

# GREATER LONDON AUTHORITY

## REQUEST FOR MAYORAL DECISION – MD2935

### Title: Disposal of Non-Strategic GLAP Assets

#### Executive summary:

A review was undertaken of the GLA Land and Property Limited (GLAP) portfolio to assess the strategic value of the properties being held. Of those reviewed, a shortlist was arrived at – upon which further work was undertaken to assess if the properties held any strategic value for the GLA or GLAP, and to determine the merits of disposing of the assets.

This Mayoral Decision seeks approval to progress the disposal of three identified assets, that have been confirmed as no longer being primary in the delivery of wider Mayoral objectives.

In addition, further pockets of land have been identified as a legacy matter that should be transferred over to the London Legacy Development Corporation (LLDC).

#### Decision:

That the Mayor approves the disposal of the following properties based on minimum sale prices as set out in Part 2 of this decision form:

- 23-25 East Street, Barking IG11 8ES
- Orchard Wharf, Former Esso Petrol Station, Leamouth Road, London E14 0JG
- Land located adjacent to development at Gallions Reach
- Bridgewater Road land, Stratford E15 2NJ – three small parcels of land.

#### 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:

31/7/22

## **PART I – NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR**

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

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

- 1.1 GLAP has a diverse portfolio that includes several development sites, residential tower blocks, workshops, industrial buildings, offices and leisure facilities. A significant proportion of the portfolio has been inherited from defunct public bodies, including the London Development Agency and the London Thames Gateway Development Corporation.
- 1.2 Whilst these properties were acquired for either strategic or Mayoral objectives, due to prevailing events, they may no longer be required to achieve these aims or may have already achieved their initial objectives. These property assets can be categorised into four key areas:
- stand-alone investments outside the core regeneration areas of the Royal Docks, Greenwich Peninsula, and Barking and Dagenham
  - properties acquired and let on favourable terms to support charities and social enterprises
  - freeholds of developed sites, which are usually let on long leases of between 100 and 250 years
  - small parcels of land left over from previous developments with no redevelopment potential, e.g., small, landscaped areas, verges and unused strips of land.
- 1.3 Analysis has been undertaken on the merits of retaining some of these properties. Based on the analysis, four properties have been selected for disposal, having met the following criteria:
- they do not hold any strategic value to meet the Mayor's objectives, e.g., providing housing for Londoners
  - they do not have any redevelopment potential in the short to medium term
  - there are no charitable or social enterprise organisations that currently use the premises, and that would therefore be disadvantaged by disposal of the premises.
- 1.4 At Appendix 1 is a table that sets out background information for each of the premises, together with commentary on the type of property. Consultants (Montagu Evans) were engaged to assist in supporting the GLA to work up disposal strategies for each property. The work undertaken identified actions and plans to enable GLAP to obtain best consideration.
- 1.5 GLA officers have reviewed the work undertaken and considered the discussions that have taken place with interested parties. The below table sets out the properties and steps taken. Part 2 further sets out the commercial limits being set.

Property	Disposal method	Steps undertaken/comments
23-25 East Street, Barking	Direct sale to special purchaser	Valuation undertaken and provided by Montagu Evans. Discussions were undertaken by Montagu Evans with the current occupier as to whether they would be interested in acquiring the freehold, which led to negotiations. Details of the commercial agreement are set out in Part 2 of this decision form. Heads of Terms have been agreed between the parties (subject to contract).
Orchard Wharf	Auction	Valuation undertaken and provided by Montagu Evans.

		Montagu Evans approached the current long leaseholder of the property to ascertain their interest in acquiring the freehold; they were not interested. Advice from Montagu Evans suggested that an auction would be the suitable route forward to achieve best value.
Land adjacent to Gallions Reach	Direct sale to special purchaser	Valuation undertaken and provided by Montagu Evans. The occupiers of the land adjacent to this small plot were approached to ascertain whether they would be interested in acquiring the freehold. They confirmed they would be and negotiations were undertaken with a sale price being agreed (subject to GLA approval and subject to contract).
Bridgewater Road land	Direct sale to special purchaser	Valuation undertaken and provided by Montagu Evans. The LLDC owns the surrounding areas of land (and requires these three remaining anomalies to deliver the planned housing project at Bridgewater). Heads of terms have been agreed (subject to GLA and LLDC approval and subject to contract).

- 1.6 Within the above table, the phrase “special purchaser” is used. For clarity, this is a party that can afford to pay a price over and above the wider market value. This is because they have a particular connection to the property that makes it more valuable to them. Please note for the majority of assets the above is the case, and this is therefore the most appropriate way of ensuring best value for GLAP. With regards to the Bridgewater Road land this is a collection of three small sized areas totalling circa. 490 sq. ft. They hold negligible value because of their size and is a land title tidying up exercise.

#### Options

- 1.7 The below table sets out the options that GLA officers have explored in connection with each property. The highlighted and bold rows in the table are the preferred option for each property.

Property	Options available	
23-25 East Street, Barking	1	Retain the property. The current protected lease expired in March 2022 resulting in the occupation continuing under the same terms. Retaining the property results in continued exposure to GLA and GLAP should any matter arise at the property.
	2	The GLA/GLAP develops the property. Vacant possession of the property would be required to undertake this. Limited impact on providing affordable homes given that the likely investment would need to be significant and thereby make the project unviable. Obtaining retail occupiers on the ground floor following a period of renovation could thereafter prove challenging.
	3	<b>Dispose of the asset to the current occupiers. Being sold as a trade of going concern providing comfort that the current occupiers will continue the retail element of the property. Recommended.</b>
Orchard Wharf	1	Retain the property. There is a long lease in place that does not come to an end until 22 December 2194. GLAP receives a peppercorn rent for this long lease, meaning no income is received from it. Continued ownership would leave the GLA/GLAP exposed should any matter arise at the property.

	2	Development is not an option at this property due to the premises already being under a long lease, and the full development having not long been completed.
	3	Disposal of the property to the current long leaseholder was looked at but they were not interested in acquiring the freehold.
	4	<b>GLAP consultants have advised that the best disposal route for this property would now be via auction. Recommended.</b>
Land adjacent to development Gallions Reach	1	Retain the land. GLAP would have a continued liability for a piece of land that generates no revenue for the site and would not be capable of doing so in the future.
	2	Redevelopment. The size and location of this parcel of land does not facilitate a residential development on this land.
	3	Disposal of the land via the open market. Whilst this option may generate an additional value for GLAP, the increase is likely to be minimal based on the advice provided by Montagu Evans, and there would be no certainty of how the area would be managed in future.
	4	<b>Dispose of the land to the adjacent landowner. This would allow GLAP to receive a small sum for the land and receive comfort that the area would be managed responsibly given the benefit to the interested party due to their existing occupancy in the area. Recommended.</b>
Bridgewater Road land	1	Retain the land. This would provide no value to GLAP and possibly restrict the LLDC's ability to deliver the maximum benefit from this site. Ongoing liability for these areas would reside with GLAP.
	2	Sell the land via an open auction. Whilst this may achieve an increase in the transfer value of the property, there is also a risk that no party is interested in acquiring them due to the small size and location of this land.
	3	Redevelopment is not a viable option on these sites due to their shape and the impact of the surrounding future development by the LLDC.
	4	<b>Given the planning application that has already been submitted and the delivery of the housing and units identified, transfer the land to the LLDC so as not to delay or disrupt this development. Recommended.</b>

## 2. Objectives and expected outcomes

- 2.1. The efficient management of any property portfolio includes the periodic review of the portfolio contents, checking to see if it aligns with the wider objectives of the owners. The review allows decision-makers to decide on whether assets should be retained or disposed of.
- 2.2. The retention of assets that do not serve the wider objectives lead to unnecessary resource being required to manage them where the overall benefit does not align with the overarching aim.
- 2.3. It also leaves the owner open to risk and reputational damage in the event that anything was to occur at the property. Whilst this is an acceptable risk for those assets that deliver to the wider strategy, this should always be weighed against the benefits being delivered.
- 2.4. Disposing of these assets allows the GLAP portfolio to remain focused on the Mayor's objectives; remove unnecessary resource being used to manage these assets; and enable a capital receipt to be received to GLAP.

### **3. Equality comments**

- 3.1. Under section 149 of the Equality Act 2010, the Mayor and GLA are subject to the public sector equality duty and must have due regard to the need to:
- eliminate unlawful discrimination, harassment and victimisation
  - advance equality of opportunity between people who share a relevant protected characteristic and those who do not
  - foster good relations between people who share a relevant protected characteristic and those who do not.
- 3.2. The “protected characteristics” are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation, and marriage/civil partnership status. The duty involves having appropriate regard to these matters as they apply in the circumstances, including having regard to the need to: remove or minimise any disadvantage suffered by those who share or are connected to a protected characteristic; take steps to meet the different needs of such people; and encourage them to participate in public life or in any other activity where their participation is disproportionately low. This can involve treating people with a protected characteristic more favourably than those without one.
- 3.3. With 23-25 East Street, due to the nature of this asset and an occupier already being present within the property, the situation arose where a special purchaser scenario is applicable. As such, whilst GLAP could have marketed the property more widely, it was felt that the most suitable purchaser for the premises were the current occupiers.
- 3.4. It should also be noted that the occupier plans to continue trading out of the premises. Thus, this will not have an impact on any local residents or community members who may rely upon the services they provide.
- 3.5. For the properties being taken to the open market via auction, the public are free to bid for the properties in line with the auctioneer’s rules and procedures. Via this route, the GLA is attempting to make the properties as accessible as possible for those in a position to bid on the properties.
- 3.6. Relevant departments within the GLA were notified of and discussed the properties being brought forward for disposal. This was to ascertain if there were any other suitable GLA objectives or projects for these assets. The departments spoken with include relevant area teams, the Cultural team and the Regeneration team.

### **4. Other considerations**

#### Risks and issues

##### *Redevelopment potential for sites*

- 4.1. In the past, 23-25 East Street has been included in wider development plans by the London Borough of Barking and Dagenham. They have requested that the contact details of the new freeholder be provided to them so that they can discuss a heritage project they are proposing in the area and confirmed that they have no interest in purchasing the asset. The property sits on a site of only 0.11 acres and it therefore has limited redevelopment potential in isolation. However, the upper floors could be converted to residential units; we understand that this is being considered by the current occupier as part of their purchase plans.
- 4.2. The other sites do not have development prospects, which has been noted in the table at para 1.6.

##### *Management liability*

- 4.3. The land adjacent to Gallions Reach is particularly vulnerable to fly tipping. The same applies to the parcels of land at Bridgewater Road. Disposing of this land to the adjacent occupier provides continuity to the area and a level of comfort, with the asset being transferred to an interested entity already established in the area. It serves their interests, and those of the local community, for them to retain control of this area to minimise the abuse of this land.
- 4.4. For the remaining properties there is also a continued management liability – be it statutory testing, rent collection or general landlord obligations.

*Assets are not successfully auctioned*

- 4.5. GLAP disposing of properties may more widely be seen as GLAP relinquishing liability on assets that it does not deem important. Subsequently, if properties are not disposed of and GLAP need to continue its management, the current occupiers may feel aggrieved at the route taken by GLAP. In order to mitigate this, communication with parties holding an interest in the land will be made before properties are taken forward for disposal.
- 4.6. This will enable these parties to lodge an interest in acquiring the property; and GLAP will provide an explanation as to its reasoning for disposing of the property.

Link to Mayoral strategies and priorities

- 4.7. Disposing of these assets will allow the reinvestment of these capital receipts to help support the Mayor's objectives relating to the delivery of homes across London, including the London Housing Strategy and associated projects. Reviewing the GLAP portfolio through this work will result in a more focused portfolio, which aligns with the Mayor's overarching objectives and strategies. In addition, the proposed disposal of land at Bridgewater Road is to the LLDC, part of the GLA Group.

Conflicts of interest

- 4.8. There are no conflicts of interest to declare from any of those involved in the drafting or clearance of this decision form.

## **5. Financial comments**

- 5.1. The decision is seeking approval to dispose of four properties from GLAP's Investment property portfolio, as listed in paragraph 1.5. As part of the asset management strategy review the properties were identified as not being strategic to achieving the Mayor's strategic objectives and the sites did not have potential for redevelopment.
- 5.2. Options for the disposal of each site were appraised by an independent consultant (Montague Evans) and they have recommended options that would maximise the returns on the disposal of each site. Further details on the disposal of the properties are disclosed in paragraph 1.7 of the decision.

Taxation

- 5.3. The five properties that were identified for disposal are from the Investment portfolio, as such, gains on disposals will be subjected capital gains tax at 19%, if they are disposed by March 2023 (25% if disposed of after March 2023).
- 5.4. VAT must be charged on all disposals and the legal agreement must be drafted to allow VAT to be added.

## **6. Legal comments**



- 6.1. Section 30 of the Greater London Authority Act 1999 (as amended) (GLA Act) gives the Mayor a general power to do anything that he considers will further one or more of the principal purposes of the GLA as set out in section 30(2):
- promoting economic development and wealth creation in Greater London
  - promoting social development in Greater London
  - promoting the improvement of the environment in Greater London.
- 6.2. 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
  - consult with appropriate bodies.
- 6.3. The GLA, in this case via GLAP, can deal with land, and so dispose of it, on the basis that doing so will further one or more of the principal purposes set out in section 6.1, above. The GLA also has the power to do anything that facilitates, or is conducive or incidental to, doing so.
- 6.4. Section 333ZC of the GLA Act stipulates that the GLA may not dispose of land held by it for the purposes of housing or regeneration for less than the best consideration that can reasonably be obtained, unless the Secretary of State consents.
- 6.5. The contents of sections 1-4 of this Mayoral Decision indicate that the decision sought of the Mayor falls within GLAP's statutory powers and complies with GLAP's obligations.

## 7. Planned delivery approach and next steps

- 7.1. Proposed timetable for the disposal of this asset:

Activity	Timeline
Approval for the disposals	May 2022
23-25 East Street – if possible, exchange of legal contracts	Early – mid June 2022
Land adjacent to Gallions Reach and Bridgewater Road land – instruct solicitors to prepare legal paperwork	May / June 2022
Orchard Wharf – prepare information for submission to auction	June 2022
Orchard Wharf – submission for auction	July 2022
23-25 East Street – completion of sale	June / July 2022
Land adjacent to Gallions Reach and Bridgewater Road land – transfer of property completed	June / July 2022
Orchard Wharf – auctioned	July / August 2022
Orchard Wharf – legals completed	August / September 2022

## Appendices and supporting papers:

Appendix 1 – Background Information to Properties

**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**

**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:**

Sarah Phillips has drafted this report in accordance with GLA procedures and confirms the following:

✓

**Sponsoring Director:**

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

✓

**Mayoral Adviser:**

Tom Copley has been consulted about the proposal and agrees 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 23 May 2022

✓

**EXECUTIVE DIRECTOR, RESOURCES:**

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

**Signature**

**Date**

*D. Gane*

**24/5/22**

**CHIEF OF STAFF:**

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

**Signature**

**Date**

*D. Bellamy*

**24/5/22**