping a local economy where growth and investment benefit all residents. Compressor House has the potential for significant benefits, promoting and advancing the equality of opportunity for local residents and protected groups. This includes local employment, skills development, educational initiatives and broad economic growth.

3.5. Whilst commercial in nature, the opportunity seeks to offer significantly more added social and placemaking value. It has the potential to be a link – physical and otherwise – between the

[1] Newham Sparks sets the ambition for Newham to become the home for London's Data Economy.

opportunities of the Royal Docks and the surrounding local communities. Newham is one of the most diverse and youngest places in London, so responding to the opportunity as articulated, if delivered well, is likely to be a valuable means to addressing inequality in the area. It is also considered a valuable vehicle through which several other RDT priorities could be delivered or housed, especially from the cultural activation team's programme.

4. Other considerations

4.1. In addition to the above, this programme will also help deliver the following Mayoral policies and strategies:

- the Mayor's Skills for Londoners Strategy
- the Mayor's Equality, Diversity and Inclusion Strategy, Inclusive London
- the Mayor's London Health Inequalities Strategy
- the Mayor's Economic Development Strategy for London
- the London Plan
- Culture for All Londoners
- the London Environment Strategy.

Key risks

4.2. The key project risks and mitigation measures are set out in the table below.

Issue	Likelihood (high/ medium/low)	Impact (high/ medium/low)	Mitigation
		Lease risks	
Is there sufficient demand for the proposed type of use in this location (especially given the cost of living, low current footfall)?	M	H	Positive market perspective provided by the fact RLG are involved, and the nature of the commercial risk as identified in the Part 2 report.
The wider vision for the provision of a community hub/work/studio space is not possible, resulting in inconsistent footfall.	M	M	Reduce food and beverage operating hours/focusing on exhibitions and private hires; and welcome the RDT as tenants for the first two to three years of the project. The commercial terms have been designed to offer this flexibility in an uncertain climate, and in an untested location.
Post-pandemic and/or Brexit, staffing shortages/absences continue to affect the hospitality industry, resulting in reduced ability for full operation.	M	H	RLG is a local "employer of choice", by always paying the London Living Wage (as a minimum); prioritising local residents (where possible); providing apprenticeships, training, coaching and

			promotions; and leveraging their other venues to give their teams the widest choice/access to as many opportunities as possible.
Wider risks			
The DLR does not operate/is closed for repair works, making it difficult to get to the area	L	H	Clear communications/good relationship with TfL, so as not to programme over any planned repair works.

4.3. There are no conflicts of interest to declare from any of the officers involved in the drafting or clearance of the MD.

5. Financial comments

5.1. Granting of the 10 year leasehold interest would amount to approximately £1.6m in estate costs savings not including inflationary pressure and business rates increases. In addition, GLAP would be saving on any capital enabling works that would otherwise be necessary to make the site ready and available for renting estimated at £0.5m.

5.2. On the basis of the cost savings and potential income that GLAP would be receiving during the leasehold disposal period, the disposal to Really Local Group is considered to be good value to the GLA.

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
- promoting the improvement of the environment in Greater London.

6.2. 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 an equality of opportunity for all people
- consider how the proposals will promote the improvement of the 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 one to three of Part 1 of this report indicate that the Mayor has the power to proceed to make the decisions as requested within this report.

7. Planned delivery approach and next steps

7.1. The planned delivery approach and next steps are detailed in the table below:

Activity	Timeline
MD for disposal approved	Winter 2023
Agreement for lease signed	Early 2024
Works begin on site	Early 2024
Works complete	Late 2024
Asset open	Late 2024

Appendices and supporting papers:
Appendix 1 – Compressor House 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 be published either 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: For commercial sensitivity reasons, should be deferred until the Agreement for Lease is signed. Until what date: 31 March 2024
Part 2 – Sensitive information Only the facts or advice that would be exempt from disclosure under the 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: Matt Davies has drafted this report 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 18 December 2023.	✓

INTERIM CHIEF FINANCE OFFICER: I confirm that financial and legal implications have been appropriately considered in the preparation of this report. **Signature:**	**Date:** 18/12/2023

CHIEF OF STAFF: I am satisfied that this is an appropriate request to be submitted to the Mayor. **Signature:**	**Date:** 18/12/2023