

# GREATER LONDON AUTHORITY

## REQUEST FOR DIRECTOR DECISION – DD2161

### Title: Hale Wharf – Tottenham Hale Housing Zone

#### Executive Summary:

Tottenham Hale was designated a Housing Zone (HZ) by MD1457. MD1457 delegated authority to the Executive Director of Housing and Land and the Executive Director of Resources, in consultation with the Deputy Mayor for Housing, Land and Property (now the Deputy Mayor for Housing and Residential Development), to approve the interventions that were to be funded following due diligence and contractually commit that funding.

The total indicative allocation for the Tottenham Hale HZ is £99.3m.

Executive Directors are being asked to approve the commitment of £14.7m of the indicative allocation and reprofiled timescales and funding interventions.

#### Decision:

That the Executive Director of Housing and Land and the Executive Director of Resources, in consultation with the Deputy Mayor for Housing and Residential Development, agree:

1. in light of the due diligence detailed in this decision form, that the GLA contractually commits funding of £14,670,000 to Waterside Places Limited to fund the interventions specified in this form within the Tottenham Hale Housing Zone; and
2. the re-profiled start on site, completion dates for the delivery of the housing outputs, and re-profiled funding interventions and repayment timescales as detailed in this report.

#### 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

Signature:



Name: Martin Clarke

Signature:



Position: Executive Director Housing and Land

Date: 12.10.17

Position: Executive Director Resources

Date: 12.10.17

## PART I - NON-CONFIDENTIAL FACTS AND ADVICE

### Decision required – supporting report

#### 1. Introduction and background

- 1.1 Tottenham Hale was designated a Housing Zone (HZ) by MD1457. Funding of £44.1m was indicatively allocated to the zone (subject to the outcome of legal and financial due diligence) to unlock and/or accelerate housing and to regenerate the area. MD1457 delegated authority to the Executive Director of Housing and Land and the Executive Director of Resources, in consultation with the Deputy Mayor for Housing, Land and Property (now the Deputy Mayor for Housing and Residential Development), to approve the interventions that are to be funded following due diligence and contractually commit that funding.
- 1.2 In February 2015, the GLA and the London Borough of Haringey (LBH) entered into an Overarching Borough Agreement to record the indicative allocation of funding for the Tottenham Hale HZ. LBH will retain oversight of delivery across the HZ by implementing governance arrangements outlined in the Overarching Borough Agreement with the GLA.
- 1.3 In September 2016, MD2036 subsequently increased the indicative allocation in the Tottenham Hale HZ by £55.2m to £99.3m.
- 1.4 Due diligence has now been undertaken in respect of the Hale Wharf intervention, the conclusion of which is set out below and in Part 2 of this Director Decision. It is proposed that this intervention will be supported by the GLA and Waterside Places Limited (WPL) entering into two Public Funding Agreements.

#### Summary

- 1.5 WPL is a joint venture that intends to bring forward the Hale Wharf site in the Tottenham Hale HZ.
- 1.6 HZ funding of £14.67m is required to contribute to the costs of land assembly, enabling works, de-contamination, utility provision, district heating, public access infrastructure – including the proposed Hale Wharf and Pymmes Brook bridges – and the cost of constructing the affordable housing units. GLA investment will support residential development on the site, unlocking up to 505 homes, of which 177 will be affordable homes and will start on site by 31 March 2021 thereby contributing to the Mayor's target to deliver 90,000 affordable housing starts by that date.
- 1.7 On 22 December 2016, LBH advised the Mayor that it was minded to refuse planning permission for the redevelopment proposals for Hale Wharf. On 4 January 2017, having considered a report on the case, the Mayor notified LBH that he would act as the local planning authority for the purposes of determining the planning application (under article 7 of the Mayor of London Order and the powers conferred by Section 2A of the 1990 Town and Country Planning Act). Following the hearing on 10 March 2017, the Mayor subsequently approved the application on 12 June 2017.
- 1.8 The site has three phases: Phase 1 has detailed planning permission and is expected to deliver 249 dwellings, with Block A providing 141 homes for market sale and Block B 108 homes for market rent. Phases 2 and 3, which have outline consent, will provide a further 256 dwellings. The affordable housing will be delivered in the later phases of the development. Overall, 35.7% of homes on site will be affordable as measured by habitable rooms.

Unit type	Market (sale)	Market (rent)	Affordable rent	Intermediate (shared ownership)	Total	%
Studio	10	0	0	0	10	2%

One-bed	75	50	0	67	192	38%
Two-bed	88	51	17	76	232	46%
Three-bed	47	7	17	0	71	14%
<b>Total</b>	<b>220</b>	<b>108</b>	<b>34</b>	<b>143</b>	<b>505</b>	<b>100%</b>

Table 1, overall indicative housing mix

#### Proposition

- 1.9 WPL is proposing to redevelop the Hale Wharf site in Tottenham Hale. The site lies within the boundary of the Lee Valley Regional Park with water channels on both sides. It is highly prominent and acts as a gateway to the Borough from the east, along Ferry Lane. Located in the south-east of the HZ, the site is expected to deliver 505 homes, 35.7% of which will be affordable by habitable room, replacing a former office building at the entrance to the site and a low-density, light-industrial yard to the north. In order to unlock the new development, WPL is proposing to undertake significant site-enabling infrastructure works and construct two pedestrian / cycle bridges which form a critical part of Tottenham Hale's "Green Grid", linking open spaces and key routes and improving accessibility to the Lea Valley. The Green Grid will have major regeneration benefits. It will connect a number of disparate priority sites within the Tottenham Hale HZ and provide a new link with a strong east/west axis between Tottenham Hale and the Lee Valley Regional Park.
- 1.10 The development will be split across three phases. WPL owns the freehold of the site and has purchased the leasehold to commence development on Phase 1. WPL is in the process of acquiring the leasehold interest for phases 2 and 3 and, if unsuccessful, will seek to compulsorily purchase the site with the assistance of the public sector. Muse Developments Ltd will act as the developer for WPL to deliver the scheme.

#### Funding

- 1.11 WPL is requesting a total of £14.67m in HZ funding to support this intervention. The intervention is in the form of recoverable funding (to be treated as a non-interest bearing) and is required to support costs related to: land assembly, enabling works, de-contamination, district heating and public access infrastructure, including two pedestrian/cycle bridges. It may also be used to contribute to some of the costs of constructing the affordable housing units. The site currently has very limited infrastructure and is highly constrained due to its physical boundaries. The GLA has sought State Aid advice from specialist advisors at Trowers and Hamlins LLP to identify a State Aid compliant route for this funding. Further information is set out in Part 2.
- 1.12 In addition to the funding proposed in this Director Decision, WPL may also seek further support from the GLA. It is in discussions with the GLA regarding a Development Facility Agreement (commercial loan) to fund the build costs for the construction of the development. WPL may also seek funding from the 2016-21 Affordable Homes Programme to contribute to the cost of affordable homes on site. This Director Decision does not seek formal approval for these additional sources of funding; separate approval will be required at a future date for each source of additional funding.
- 1.13 The GLA's HZ funding, in conjunction with finance that WPL has obtained from other sources, will allow WPL to fund the enabling works required to unlock the site and accelerate delivery of the scheme. This includes accelerating a greater proportion of affordable housing, which would not have otherwise happened without GLA HZs funding since the scheme would be unviable.

#### Stakeholders / Contractual Arrangements

- 1.14 As counterparty in respect of the intervention, WPL will be the recipient of HZ funding and will enter into two Public Funding Agreements with the GLA.

#### Appraisal

- 1.15 Lambert Smith Hampton (LSH) undertook project due diligence to assess WPL's financial assumptions in relation to the Hale Wharf scheme. LSH sub-contracted an element of the due diligence to a specialist engineering practice, Campbell Reith. The outcome of this work is detailed in Part 2 of this Director Decision.

#### Project Milestones

- 1.16 WPL achieved detailed planning on 12 June 2017 for the first phase and have erected hoardings on site to meet timescales for the wild bird surveys required for the development to be able to proceed on time. Start on site for the first phase is planned for June 2018; phases 2 and 3 will overlap, with all homes expected to be completed by March 2024.

#### Governance

- 1.17 The GLA will contract with WPL and this relationship will be managed through quarterly meetings in order to ensure milestones are met, transparency is upheld and the housing outputs are achieved. In addition, the GLA will continue dialogue with LBH to maintain an overview of all Tottenham Hale HZ interventions and outputs. A designated officer from the GLA's Housing and Land Directorate will manage this relationship, with overview from the Housing and Land Directorate Management Team.

#### Conclusion

- 1.18 In summary, the proposed Hale Wharf intervention has the potential to unlock housing supply, including a large proportion of affordable homes (35.7% by habitable room) within the Tottenham Hale HZ. Without GLA HZ funding totalling £14.67m, delivery of the development is unlikely to take place as the scheme is currently unviable without this support. The scheme will, therefore, not progress to the project outputs and milestones as outlined above without GLA investment.

## **2. Objectives and expected outcomes**

- 2.1 The project is expected to deliver a mixed-use development comprising up to 505 residential units, two pedestrian / cycle footbridges providing access to the wider Lee Valley and up to 1,607sqm (GIA) of non-residential floorspace, including retail and office use.
- 2.2 The 177 affordable homes will start on site prior to 31 March 2021, thereby contributing to the Mayor's target to deliver 90,000 affordable housing starts by that date.

## **3 Changes to the Tottenham Hale Housing Zone**

- 3.1 LBH has revised a number of its estimated start on site and completion dates compared to the position set out in MD1457 and the Overarching Borough Agreement.
- 3.2 Where the revised dates represent 'annual movements within 2015-18 or within 2018-25' they constitute minor 'Tier 1' pre-contract variations under the HZs Change Management Process (DD1485), and have therefore been subject to review by the Senior Housing Zones Manager and agreed in principle by the relevant Head of Area, prior to being submitted for formal approval in this Director Decision.
- 3.3 Where some of the completion dates are proposed to move beyond one year, such changes were recommended for approval by the Housing Zones Steering Group in July 2017. It was agreed the

request falls within a 'Tier 2' pre-contract variation under the Change Management Process, and would therefore require Housing Zones Steering Group review followed by agreement in principle by the Assistant Director – Programme Policy and Services, or in their absence a Head of Area other than the Head of Area in whose area the Tottenham Hale HZ is, before being submitted for a Director Decision.

3.4 In addition to the start on site and completion date changes, some of the grant/loan payment details have been amended so that some of the funding is paid out a year later than was originally set out in the Overarching Borough Agreement. These changes constitute minor 'Tier 1' pre-contract variations under the HZs Change Management Process (DD1485), and have therefore been subject to review by the Senior Housing Zones Manager and agreed in principle by the relevant Head of Area, prior to being submitted for formal approval in this Director Decision.

3.5 GLA officers confirm that these processes have been followed.

#### **4 Equality comments**

4.1 In September 2017, the Mayor published the draft London Housing Strategy. The strategy proposes the HZs programme should continue to increase the pace and scale of housing delivery, including the proportion of affordable homes.

4.2 The intervention will contribute towards the ambitions set out in the consultation for the Mayor's vision for a diverse and inclusive city, in particular building more decent homes for Londoners.

4.3 The Tottenham Hale HZ will contribute towards the implementation of the policies as set out in the existing London Housing Strategy. In January 2014, the GLA published an integrated impact assessment ("IIA"), including an equalities impact assessment, of that strategy. The policies related to increasing housing supply, to which the Hale Wharf project will contribute, were covered by the IIA for the Further Alterations to the London Plan.

4.4 The IIA concluded that updating housing projections and targets would support the delivery of sufficient housing and may help to stabilise housing prices, thereby promoting equal opportunities throughout communities. Furthermore, the provision of housing, including maximising the delivery of affordable housing, would be in line with other policies of the Plan (e.g. Policy 3.5), ensuring that the needs of different groups are taken into account in the housing design.

4.5 The delivery of new and additional homes will help to implement Objectives 1, 2, 3 and 4 of the Mayor's Equalities Framework "Equal Life Chances for All" (June 2014) through the creation of new homes, housing products and well-designed housing schemes.

4.6 The designation of a HZ within an area is designed to identify a site or sites as an area for housing growth and delivery within London, often partnered with a series of funding streams and non-financial assistance to deliver these new homes, and therefore this decision will facilitate these goals and ultimately ensure that the needs of different groups are taken into account in the design and development of housing.

4.7 In order to access funding, WPL will be required to contract with the GLA to deliver the interventions specified in this Director's Decision. With regard to project delivery, the contract places the following obligations on WPL in respect of the Equality Act 2010:

- WPL comply in all material respects with all relevant Legislation, including but not limited to legislation relating to health and safety, welfare at work and equality and diversity.

- WPL confirms that it has, and is in full compliance with, a policy covering equal opportunities designed to ensure that unfair discrimination on the grounds of colour, race, creed, nationality or any other unjustifiable basis directly or indirectly in relation to the Works and the Scheme is avoided at all times and will provide a copy of that policy and evidence of the actual implementation of that policy upon request by the GLA.

## 5 Other considerations

### *a) Know Your Customer checks*

- 5.1 The GLA has carried out Know Your Customer (KYC) in line with the GLA's Anti-Money Laundering Policy as approved by DD2095 to verify the identity of the contracting entity: Waterside Places (General Partner) Limited, as general partner for Waterside Places Limited Partnership. Waterside Places (General Partner) Limited was established in 2002 and has brought forward numerous multi-phased developments across the UK.
- 5.2 Waterside Places (General Partner) Limited is jointly owned by Warp 4 General Partner Limited and the Canal and River Trading CIC. Canal and River Trading CIC is a subsidiary of the Canal and River Trust (ultimate parent). Warp 4 General Partner Limited is a wholly-owned subsidiary of Muse Developments Limited; Muse Developments Limited is a wholly-owned subsidiary of the Morgan Sindall Group PLC (ultimate parent).
- 5.3 KYC checks were undertaken for all relevant entities as required by the GLA Anti-Money Laundering Policy. Further details are set below.
- 5.4 Waterside Places (General Partner) Limited – private and unlisted public UK company, not FCA registered:
  - Verified the identity of individuals involved in the entity, including the identity of the officer leading on the transaction.
  - Obtained a Certificate of Incorporation for the company.
  - Undertook a Companies House search and confirmed the company remains active and registered.
  - Searched for ultimate beneficial owners (UBOs), being a living individual who owns 25% or more of the shares in the company or otherwise controls 25% or more of the company (none were identified).
- 5.5 Canal & River Trading CIC – Private and unlisted public UK company – not FCA authorised:
  - Verified the identity of individuals involved in the entity.
  - Obtained a Certificate of Incorporation for the company.
  - Undertook a Companies House search and confirmed the company remains active and registered.
  - Searched for ultimate beneficial owners (UBOs), being a living individual who owns 25% or more of the shares in the company or otherwise controls 25% or more of the company (none were identified).
- 5.6 Warp 4 Partner Ltd – private and unlisted public UK company, not FCA registered:
  - Verified the identity of individuals involved in the entity.
  - Obtained a Certificate of Incorporation for the company.

- Undertook a Companies House search and confirmed the company remains active and registered.
- Searched for ultimate beneficial owners (UBOs), being a living individual who owns 25% or more of the shares in the company or otherwise controls 25% or more of the company (none were identified).

5.7 Muse Developments (part of Morgan Sindall Group) – Private and unlisted public UK company – not FCA authorised:

- Verified the identity of individuals involved in the entity.
- Obtained a Certificate of Incorporation for the company.
- Undertook a Companies House search and confirmed the company remains active and registered.
- Searched for ultimate beneficial owners (UBOs), being a living individual who owns 25% or more of the shares in the company or otherwise controls 25% or more of the company (none were identified).

5.8 Morgan Sindall Group PLC – company listed on the main List of the London Stock Exchange (LSE):

- Verified the identity of individuals involved in the entity.
- Obtained a Certificate of Incorporation for the company.
- Obtained evidence of UK listing.

5.9 Canal & River Trust – Trust:

- Verified the identity of at least two of the trustees and confirmed trustee members have no direct involvement with the management of the contracting entity.
- Reviewed documents establishing the trust.
- Searched for ultimate beneficial owners with 25% or more interest in the trust (none were identified).

5.10 The GLA instructed Trowers and Hamlins LLP to undertake an Accuity Online Compliance search for Politically Exposed Persons (PEP) data. One individual linked to the Canal and River Trust was identified as a Politically Exposed Person, where they hold a role as Management of Government Public Corporation – Chief People Officer of EDF Energy Plc (2012 – 2017). Trowers and Hamlins LLP advised that the Accuity check and Sanctions list showed there was nothing of concern about this individual. The Anti-Money Laundering policy with regards to PEP has been followed, and GLA officers can confirm that the PEP has no connection or involvement with the loan recipient.

5.11 GLA officers also confirmed the funding recipient does not appear on the HM Treasury sanctions list.

5.12 The GLA's KYC checks have been reviewed by GVA Grimley (an independent consultant) to verify that the Know Your Customer Information and Requirements guidelines have been followed. No issues arose from the review. GLA officers also confirm the GLA Anti-Money Laundering Policy has been followed.

*b) links to Mayoral strategies and priorities*

5.13 The purpose of the HZ Programme is to increase housing supply by accelerating and unlocking development to deliver over 75,000 homes by 2026. The Hale Wharf development will contribute towards this and support the aim to deliver 42,000 homes per annum prescribed by the *Further Alterations to the London Plan* (March 2015). Up to 177 affordable homes unlocked by this

intervention are required to start on site prior to 31 March 2021, thereby contributing to the Mayor's target to deliver 90,000 affordable housing starts by that date.

- 5.14 The Hale Wharf development will also contribute to the ambition in the Mayor's draft London Housing Strategy to invest in London's growth areas, which include HZs.

*c) Environmental considerations*

- 5.15 The scale of the HZ programme presents significant opportunities for innovative building design to reduce resource costs, and unlock investment connecting new developments to necessary utility and social infrastructure assets. Such assets include: low-carbon decentralised energy and water networks; green infrastructure; waste and recycling collection infrastructure; low-emission transport hubs; and parks and open spaces. Boroughs and counterparties to HZ designation should look to include opportunities to address environmental and wider regeneration, quality of life and place making benefits that are viable and will help unlock investment in line with policy ambitions set out in the London Plan. GLA support can be made available to help identify environmental opportunities in specific locations.
- 5.16 HZ funding in this intervention will contribute towards the cost of providing district heating for the scheme.

## **6 Finance comments**

- 6.1 This decision requests approval to contractually commit £14.67m of non-interest bearing recoverable funding to Waterside Places Limited for the Tottenham Hale HZ, as well as approval for the re-profiled start on site, completion dates, funding interventions and repayment timescales (see Part 3 above for further details). Satisfactory due diligence has been obtained prior to reaching this decision.
- 6.2 The total indicative allocation for the Tottenham Hale HZ is £99.3m (£44.1m – MD1457 and £55.2m – MD2036).
- 6.3 The proposed intervention will contribute towards the site-enabling infrastructure works, construction of two cycle bridges and may also contribute to some of the costs of constructing the affordable housing units. Recoverable funding is repayable upon conditions listed in Part 2 of this decision (section 1.4).
- 6.4 The GLA is to enter into two separate funding agreements with WPL (see Part 2, section 1.5) for the development, that will be split between three phases. To commence the development on Phase 1, WPL has purchased the leasehold and owns the freehold of the site. Phases 2 and 3 will require WPL to acquire the leasehold of further sites and if unsuccessful, the developer will seek to compulsorily purchase the site with the assistance of the public sector.
- 6.5 Grant/Recoverable Grant funding is currently over forecast by approximately £274m against the £400m budget. It should be noted, however, that only £142m (exclusive of the current recoverable funding commitment) has actually been committed, on ten interventions.
- 6.6 All the risks and mitigating actions associated with this proposal are summarised in Part 2 of this decision.

## **7 Legal comments**



- 7.1 Under section 30(1) of the Greater London Authority Act 1999 (as amended) ("GLA Act"), the GLA has the power to provide the funding for the proposed intervention provided that doing so will further one or more of its principal purposes of: promoting economic development and wealth creation, social development, and the improvement of the environment in Greater London. The intervention will accelerate and unlock the delivery of housing and affordable housing, and it is open to the GLA to take the view that funding it will promote both social and economic development, and is therefore within its power, contained in section 30(1) of the GLA Act.
- 7.2 In exercising the power contained in section 30(1) of the GLA Act, the GLA must have regard to the matters set out in sections 30(3-5) and 33 of the GLA Act, and also the Public Sector Equality Duty in section 149 of the Equality Act 2010, which are explained in paragraph 7.3 of the legal comments of MD1457. As is noted in paragraph 7.4 of MD1457, the London housing strategy, which included a policy for HZs, has been subject to an Integrated Impact Assessment, and GLA officers consider that the delivery of new and additional homes within the HZs programme will help to implement Objectives in the Mayor's Equalities Framework "Equal Life Changes for All." (See also sections 4 and 5 of MD1457).
- 7.3 The GLA has engaged with relevant stakeholders, including LBH, in relation to the intervention which is the subject of this Director Decision. GLA officers have confirmed it is not considered necessary or appropriate for the GLA to consult with any other persons or bodies including those specified in section 32(2) of the GLA Act for the purposes of this Director Decision.
- 7.4 The GLA funding for the intervention is not being provided on a commercial basis and is not therefore a specified activity under section 34A of the GLA Act that is required to be provided through GLA Land and Property (GLAP).
- 7.5 External lawyers have advised GLA officers in relation to State Aid rules, and have been instructed to prepare and negotiate the funding contract for the GLA, including the incorporation of any provisions required to ensure compliance with State Aid rules. These clauses include provisions which ensure that no funding will be paid out unless, among other requirements, WPL's solicitor has provided an opinion (satisfactory to the GLA) as to the State Aid treatments of the interventions. Further, if there is found to have been any unlawful State Aid, and the intervention cannot be restructured so as to be compliant, WPL must repay the unlawful State Aid following a written demand for repayment by the GLA.

## 8 Planned delivery approach and next steps

Activity	Timeline
Start on site enabling works	June 2017
Completion of Public Funding Agreements	October 2017
Expected completion of all homes	March 2024
Scheme completion longstop	December 2026

**Appendices and supporting papers: None**

**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? No**

If YES, for what reason:

Until what date: (a date is required if deferring)

**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 officers:**

Sarah Coutts & Dan Maton have drafted this report in accordance with GLA procedures and confirm that:

✓

**Assistant Director/Head of Service:**

Fiona Duncan 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.

✓

**Corporate Investment Board:**

The Corporate Investment Board reviewed this proposal on 9 October 2017

**EXECUTIVE DIRECTOR, RESOURCES:**

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

Signature

*M. D. Allen*

Date

*12.10.17*