GREATER**LONDON**AUTHORITY

REQUEST FOR MAYORAL DECISION – MD2428

Title: Stratford Waterfront and Bridgewater Residential Development Joint Venture

Executive Summary:

London Legacy Development Corporation (LLDC) is currently working to bring forward three of its remaining land assets for residential-led development: Stratford Waterfront, Pudding Mill Lane; and Rick Roberts Way. Combined, and subject to future planning consents, the three sites are expected to deliver approximately 3,000 new homes, of which 50% of which will be affordable, under a portfolio approach.

This decision proposes that the Stratford Waterfront residential development combined with the Bridgewater site (Phase 1 of Pudding Mill Lane) is delivered via a Joint Venture (JV) with a private sector development partner. No decision is being sought, at this stage, for the remaining sites.

To do so, LLDC will require funding from the GLA via its subsidiary GLA Land and Property Limited (GLAP) (as that is the GLA's primary vehicle for land acquisitions and disposals). The funding will be provided as debt to a newly-established, wholly-owned subsidiary of LLDC, which will use it to invest equity into a development JV.

GLAP will have oversight of the JV's progress and performance through the existing governance and reporting mechanisms in place between the GLA and LLDC, enhanced by a right for GLAP to appoint a director to the new LLDC company. At such time as LLDC ceases to operate in its current form, it is expected that all land assets and liabilities, including this JV, will transfer to GLAP as the GLA's land holding subsidiary.

Decision:

That the Mayor approves:

1) LLDC to utilise a Joint Venture (JV) approach to deliver the Stratford Waterfront and Bridgewater sites as a combined package;
2) LLDC to establish a wholly-owned subsidiary to enter into a loan funding agreement with GLA Land and Property Limited;
3) GLAP to provide loan funding to LLDC or its subsidiary (to be formed) to provide equity funding to the Joint Venture entity;
4) the delegation of authority to the Executive Director of Housing and Land, in consultation with the directors of GLAP, to finalise and enter in to this loan funding agreement together with any other related agreements (including guarantees) that they may consider necessary or desirable on behalf of both the GLA and GLAP; and
5) expenditure of up to £100,000 to cover GLAP's legal and consultant fees relating to establishing the loan funding agreement.

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: 18/3/2c

PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR
Decision required – supporting report

1. Introduction and Background

Overview

1.1. London Legacy Development Corporation (LLDC) is responsible for delivering the successful and sustainable future development of the Queen Elizabeth Olympic Park (QEOP) and surrounding areas. As part of the legacy of the 2012 games, LLDC owns a number of land assets within its boundaries. It has explored options to deliver residential-led development for three of its largest undeveloped sites at Stratford Waterfront, Pudding Mill Lane (which includes Bridgewater) and Rick Roberts Way.

1.2. Combined, these sites are, subject to detailed design and future planning consents, expected to deliver:

- approximately c.3,000 new homes across three sites:
  - Stratford Waterfront: c. 600 homes
  - Pudding Mill Lane/Bridgewater: c.1,500 homes
  - Rick Roberts Way: c. 900 homes (if housing-led)
- 50% of which will be affordable;
- the redevelopment of three brownfield publicly-owned sites; and
- the continued regeneration of Stratford and the continued improvement of QEOP as an attractive place to visit, live and work.

1.3. As outlined in section 4 of this paper, the GLA and LLDC have explored various routes to deliver a residential-led redevelopment of these sites and agreed that a Joint Venture (JV) structure, funded by way of a loan from GLAP to a newly-established wholly-owned subsidiary of LLDC is the most efficient and effective route to deliver the Stratford Waterfront and Bridgewater sites.

1.4. This decision is therefore to facilitate this; particularly, it will enable LLDC to access loan funding from the GLA to utilise a Joint Venture (JV) approach to deliver the Stratford Waterfront and Bridgewater sites as a combined package. Under this approach, LLDC (via its subsidiary) will invest equity, alongside a third-party developer, to deliver the two sites. As an equal investor, LLDC's subsidiary will receive a 50% share of any development profits in order to repay its borrowing to the GLA in line with prudential borrowing rules.

1.5. LLDC, in its capacity as landowner, will enter into a Development Agreement[1] with the JV and dispose of its land (for which a further Mayoral decision will be required) through the grant of head leases of the sites with a length that satisfy third-party funding requirements. Land will be drawn down once consent of the parties has been secured through fulfilling conditions such as compliance with LLDC priority themes, demonstration of funding and achieving satisfactory Reserved Matters consent.

1.6. LLDC will be seeking necessary approvals from its Investment Committee on 17 March 2020. No decision is being sought, at this stage, for the remainder of Pudding Mill Lane or for Rick Roberts Way; their inclusion here is for context only.

Proposal background

1.7. Extensive discussions have taken place between the GLA (in its role as core funder of LLDC), LLDC (in its role as landowner and responsible for the regeneration strategy at QEOP and the surrounding areas) and GLA Land and Property Limited (GLAP) (in its role as the GLA's primary vehicle for land acquisitions and disposals) about the most efficient and effective options available to deliver

[1] This could also be achieved through a conditional land sale (to be decided)

genuinely affordable new homes on land within the Legacy Corporation areas that the LLDC currently controls.

1.8. LLDC are proposing to procure the private sector partner for the Stratford Waterfront and Bridgewater sites through an Official Journal of the European Union (OJEU) compliant procurement.

1.9. The Capital Spending Plan budgets of the LLDC and GLA for 2020/21, which have been approved through the Mayor's formal budget setting process, are based on the JV approach assumption. The proposed use of intra-group repayable loan financing is consistent with the GLA's current approach to funding LLDC's capital investment and helps ensure that this investment delivers a return to the GLA in the same way that a third-party investor would expect.

1.10. The remainder of the Pudding Mill Lane site (excluding Bridgewater) could adopt the same approach, as could other sites outside of the portfolio approach, subject to funding discussions between the GLA and LLDC. The Rick Roberts Way site, which is part-owned by London Borough of Newham (LBN), is not currently expected to be delivered via the JV approach.

1.11. GLAP will have oversight of the operations of the JV via the governance and reporting mechanisms already in place between the GLA and LLDC, including the Policy and Liaison meeting of senior officers and the Mayor's Office, chaired by the Mayor's Chief of Staff. This will be recorded as a reporting obligation in the loan documentation and enhanced by the right for GLAP to appoint a director to the new LLDC company. This director will have voting rights (alongside the LLDC directors) to ensure the GLA and GLAP's interests are represented.

1.12. There are several reasons driving this proposal:

- LLDC can engage with the private sector market to deliver high-quality residential development at pace and 50% affordable housing in line with the portfolio approach agreed with the Mayor, whilst maximising financial returns to the public sector (albeit with an increase in LLDC's exposure to the associated risks);
- the activity of the JV is likely to extend beyond the anticipated life of LLDC, and is anticipated would transfer to GLAP during the lifetime of these projects given GLAP's role as the GLA's land holding company;
- procuring a single JV partner to deliver the two sites will enable the development partner to be in control of the occupational restriction on the Stratford Waterfront development (referenced later in this paper), thereby avoiding significant financial underwrites that would otherwise be required from the GLA; and
- to utilise LLDC's experience of procuring and managing other developments within the QEOP under Development Agreements, where ultimately the risks of delivery and viability flow back to LLDC (and therefore the GLA); the JV approach provides more direct control and transparency through being a 50% partner in the JV.

1.13. The reasons for the proposed use of a new subsidiary for LLDC (to which the loan funding will be provided) include:

- to present a clear profile to the market, helping to distinguish LLDC in its role as investor/developer from its role as landowner;
- to maximise potential financial efficiencies as appropriate (including tax) and to clearly isolate the economic flows from and to the subsidiary from LLDC's wider activities; and
- it allows for GLAP to appoint a director to the new company and, therefore, enhances its governance and oversight.

2. Objectives and expected outcomes

2.1. There are three key objectives:

- firstly, to deliver an outstanding new residential development achieving the LLDC Priority Themes[2], to complete the East Bank and stimulate the development of Pudding Mill at Bridgewater;
- secondly, to deliver a level of receipt from the JV that can form a significant contribution to the GLA's overall funding of LLDC; and
- thirdly, the JV will be required to deliver a level of affordable housing that is consistent with the Mayor's affordable housing policies and the portfolio approach across the three sites.

2.2. The sites proposed for delivery by the JV, Stratford Waterfront and Bridgewater (which is Phase 1 of Pudding Mill), will deliver c.1,100 new homes subject to detailed design and planning consents, both of which will be under construction by 2023/2024.

2.3. The Mayor's strategic target, as set out in the draft London Plan, is for 50% of all new homes delivered across London to be affordable. One of the specific policy measures identified to achieve this aim is for public sector land to deliver at least 50% affordable housing. The Mayor has also committed in his Budget Guidance that all land assets to be disposed of should do so with the intent of (and on the assumption of) delivering 50% affordable housing.

2.4. In September 2018, the Mayor announced that 50% of the homes built across LLDC's three remaining development sites, across this portfolio, will be affordable, which is a significant increase from the level permitted through the previous Legacy Communities Scheme (2012) planning consent.

2.5. Stratford Waterfront on its own can support 35% affordable housing (as 100% shared ownership). To satisfy the Mayor's requirement to deliver 50% affordable housing on public land, Bridgewater, the rest of Pudding Mill Lane and Rick Roberts Way have been tied into the section 106 agreement for Stratford Waterfront and will deliver the balance of affordable homes across the portfolio in a planning compliant manner – which means that the remaining sites will have to deliver more affordable rented homes to offset the earlier delivery of shared ownership homes.

2.6. The affordable homes will be delivered through the portfolio approach, approved as part of the Stratford Waterfront planning consent, in the approximate proportions shown in the following table:

Site	Affordable Housing	Private Homes	Affordable Homes	Total Homes	Start on Site
Stratford Waterfront	35% (100% Intermediate)	c.384	c.207	c.591	2023
Pudding Mill Lane	40% (30% London Affordable Rent/70% Intermediate)	c.893	c.604	c.1,497	2024
Rick Roberts Way	70% (30% London Affordable Rent/70% Intermediate)	c.354	c.821	c.900	2025
Total		**1,631**	**c.1,632**	**c.2,988**	

2.7. However, it is noted that the final number of units at Stratford Waterfront will be subject to future Reserved Matters approval, and the final units at both Pudding Mill Lane and Rick Roberts Way are subject to future masterplanning and planning permissions and these numbers will adjust

[2] The four themes are: Promoting convergence and community participation, Championing equalities and inclusion, Ensuring high quality design and Ensuring environmental sustainability.

accordingly, but will result in 50% affordable housing overall. Both Pudding Mill Lane and Rick Roberts Way are subject to a s106 planning obligation requiring planning applications to be submitted by 31 December 2021.

2.8. To ensure delivery of the affordable housing, restrictions have been placed on the Stratford Waterfront and Bridgewater sites, which will prevent occupations of a proportion of private sale dwellings on Stratford Waterfront until construction has substantially commenced on Bridgewater.

2.9. The remainder of Pudding Mill Lane will come forward separately for mixed-use development, led by LLDC. The route to market for this site is yet to be determined but may include the structuring of a similar JV. It is anticipated that any such disposal would be subject to a future Mayoral Decision where involvement from GLAP is required.

2.10. The Rick Roberts Way site, which is part-owned by London Borough of Newham (LBN), is not expected to be delivered via the JV approach. For that site, LLDC has agreed to lead a joint masterplanning exercise with LBN. The scheme is anticipated to include a new four-form entry secondary school and 6th Form, to meet LBN's wider school requirements, as well as c.400-450 homes. The residential element will accommodate the required level of affordable housing for LLDC to meet its Portfolio requirements. Delivery routes are still under discussion.

2.11. It is critical to resolve the outcomes for Rick Roberts Way to resolve the affordable housing obligations on that site and secure the portfolio approach (required in time to meet the 31 December 2021 planning deadline).

3. Equality Comments

3.1. Under section 149 of the Equality Act 2010 (the "Equality Act"), as a public authority, the GLA must have 'due regard' to the need to eliminate unlawful discrimination, harassment and victimisation, and to advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not. Protected characteristics under the Equality Act comprise age, disability, gender re-assignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation and marriage or civil partnership status.

3.2. When considering the needs of the existing community and those that will be affected by the proposed development (both currently and in the future development scheme), any development activity will look to minimise disadvantages to all protected characteristic groups within society, for example through design. This decision is therefore expected to have positive impacts on persons with a protected characteristic under the Equality Act, as increasing the supply of housing in London will help to address problems such as overcrowding and homelessness, which evidence indicates disproportionately affect specific groups, including Black and Minority Ethnic groups and women.

3.3. The delivery of high-quality housing will also promote improved health and wellbeing, given evidence of an association between poor housing conditions and poor health.

4. Other considerations

JV structure and governance

4.1. To deliver the vision for the Stratford Waterfront and Bridgewater sites, various routes to delivery around the type of disposal and the route to market have been explored. A key factor in selecting an appropriate route is to achieve the required receipt target, meet the public sector objectives (including delivering genuinely affordable housing and LLDC's Priority Themes), embed the lessons learnt across GLAP and LLDC's existing development sites and present a clear and coherent offering to the developer market. Options reviewed include:

- direct sale;
- Development Agreement;
- equity-backed Joint Venture; and

- direct delivery.

4.2. Following a review of these options by LLDC and the GLA, an equity-backed joint venture is considered to be the most appropriate contractual mechanism.

4.3. The proposed route to market is via an OJEU Competitive Dialogue process. LLDC previously secured approval from its Investment Committee in February 2019 for this approach. Use of the London Development Panel was considered but concluded to not be suitable given the nature of the development proposed.

4.4. In this project, it is anticipated the parties' key interests are:

- LLDC: receiving a market price for its land, control and influence over the planning and design process, levels of affordable housing, delivery of its Priority Themes and timing of delivery. Realising the agreed vision for LLDC and maximising financial returns to repay its borrowings to the GLA;
- GLAP: ensuring at least 50% of the homes developed across the portfolio are genuinely affordable for Londoners, modelling best practice for the development industry (as captured within the Mayors Housing Strategy and London Plan documents) and maximising financial returns from its investment for these monies to be channelled back in to delivering the Mayor's ambitions elsewhere in London;
- Development Partner: Maximising financial returns from its investment, whilst delivering genuinely market leading development across these sites.

4.5. To achieve this, the proposed structure for the JV is summarised as follows:

LLDC Special Purpose Vehicle (SPV)

- LLDC will establish the 'LLDC SPV', a wholly-owned subsidiary, which will enter into a loan funding agreement with GLAP[3] to secure the funds required for it to invest into the development JV as the public sector equity partner[4]. Securing loan funding from the GLA at a competitive market rate will likely be as cost-effective as seeking debt funding from a third party; furthermore, the GLA would be required to support LLDC in this venture in any event (as its parent), so this approach helps the GLA to maintain oversight and influence of LLDC's activities;
- the LLDC SPV will have explicit powers delegated from LLDC (its parent organisation) to ensure the smooth operation of the project. It will be governed by Directors from both LLDC and GLAP, two from LLDC and one from GLAP;
- the loan funding agreement will be interest-bearing on loan terms similar to those used by GLAP in its other loan funding arrangements (further information on this is covered in Part 2 of this report);
- the reasons for the proposed use of a new subsidiary for LLDC (to which the loan funding will be provided) include the desire to present a clear profile to the market, helping to distinguish LLDC in its role as investor/developer from its role as landowner. Furthermore, to enable potential financial efficiencies to be maximised as appropriate (including tax) and to clearly isolate the economic flows from and to the subsidiary from LLDC's wider activities. Finally, it allows for a director of GLAP to be appointed to the new company and, therefore, enhancing its governance and oversight; and
- the use of GLAP (as the funding route from the GLA) is proposed because it is the GLA's primary vehicle for commercial land acquisitions and disposals. Furthermore, at such time as LLDC ceases to operate in its current form, it is expected that all land assets and liabilities, including this JV, will transfer to GLAP as the GLA's land holding subsidiary.

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[3] Funding is routed through GLAP as it is the GLA's vehicle for funding commercial activities in housing

[4] The GLA would only be funding LLDC's 50% equity contributions via this route and not the whole development

Development JV

- a Development JV vehicle will be established as either[5] a limited liability partnership or private company limited by shares with the LLDC SPV and a third-party private partner as the partners. The partners will enter into a joint venture agreement to govern the terms of the Development JV;
- LLDC, in landowner capacity, will enter into a Development Agreement[6] with the Development JV and dispose of its land (for which a further Mayoral decision will be required) through the grant of head leases of the sites with a length that satisfy third party funding requirements. Land will be drawn down once consent of the parties has been secured through fulfilling conditions such as compliance with LLDC priority themes, demonstration of funding and achieving satisfactory Reserved Matters consent;
- the Development JV will deliver both the residential and non-residential elements of the schemes (specification to be agreed) and dispose of the homes, but return the ground floor retail units[7] at Stratford Waterfront, finished to shell and core, to LLDC at practical completion so that LLDC can hold and consider a contiguous and coherent retail strategy for these retail units together with the wider East Bank retail offering. A strategy is underway to consider how this is best achieved;
- the LLDC SPV and the development partner will hold interests in the Development JV in a 50:50[8] ratio. Each of the partners will be required to contribute equity funding to the Development JV and will be entitled to receive profits from the Development JV in these proportions;
- expertise for delivery of the project will be secured through a Development Management Agreement and it is expected the development partner or its associate will provide these services (the 'Development Manager'). This will be tested in the procurement process;
- the day-to-day running of the Development JV will be governed through a Development JV Board with three Directors each appointed by the development partner and GLAP/LLDC/LLDC SPV;
- the Development JV Board members will be obliged to act in the interests of the Development JV, but certain matters will be reserved to the decision of the LLDC SPV and JV partner (which may act in their own interests when making such decisions). Certain specific key matters which require an active decision to be made may also be subject to deadlock resolution procedures to the extent the parties cannot unanimously agree on the way forward;
- the project will report monthly on project progress, project change, financial status, key issues and key decisions required from members. A monthly Project Status Report will also be produced for the members to review. Senior management of LLDC will hold regular meetings with their counterparts from the developer's organisation where project status and key issues can be discussed. Ultimately, the scope of this will be determined in partnership with the JV partner;
- the day-to-day management of the project will be led by the Development Manager, providing development management services to the Development JV in accordance with a business plan approved by the Development JV. Although the Development Manager (which is likely to be related to the Development JV) will be responsible for all development activities, the approval of LLDC will be required to strategic matters, through its representation on the Development JV Board and, via the LLDC SPV, as a member of the Development JV. LLDC will therefore allocate resource to work alongside the developer to

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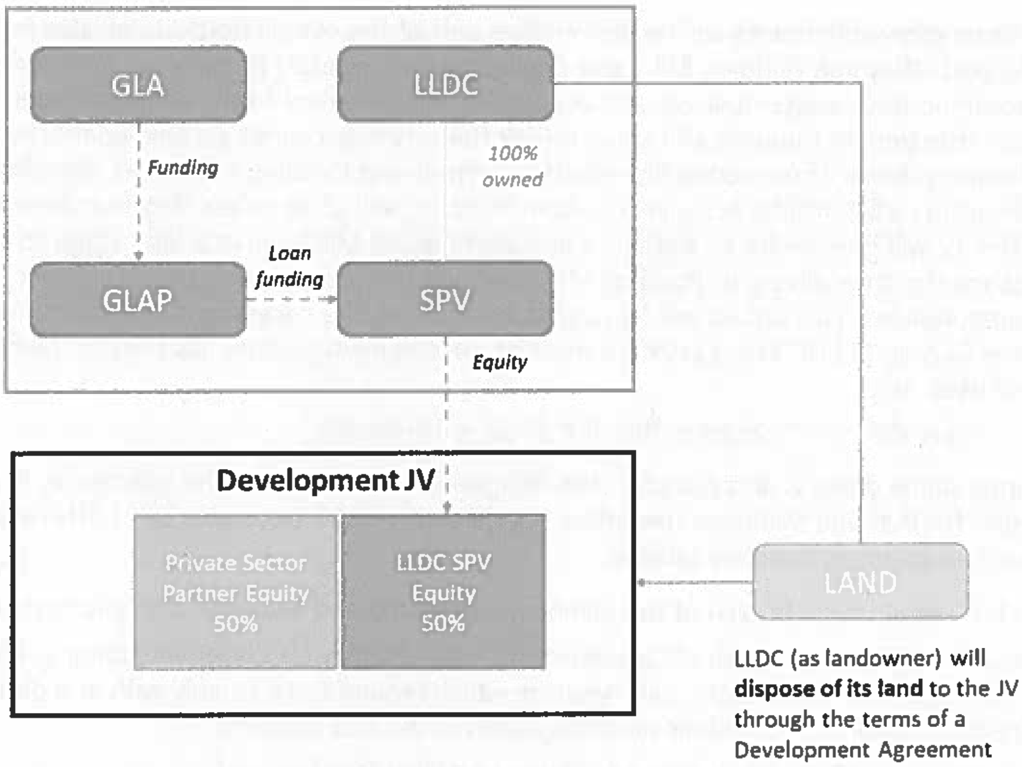
[5] At this stage, the type of vehicle is undecided as it will, in part, be influenced by engagement with the market through the procurement process.
[6] This could also be achieved through a conditional land sale (to be decided)
[7] Currently assumed in LLDC's Long Term Model as a capital receipt (£7.9m).
[8] The exact ratio is subject to commercial legal advice

ensure LLDC is fully informed of the project status, issues and risks, and to monitor progress and its equity stake;

- the development partner will be locked into the Development JV for a specific period of time other than when LLDC SPV consents to a requested transfer. Each party will also be entitled to a right of first refusal on any such transfer of the interest in the Development JV held by the other party;
- draft Heads of Terms for the operation of the Development JV have been prepared, capturing all decision making reserved to JV Board. It is a '50/50' JV between the LLDC SPV and development partner. These Heads of Terms will be provided with key commercial non-negotiable elements as part of the procurement process, which include:
  - the need for 50:50 deadlock control;
  - at least a positive land value for LLDC;
  - no construction exclusivity for the development partner (where it has a construction arm of its business);
  - return on invested equity (utilising third-party gearing); and
  - any third-party debt funding does not have recourse to the JV partners;
- Draft Heads of Terms have also been prepared for the Development Agreement to be issued at Selection Questionnaire (SQ) stage, where LLDC has set out the following:
  - minimum requirements to be included in the reserved matters planning submission including obligations to fulfilment of LLDC Priority Themes;
  - conditions precedent to be satisfied before drawdown of land - confirmation of funding, satisfactory planning (reserved matters), vacant possession for each phase;
  - long stops/step in rights where required, as a last resort and deemed as low risk; and
  - ability for additional LLDC portfolio sites to be included within the Development JV through a simple variation to the Development Agreement, or option set out within the Development Agreement.

4.6. The proposed structure is summarised in the following diagram, showing the flow of funds *to* the Development JV (the flow of funds *from* the JV is covered in the finance section of this paper but, essentially, will be a land payment to LLDC and equity returns from the Development JV to the LLDC SPV that are used to repay the GLAP loan plus interest – any excess equity returns will be returned to LLDC).



4.7. Post transition of LLDC, it is expected that the LLDC SPV will transfer to the GLA and become a part of (or a subsidiary of) GLAP. This structure could also be used for other LLDC developments, such as Pudding Mill Lane.

4.8. It is likely that this model will be attractive to the market on the basis that:

- the model creates a situation where the public sector has a vested interest in not just the affordable housing and visionary elements of the programme, but in the true commercial success of the project, and shares a significant portion of the risk, and therefore should give substantial comfort to bidding partners; and
- in the event of a market downturn, the public sector will have invested on the basis of ensuring continued delivery and transformation of these areas, whereas private sector investors may be more hesitant with their investment and their exposure, which in turn may put the wider scheme at risk.

4.9. The key programme drivers for LLDC are to:

- deliver homes as quickly as possible across the LLDC land ownership, to meet the current housing targets and having direct influence on delivery through having 50% ownership and decision making in the JV. Within the Stratford Waterfront planning permission time limits require the submission of reserved matters for the residential development by 24 July 2024 and commencement within two years of Reserved Matters Approval, before the permission lapses;
- deliver homes as soon as possible after the opening of the East Bank cultural and educational buildings, to seek to minimise disruption to visitors and operations, and in particular the V&A operations where start of construction is likely to take place after the V&A is open;
- submit a planning application for Bridgewater (whether outline or detailed) by the Legacy Communities Scheme (LCS) longstop date of 31 December 2021, as part of the overall obligation to submit planning for both Bridgewater and Pudding Mill;
- deliver affordable homes at Bridgewater, to balance the lower affordable levels at Stratford Waterfront in line with the portfolio approach/planning requirement, and to meet the occupational restriction;

- these affordable homes will be delivered as part of the overall portfolio of sites including Rick Roberts Way and Pudding Mill Lane (including Bridgewater) to make up 50% across all sites meaning Bridgewater delivery and occupation will be linked to the commencement of construction on Pudding Mill Lane. If Rick Roberts Way cannot accommodate the affordable housing deficit (from across Stratford Waterfront and Pudding Mill Lane), the affordable housing deficit will be accommodated in Pudding Mill Lane unless certain criteria are met. The JV will provide for an option to include Pudding Mill Lane at a later stage to allow the JV to control the delivery of Pudding Mill Lane and to avoid needing to run another procurement. This option will be subject to agreeing the necessary funding arrangement with the GLA and LLDC being satisfied that the development partner has the capability to deliver all uses; and
- to repay the loan funding to the GLA as soon as possible.

4.10. A key programme driver is also the LCS s106 obligation which requires the submission of a planning application for Pudding Mill Lane (including Bridgewater) by 31 December 2021. The impacts of not achieving this planning deadline include:

- LLDC would be in breach of the planning permission and liable for any enforcement action;
- LLDC would be in breach of Development Agreements with Chobham Manor LLP and the East Wick and Sweetwater Joint Venture which require us to comply with and discharge relevant planning conditions and obligations in the LCS consent;
- Damage to LLDC's reputation and ability to deliver housing; and
- PML may need to make up any affordable housing deficit in the event that it cannot be met at RRW, the planning application for which also has to be submitted by 31 December 2021. This would impact on the forecast receipts from Pudding Mill Lane.

4.11. Therefore, a programme has been proposed to reflect the period required to prepare procurement documentation, enter into a loan funding agreement with GLAP, establish the LLDC SPV, prepare all legal documents including draft heads of terms for the Development Joint Venture, and the revised procurement route including a period of dialogue. Considering these adjustments, the procurement is now expected to commence in May 2020 with the milestone to select the JV partner by June 2021.

Resourcing and reporting

4.12. The project is complex but should not require significant operational officer resource from GLAP as it will be led by LLDC. GLAP will have engagement, and therefore oversight, via its proposed role as a Director of the LLDC SPV and Development JV. Further oversight measures will include the regular senior GLA and LLDC officer and Mayor's Office meetings currently held and existing public reporting mechanisms. This will be recorded as a reporting obligation in the loan documentation and enhanced by the right for GLAP to appoint a director to the new LLDC company.

4.13. Once the JV is operational, the day-to-day management of the project will be led by the development partner, governed by the Development JV Board. LLDC propose to allocate resource to work alongside the development partner within the JV to ensure LLDC/GLAP is fully informed of the project status and issues are dealt with in a timely manner. It is anticipated that the development partner will be required to secure detailed planning consent and source external debt funding[9] before it can draw down an interest in each site. LLDC and GLAP officers will need to input into these processes to ensure the development partner is progressing in line with the development agreement and business plan.

4.14. The Development JV Board will operate under delegation from JV members, as approved by their respective Boards. The LLDC and development partner officers will report monthly on progress, project change, financial status, key issues and key decisions required from members.

[9] The Development JV will be funded by partner equity contributions (including LLDC) and external debt funding

Key risks

4.15. Under the proposed joint venture arrangement, the LLDC SPV (and, therefore, the GLA) will share equally in risk and reward with the selected developer partner. Therefore, whilst it will share in any profits generated, it is liable for half of the development cost (anticipated and unforeseen) and is financially exposed to issues of market downturn and/or increased costs. The GLA's anticipated funding requirements (to the LLDC SPV) and returns are set out in Part 2 of this decision, but these figures will ultimately depend on the overall development cost and sales performance. This will be managed through close monitoring by LLDC of performance against the Development JV business plan and via regular dialogue between LLDC and GLA officers. Further information on this risk is provided in Part 2.

4.16. As is inherent in a JV approach, LLDC will also be exposed to risks associated with non-performance and shared liability for the sites. As partner in the company, should things go wrong, LLDC, the GLA and, therefore, the Mayor could also face a reputational risk.

4.17. These risks can be mitigated to an extent through GLAP's representation on the LLDC SPV Board and its close working relationship with LLDC. This gives the GLA the opportunity to closely monitor risks as they develop and ensure LLDC and the Development JV take appropriate action to mitigate risks as early as possible.

5. Financial comments

5.1. The estimated GLAP loan funding requirement into the LLDC SPV and expected investment returns from the Development JV (via the LLDC SPV) are included in the GLA's approved Capital Spending Plan for 2020-21 and long-term financial plans. LLDC's budget and Long Term Model also reflects the impact of the JV ultimately being funded by GLAP. The LLDC budget includes provision for the procurement, commercial and legal consultancy costs that it will incur as part of the proposed JV structure and governance. However, ultimately, if the risks materialise then the GLA would need to consider the provision of additional funding at that time.

5.2. There is additional financial risk investing in a joint venture, but the anticipated net proceeds of this JV are an important component in the long-term funding by the GLA of the capital subsidy required by LLDC and the development of its land assets. The affordable housing requirements across the three sites will impact on the estimated level of capital receipts and further commentary is included in Part 2 of this decision.

6. Legal comments

6.1. The approvals sought from the Mayor in this Mayoral Decision concern the proposed delivery of a LLDC housing and regeneration (development) scheme.

6.2. Before addressing the approvals sought from the Mayor, it is therefore necessary to identify that the LLDC has the legal power to deliver the proposed development scheme.

LLDC legal powers and the proposals

6.3. The object of the LLDC is to secure the regeneration of its area (section 201(1) of the Localism Act 2011). The LLDC may do anything it considers appropriate for the purposes of its object or for purposes incidental to those purposes (section 201(2) of the Localism Act 2011). The LLDC also has specific powers under the Localism Act. Its specific powers must be exercised for the purposes of its object or for purposes incidental to those purposes (section 201(4) of the Localism Act 2011).

6.4. Under section 206 of the Localism Act, the LLDC may amongst other things regenerate or develop land, bring about the more effective use of land, and provide buildings or other land.

6.5. The principal objectives of the LLDC's proposals that are the subject of this Mayoral Decision are to regenerate, and deliver housing on, undeveloped sites its area (see section 2 of the Mayoral Decision above). The LLDC has the power to do this by virtue of the sections of the Localism Act 2011 referred to directly above.

6.6. The LLDC proposes to deliver this development scheme by creating a wholly owned subsidiary, which will be loaned money by GLA Land and Property (GLAP), and which will use this finance to purchase an equity share in a Joint Venture (JV) that will be established as either a limited liability partnership or a company limited by shares. The purchase of this equity will comprise the LLDC's equity contribution to the delivery of the development scheme; namely, 17.5% of the scheme, with the other 17.5% of equity funding being financed by a private sector development partner (to be selected via an OJEU process), which will be the LLDC's wholly-owned subsidiary's partner in the JV; the remaining 65% of required funding will be through third-party finance secured by the development JV.

Decisions sought from the Mayor

Approval for the LLDC to establish a subsidiary and utilise a JV

6.7. Under section 212(1) of the Localism Act 2011, the LLDC may carry on any business; but may only form, or acquire interests in, a corporate body with the consent of the Mayor. Accordingly, in order for the LLDC to establish a wholly owned subsidiary, the Mayor's consent is required. Similarly, for this wholly owned subsidiary to purchase an equity share in the JV (that will be established as either a limited liability partnership or a company limited by shares) the Mayor's consent is also required. The Mayor's consent to these matters is sought in this Mayoral Decision.

6.8. Under section 212(3) of the Localism Act 2011, the LLDC must ensure that a subsidiary does not engage in an activity that the LLDC would not be permitted to carry on. The LLDC would be permitted to carry on the activities it is envisaged in this Mayoral Decision that its wholly owned subsidiary will carry out.

Approval for loan funding from GLAP to the LLLDC newly established subsidiary

6.9. Under section 212(4) of the Localism Act the LLDC must ensure that no subsidiary of the LLDC borrows from another person other than the LLDC, or raises money by the issue of shares or stock to a person other than the LLDC, without the Mayor's consent. The Mayor's consent is therefore required for the proposed LLDC subsidiary to borrow from GLAP, as proposed, and for the proposed LLDC subsidiary to purchase an equity share in the JV. The Mayor's consent to these matters is sought under this Mayoral Decision.

6.10. In addition to this, the GLA must have the power to provide the proposed loan finance.

6.11. By virtue of section 30(1) of the Greater London Authority Act 1999 (as amended) (GLA Act) the Mayor has the power to do "anything" which he considers will further one or more the "principal purposes" of the GLA of (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 ("the General Power").

6.12. This General Power includes the ability to provide to provide funding or financial assistance for housing and regeneration schemes such as that proposed to be delivered by the LLDC.

6.13. Under section 31(1A) of the GLA Act, the Mayor must seek to secure that the he does not use the General Power to incur expenditure in doing anything which is being done by a Mayoral Development Corporation. While it is considered that this restriction may not apply to the proposals for the GLA (via GLA Land and Property Ltd ("GLAP")) to provide a loan to the LLDC (its newly established subsidiary), for the avoidance of doubt, these proposals are permitted under the GLA's power of investment contained in section 12 of the Local Government Act 2003. Under that section, the GLA has the power to invest for any purpose relevant to its functions under any enactment; including to invest for any purpose relevant to its power in section 30(1) of the GLA Act.

6.14. The statutory guidance relating to the use of this power provides that: *"The definition of an investment covers all of the financial assets of a local authority as well as other non-financial assets that the organisation holds primarily or partially to generate a profit; for example, investment property portfolios. This may therefore include investments that are not managed as part of normal treasury management processes or under treasury management delegation."*

6.15. It further provides that: *"For the avoidance of doubt, the definition of an investment also covers loans made by a local authority to one of its wholly-owned companies or associates, to a joint* *venture, or to a third party.*" Having regard to this, and the statutory guidance, GLA Finance has confirmed it is content that the proposed financing arrangements may be treated as an investment. Any use of the power of investment must comply with statutory guidance issued under section 15 of the Local Government Act 2003.

6.16. In circumstances where it is considered the most effective way of furthering one or more of the GLA's principal purposes concerned, GLAP may be used as the vehicle for providing the proposed loan finance; namely, with GLAP implementing the Mayor's decision to invest described above.

Approvals for delegations

6.17. Under section 38(1-2) of the GLA Act, the Mayor has the power to delegate authority to the Executive Director of Housing and Land, in consultation with the other directors of GLAP, to finalise and enter into loan funding agreements together with any other related agreements (including guarantees) that they may consider necessary or desirable.

7. Planned delivery approach and next steps

7.1. The key milestones for the project are set out in the table below.

7.2. The construction of the Stratford Waterfront residential element is due to commence in 2023. To achieve this date, the procurement needs to be launched in early 2020 to seek to achieve the appointment of a JV partner in mid-2021. Approval is therefore now required for GLAP to invest in the residential JV and its structure to progress the delivery of the residential element in conjunction with the wider project.

Key Milestone	Expected Date
Know Your Client ('KYC') and Due Diligence checks	April 2020
Formation of LLDC SPV and appointment of Board	April 2020
Interest Rate Setting Board decision	April 2020
Agreement of loan terms to LLDC	April 2020
OJEU notice issued and commence procurement, including Information Memorandum (IM) and Selection Questionnaire (SQ)	25 May 2020
Deadline for receipt of SQ	3 July 2020
Shortlist announced	4 August 2020
Invitation to Submit Outline Solutions (ISOS)	August 2020
ISOS Return Deadline	October 2020
Invitation to Participate in Dialogue (ITPD)	November 2020
Invitation to Submit Final Tenders (ISFT)	February 2021
Submission of Final Tenders	March 2021
ISFT evaluation	April 2021
Notification letters issued	May 2021
Contract Execution	June 2021

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? YES

If YES, for what reason: Pending conclusion of the JV development partner procurement.

Until what date: October 2021

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: Ray Smith has drafted this report in accordance with GLA procedures and confirms the following:	✓
Sponsoring Director: Martin Clarke has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.	✓
Mayoral Adviser: David Bellamy has been consulted about the proposal and agree the recommendations.	✓
Advice: The Finance and Legal teams have commented on this proposal.	✓
Corporate Investment Board This decision was agreed by the Corporate Investment Board on 16 March 2020	

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature M. D. Clarke **Date** 16.3.20

CHIEF OF STAFF:

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

Signature D. Bellamy **Date** 17/3/2020.