

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD1396

Title: Lease variations at Greenwich Peninsula – The O2 entertainment complex

Executive Summary:

GLA Land and Property Ltd (GLAP) are freeholders of The O2 entertainment complex at Greenwich Peninsula. Anschutz Entertainment Group Ltd (AEG), the current operator of the complex, wishes to vary various sub leases to enable the company to partner with a commercial investor and deliver a Designer Outlet Village at The O2.

This request for a delegated decision follows Mayoral Decision MD1111 which records the Mayor's decision to delegate certain decision-making powers in order to provide a clear separation between the Mayor's planning decision-making powers and his ability to make decisions affecting development. MD1111 authorises the Deputy Mayor for Housing, Land and Property, the Executive Director of the Housing and Land Directorate and the Executive Director of Resources (acting as both GLA staff members and directors of GLAP), acting by any two of them together, to approve the taking of development and other decisions as landowner including the entering into of contractual agreements and any other related documentation on behalf of the Mayor in respect of GLAP's land holdings at Greenwich Peninsula.

Decision:

That the Executive Directors of Housing and Land and Resources give approval for GLA Land & Property Ltd to enter into the lease variations outlined in both parts of this paper.

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: David Lunts

Position: Executive Director of the Housing and Land Directorate

Signature:



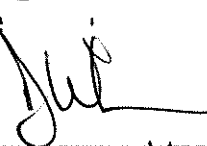
Date:

26/08/15

Name: Martin Clarke

Position: Executive Director of Resources

Signature:



Date:

26 August 2015

PP M. CLARKE

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

GLAP owns approximately 110 hectares of land on the Greenwich Peninsula. Included within this portfolio is the freehold of The O2, the entertainment complex. The O2 Arena is currently the world's most successful music venue and the complex attracts over 9 million visitors a year.

Following the closure of the Millennium Experience at the end of 2000, the Millennium Dome was used for various functions. In 2003, the Anschutz Entertainment Group (AEG) entered into contract to reconfigure the building to provide an indoor arena, a music club, a cinema, an exhibition space and numerous bars and restaurants. Construction was completed in 2007, including an area known as the Raft – designated as a possible site for a super casino. Changes in government policy meant that the casino was never built.

Trinity D (the investment fund of Trinity College Cambridge) has a head lease over the entertainment complex site that runs for 999 years. Trinity D has sublet both the arena area and the entertainment area to two AEG held companies, Waterfront Limited Partnership (WLP) and Anso Arena Limited (AAL), on separate leases, commencing in 2005 and expiring in 2062. WLP is the current tenant of the Entertainment District (the area given over to food and beverage outlets around the arena, exhibition space, cinema and other leisure uses) and AAL is the tenant of the arena and raft.

AEG propose to construct a Designer Outlet Village (DOV) on the remainder of the undeveloped land under the dome (part of the ED) and are seeking to develop the site through a joint venture with Crosstree Real Estate Partners LLP (Crosstree), an American investment company. Approximately 50% of the space under the dome (but outside the arena) is already developed.

2. Objectives and expected outcomes

AEG have requested that certain leases and other legal agreements be varied in order to allow Crosstree to be brought forward as an investment partner in a joint venture arrangement. Changes to the structure of the legal documentation held between GLAP, Trinity D and AEG will need to be made to facilitate this investment.

GLAP officers have discussed the proposals with AEG and have sought specific legal and commercial advice on the implications of agreeing to the changes. GLAP's lawyers have advised on the variations and have concluded that GLAP is able to enter into the variations, albeit once AEG has satisfied certain conditions and has given various assurances. A number of the changes sought by AEG and its investment partner are permissible under the current lease arrangements; however, certain changes to the structure need GLA and Trinity D approval.

Notwithstanding GLAP's strategic objective to promote regeneration and investment on its land holdings at Greenwich Peninsula, the company has a duty to ensure it is receiving appropriate value when dealing with assets held on behalf of the public. Accordingly, a commercial deal to reflect the value of the changes to AEG/the joint venture company has been agreed with AEG, details of which are contained in part 2 of this paper.

GLAP appointed specialist commercial real estate consultants to advise on the commercial aspects of the deal, who advised that the proposals negotiated with AEG would be broadly acceptable to a typical private sector landlord. GLAP's consultants were provided with appraisal, market and technical information as

background and were briefed on the proposed legal changes by BLP. They also visited the O2 to inspect the proposed development site.

AEG plan to begin construction of the DOV in the first quarter of 2016, with completion due in autumn 2017. The facility, once constructed, will conclude development under the dome and, coupled with the opening of the new Peninsula hotel in autumn 2015, will mark the completion of the complex.

The facility will serve to increase day time footfall at Greenwich Peninsula, will provide a mix of uses and could provide up to 1,000 jobs.

3. Equality comments

The proposed lease variations have no direct impact on equality considerations. Any development that is delivered as a result of these changes will be subject to the usual planning considerations as part of the statutory processes.

4. Other considerations

Legal considerations - GLAP officers have, with input and advice from GLAP's lawyers, carefully considered the changes requested by AEG so that in the event of a commercial failure of the JV, or the DOV itself, the risk to GLAP is minimised. Documents have been drafted by GLAP's lawyers to maintain GLAP's commercial position as freeholder of the site.

As mentioned previously, in addition to its commercial considerations, the GLA holds strategic objectives around promoting investment and regeneration on its landholdings. Construction of the DOV will bring forward a site within the dome that has been vacant since the Millennium Exhibition closed down at the end of 2000. Greenwich Peninsula is a developing community with opportunities for new leisure, retail, residential and commercial uses. Residential development is proceeding at a pace and, along with the new hotel, the completed DOV should bring more land use variety through a quality retail offer.

The Jubilee line and North Greenwich (Bus) Interchange provide frequent and reliable public transport services into and out of Greenwich Peninsula. Footfall to the DOV is expected to fall mainly during daytime/early evening and as such, existing transport capacity is considered adequate.

5. Financial comments

Financial comments are provided in the confidential part 2 of the paper.

6. Legal comments

The foregoing sections of this report indicate that the decision requested falls within the statutory powers of the Authority exercisable by the Executive Director of Housing and Land and the Executive Director of Resources (pursuant to their delegated authority granted under MD1111), to do such things as are considered facilitative of or conducive to the promotion of economic development, social development and the improvement of the environment in Greater London

Therefore the Executive Director of Housing and Land and the Executive Director of Resources (having delegated authority via MD1111 pursuant to section 38 of the Greater London Authority Act 1999) may approve the proposed entry into the agreement and other legal documents referred to in this report if satisfied with the content of this report.

As GLAP will be the party to the legal documentation GLAP will also need to approve the proposed documentation in accordance with its constitution.

7. Planned delivery approach and next steps

Activity	Timeline
AEG exchange contracts with Crosstree on the DOV	August 2015
AEG complete the contract with Crosstree	September 2015
GLAP enters into varied leases with AEG	September 2015
JV begins construction of DOV	Spring 2016
DOV construction completes and facility opens to public	Autumn 2017

Appendices and supporting papers:

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) 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 approval 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: Please defer until AEG complete contract with Crosstree. Deal is commercially sensitive and release of paper in advance of legal completion could compromise process.

Until what date: 30 January 2016

Part 2 Confidentiality: Only the facts or advice considered to be exempt from disclosure under the FOI Act should be 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:

William Stewart has drafted this report in accordance with GLA procedures and confirms that:

✓

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.

✓

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature



Date

26 August 2015

PP M. CLARKE

