

REQUEST FOR DIRECTOR DECISION – DD2708

Title: Pudding Mill Lane Development Disposal

Executive Summary:

The London Legacy Development Corporation (LLDC) has recently undertaken a procurement and identified a preferred bidder for a private sector developer partner to form a Joint Venture limited liability partnership (JV LLP) with Pudding Mill Legacy Developments Limited (PMLD), a wholly-owned subsidiary of LLDC. The objective of the JV LLP is to deliver the Pudding Mill Lane (PML) development at Queen Elizabeth Olympic Park. LLDC is seeking consent to the LLDC Investment Committee's decision, as landowner, to enter into a Development Agreement with the JV LLP to deliver the PML development.

Mayoral consent is required for the disposal of LLDC freehold land interests under Paragraph 4.4 of the LLDC Governance Direction 2019 (approved under MD2502) as this is a 'Land Transaction' as defined in Clause 2 of the National Lottery Fund Repayment Agreement (NLFRA). Mayoral consent is also required under sections 213 and 220 of the Localism Act 2011 for LLDC (as Parent Company of PMLD) to provide a Parent Company Guarantee for the performance and payment obligations of PMLD in the Joint Venture Agreement. Under the Governance Direction, the Executive Director of Good Growth is authorised to provide Mayoral consent in both regards.

Decision:

That the Executive Director of Good Growth approves:

1. that LLDC enters into a Development Agreement with the Joint Venture limited liability partnership, to be set up between the preferred bidder developer partner and Pudding Mill Legacy Developments Limited (PMLD) which involves a 'land transaction' as defined by clause 2 of the National Lottery Funding Repayment Agreement (NLFRA).
2. that LLDC provide a Parent Company Guarantee for the performance and payment obligations of PMLD in the Joint Venture Agreement.

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: Philip Graham

Position: Executive Director - Good Growth

Signature:



Date:

22/07/2024

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1. Pudding Mill Lane forms part of the five new neighbourhoods being brought forward by London Legacy Development Corporation (LLDC) as part of the legacy plans for Queen Elizabeth Olympic Park, as set out in the original Legacy Communities Scheme (2012).
- 1.2. In June 2023, the Mayor approved (via MD3087) that LLDC will deliver the Pudding Mill Lane scheme via a public sector / private sector Joint Venture partnership and establish Pudding Mill Legacy Developments Limited (PMLD), a wholly-owned subsidiary of LLDC to enter into a loan funding agreement with the GLA, and the provision of loan funding by the GLA to LLDC to provide equity funding to the JV.
- 1.3. Pudding Mill Lane (PML) is a 5-hectare site located to the south of Queen Elizabeth Olympic Park (QEOP), adjoining Pudding Mill Lane DLR station. Pudding Mill Lane is unique amongst LLDC's neighbourhoods in that, alongside delivering high-quality family housing through a range of typologies, the site presents an opportunity to shape and comprehensively deliver a new local centre and a significant quantum of employment floorspace c. 30,000 sqm.
- 1.4. LLDC's ambition is to deliver an exemplar mixed use neighbourhood and thriving commercial centre that acts as a new pedestrian-friendly southern gateway to the Park. LLDC's vision for employment space at PML is to complement the emerging Innovation District on the Park, including the potential to incorporate knowledge-based economic activities, high tech and innovation, education and research-based activities, digital technology, and health.
- 1.5. PML will deliver much needed homes for Londoners, including affordable homes, and will generate financial returns for LLDC/GLA.

Planning

- 1.6. In October 2023, PML was granted outline planning permission for c. 948 new homes and up to 51,738m² of Class E non-residential space, including the creation of a new local centre and public realm. The outline permission requires submission of reserved matters within seven years of the outline consent.
- 1.7. The Stratford Waterfront (SWFT) Unilateral Undertaking (UU) secures the delivery of 50% affordable housing (by habitable room) across a portfolio of sites comprising SWFT, PML, Bridgewater (BWT) and Rick Roberts Way (RRW) (the 'Portfolio Affordable Housing Obligations'). The PML UU which accompanies the PML outline consent, requires 45% affordable housing to support the overall portfolio requirements. PML will also accommodate any 'Additional Affordable Housing' required as part of the PML Viability Review undertaken on both PML and BWT as set out in the SWFT UU.

Delivery

- 1.8. The GLA and LLDC explored various routes to deliver a mixed-use redevelopment of the Pudding Mill Lane site and agreed that a public/private sector Joint Venture (JV) structure was the most efficient and effective route to deliver the site. This was approved on 5 June 2023 via MD3087. It was also agreed that the LLDC's share of the JV equity would be funded by way of a loan from the GLA to a newly-established wholly-owned subsidiary of LLDC – Pudding Mill Legacy Developments Limited (PMLD).
- 1.9. LLDC, via its subsidiary PMLD, will enter into the Joint Venture and invest 50% of the equity required, alongside the private sector partner. As an equal investor, LLDC's subsidiary will receive a 50% share of any development profits to repay its borrowing to the GLA in line with prudential borrowing rules.

As PMLD's Parent Company, LLDC will be required to guarantee PMLD's performance and equity contribution under the Joint Venture Agreement.

- 1.10. LLDC, in its capacity as Landowner, will enter into a Development Agreement with the Developer (the JV) and dispose of its land via Headleases. Headleases will be drawn down once consent of the parties has been secured through fulfilling specific conditions, including Planning, Funding and Vacant Possession.

Procurement

- 1.11. In October 2022, LLDC, along with its advisors Deloitte, undertook extensive soft market testing (SMT) ahead of launching the JV procurement. In response to the SMT feedback, LLDC updated the brief and reviewed its minimum requirements regarding the quantum and type of employment space that could come forward on the site.
- 1.12. In January 2023, LLDC launched the procurement and published a Concession Notice on the Find a Tender service. A Selection Questionnaire (SQ), as well as Heads of Terms for the Development Agreement (DA), Development Management Agreement (DMA), Joint Venture Agreement (JVA) and Headlease were available via a portal. LLDC received a number of compliant and zero non-compliant SQ applications. The assessment was undertaken in accordance with the approved Evaluation Plan, which assessed key areas such as mixed-use project delivery, delivery of commercial workspace and LLDC's Priority Themes. A review of the economic and financial standing of each applicant was undertaken by the LLDC Finance Team. It was recommended that a number of applicants progressed to the next stage of the procurement process.
- 1.13. In May 2023, the 'Invitation to Submit Outline Proposals' (ISOP) was issued to the successful applicants. A number of compliant submissions were received, and evaluation was undertaken in accordance with the approved Evaluation Plan, which assessed key areas such as the tenderer's proposed Project Vision, Planning Strategy, Funding Strategy, Development Management Approach and LLDC's Priority Themes. It was recommended that a number of tenderers progressed to the next stage.
- 1.14. A series of dialogue sessions were undertaken from September to December 2023. These covered matters such as Design, Planning, Legal and Commercial. The sessions served as an opportunity to explore Tenderers' proposals in more detail and for tenderers to better understand the rationale behind LLDC's Key Principles, requirements and draft contract documents.
- 1.15. Tenderers were issued with an Invitation to Submit Final Tender (ISFT) on the 12 January 2024. This included accompanying information, such as longform legal documents which reflected discussion during the Dialogue.
- 1.16. Tender submissions were received in March 2024 and were evaluated in accordance with the scoring criteria set out in the ISFT. The process concluded with the selection of Tenderer A as Preferred Bidder by LLDC Investment Committee on 11 June 2024, (the decision was delegated to the Committee by the LLDC Board on 11 March 2024) and subject to receiving the Mayoral consent set out in this form.

Governance

- 1.17. Pudding Mill Lane Developments (PMLD) is a subsidiary of LLDC and an Investment Vehicle and will be a Member of the PML JV LLP (the JV Developer).
- 1.18. The primary purpose of PMLD is to act as a member of the JV LLP and, in that capacity, to provide 50% of the equity required to deliver the Project. Directors of PMLD will be appointed as its representative on the JV Board. The JV Partner will be entitled to appoint the same number of board representatives.
- 1.19. As a JV Partner and designated member of the JV LLP, PMLD will have obligations under the Limited Liability Partnership Act 2000. Although as an LLP there is no statutory obligation to establish a board

of directors and, therefore, no statutory duties directly imposed on PMLD's board representatives, the JV Agreement will include conflict provisions to ensure that PMLD as a designated member of the LLP, and its board representatives, must act in the best interests of the JV and not, for instance, in the interests of LLDC as landowner.

1.20. The Directors of PMLD are currently the Executive Director of Development (LLDC), Finance Director (LLDC) and recognising GLA's financial interest, the Head of Development, Housing and Land Directorate (GLA).

1.21. It is anticipated that two of PMLD's Directors will become Members of the JV Board.

1.22. Mayoral consent is required for:

- the disposal of LLDC freehold land interests under Paragraph 4.4 of the LLDC Governance Direction 2019 (approved under MD2502) as this is a 'Land Transaction' as defined in Clause 2 of the National Lottery Fund Repayment Agreement (NLFRA).
- LLDC (as Parent Company of PMLD) to provide a Parent Company Guarantee for the performance and payment obligations of PMLD in the Joint Venture Agreement, under sections 213 and 220 of the Localism Act 2011.

1.23 Under the Governance Direction, the Executive Director of Good Growth is authorised to provide Mayoral consent in both regards.

2. Objectives and expected outcomes

2.1. LLDC's proposal for Pudding Mill Lane is for the site to be developed as part of LLDC's Portfolio Affordable Housing Obligations set out in the Stratford Waterfront Unilateral Undertaking, to achieve 50 per cent affordable housing (by habitable room) across four sites:

- Stratford Waterfront
- Bridgewater Triangle
- Pudding Mill Lane
- Rick Roberts Way

2.2. Collectively the sites will deliver approximately 2,570 homes, with the Pudding Mill Lane expected to deliver c.1,076 (based on tender submission) of which 45 per cent are affordable (by habitable room), satisfying the Portfolio Affordable Housing Obligations.

2.3. This will also be delivered alongside other non-residential and community space, as indicatively summarised below:

Pudding Mill Lane	
Total Units	1,076
Total Affordable Units	398
Affordable Hab Rooms (% of total)	49%
Total Intermediate Units (% of AH)	70%
Total Low Cost Rent Units (% of AH)	30%
GIA Commercial Space (SQM)	30,184
GIA Retail Space (SQM)	1,457
GIA Community Space (SQM)	2,226

- 2.4. Note the data above is approximate, based on the preferred bidder tender submission, and is subject to detailed design / approval of reserved matters applications (RMAs).
- 2.5. Following execution of contracts, the JV Developer will progress with RMA preparation to the agreed programme.

3. Equality comments

- 3.1. Under section 149 of the Equality Act 2010 (the Equality Act), as public authorities, both the LLDC and 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 reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation, and marriage or civil partnership status.
- 3.2. When considering the needs of the existing community and those that will be affected by the potential development at PML, any development activity will look to minimise disadvantages to all protected characteristic groups within society, for example through design. Additionally, this decision is expected to have positive impacts on persons with a protected characteristic under the Equality Act, as increasing the supply of housing in London will help to address problems such as overcrowding and homelessness, which evidence indicates disproportionately affect specific groups, including Black, Asian and minority ethnic groups; and women.
- 3.3. The development of PML will deliver strategic objectives from the Mayor's Equality, Diversity and Inclusion Strategy (section: "Making London a great place to live").
- 3.4. The development of PML will contribute to LLDC's 50% affordable homes across a portfolio of LLDC sites increasing the supply of affordable homes. The delivery of high-quality housing will also promote improved health and wellbeing, given evidence of an association between poor housing conditions and poor health.
- 3.5. London Borough of Newham is one of the most disadvantaged boroughs in London, and one of the most diverse in terms of faith and ethnicity. It is paramount to redevelop these key strategic sites in Stratford in a sustainable way, and to consider how the regeneration of the area will provide benefits for all local communities, both during design and construction, and in its final built form. Socio-economic commitments within the Development Agreement stipulate requirements for delivering apprenticeships for local people and under-represented groups and that the project meets / exceeds employment target percentages for these communities. In its built form, the development at PML will be designed to respond to the diversity of the surrounding area; and, in the design of the landscape and homes, will follow all Part M building-regulation requirements to create an accessible development in Stratford.
- 3.6. The proposals in this decision form are not expected to have any negative impact on those with protected characteristics.

4. Other considerations

Key risks and issues

- 4.1. There is a risk that construction cost inflation may cause an increase in construction costs, particularly given the current market conditions. This will be monitored by the JV and its professional team, and appropriate risk / contingency allowances will be included within financial model for the development.

- 4.2. There is a risk that assumed sales values may not be achievable. This will be monitored by the JV and its professional team and appropriate risk / contingency allowances will be included within financial model for the development.
- 4.3. There is a risk that occupiers / tenants cannot be found for the employment space The JV will develop a marketing strategy and seek specialist advice to target suitable occupiers.
- 4.4. There is further risk information in part 2.

Links to Mayoral strategies and priorities

- 4.5. This decision outlines an opportunity to bring forward a brownfield site at Queen Elizabeth Olympic Park, providing much needed affordable housing for London.
- 4.6. The development of PML will seek to implement a number of the Mayor's policies, such as those outlined in the new London Plan 2021 (the Healthy Streets Approach, the London Housing Strategy and the Transport Strategy) and is aligned with the Mayor's Equalities Framework to consider the requirements of relevant equalities groups. The residential development will be required to meet building safety standards that the Mayor has applied to LLDC land.

Consultations and impact assessments

- 4.7. LLDC has consulted with London Borough of Newham, neighbouring landowners, property, procurement and legal advisors as well as the local planning authority throughout the planning process.
- 4.8. As part of the town planning process for the site, an Environmental Impact Assessment and community consultation has been undertaken. This will carry on being implemented through the RMA applications.
- 4.9. In making this decision, LLDC consulted its Investment Committee (IC) to launch the procurement process. The draft evaluation criteria were also reviewed by LLDC's IC. As delegated by the LLDC's Board in March 2024, LLDC's IC has approved the outcome of the procurement, subject to the Mayoral Consents sought through this Mayoral Decision.
- 4.10. There are no conflicts of interest to note for any of those involved in the drafting or clearance of the decision.

5. Financial comments

- 5.1. There are three financial components relevant to the decision for JV preferred bidder: the disposal land receipt; the JV proceeds back to LLDC; and the LLDC borrowing from GLA for PMLD's equity. Loan funding from the GLA for the equity was approved in MD3087 and is included in the GLA's capital spending plan. GLA officers have been consulted throughout the procurement process on the financial implications of the development of the site and the initial assumptions that underpin these in LLDC's financial plans have been reflected in the GLA's own budget and long-term plans as principal funder of LLDC.
- 5.2. Any cost escalation or reduction in the disposal land receipt or JV receipts back to LLDC, from those assumed, will have an impact on the GLA's overall funding of LLDC; and, although LLDC is providing the guarantee for the payment obligations of PMLD to the JV, the GLA is ultimately exposed to this as LLDC's funder. Therefore, any consequent financial impacts, should they arise, will be reflected as part of the regular review of LLDC's long-term funding model and taken into account during the Mayor's annual Consolidated GLA Group budget process.
- 5.3. Further financial comments are included in part 2 of this decision.

6. Legal comments

- 6.1. LLDC has undertaken a procurement exercise to identify a preferred bidder in compliance with all relevant procurement regulations.
- 6.2. The Development Agreement will commit LLDC to the disposal of the Pudding Mill Lane development site to the joint venture vehicle via a long lease; this disposal falls within the definition of 'Land Transaction' for the purposes of the National Lottery Fund Repayment Agreement. Paragraph 4.4 of the LLDC Governance Direction 2019 requires LLDC to obtain the consent of the Mayor to Land Transactions. LLDC is to stand as guarantor to PMLD's obligations under the Joint Venture Agreement; this requires Mayoral consent under sections 213 and 220 of the Localism Act 2011. Under LLDC Governance Direction 2019 the Executive Director of Good Growth is authorised to provide Mayoral consent to both the Land Transaction and the provision of the guarantee.

7. Planned delivery approach and next steps

Activity	
Mayoral decision	July 2024
Contract execution	September 2024
Phase 1 RMA submission	May 2025
Section 73 submission	May 2025
Final Phase RMA Submission	May 2027
Phase 1 Enabling Works SoS (Infrastructure Works and Utilities Diversions)	December 2025
Phase 1 Main Works SoS	March 2026
Final Phase Main Works SoS	July 2029
Practical Completion	January 2033

Appendices and supporting papers:

None

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: In order to conclude the preferred bidder negotiations and sign contract with the preferred bidder

Until what date: post contract execution, anticipated September 2024

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:

Jamie Dean has drafted this report in accordance with GLA procedures and confirms the following:

✓

Assistant Director/Head of Service:

Phillip Graham 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.

✓

Mayoral Delivery Board

This decision was agreed by the Mayoral Delivery Board on 22 July 2024.

✓

INTERIM CHIEF FINANCE OFFICER:

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

Signature:



Date:

22/07/2024

Anna Casbolt on behalf of Enver Enver