

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD2247

Title: Blackhorse Road and Northern Olympic Park Housing Zone, London Borough of Waltham Forest – 35 Sutherland Road (Conversion and refurbishment of workspace)

Executive Summary:

Blackhorse Road and Northern Olympic Park was designated a Housing Zone by MD1545. MD1545 delegated authority to the Executive Director of Housing and Land and the Executive Director of Resources, to approve the interventions that were to be funded following due diligence and contractually commit that funding.

The purpose of the Housing Zones programme is to increase housing supply by accelerating and/or unlocking development.

This decision seeks approval to commit a total of £250,000 of funding towards the conversion and refurbishment of the property at 35 Sutherland Road into more intensive employment use in the Blackhorse Road and Northern Olympic Park Housing Zone, thereby unlocking housing in the area.

Decision:

That the Executive Director of Housing and Land and the Executive Director of Resources, having consulted with the Deputy Mayor for Housing & Residential Development approve:

- In light of the due diligence in Part 2 of this form, entering into a contractual commitment to provide £250,000 of grant funding to the London Borough of Waltham Forest to fund the intervention specified below within the Blackhorse Road and Northern Olympic Park Housing Zone; and
- the re-profiled start on site and completion dates for the delivery of the housing outputs and the funding interventions and repayment timescales as detailed in this report.

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: 14/5/18

Name: Martin Clarke

Position: Executive Director Resources

Signature:



Date: 09.05.18

*Tom Middleton on behalf
of Martin Clarke*

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1. London Borough of Waltham Forest (LBWF) was designated a Housing Zone (HZ) by MD1545. Funding was indicatively allocated to the zone - subject to the outcome of legal and financial due diligence to unlock and accelerate housing in the area.
- 1.2. In March 2016, the GLA and LBWF entered into an Overarching Borough Agreement to record the indicative allocation of funding for the Blackhorse Road and Northern Olympic Park HZ.
- 1.3. Due diligence has been undertaken in respect of the conversion and refurbishment of the industrial building at 35 Sutherland Road to an intensive employment use, and to compensate for the loss of employment space on other Housing Zone sites. This will assist in the delivery of more homes on earmarked Housing Zone sites, the outcome of which is set out in Part 2 of this Director Decision.
- 1.4. The indicative grant allocation for the conversion and refurbishment of 35 Sutherland Road is £250,000. In addition to the GLA funding, LBWF is contributing £150,000 towards the works.

Summary of proposed intervention

- 1.5. The proposed intervention for the conversion and refurbishment of the part single, part two story industrial building at 35 Sutherland Road is situated in an area which has been dominated by industrial uses and warehouses. The Sutherland Road area was designated by the Blackhorse Lane Action Plan for employment led mixed use developments that will replace previous industrial and large warehouse uses with higher density employment uses, which are more compatible with new housing. LBWF is seeking £250,000 of Housing Zone non-recoverable grant to contribute to the conversion and refurbishment works to this industrial building. The proposal involves converting and extending the building and to change the existing use from B2 to a more intensive commercial/employment B1 use. The building will be sub divided to provide individual spaces and a new mezzanine floor will be constructed.
- 1.6. The conversion and refurbishment intervention at 35 Sutherland Road is expected to unlock the completion of at least 11 direct affordable homes by March 2022 on Sutherland Road. This includes enabling all homes to achieve a start on site by March 2021, which will assist in the delivery of the GLA's new 90,000 affordable housing target.

Proposition

- 1.7. It is proposed that the GLA provides £250,000 of capital grant to fund the conversion and refurbishment works at 35 Sutherland Road. This intervention will help to unlock the delivery of housing on a site on Sutherland Road in the Blackhorse Road Lane area.
- 1.8. Under this intervention, LBWF must use reasonable endeavours to procure that 11 direct affordable homes are delivered. LBWF will not be delivering the homes itself, landowners and developers will be bringing other sites forward. If there is a failure to deliver all or some of the 11 shared ownership homes by 31 March 2022, the GLA shall be entitled to recover all or a proportion of the £250,000 grant from the intervention to the proportion of affordable homes which have not been delivered.

Funding

1.9. LBWF has requested £250,000 of Housing Zones funding for the conversion and refurbishment of 35 Sutherland Road. The total indicative grant allocation for the intervention is £250,000 – which is expected to unlock at least 11 direct affordable homes. This equates to a grant rate of £22,727 per affordable home.

Stakeholders

1.10. LBWF owns the building at 35 Sutherland Road and is also working closely with the local landowners and developers to bring forward the housing sites on Sutherland Road.

Appraisal

1.11. The proposed intervention is expected to unlock at least 11 direct affordable homes in the Blackhorse Road and Northern Olympic Park Housing Zone. The GLA instructed Cushman & Wakefield property consultants to undertake due diligence on the appropriateness of the LBWF financial assumptions in relation to the conversion and refurbishment improvement works. LBWF's costs and value assumptions, detailed in Part 2 of this Director Decision were found to be reasonable and in line with Cushman & Wakefield expectations.

1.12. The request for funding, which equates to £22,727 per affordable home, is considered reasonable when viewed across the whole scheme.

Dependencies

1.13. The delivery of the scheme relies on: securing Housing Zone grant for the conversion and refurbishment works and programming the works with the council contractor. LBWF has confirmed that it has a planning permission for the works.

Project Milestones

1.14. Key project milestones include the following:

- September 2019 – Conversion works starts on site
- March 2020 – Conversion works complete
- March 2020 – Homes start on site
- March 2022 – Homes complete

Governance

1.15. The Borough has a Housing Zone Board in place which will steer the direction and delivery of the project to completion alongside key partners. The GLA sits on this board and has full oversight of expenditure and commitments.

Conclusion

1.16. It is considered that the outcome of due diligence, as detailed above, demonstrates it is appropriate for the GLA to contractually commit the funding in respect of the conversion and refurbishment works. GLA investment totalling £250,000 will unlock the development of adjacent sites. This includes

enabling 11 direct affordable homes to achieve a start on site prior to 31 March 2021, thereby contributing to the Mayor's target to deliver 90,000 affordable housing starts by that date.

2. Objectives and expected outcomes

2.1 HZ funding will contribute to the delivery of the conversion and refurbishment works in Waltham Forest by March 2020. The funding will help to unlock delivery of 11 direct affordable homes by 31 March 2022.

3. Changes to the Blackhorse Road and Northern Olympic Park Housing Zone

3.1 LBWF has revised the number of homes to be delivered, its estimated start on site and completion dates for the delivery of these homes, and the funding interventions and payment timescales compared to the position set out in MD1457 and the Overarching Borough Agreement. Overall, however, the homes will still be delivered by March 2025.

3.2 The proposed total number of Affordable homes to be delivered through this intervention is now 11, rather than 9 private. The amount of funding required for the intervention remains at the same level.

3.3 The proposed revised start on site and completion dates are set out in the tables below. 11 Affordable starts will now start by March 2021, and the completions are due by March 2022.

35 Sutherland Road, proposed revised start on site dates:

	2019-20	2020-21	2021-22
Affordable rent	11	-	-
Market rent	-	-	-
Total	11	-	-

35 Sutherland Road, proposed revised completion dates

	2020-21	2021-22	2022-23
Affordable rent		11	-
Market rent	-	-	-
Total	-	11	-

3.4 These changes amount to a Tier 2 change under DD1485 and as per the change management procedure set out in that DD they have been reviewed and recommended by the Housing Zone Steering Group on 13 March 2018.

4. Equality comments

4.1 The Mayor published a draft London Housing Strategy in September 2017. The strategy proposes the HZs programme should continue to increase the pace and delivery of housing delivery including the proportion of affordable homes. The strategy has a three-month consultation period and an equality impact assessment will also be undertaken in parallel. The Housing Zone programme is included within that impact assessment.

4.2 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.

- 4.3 Throughout the decision making process relating to the funding of this intervention due regard has been had to the 'three needs' outlined above. The housing shortage in London disproportionately negatively affects people with certain protected characteristics. Increasing the supply of housing, and in particular affordable housing will help to achieve positive impacts in line with the 'three needs'
- 4.4 The intervention will contribute towards the ambitions set out in the consultation set out in the draft Mayor's vision for a diverse and inclusive city, (June 2017), in particular building more genuinely affordable accessible decent homes for Londoners (Priority Outcome 1.1).
- 4.5 The designation of an area as a Housing Zone is intended to identify an area with high potential for housing growth and delivery within London. The GLA Housing Zone designation and associated funding is often partnered with other funding streams and non-financial assistance, in order to deliver these new homes, and therefore this decision will facilitate these goals and ultimately ensure that the needs of different groups are taken into account in the design and development of new homes.
- 4.6 In order to access this funding, LBWF will be required to enter into a contract with the GLA to deliver the interventions specified in this Director Decision. This places the following obligations on LBWF:
 - LBWF will comply in all material respects with all relevant legislation, including but not limited to legislation relating to health and safety, welfare at work and equality and diversity, and will use reasonable endeavours to procure that all Grant Recipient Parties do likewise.
 - LBWF confirms that it has and is in full compliance with, a policy covering equal opportunities designed to ensure that unfair discrimination on the grounds of colour, race, creed, nationality or any other unjustifiable basis directly or indirectly in relation to the works is avoided at all times (in so far as it is able) and will provide a copy of that policy and evidence of the actual implementation of that policy upon request by the GLA.

5. Other considerations

a) Key risks and issues

Cost estimates

- 5.1 LBWF will produce more detailed costings for the conversion and refurbishment if it secures funding. There is a risk therefore that once a more detailed assessment of the costs of works is undertaken, less work can be undertaken than previously envisaged for the level of funding. While LBWF confirmed it will undertake as much work as the funding allows, the GLA has included a condition in the Borough Intervention Agreement (BIA) to review and agree the extent of works (once known) prior to allowing LBWF to draw down grant, to mitigate this risk.

Planning

- 5.2 The Council has confirmed that it has obtained planning permission for the conversion and refurbishment works to 35 Sutherland Road.
- 5.3 Dialogue has begun with the owner of one site on Sutherland Road to bring forward the development of the site for housing. Additionally, the BIA also allows for the GLA to recover its grant in the event that affordable homes do not come forward.

Other

b) Links to Mayoral strategies and priorities

5.4 The purpose of the HZ programme is to increase housing supply by accelerating and unlocking development. The 11 direct affordable homes unlocked by this HZ investment will contribute to the Mayor's target to deliver 90,000 affordable housing starts by March 2021.

5.5 The conversion and refurbishment of Sutherland Road will also contribute to the ambition in the Mayor's draft London Housing Strategy to invest in London's growth areas, which include HZs.

c) Environmental considerations

5.6 The scale of the HZ programme presents significant opportunities for innovative building design to reduce resource costs, and unlock investment connecting new developments to necessary utility and social infrastructure assets. Such assets include: low-carbon decentralised energy and water networks; green infrastructure; waste and recycling collection infrastructure; low-emission transport hubs; and parks and open spaces. Boroughs and counterparties to HZ designation should look to include opportunities to address environmental and wider regeneration, quality of life and place-making benefits that are viable and will help unlock investment in line with policy ambitions set out in the London Plan. GLA support can be made available to help identify environmental opportunities in specific locations.

6. Financial comments

6.1 This decision requests approval to contractually commit a total of £250k of non-recoverable grant funding to the London Borough of Waltham Forest (LBWF), towards the conversion and refurbishment of the property at 35 Sutherland Road into more intensive employment use, within Blackhorse Road and Northern Olympic Park Housing Zone. GLA obtained a satisfactory due diligence result prior to reaching this decision (per findings set out in Part 2).

6.2 Total funding indicatively allocated for this Housing Zone is £44.895m (MD1545), £1.150m of which has been earmarked towards public realm intervention works and additional £1.195m has been committed towards the Blackhorse Lane Station Hub intervention (DD2070 committed £800k + DD2196 committed £395k).

6.3 In addition to the GLA funding (£250k), LBWF is contributing £150,000 towards the conversion and refurbishment works.

6.4 As it is a non-recoverable grant allocation, it represents a financial risk to the GLA, which is mitigated through contractual obligation from LBWF to repay the funding in the event of non-delivery.

6.5 Grant/Recoverable Grant funding profile at £400m is currently over forecast by £24m. It should be noted, however, that only £190m (exclusive of the current commitment) has been committed on thirteen interventions.

7. Legal comments

7.1 Under section 30(1) of the Greater London Authority Act 1999 (as amended) ("GLA Act"), the GLA has the power to provide the funding for the proposed intervention providing it considers that doing

so will further one or more of its principal purposes of: promoting economic development and wealth creation, social development, and the improvement of the environment in Greater London.

- 7.2 The intervention will unlock the delivery of housing and affordable housing, and it is open to the GLA to take the view that funding it will promote both social and economic development, and is therefore within its power, contained in section 30(1) of the GLA Act.
- 7.3 In exercising the power contained in section 30(1) of the GLA Act, the GLA must have regard to the matters set out in sections 30(3-5) and 33 of the GLA Act, and also the Public Sector Equality Duty in section 149 of the Equality Act 2010 as set out above.
- 7.4 The GLA has engaged with the London Borough of Waltham Forest in relation to the intervention which is the subject of this Director Decision. It is not considered necessary or appropriate for the GLA to consult with any other persons or bodies including those specified in section 32(2) of the GLA Act for the purposes of this Director Decision.
- 7.5 External lawyers have been instructed to prepare and negotiate the funding contracts for the GLA, including the incorporation of any provisions required to ensure compliance with State Aid rules. No funding is to be paid out unless, amongst other requirements, London Borough of Waltham Forest's solicitor has either provided an opinion (satisfactory to the GLA) as to the State Aid treatment of the intervention or undertaken to meet the GLA's reasonable legal costs in procuring an opinion from the GLA's solicitors as to the same matter. Further, if there is found to have been any unlawful State Aid, and the intervention cannot be restructured to be compliant, the London borough of Waltham Forest must repay the unlawful State Aid following a written demand for repayment by the GLA.

8. Planned delivery approach and next steps

Activity	Timeline
GLA / LBWF complete Borough Intervention Agreement (BIA)	March 2018
Housing at Sutherland Road	
Housing outputs start on site (expected)	March 2020
Housing outputs completed (expected)	March 2022
35 Sutherland Road Works	
Conversion and refurbishment works start on site	September 2019
Conversion and refurbishment works complete	March 2020

Appendices and supporting papers:

Appendix 1 – 35 Sutherland Road plan

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary.

Note: This form (Part 1) will either be published within one working day after approval or on the defer date.

Part 1 Deferral:

Is the publication of Part 1 of this approval to be deferred? NO

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:

Michael Atkins has drafted this report in accordance with GLA procedures and confirms that:

✓

Assistant Director/Head of Service:

Fiona Duncan has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

Financial and Legal advice:

The Finance and Legal teams have commented on this proposal, and this decision reflects their comments.

✓

Corporate Investment Board:

The Corporate Investment Board reviewed this proposal on 8 May 2018.

✓

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature



Date

09.05.18

Tom Middleton on BEHALF OF MARTIN CLARKE