

## REQUEST FOR DIRECTOR DECISION – DD2531

### Title: Elephant and Castle – T3 Residential Ltd Affordable Homes Programme Grant Agreement

#### Executive summary:

The London Borough of Southwark (LB Southwark) is leading a 20-year, £4bn programme to deliver regeneration of Elephant and Castle, a key opportunity area in the north of the borough. The regeneration programme began in 2010 with two main developments at its heart: Elephant Park and a new mixed-use town centre.

Delancey, on behalf of T3 Residential Ltd (T3), has approached the GLA for grant funding to help close the viability gap and support the delivery of affordable housing on the first phase of the scheme on the East site. It is proposed that the GLA provides a total grant allocation of £9,631,750 from the 2016-23 Affordable Homes Programme to help bridge the viability gap. This will support the delivery of 172 affordable homes (169 discounted market rent (DMR) homes including 45 at London living rent (LLR) levels; and three affordable rent homes at social rent levels) on the East site.

In accordance with Mayoral Decision (MD) 2282 and the Mayoral Decision-Making in the Greater London Authority framework, a Director Decision is required if the decision in respect of the Affordable Homes Programme relates to a bespoke agreement, which is the case here.

#### Decision:

That the Executive Director of Housing and Land approves the grant of up to £9,631,750 from the Affordable Homes Programme 2016-23 to T3, to enable the delivery of 172 affordable homes at the Elephant and Castle site.

#### 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:** Rickardo Hyatt

**Position:** Executive Director, Housing & Land

**Signature:**



**Date:**

25/11/21

## **PART I – NON-CONFIDENTIAL FACTS AND ADVICE**

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

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

- 1.1. LB Southwark is leading a 20-year, £4bn programme to deliver regeneration of Elephant and Castle, a key opportunity area in the north of the borough. The regeneration programme began in 2010 with two main developments at its heart: Elephant Park, and the new mixed-use town centre that will replace the Elephant and Castle shopping centre.
- 1.2. In January 2019, LB Southwark and the Mayor approved planning permission for Elephant and Castle Properties Co. Ltd to redevelop the existing Elephant and Castle shopping centre (East site) and University of the Arts London's London College of Communication (LCC) (West site). Delancey has been appointed by Elephant and Castle Properties Co. Ltd to oversee the development of the scheme.
- 1.3. The 3.56-hectare scheme will deliver a mixed-use town centre; a new entrance to the Underground; a university campus for the LCC; a range of retail, office and leisure uses including a cinema; and 983 new homes of which 35 percent by habitable room are affordable homes. In July 2021 a section 73 Minor Material Amendment (MMA) application was approved by LB Southwark Planning Committee. The application has increased and reconfigured the floor space on the East site; and improved the design efficiency of some private homes to create more habitable rooms, which will be converted into affordable housing. This has increased the affordable housing offer on the East site by seven units, from 165 to 172.
- 1.4. The affordable offer across both East and West sites now comprises 116 homes for social rent; 161 DMR units; 57 DMR units at LLR levels; and three affordable rent units at social rent levels. The East site (Appendix 1 – shaded orange) is due to start on site in 2021 and will deliver 124 DMR units; 45 DMR units at LLR levels; and three affordable rent units at social rent levels. It is expected to complete in 2026. The West site (Appendix 1 – shaded blue) is due to start on site in 2027 and will deliver all 116 social rent homes; 37 DMR units; and 12 DMR units at LLR levels. However, the West site units are not the subject of this funding proposal.
- 1.5. T3 will be the grant recipient. Delancey has been appointed by T3 to progress its application for a grant with the GLA. T3 is currently progressing an application to achieve registered-provider status with the Regulator of Social Housing. The grant funding will help close the viability gap and support the delivery of the affordable units on the East site. It is proposed that the GLA allocate £9,631,750 from the 2016-23 Affordable Homes programme to support delivery of 172 units (124 DMR units; 45 DMR units at LLR levels; and three affordable rent units) on the East site. The grant agreement requires the affordable rent units to be let at, or below, London affordable rent benchmark rent levels; this allows T3 to let them at social rent levels in line with the planning consent.
- 1.6. In accordance with MD2282 and the Mayoral Decision-Making in the Greater London Authority framework, a Director Decision is required if the decision in respect of the Affordable Homes programme relates to a bespoke agreement, which is the case here.

#### **2. Objectives and expected outcomes**

- 2.1. Delivering this scheme will play a crucial role in realising one of the Mayor's Opportunity Areas as identified in the London Plan. The outline permission for the scheme was granted in January

2019, to deliver 979 homes of which 35 per cent by habitable room are affordable, including 116 homes for social rent on the West site. The scheme will also deliver a new university campus for the LCC; a new entrance to the Underground; and a range of retail, office and leisure uses. A section 73 MMA has increased the overall number of units by four to deliver a total of 983 homes. The MMA also secured seven additional affordable homes through the conversion of private to affordable housing, and improved design efficiency.

- 2.2. The scheme is expected to create approximately 1,230 construction jobs per year for 10 years, and 2,000 jobs in the new town centre. The planning permission includes affordable housing viability reviews in the section 106 agreement, to potentially further increase the scheme's affordable housing offer.

#### Affordable housing grant

- 2.3. Delancey, on behalf of T3, requested an affordable housing grant from the GLA to assist with the viability of the scheme. The proposed affordable housing grant allocation is £9,631,750. This will support delivery of 172 affordable housing units, as described in paragraph 1.4, above, on the East site, as well as helping to unlock the dependent development on the West site.
- 2.4. The units will be transferred to a registered provider of social housing (which may be T3, subject to it achieving registered-provider status) on completion. If T3 does not achieve registered-provider status and the units transfer to another organisation, T3's grant liability will transfer to that registered provider organisation alongside the transfer of the units.

#### Contracting

- 2.5. The GLA will enter into a bespoke grant agreement with T3. The GLA grant investment of £9,631,750 is equivalent to 19 per cent of the scheme's total costs.
- 2.6. T3 has completed the GLA's investment partner qualification process and has been awarded restricted investment partner status to deliver this project.

### **3. Equality comments**

- 3.1. Under section 149 of the Equality Act 2010 (the Equality Act), as a public authority, the Mayor 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 reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation, and marriage or civil partnership status.
- 3.2. Delivery of additional affordable homes in London is likely to help many of those with protected equality characteristics, as many of these groups are disproportionately represented among those in need of affordable housing. This is in part because they are more likely to experience homelessness or overcrowding, or to have low incomes that make it difficult for them to afford market housing. By enabling the development of new affordable accommodation, this project is likely to advance equality of opportunity for those with protected characteristics.
- 3.3. The allocation of the funding in this report implements the Mayor's policies under his London Housing Strategy (LHS). An equality impact assessment of that strategy was undertaken which found that:

*“LHS policies are likely to have broadly positive benefits in relation to social and economic sustainability objectives such as improving health, reducing inequalities, increasing accessibility, and economic development.”*

- 3.4. The Mayor’s Equality, Diversity and Inclusion Strategy was issued in May 2018. The first chapter of this document is entitled “A Great Place to Live”. Priority outcome 1.1 in the vision refers to delivering affordable, accessible and decent homes. This project will help deliver new affordable housing. This in turn helps to implement the requirements for new housing set out in the London Plan.
- 3.5. In order to access funding, T3 will be required to enter into a grant agreement with the GLA, which will place an obligation on T3 to have and comply with a policy covering equal opportunities designed to ensure that discrimination prohibited by the Equality Act 2010 is avoided at all times. T3 must also provide a copy of that policy and evidence of the actual implementation of that policy upon request by the GLA.
- 3.6. The GLA’s assessment is that this initiative will not have an adverse effect on any groups with a protected characteristic and will assist in fostering good relationships between groups.

#### **4. Other considerations**

##### Key risks and issues

Risk	Rating	Mitigation
<i>Market uncertainty</i> Labour and materials shortages, and increasing prices, may cause pressure on the build programme and the viability of the scheme.	Amber	This remains a risk to all GLA programmes while the full impact of Brexit and the Covid-19 pandemic is unknown. The developer has agreed a time extension with the University of the Arts around a key milestone in the project which is the SoS for the new university. This has built some flexibility into the programme. GLA officers will continue to engage with partners and government, offering GLA support where appropriate.

- 4.1. Further risks and issues can be found in the Part 2 report.

##### Links to Mayoral Strategies and priorities

- 4.2. The London Plan 2021 provides an integrated policy framework across housing, social, economic, cultural, environmental and transport policies.
- 4.3. The Plan is underpinned by the concept of Good Growth – growth that is socially and economically inclusive and environmentally sustainable. The London Plan is informed by six Good Growth objectives: GG1, building strong and inclusive communities; GG2, making the best use of land; GG3, creating a healthy city; GG4, delivering the homes Londoners need; GG5, growing a good economy; and GG6, increasing efficiency and resilience.

- 4.4. The London Plan 2021 also identifies Elephant and Castle as one of London's opportunity areas with significant capacity for development. Delancey's town centre scheme responds to both the aspirations identified in the opportunity area and the Good Growth objectives, by providing jobs, homes, offices, shops, public spaces and facilities within the new town centre.
- 4.5. The Mayor's LHS sets out policies and proposals determining how to deliver good growth priority GG4, delivering the homes Londoners need. This includes building homes for Londoners; and delivering genuinely affordable homes, as well as high-quality homes and inclusive neighbourhoods. The affordable housing grant allocation of £9,631,750 is expected to support delivery of 172 units (124 DMR units; 45 DMR units at LLR levels; and three affordable rent units at social rent levels) on the East site, a new London Underground entrance and a new town centre; and to help unlock the dependent development on the West site.

#### Consultations and impact assessments

- 4.6. Officers have consulted with LB Southwark, GLA Planning and the Regulator of Social Housing throughout the development of the proposals.
- 4.7. Delancey completed an Environmental Impact Assessment (EIA) as part of the original planning application in 2018. An updated EIA has been submitted as part of the MMA S73 application.

#### Declarations of interest

- 4.8. There are no conflicts of interest to declare for the officers involved in the drafting or clearance of this Decision form.

### **5. Financial comments**

- 5.1 The Decision is seeking approval for GLA to allocate affordable housing grant totalling £9,631,750 to T3 Residential Ltd (T3) to support delivery of 172 affordable units. T3 is currently seeking registered-provider status with the Regulator of Social Housing. The grant would be funded from the 2016-23 Affordable Homes programme.

### **6. Legal comments**

- 6.1. The provision of financial assistance (including grant funding) to part fund the delivery of affordable housing is permissible under sections 30(1) and 34 of the Greater London Authority Act 1999 (the GLA Act), if the GLA considers that doing this will further one or more of the GLA's principal purposes of: promoting economic and social development in Greater London; and improving the environment in Greater London. The foregoing sections of this report indicate that it is open to the Director to take the view that the provision of this grant to T3 will promote economic and social development in Greater London.
- 6.2. In determining whether or how to exercise the power conferred by section 30(1) of the GLA Act, the GLA must:
- have regard to the effect that these decisions will have on the health of persons in Greater London; health inequalities between persons living in Greater London; the achievement of sustainable development in the United Kingdom; and climate change and its consequences (sections 30(3-5) of the GLA Act)

- pay due regard to the principle that there should be equality of opportunity for all people (section 33 of the GLA Act)
- have due regard to the Public Sector Equality Duty, namely: the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Equality Act 2010; and to advance equality of opportunity between persons who share a relevant protected characteristic (race, disability, gender, age, sex, sexual orientation, religion or belief, pregnancy and maternity, and gender reassignment) and persons who do not share it, and foster good relations between persons who share a relevant protected characteristic and persons who do not share it (section 149 of the Equality Act 2010).

- 6.3. In this respect, regard should be had to section 3 above.
- 6.4. In addition to the above, where the GLA is proposing to use the power conferred in section 30(1) of the GLA Act, the GLA must consider consulting in accordance with section 32 of the GLA Act. This is addressed at paragraph 4.6, above.
- 6.5. Officers must ensure that all necessary and appropriate steps are taken, and a suitable funding agreement entered into with T3, to formalise the provision of the grant funding, including requirements regarding subsidy control compliance, before committing to the same.
- 6.6. Further comments in respect of the terms of the proposed grant agreement are set out in Part 2 of this report.

## 7. Planned delivery approach and next steps

Activity	Timeline
Secure Director's Decision	November 2021
Enter into Affordable Housing programme grant agreement	December 2021
Start on site (as defined by planning)	January 2022
Completion of first affordable unit	July 2027
Completion of wider scheme	2035

## Appendices and supporting papers:

Appendix 1: site plan

## 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:

Carolyn Whittaker has drafted this report in accordance with GLA procedures and confirms the following:

✓

### Assistant Director/Head of Service:

Heather Juman 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.

✓

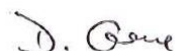
## Corporate Investment Board

This decision was agreed by the Corporate Investment Board on 22 November 2021

## EXECUTIVE DIRECTOR, RESOURCES:

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

**Signature**



**Date**

26/11/21

## Appendix 1

