

# GREATER LONDON AUTHORITY

## REQUEST FOR MAYORAL DECISION – MD3353

### LIEC (ExCeL) Estate – Headlease Variation & Royal Victoria Square Development

#### Executive Summary:

The Exhibition Centre London (ExCeL) is a major driver of economic growth and business tourism for London, London Borough of Newham (LBN), and the Royal Docks. The freehold of the site is owned by GLA Land & Property Limited (GLAP) with a long leasehold to London International Exhibition Centre (LIEC).

The headlease ("the Lease") was made between (1) London Development Agency (2) Royal Docks Management Authority Limited and (3) London International Exhibition Centre Limited in April 2001. It was amended in 2008 when LIEC was acquired by the Abu Dhabi National Exhibitions Company (ADNEC) and is unnecessarily complex, which is causing delays in the delivery of housing and commercial uses on the estate.

This Mayoral Decision form seeks approval to vary the Lease between GLAP and LIEC to improve its clarity. In addition, this decision seeks approval to the surrender of three leases out of the ExCeL Lease by LIEC back to GLAP and re-committed for a premium to ExCeL under a separate agreement for lease on the estate which will enable mixed-use development on Royal Victoria Square (residential, apart-hotel, and exhibition uses, in addition to significant public realm improvements).

#### Decision:

That the Mayor approves:

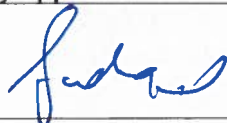
1. GLA Land and Property Ltd entering into a variation to the lease made between (1) London Development Agency (2) Royal Docks Management Authority Limited and (3) London International Exhibition Centre Limited and dated 20 April 2001 (as amended in 2008) materially on the basis of the Heads of Terms as set out in Part 2 and Confidential Appendix 5 of this Mayoral Decision.
2. GLA Land and Property Ltd:
  - (i) taking a surrender of areas WE9A, WE9B and WE9C, land currently held by LIEC under the Lease at ExCeL
  - (ii) entering into an agreement for lease for those areas with LIEC for the purpose of the delivery of the Royal Victoria Square masterplan, materially on the basis of the Heads of Terms as detailed in Part 2 and Confidential Appendix 3 of this decision
  - (iii) entering into all necessary ancillary documentation required to facilitate the Royal Victoria Square masterplan.
3. expenditure of up to a maximum of £75,000 for legal and commercial advice relating to the LIEC estate review.

#### 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:

21/4/22

## **PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR**

### **Decision required – supporting report**

#### **1. Introduction and background**

- 1.1. In 2001 the London Development Agency (LDA) signed a 200-year lease (“the Lease”) with London International Exhibition Centre Plc (LIEC) as part of the development of Exhibition Centre London (ExCeL) and the surrounding estate. The Lease was varied in 2008 when LIEC was acquired by the Abu Dhabi National Exhibitions Company (ADNEC). The Lease passed to GLA Land & Property Limited (GLAP) under statutory transfer following the closure of the LDA in 2012. The Lease governs the use and management of the ExCeL estate and defines value sharing mechanisms between LIEC and GLAP on existing and future developments on the site.
- 1.2. While the primary focus of the Lease was to define the tenant-landlord obligations for the construction and operation of the main exhibition centre, it also considers how future development and value sharing would work across the estate. Following the opening of the main exhibition centre in 2000, ExCeL has gradually developed additional plots across the estate. See Appendix 1 for a site plan.
- 1.3. The Lease contains mechanisms for GLAP, as freeholder, to receive income from the ExCeL estate as plots are developed but the mechanisms are poorly drafted, complex and difficult to administer. These mechanisms are detailed in Part 2 of this Decision.
- 1.4. This approval seeks to vary the Lease to make it fit-for-purpose. In 2017 GLAP and LIEC negotiated a stand-alone supplemental agreement to inform development on three plots of the ExCeL estate due to being unable to agree how the Lease should be interpreted on its current terms for such a development. This approach was time and resource intensive, requiring significant legal and commercial advice.
- 1.5. The Lease’s complexity creates an unnecessary time and resource burden when administering the current commercial arrangements and providing consent for development activity. Varying the terms of the Lease as proposed (as materially set out in Part 2 of this Decision) will support further development and the delivery of affordable homes on the ExCeL estate.
- 1.6. In addition to endorsing the proposed overarching Lease variations, this Decision also approves the surrender of three existing leases (plots WE9A, WE9B, and WE9C) out of the Lease back to GLAP. GLAP will then commit the land back to LIEC under a separate agreement for lease on commercial terms agreed between the parties (as set out in more detail in Part 2 of this decision) and in line with the new provisions of the headlease variation.
- 1.7. This transaction will facilitate a mixed-use development of Royal Victoria Square (RVS) for housing, commercial and hotel space as well as improved public realm. A longer-term lease needs to be granted for the residential plot to comply with the requirement for 999-year leases for shared ownership homes. The proposed surrender and re-grant of the land will ensure the development proceeds within a red line boundary that aligns with the masterplan proposal.
- 1.8. The residential scheme will deliver circa 300 new homes with a minimum of 35 per cent affordable homes by habitable room. The designs have not been updated in the past year; therefore scheme specifics may be subject to change, and further changes may be required to the Heads of Terms. It is therefore likely that the delegated authority to the Executive Director of Housing and Land within the Mayoral Decision-Making document will be utilised to approve any further non-material changes to the Heads of Terms, which are set out in more detail in Part 2.

1.9. Relevant previous approvals for ExCeL include the following:

Mayoral Decision (MD) 2073	10 February 2017	Approval for Umbrella Agreement enabling residential development at Royal Eden Dock.
Assistant Director Decision (ADD) 2317	1 March 2019	Approval for exploring the potential to vary the Lease and the initial expenditure to commission legal and commercial advice.
MD2948	4 March 2022	Approval for Phase 3 extension of ExCeL, adding 25,000 sqm of exhibition space and dock edge improvements.
Director Decision (DD) 2523	31 October 2022	Approval for expenditure on legal and commercial advice to support the variation of the Lease.

- 1.10. ADD2317 secured approval for £50,000 of initial expenditure to commission legal and commercial advice to explore a potential variation to the LIEC lease. Following in-depth legal review of the existing lease documentation and costs associated with a variation to the umbrella agreement and establishing Nightingale Hospital within ExCeL, further expenditure of £80,000 was approved through DD2523 for continued legal and commercial support.
- 1.11. Additional funding is required to further progress legal drafting of the Lease variation and commercial advice to ensure GLAP's financial position is protected. Both commercial and legal advisors have been appointed and additional expenditure will be used within the scope of their existing contracts.

## 2. Objectives and expected outcomes

- 2.1. Drawing four million visitors annually to the Royal Docks and generating economic and social value through a variety of food and beverage and entertainment attractions, ExCeL is a major contributor to the broader regeneration programme at the Royal Docks. The ExCeL estate is a significant landholding in the Royal Docks and is critical to the cohesive transformation of the area.
- 2.2. The ExCeL estate serves as the gateway to the Royal Docks from the Elizabeth Line and DLR station at Custom House, along with having a significant frontage along the dock edge. As a result, it has a key role to play in the Royal Docks' place stewardship.
- 2.3. As London's only Enterprise Zone and a major focus of investment for the Mayor of London and the Mayor of Newham, this approval will support further regeneration and activation in the Royal Docks. By 2038 the Royal Docks Enterprise Zone is projected to generate 35,000 jobs and 40,000 homes and attract over £5 billion in inward investment.
- 2.4. Together, the Lease variation and RVS development will ensure that:
- LIEC continues to attract visitors, investment, and business to the Royal Docks, serving as a major anchor institution in the Royal Docks' regeneration programme
  - as freeholder, GLAP is positioned to receive an appropriate share of value generated from the business operations of the LIEC estate
  - interpretation of the Lease is clarified which will enable more straightforward estate management and more efficient decision-making in the future
  - future development of the estate, to deliver additional homes, workspaces, and visitor attractions, is supported.

- 2.5. The objective of the proposed Lease variation is a simplified agreement between GLAP and LIEC which allows GLAP to manage the collection of financial payments more efficiently and support the delivery of affordable housing, employment opportunities, visitor destinations, and public realm improvements across the LIEC estate. The existing challenges with the Lease and proposed amendments are discussed in more detail in Part 2.
- 2.6. The proposed RVS development will contribute to the objectives of the London Housing Strategy, which sets out the rationale for the GLA to take a more interventionist approach in London's land market. RVS will support the GLA's aims of building more genuinely affordable homes, accelerating the speed of building and capturing value uplift for public benefit.
- 2.7. The proposed development on RVS will contribute to the Mayor of London's Good Growth agenda by supporting inclusion and social integration through the built environment. While RVS is currently an open space, the lack of design consideration and programming means that it is often under-utilised by area residents and visitors. It does not currently serve as a significant community amenity.
- 2.8. Integral to the RVS proposal are a series of public realm improvements to better connect Custom House, a key gateway into the Royal Docks, to the surrounding area. The Elizabeth Line from Custom House station connects the Royal Docks to central London in less than 15 minutes. The public realm improvements proposed as part of the RVS development will help ensure that the millions of annual visitors arriving at Custom House will have a legible, accessible, and cohesive gateway into the Royal Docks.
- 2.9. The development of RVS will improve the experience for pedestrians travelling to the Silvertown development site via a new bridge across Royal Victoria Dock, and to City Hall. Currently, grade changes, poor wayfinding, and significant hardscaping act as barriers to a well-activated public realm on the site. The RVS development will improve the biodiversity, pedestrian experience and overall quality of the site's public realm.

### **3. Equality comments**

- 3.1. Under section 149 of the Equality Act 2010, the Mayor and the GLA are subject to the public sector equality duty and must have due regard to the need to:
  - eliminate unlawful discrimination, harassment, and victimisation
  - advance equality of opportunity between people who share a relevant protected characteristic and those who do not
  - foster good relations between people who share a relevant protected characteristic and those who do not.
- 3.2. 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.
- 3.3. 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 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. Evidence indicates these problems disproportionately affect specific groups, including Black, Asian, and Minority Ethnic groups, and women.
- 3.4. This decision will deliver strategic objectives from the Mayor's Equality, Diversity, and Inclusion Strategy (section: making London a great place to live).

- 3.5. The Lease variation, which will make the delivery of residential and other uses on the estate more straightforward in the future, and masterplan development on RVS will create affordable housing, generate employment opportunities, and improve the quality and accessibility of the estate's public realm. Specifically, development on RVS is contingent on the proposed public realm improvements, including improving step-free access from ExCeL to the dock edge and creating an activated and higher-quality public square.
- 3.6. 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 this key strategic site in the Royal Docks in a sustainable way and to consider how the regeneration of the area will provide benefits for all local communities. The masterplan is being designed to respond to the diversity of the surrounding areas and the design of the public realm and homes will follow all relevant building regulations to create an accessible development in the Royal Docks.
- 3.7. All tender processes for consultants will conform with the Equality Act and ensure that there are no negative impacts on those with protected characteristics.

#### **4. Other considerations**

##### Key risks and issues

- 4.1. Due to the complexity of the existing Lease and a lack of clarity on the interpretation of commercial terms and value sharing mechanisms, it is possible that GLAP is not currently collecting the full payments due from LIEC. If the Lease variation is not approved, GLAP is at risk of missing out on financial benefits of the new agreed commercial terms.
- 4.2. Without the headlease variation, bringing forward development on RVS will require a more complex suite of legal documents akin to the side-agreement created for the Royal Eden Dock development, and it is not clear how commercial agreement would be reached on the payments due. As more development on the estate comes forward, GLAP risks continuing to miss out on securing the full value of commercial and residential activity on the estate.
- 4.3. Further risk comments are set out in Part 2 of this decision form.

##### Links to Mayoral strategies and priorities

- 4.4. The Lease variation and RVS masterplan will support the implementation of a number of Mayoral policies, including those outlined in the London Plan, Housing Strategy, Healthy Streets Approach, Culture Strategy, Transport Strategy and is aligned with the Mayor's Equalities Framework to consider the requirements of relevant equalities groups.

##### Conflicts of interest

- 4.5. There are no conflicts of interest to declare from those involved in the drafting or clearance of this decision form.

#### **5. Financial comments**

- 5.1. See comments in Part 2.

#### **6. Legal comments**

- 6.1. TfL Legal and GLAP officers are working with external advisors HSF on this matter who are advising on the proposal for variations to the ExCeL Headlease and surrender and re-grant terms to facilitate the RVS development agreement.

- 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
  - promoting the improvement of the environment in Greater London.
- 6.3. 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
  - consult with appropriate bodies.
- 6.4. Sections 1 – 4 of this report indicate that the decision requested of the Mayor falls within the GLA's statutory powers.

## 7. Planned delivery approach and next steps

<b>Lease variation</b>	<b>Timeline</b>
Mayoral Decision	March 2025
Exchange of Contracts	May 2025

<b>RVS masterplan development</b>	<b>Timeline</b>
Mayoral Decision	March 2025
LIEC Holding Company Approval	June 2025
Exchange of Contracts	July 2025
New masterplan planning application submission	Spring 2026
Commence construction	Spring 2027
Practical completion	2029-2030

### 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? NO**

## 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:

Molly Harris 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.

✓

#### Mayoral Delivery Board

This decision was agreed by the Mayoral Delivery Board on the 24 March 2025.

✓

### CHIEF FINANCE OFFICER:

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

**Signature:**

*Fay Kinnear*

**Date:**

25/03/2025

### CHIEF OF STAFF:

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

**Signature:**

*D. Bellamy*

**Date:**

24/03/2025

