

**MAYORAL DIRECTION**

**TO**

**THE LONDON DEVELOPMENT AGENCY**

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**IN RELATION TO THE VISITOR ATTRACTION FOR THE LONDON 2012  
OLYMPIC GAMES**

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## **Mayoral Direction**

### **Background**

- A. As joint chair of the Olympic Board, a signatory to the Host City Contract and part-funder of the Olympic Delivery Authority (ODA), I have direct responsibility for delivering a successful Olympic Games in 2012 (the "Games") and for a lasting legacy of social, physical and economic regeneration in the Lower Lea Valley and across London.
- B. On 1 April 2009 I became a Founder Member, with Government, of the Olympic Park Legacy Company. This joint endeavour was developed to assist the Government and I in discharging our legacy commitments made in the bid for the London Olympics and to secure timely development of the Olympic Park site as a high quality, sustainable mixed community.
- C. The focus of the 2012 Games will be the Olympic Park, which will house the new sport venues, including the Olympic Stadium, the aquatics centre and velodrome. After the Games the area will be transformed into the largest urban park created in Europe for more than 150 years.
- D. For the Olympic Park to act as a significant visitor destination beyond 2012, it will need a world class attraction (the "Visitor Attraction") that will inspire people to visit the park when the games finish. The aim of the attraction is to create an iconic image for the park which will say something powerful about our age and draw significant numbers of visitors.
- E. In order to ensure the highest standards of design for the Visitor Attraction and to ensure it is technically feasible, a range of artists/designers/architects and engineers were invited to submit proposals for the attraction which went before an expert Advisory Panel who were tasked with ensuring designs were carefully scrutinised and evaluated before a recommendation was made on the best design. Following further technical work, I (in consultation with the Minister and Arcelor Mittal, the identified private sponsor of the attraction) selected Anish Kapoor as the preferred designer.
- F. From the outset the project has been supported by the ODA, LDA, OPLC and LOCOG, as it could add a significant visitor draw to the Olympic Park to complement the Games and legacy operation. It is believed that given the right specifications and design the proposal could create significant revenue, covering its costs and generating profit. This view was supported by initial soft market testing carried out by OPLC and LOCOG. OPLC also commissioned Grant Thornton and Mather and Co. to undertake a comprehensive business plan, which built on initial feasibility work presented to OPLC's Board on 31 March 2010.
- G. Arcelor Mittal will fund the agreed proportion of the capital budget in return for Games and post-Games sponsorship rights from LOCOG and OPLC.
- H. Direction MD590 relating to funding for the Visitor Attraction has been cancelled under MD645 approved on 29 September 2010. The LDA is now being directed to

support the Visitor Attraction project by providing capital expenditure grant funding for legacy and regeneration purposes. The Mayor has given proper consideration to the LDA's powers and any risks arising in issuing this Direction. The Project will help to regenerate London and enhance the visitor experience and deliver greater patronage post-Games in support of OPLC and its legacy role. The LDA contribution to the capital costs of the project will be capped at £3.1m, and will be granted to ArcelorMittal Orbit Limited on the terms of the attached Grant Agreement. The LDA may only have the claw back rights, protections and indemnities set out in the attached form of Grant Agreement. This funding from the LDA is consistent with the aims and purposes of the Agency, both in terms of meeting the Mayor's regeneration priorities,

- I. It is acknowledged that the transfer to OPLC of ownership of the land upon which the Visitor Attraction will be built was delayed but has now occurred, albeit after completion of some of the land related agreements to support this project. This Direction is therefore made in the knowledge that interim arrangements will need to be made between LDA and OPLC in relation to the land. The Mayor confirms that the grant will be made on the basis that at no point in time will the Visitor Attraction be in the ownership of the LDA.
- J. OPLC will take ownership of the Visitor Attraction at practical completion. It will then take full responsibility for its management, maintenance and operation to the benefit of the wider legacy of the Olympic and Paralympic Games. During the Games, it will grant LOCOG rights to operate and benefit from revenue generated. LOCOG will operate the Attraction from 1 May 2012 to 31 October 2012. Post Games, OPLC will resume operation with the Attraction forming a core component of the Olympic Park business plan. In both periods operators will be required to invest in fit-out and operational equipment.
- K. ArcelorMittal Orbit Limited has funded the continuing design work, Building Control and Town Planning applications. Sir Robert McAlpine (SRM) have submitted a project cost plan upon which Arcelor Mittal Orbit Limited will contract directly with SRM for the construction of the scheme. Arcelor Mittal Orbit Limited will also enter into a construction license with the ODA.
- L. The GLA, supported by the ODA, agreed key milestone dates for the project (through to receipt of planning permission and the signature of the contract between ArcelorMittal Orbit Limited and Sir Robert MacAlpine), and has monitored these closely. The following project governance arrangements have been put in place for the scheme, and these are the subject of a Memorandum of Understanding (MOU):
  - The overall project will be supported by a Project Group, consisting of representatives of GLA, ArcelorMittal and OPLC as final landowner and owner/operator.
  - A dedicated Project Sponsorship Team will support the Project Group, co-ordinating reporting, risk and change management and decision-making and steering the design and town planning processes.
  - Alongside the Project Sponsorship Team, operational management, commercial, licensing and legal issues will be supervised by OPLC, reporting to the Project Group.

- A project steering group – consisting of the Project Group plus ODA, LOCOG, Sir Robert McAlpine and Arup – will be the regular forum for enabling quick decision making and instructions.
- M. On 29 September 2010, the Mayor signed the Direction attached to MD645. However, the Direction did not have the final version of the Grant Agreement attached. The Grant Agreement has now been finalised and consequently it is necessary that the Direction be reissued attaching the agreed version of the Grant Agreement.
- N. Pursuant to section 27 of the Regional Development Agencies Act 1998 (the "RDA Act"), I am empowered to give the LDA directions in relation to the exercise of its functions and to require the LDA to exercise its functions in any manner specified in the direction.
- O. I have consulted with the LDA prior to making this decision in accordance with my duties under section 40 of the RDA Act, paying due regard to comments from the LDA and where appropriate have incorporated such comments within this direction.

### **Direction**

1. In accordance with section 27 of the Regional Development Agencies Act 1998, I hereby direct the LDA to –
  - 1.1. Capital grant fund to ArcelorMittal Orbit Limited on the terms of the attached Grant Agreement agreed on 30 September 2010 (or on terms substantially the same), an amount not exceeding £3.1 million towards expenditure directly attributable to capital elements of the Visitor Attraction project completed by 31 March 2011.
  - 1.2. Comply with any guidance issued by the Mayor (and/or any officer authorised by the Mayor for that purpose and notified to the LDA) from time to time in relation to this direction.

**Signed**.....  
Boris Johnson – Mayor of London

**Dated**.....5/10/10.....