

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD1626

Title: Completion of Legal Agreements for the Development of Land at Stephenson Street, West Ham.

Executive Summary:

The Housing and Land Directorate has selected Berkeley Homes (South East London) Limited (BHSEL) as the preferred development partner, using the GLA's London Development Panel, to develop a 10.62Ha brownfield site at Stephenson Street, West Ham, in the London Borough of Newham. Following a three-stage procurement Berkeley Homes successfully responded to the tender requirements to deliver a high quality residential-led mixed use scheme incorporating significant transport and access upgrades. Terms have been agreed for a Development Agreement (and ancillary documents) which will deliver a minimum of 3,500 homes, of these 35% are to be affordable, 32.5% PRS and 32.5% private development. The scheme will also deliver road upgrades and a new station entrance as a minimum requirement, as well as circa 5Ha of public realm. The selection of BHSEL as preferred bidder was endorsed at HIG in November 2015 and this Mayoral Decision seeks approval to enter into the development agreements and other ancillary agreements required to deliver the scheme.

Decision:

That the Mayor approves:


- The selection of Berkeley Homes (South East London) Limited as preferred development partner by entry into the Development Agreement which will signal the closure of the procurement process;
- GLA Land and Property Limited's entry into the Development Agreement with Berkeley Homes (South East London).

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: 31 MARCH 2016.

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

Decision required – supporting report

1. Introduction and background

Procurement and Evaluation

- 1.1 The Mayor's Housing Strategy sets out that he will encourage institutional investment in the private rented sector as a way to increase the supply and choice of housing in the capital, as well as promoting the accelerated delivery of much needed houses.
- 1.2 In September 2013 the GLA's Housing Investment Group (HIG), supported the option for GLA land and Property Ltd (GLAP) to dispose of the site at Stephenson Street for a residential-led mixed use scheme, along with sites at Pontoon Dock and Silvertown Way. The site at Stephenson Street had a number of complexities to overcome and subsequently taken longer to prepare for disposal than the other two sites.
- 1.3 The developer selection process was based on the standard LDP three stage mini-competition process, which involves an 'Expression of Interest' (EOI), 'Sifting Brief' (SB) and 'Invitation to Tender' (ITT).
- 1.4 A sifting brief was sent to all interested LDP panel members in April 2015, providing further information about the project. It also included a set of questions to evaluate the applicants, in order to identify a shortlist to be invited to the third stage 'Invitation to Tender'.
- 1.5 An Invitation to Tender (ITT) was issued in May 2015 to the bidders shortlisted through the sifting brief evaluation. The ITT provided detailed information on the site and set out the delivery requirements and strategic objectives for the development opportunity, which are as follows:
 - A residential-led development with approximately equal proportions of PRS, private for sale, and affordable in an appropriate range of accommodation and sizes;
 - A high-quality and effective management proposition for the private-rented homes with a guaranteed retention as private-rented tenure for a minimum 10 year period, commencing at practical completion;
 - Provision of a significant proportion of non-residential floorspace;
 - Provision of enhanced access to and from the site, to overcome its isolated position;
 - The identification of a suitable site of 1.17 Ha to be set aside for the construction of a free school on the site following agreement from the Education Funding Agency;
 - Delivery of a new western station entrance to connect into West Ham station.
- 1.6 An evaluation methodology was provided as part of supporting documentation issued with the ITT. This set out how the tenders would be assessed, including the evaluation criteria to be applied to each part of the bid. This was reviewed and approved by TfL Procurement, acting as the procurement agent for the tender.
- 1.7 Following careful assessment of the tender responses using set evaluation criteria, BHSEL were assessed to be the highest scoring bidder.. This decision to appoint BHSEL as the preferred development partner for the scheme was endorsed at HIG in November 2015. Since the November HIG GLAP and BHSEL have been populating the standard form LDP documents and finalising the other contractual arrangements required to accommodate their bid.

- 1.8 Key terms of the arrangements with BHSEL are included in the confidential part 2 of this decision along with the details of the various associated legal documents that have been agreed required for the delivery of such a large and complicated site.

2. Objectives and expected outcomes

2.1 In accordance with BHSEL's tender proposal the development will deliver (as a minimum standard):

- 3500 new homes.
- 35% of these to be affordable up to this threshold, 32.5% to be privately rented, and 32.5% to be private for sale.
- A new station entrance to the west of the Jubilee and DLR lines to connect to West Ham Station.
- A new pedestrian bridge across Manor Road to link the site to Milner Road.
- Upgrades to the Stephenson Street road bridge structure
- A new large public plaza to form an entrance to the site.
- Extensive green open space comprising no less than [5ha] of public realm.
- 13,000 sqm of commercial space.
- Site assembly and third party land acquisition.

5.2 Further details of the programme are contained in part 2.

3. Equality comments

The scheme will need to be fully accessible and/or DDA compliant in respect to Wheelchair accessible housing for the development and public realm. The proposal meets this requirement and will be addressed in more detail as the detailed design progresses.

4. Other considerations

a) key risks and issues

Key Risks	Mitigation Strategy
The bidder fails to gain a suitable planning permission	Ensure the bidder implements the strategy submitted as part of the tender. Work closely with LBN's planning and regeneration teams to ensure the proposal meets their requirements.
The developer defaults on the offer, which would delay delivery of the project	There is an under bidder, we have undertaken due diligence, and have obtained a parent company guarantee. The standard documentation contains provisions for repossession of the site in the event of breach or default of payment. The price offered is a guaranteed minimum sum and will not be subject to any renegotiation.
Failure to reach agreement with key stakeholders on key aspects of the delivery of the site.	Wherever possible we have sought agreement from the parties involved in advance. The GLA has also indicated we will consider the use of statutory powers as a last resort.

b) Mayoral Strategies:

The Mayoral Housing Strategy sets out a long-term ambition to increase the supply to at least 42,000 new homes per annum. Of these, at least 17,000 should be affordable with 5,000 for purpose built long-term market rent. The proposed development at Stephenson Street will make a substantial contribution to this.

c) Impact Assessments and Consultations

As part of the planning process BHSEL will be undertaking extensive impact assessment and stakeholder consultation.

5. Financial comments

- 5.1 GLAP has completed its procurement process for the selection of a developer to develop the Stephenson Street site. Berkeley Homes (South East London) Limited was selected as the successful bidder. GLAP is now seeking approval for Berkeley Homes (South East London) Limited, BHSEL, to be the development partner for Stephenson Street, and for GLAP to enter into a development agreement with Berkeley Homes South East London) Limited.
- 5.2 The consideration offered and accepted was not only based on the financial value, but also on the prospective developer providing the most economical advantages to the development.

6. Legal comments

- 6.1 GLAP has and is being advised by Eversheds throughout this project including in relation to the fine tuning of the Development Agreement and other scheme documents.
- 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:
- i. Promoting economic development and wealth creation in Greater London;
 - ii. Promoting social development in Greater London; and
 - iii. Promoting the improvement of the environment in Greater London
- and, 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; and
 - consult with appropriate bodies.
- 6.3 Sections 1 to 3 of this part 1 indicate that the Mayor has the power to proceed to make the decisions as requested within this report.

7. Investment & Performance Board

The following decisions were noted at HIG from 10th November 2015:

- (a) That the competitive procurement process taken and the subsequent outcome of the process be noted;
- (b) That the selection of the preferred bidder identified in the paper be endorsed, following which the Executive Director of Housing and Land would, under delegated authority, complete legal negotiations relating to the development agreement. Subject to a Mayoral Decision (MD), GLAP would then enter into contract with the preferred bidder based upon the financial and commercial terms set out in the MD; and
- (c) That the selection of an under-bidder to be appointed only in the event of failure to enter into the development agreement with the preferred bidder, be endorsed.

8. Planned delivery approach and next steps

Activity	Timeline
Signing of Contract	March 2016
Grant of Planning	December 2016
Delivery Start Date	2017

Appendices and supporting papers:

Site Plan

Invitation to Tender

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 officer:

Caroline Cameron has drafted this report in accordance with GLA procedures and confirms the following have been consulted on the final decision.

✓

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.

✓

Sponsoring Director:

David Lunts has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

Mayoral Adviser:

Ric Blakeway has been consulted about the proposal and agrees the recommendations.

✓

Advice:

The Finance and Legal teams have commented on this proposal.

✓

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

Date

31.03.16

TOM MIDDLETON ON BEHALF OF MARTIN CLARKE

CHIEF OF STAFF:

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

Signature

Date

31 MARCH 2016