

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD2362

Title: Development of Design District, Greenwich Peninsula

Executive Summary:

The GLA is working with the developer Knight Dragon (KD) to bring forward the development of 21,000 square metres of affordable creative workspace as part of the Greenwich Peninsula regeneration project. Design District will provide flexible, affordable workspace along with meeting space, new exhibition space and associated food and drink outlets in the Peninsula Central district. This decision form seeks approval to grant a lease to Knight Dragon for the land necessary to construct the facility.

Knight Dragon secured planning permission for the project as part of the revisions to the outline masterplan in 2015. The project will be delivered under the terms of the Land Disposal Agreement (LDA), the development agreement that governs how Knight Dragon are able to draw down land owned by the GLA on Greenwich Peninsula.

This DD is approved under the terms already approved in MD1111 which delegated development decisions regarding Greenwich Peninsula to the Executive Director of Housing and Land and the Executive Director of Resources.

Decision:

That the Executive Director of Housing and Land and Executive Director of Resources approve:

1. The granting of a lease to Knight Dragon under the terms of the Land Disposal Agreement to enable development of the Design District project. The proposed lease length and value of the premium are set out in Part 2 of this paper.
2. That GLAP's investment in this project will take the form of an equity stake in proportion to its Minimum Land Value, payable to GLAP under the terms of the LDA. GLAP will recover its land value through rental payments from occupiers once operational costs have been deducted. Land value will be recovered in full (with annual value indexation) within 25 years.

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, Housing and Land

Signature:



Date:

10.06.19

Name: Martin Clarke

Position: Executive Director, Resources

Signature:



Date:

7.6.19

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1. The regeneration of Greenwich Peninsula is a priority for the Mayor and represents one of the largest development projects involving public land in London. The option to develop the Greenwich Peninsula site, which comprises 67 separate plots, was fully acquired by Knight Dragon (KD), a Hong Kong based development company in 2013 through its acquisition of the joint venture development vehicle from former owners Quintain and Lendlease.
- 1.2. All development on the Peninsula comes forward under the terms of the Land Disposal Agreement (LDA), a development agreement entered into in 2002 by the then joint venture development company Greenwich Peninsula Regeneration Ltd and English Partnerships (the GLA's predecessor body. Land at Greenwich Peninsula passed to GLA under the Localism act in 2012). The LDA gives KD exclusive rights to develop the GLA Land and Property owned plots that form the Greenwich Peninsula area provided that certain minimum development requirements are met.
- 1.3. There have been changes to the structure of the LDA to reflect changing economic, housing delivery and policy requirements. They are documented in DD1504. Development decisions on Greenwich Peninsula are delegated to the Executive Director of Housing and Land and Executive Director of Resources under MD1111.
- 1.4. The current masterplan received planning permission in 2015. This outline consent provides for mixed use redevelopment of the Peninsula, including circa 16,000 homes, office and employment space, placemaking initiatives and community amenity provision, retail space and a new transport interchange.
- 1.5. As part of the employment and cultural offer for the Peninsula, KD has been working with the GLA to bring forward the development of the Design District, a new affordable workspace initiative to support the creative industries.
- 1.6. KD propose to build Design District on Plot 11, in the Peninsula Central district. This will be delivered in line with the existing Outline Planning Consent (15/0716/O) and Reserved Matters Consent (17/2261/R).

2. Objectives and expected outcomes

- 2.1. Design District will comprise 16 buildings totalling c. 21,000 m² of employment space designed to support small and medium sized creative industries. GLA and KD agree that Design District should be a facility that allows for creative business to thrive in the long term. The intention is that the DD shall be a long term, sustainable element of the Masterplan and the principle of creating affordable workspace will be enshrined in the lease agreement.
- 2.2. GLA and KD will develop bespoke letting terms to prioritise and sustain SMEs. Rents and the lettings strategy will reflect the need to support SME businesses over the longer term and rents will be pinned at an average affordable rate for 10 years across all sizes and types of workspace. Following this initial period, 25 percent of the facility will be offered to SMEs at the affordable blended rate with more flexibility allowed on the remaining floorspace. Further details are set out in Part 2 of this paper.
- 2.3. GLAP's investment in this project will take the form of an equity stake in proportion to its Minimum Land Value, payable to GLAP under the terms of the LDA. This investment will allow GLA to continue its involvement in the project long term; sitting as a member of the project steering group, signing off on annual operating budgets, business plan and lettings strategy and allowing the Mayor's cultural objectives to be fed into business proposals.

- 2.4. Rental revenue payments collected from occupiers, once operational obligations have been funded, will be returned to GLAP and KD in proportion to their equity stakes. GLAP has protected its position on Design District by ensuring that land value due under the LDA will be repaid in full with the appropriate land value indexation. Land value is underwritten by KD, so a top up payment will be made to GLAP if rents received fall short of final land value.

3. Equality comments

- 3.1. Under section 149 of the Equality Act 2010, as public authorities, the Mayor and the GLA are subject to a public-sector equality duty and must have 'due regard' to the need to (i) eliminate unlawful discrimination, harassment and victimisation; (ii) advance equality of opportunity between people who share a relevant protected characteristic and those who do not; and (iii) foster good relations between people who share a relevant protected characteristic and those who do not. Protected characteristics under section 149 of the Equality Act are age, disability, gender re-assignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation, and marriage or civil partnership status.
- 3.2. Throughout the decision-making process, due regard has been had to the 'three needs' outlined above. The creative industries sector employs tens of thousands of people in London; GLA investment to provide affordable workspace will protect jobs in the creative sector and retain a resilient economy that serves Londoners. The lack of affordable suitable workspace in London disproportionately affects people on lower incomes and it is anticipated that the flexible and inclusive letting strategy proposed at Design District will remove some of the barriers to accessing purpose-built workspace.
- 3.3. Design District has been through the planning process and the applicants must comply with their statutory obligations under the planning consent and the accompanying s106 agreement.

4. Other considerations

Key risks and issues

- 4.1. Provision of employment space is vital to the success of Greenwich Peninsula as a sustainable new community. It is important that people are supported to work, as well as live, and Design District will provide a significant contribution to new employment floorspace, as part of plans for new retail, office, workspace and industrial facilities.
- 4.2. The key risk to the success of this project is ensuring occupier demand for the employment space. KD already has a long list of interested parties and affordability has been a key driver of this interest.
- 4.3. GLAP's equity stake in the project allows GLAP oversight of the business plan and lettings strategy, helping to ensure that workspace will remain affordable in the long term and that the business plan reflects the need to support SMEs in the creative industries.

Mayoral strategies and priorities

- 4.4. The draft London Plan promotes the delivery of new workspace for SMEs and the creative industries (draft policy HC5). The Plan also acknowledges the importance of affordable workspace for sectors that have cultural or social value for which low-cost space can be important (draft policies E2 and E3).
- 4.5. The plans for Design District have been discussed with senior officers in the GLA's culture team to ensure continuity and consistency with emerging initiatives. GLA will use its position on the steering group as an opportunity for culture colleagues to present ideas and give feedback on the running of the facility.

Consultation and impact assessments

- 4.6. KD have consulted the Royal Borough of Greenwich and local businesses and residents through the planning application process. KD have also consulted with affordable workspace providers to ensure that the facility is fit for purpose.

Governance

- 4.7. The Management Committee (appointed by KD) will be responsible for the day to day operation of the Design District. The Management Committee will hold monthly meetings to monitor the scheme and discuss any emerging issues. There will be a specified set of reserved matters which the Management Committee is required to refer to the Steering Group for approval; these will include proposed expenditure on improvements, changes to the lettings strategy and estate management issues.
- 4.8. The Steering Group will be comprised of six persons, three nominees from GLA and three nominees from Knight Dragon and will meet quarterly and as needed to discuss any reserved matters with the intention of approving or resolving these as soon as practicable. The Design District project will also be monitored at the GLA and KD monthly meetings held to discuss wider projects issues under the LDA.

5. Financial comments

- 5.1. This decision requests the Executive Director of Housing and Land and Executive Director of Resources to approve the grant of a lease to Knight Dragon. The lease is for Plot 11 of the Peninsula Central District and will be used to develop workspace for small and medium enterprises. The rents for the space will be at a blended affordable rate, indexed for ten years. After ten years 25% will continue at the indexed blended rate with flexibility over the remaining 75%.
- 5.2. The investment by GLAP will be an equity stake in the venture equal to its Minimum Land Value due under the Land Disposal Agreement. Rents, after paying for operational costs, will be split between GLAP and Knight Dragon in proportion to their equity stakes. The Minimum Land Value, with indexation, will be recovered by GLAP through rents, with a lump sum payment by KD making up any shortfall no later than year 25 of the project.
- 5.3. Further Finance Comments are set out in Part 2.

6. Legal comments

- 6.1. GLAP has been advised by its external lawyers on this project since it was inherited from Homes and Communities Agency (now Homes England) in April 2012 under the Localism Act including in relation to the documents and associated matters noted above.
- 6.2. 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 (having delegated authority via MD1111 pursuant to section 38 of the Greater London Authority Act 1999), 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
- 6.3. Therefore, the Executive Director of Housing and Land and the Executive Director of Resources (pursuant to their delegated authority granted under MD1111) 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.

7. Planned delivery approach and next steps

Activity	Timeline
Grant of Lease to Knight Dragon	May 2019
Above ground construction start date	May/June 2019
Construction end date	March 2021
First Lettings	April 2021
Project stabilisation	April 2023

Appendices and supporting papers:

None.

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FoIA) 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 it has been approved 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 - Sensitive information

Only the facts or advice that would be exempt from disclosure under FoIA should be included 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:

Wil Stewart has drafted this report in accordance with GLA procedures and confirms the following:

✓

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.

✓

Corporate Investment Board

This decision was agreed by the Corporate Investment Board on 28 May 2019.

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

7.6.19