

# GREATER LONDON AUTHORITY

## REQUEST FOR DIRECTOR DECISION – DD2182

**Title: Wembley Housing Zone**

### Executive Summary:

In MD1545 the Mayor designated an area within Brent as a Housing Zone and agreed to indicatively allocate £8m of GLA funding for interventions to unlock or accelerate the delivery of housing within the Zone. The funding was approved subject to the outcome of legal and financial due diligence on the proposed interventions.

This decision form seeks approval to award non-recoverable grant of £8m to LB Brent for it to acquire Ujima House and other key development sites. It also sets out the outcome of the due diligence work to inform that decision.

### Decision:

That the Executive Director of Housing and Land and the Executive Director for Resources approve, in light of the due diligence detailed in this report, the contractual commitment of non-recoverable grant funding to the London Borough of Brent (LBB) of up to £8m to deliver the interventions within the Wembley Housing Zone outlined in 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

**Signature:**



**Position:** Executive Director Housing and Land

**Date:**

14.12.17

**Name:** Martin Clarke

**Signature:**



**Position:** Executive Director Resourcing

**Date:**

12.12.17

## **PART I - NON-CONFIDENTIAL FACTS AND ADVICE**

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

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

- 1.1 In MD 1545 the Mayor designated an area within Brent as a Housing Zone and agreed to indicatively allocate GLA funding to fund interventions for the purpose of unlocking or accelerating the delivery of housing. The funding was approved subject to the outcome of legal and financial due diligence on the proposed interventions.
- 1.2 In March 2016, the GLA and the LBB entered into an Overarching Borough Agreement to record the indicative allocation for the Wembley Housing Zone and that LBB would oversee delivery across the Housing Zone through implementing the governance arrangements outlined in the Overarching Borough Agreement with the GLA.
- 1.3 The purpose of this intervention is to accelerate the delivery of 651 new homes by assembling the fragmented land ownership currently occupied by various parties along the Wembley High Road. This will enable a more comprehensive and joined up development with the aim of preventing piecemeal, poorly integrated and poor-quality development by third parties. This approach will maximise land use efficiency and help to accelerate the delivery of much needed housing in LBB, including affordable homes. The redevelopment will also help regenerate the Wembley High Road and help connectivity to the Wembley Park.
- 1.4 The current direct and indirect delivery within the Wembley Housing Zone is 651 direct and an additional 1,897 indirect, by the end of the Housing Zone programme.
- 1.5 Due diligence has now been undertaken in respect of the Wembley Housing Zone interventions, the findings of which are set out in this report and in Part 2 of this Decision.

#### Proposition

- 1.6 It is envisaged that the Wembley High Road sites has the potential to deliver 651 homes by 31<sup>st</sup> March 2025, of which 436 (67%) will be for private sale and 215 (33%) will be for affordable housing. The capital grant will be used to acquire the private interest to assemble the land for development and associated fees.

#### Funding and Grant Model

- 1.7 The intervention comprises of a £8,000,000 non-recoverable grant. The grant will be used for the acquisition of land.
- 1.8 LBB are working with developer HUB Residential Ltd to form a Joint Venture Vehicle to ensure the comprehensive redevelopment of the eastern fringe of Wembley High Road, including Ujima House. LBB completed the acquisition of Ujima House at the end of July 2017, notionally using £4.5m of the £8m Housing Zone grant.
- 1.9 The balance of the £8m grant, not spent on the purchase of Ujima House will be used for other key development sites within the Zone. The funding from GLA will maximise land use efficiency and help to accelerate the delivery of the parcels of land.
- 1.10 In addition to the GLA's £8m grant, LB Brent will be investing £2m of deferred receipts into the Housing Zone identified sites, to bring the total funding up to £10m. LB Brent is currently awaiting

the Secretary of State for Education's (SoSE's) approval for the release of the Copland school site from educational use, this approval has been delayed and the application was submitted June 2017. The SoSE's approval is needed in order to proceed with residential development of the Copland site.

- 1.11 There are clear exit points at the end of each phase, and progress will be reviewed prior to the commencement of each phase. The review process will be articulated in the BIA and within the agreed governance structure, and will consider the impact of the subsequent phase(s) and whether to continue with the Housing Zone as originally planned or to exit at that point. In addition, the reviews will evaluate whether a greater proportion of affordable housing could be achieved (if the previous phase(s) has generated a larger surplus than anticipated) and what the optimum tenure mix should be. This will also enable alternative projects to be brought forward if any of the identified sites within the zone are delayed or unviable, particularly with regards to phase four at 5-19 Wembley Hill Road.
- 1.12 The Borough will guarantee either the delivery of 215 affordable units, or, if this is not achieved, the repayment of the invested grant pro-rated at £37,209 per unit.
- 1.13 Following due diligence, the GLA has agreed to contribute to the cost of land acquisition to facilitate the comprehensive redevelopment of the Wembley High Road. However, current costs and values of the project are assumptions and levels of surplus are at this stage only notional. To protect against any additional surplus profit over and above what the GLA would deem reasonable for the JV to receive, the GLA have entered into an overage agreement with LBB. This will govern the distribution of any excess profit made at the end of the development. The GLA will then be able to at our discretion decide whether this is recovered or is reinvested into additional homes within the Housing Zone

#### Phasing

- 1.14 The following identified schemes for development are contained within the Housing Zone:

Phase 1 – Network Rail 'blue land';  
Phase 2 – Former Copland school site;  
Phase 3 – Ujima House;  
Phase 4 – Fairgate House;  
Phase 5 – Network Rail 'yellow' land; and  
Phase 6 – Wembley Triangle.

#### Stakeholders / Contractual Arrangements

- 1.15 The counterparty in respect of this intervention is the LBB, who will enter into a Housing Zone Borough Intervention Agreement with the GLA.

#### Appraisal

- 1.16 Project due diligence was undertaken by Cushman and Wakefield (C&W). Further details are contained in Part 2 of this paper.

#### Governance

- 1.17 The Wembley Area Action Plan was adopted at the full Brent Council meeting of 19th January 2015. The area covered by the plan is identical to the Housing Zone, and provides LB Brent with a clear policy position regarding development in Wembley. This will assist in steering the housing zone proposals. The governance structure is similar to that proposed for other Housing Zones, comprising a board including LB Brent and GLA representation.

- 1.18 The GLA will contract with LBB and this relationship will be managed through quarterly meetings, to ensure transparency. The relationship will be led by a designated officer from GLA's Housing and Land Directorate, with oversight from the Housing and Land Directorate Management Team.

### Conclusion

- 1.19 Without the GLA's investment totalling £8,000,000, the delivery of housing would not be accelerated in Brent Wembley. The site is constrained, has fragmented land ownership and would not be attractive to the market as a comprehensive development proposition without public sector intervention. The housing outputs envisaged in LBB's Housing Zone submission will not be achieved without this intervention.

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

### Delivery

- 2.1 The project is expected to deliver a total of 651 new homes by 31<sup>st</sup> March 2025, of which 436 (67%) will be for private sale and 215 (33%) will be affordable housing. The Housing Zone interventions will contribute to the broader socioeconomic regeneration of the Wembley High Road area.
- 2.2 Whilst the overall level of affordable housing delivery across the zone is currently 33%, which is reflective of the planning aims at the time the housing zone was designated, we are working with LBB to identify opportunities for increasing the overall proportion of affordable housing across the zone.
- 2.3 Some of the interventions are for the acquisition of private land, the assessment of capacity on each site is conservative. It is likely that through the planning process LBB would accept the GLA insisting on higher densities and increased affordable housing percentage, once the land has been assembled.

## **3. Equality comments**

- 3.1 The Wembley Housing Zone will contribute towards the implementation of the Mayor's policies set out in the Mayor's London Housing Strategy. In January 2014, the GLA published an Integrated Impact Assessment (IIA), including an equalities impact assessment of the strategy. The policies related to increasing housing supply, to which the Wembley Housing Zone project will contribute, were covered by the IIA for the Further Alterations to the London Plan (March 2015).
- 3.2 The IIA concluded that updating housing projections and targets would support the delivery of sufficient housing and may help to stabilise housing prices; supporting equal opportunities throughout communities. Furthermore, the provision of housing, including maximising the delivery of affordable housing, would be in line with the other policies of the Plan (e.g. Policy 3.5), ensuring that the needs of different groups are taken into account in housing design.
- 3.3 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 creating new homes and housing products as well as well-designed housing schemes.
- 3.4 The designation of an area as a Housing Zone is intended to identify an area with high potential for housing growth and delivery within London. The GLA Housing Zone designation and associated funding is often partnered with other funding streams and non-financial assistance, in order 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 new homes.

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

- LBB shall 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, and will use reasonable endeavours to enforce the terms of the intervention related documents to ensure compliance with this clause.
- LBB 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 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.

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

##### Financial risks

4.1 As the grant is a non-recoverable grant, there is a financial risk to the GLA. If the 215 affordable units are not delivered, the funding will be repaid to the GLA on a pro-rated basis according to the number of units that have not been delivered. LB Brent will be contractually obliged to repay the GLA in the event of non-delivery.

##### Delivery risks

4.2 Failure to deliver the completed homes at Ujima House by 2021 puts at risk future delivery of at least 468 new homes across the remaining phases of delivery along the Wembley High Road by March 2025, as the cross subsidy from the completion of this phase may impact on the later phases of development.

4.3 LB Brent, alongside HUB, is committing significant financial and project management resources to deliver the scheme by March 2025. GLA will manage the risk on an ongoing basis, including through formal quarterly Housing Zone programme board meetings with LB Brent.

4.4 There is an additional risk that if the Secretary of State for Education does not consent to release the Copland School site from educational use, this phase of the housing zone will not proceed. Referral of the application to the Education Secretary is not known by LB Brent however, anticipated in Q4 2017-2018. This is a standing item of the board meeting agenda and will continue to be closely monitored moving forward.

4.5 Planning – there is a risk that successful planning permission will not be achieved, or will be delayed. This can be mitigated through appropriate community consultation.

##### Links to Mayoral strategies and priorities

4.6 The purpose of the Housing Zones programme is to increase housing supply by accelerating and unlocking development to deliver 50,000 homes by 2025. The Brent Wembley land assembly project will contribute towards this and support the aim to deliver 42,000 homes per annum, as specified in the *Further Alterations to the London Plan (March 2015)*.

## **5. Financial comments**

- 5.1 This decision requests approval for the GLA to provide non-recoverable grant funding of £8m to the London Borough of Brent to unlock or accelerate the delivery of housing within the Zone. Satisfactory due diligence has been obtained prior to reaching this decision (per findings set out in Part 2).
- 5.2 There are defined exit points for the GLA at the end of each stage of the development. In addition, the guarantees from LB Brent will be obtained in relation to the delivery of 215 affordable units or a repayment of the invested grant pro-rated at £37,209 per unit. The GLA will also enter into an overage agreement with the Borough for a possible distribution of any super profits made at the end of the development.
- 5.3 The total indicative allocation for the Wembley Housing Zone is £8m and this commitment will utilise the allocation in full.
- 5.4 Grant/Recoverable Grant funding profile at £400m is currently over forecast by £233m. It should be noted, however, that only £166m (exclusive of the current commitment) has actually been committed on thirteen interventions.

## **6. Legal comments**

- 6.1 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.
- 6.2 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 Housing Zones, has been subject to an Integrated Impact Assessment, and GLA officers consider that the delivery of new and additional homes within the Housing Zones 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).
- 6.3 The GLA has engaged with LBB 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.
- 6.4 The GLA funding for the intervention is grant funding. It 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).
- 6.5 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, amongst other requirements, LBB's solicitor has provided a confirmation LBB has received an opinion satisfactory to the Borough from its external solicitors as to the State Aid treatment of the Agreed Intervention;

- 6.6 Further, if there is found to have been any unlawful State Aid, and the interventions cannot be restructured so as to be compliant, LBB must repay the unlawful State Aid following a written demand for repayment by the GLA.

## 7. Planned delivery approach and next steps

Activity	Indicative Date
Complete Borough Intervention Agreement	December 2017
Housing Zone funds paid to LBB	January 2017
Start on site Copland site	December 2018
Acquisition of Ujima House	June 2017
Start on site Ujima House	December 2019
Start on site Phase 4	December 2019
Start on site Phase 5	December 2020
Start on site Phase 6	June 2023

**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 (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**

**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:**

Reena Owen and Shaun Stephens has drafted this report in accordance with GLA procedures and confirms that:

✓

**Assistant Director/Head of Service:**

David Lunts 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 11 December 2017.

**EXECUTIVE DIRECTOR, RESOURCES:**

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

Signature

*M. J. Alce*

Date

*12.12.17*