

REQUEST FOR MAYORAL DECISION – MD1655

Title: Agreement in principle to underwrite the enabling costs for Over Station Development above the planned HS2 station at Old Oak Common

Executive Summary:

This form seeks the Mayor's agreement in principle to the GLA's underwriting of HS2's cost of infrastructure enabling works to facilitate development over and adjacent to the planned HS2 station and tracks, collectively referred to as Over Station Development (OSD), at Old Oak Common (OOC).

Confirmation that the GLA agrees, in principle, to underwriting the cost of enabling works for OSD is required by HS2 Limited and DfT to enable OPDC officers to commence working with HS2 to incorporate the enabling works in the tender for the design of the station. However, no legally binding commitment is made by the GLA at this stage

Failure to plan for and fund some of the enabling works will be a missed opportunity to maximise the OSD potential at the HS2 station site, as a significant proportion of enabling works for OSD is required to be designed and built at the same time as the HS2 station and railway works. Not doing so and subsequently retrofitting the infrastructure for the OSD would significantly increase costs.

The full scope of the infrastructure enabling work is still to be determined, but could include; increased station foundation size, ventilation systems, noise and vibration attenuation measures, construction of roads, bridges and walkways, providing utilities and servicing, and changes to station design.

Further detailed technical and commercial work will be undertaken during the summer. This will provide the next Mayor with the opportunity in Autumn 2016 to decide whether or not to confirm the position which will, at that time, be based on the preferred option that has been determined in anticipation of the commencement of HS2 procurement processes.

A Memorandum of Understanding (MoU) has been agreed between the Secretary of State for Transport and OPDC setting out the principles by which OPDC can obtain the air rights to develop above the HS2 station and the Crossrail depot (which will be immediately adjacent to the HS2 station).

The Crossrail depot is the subject of a study being undertaken by TfL to seek to create a development deck over the depot buildings and sidings. The design of the HS2 OSD must be integrated with the design proposals for this proposed deck, to ensure both sites are technically and commercially viable.

Decision:

That the Mayor confirms to HS2 Limited and the Department for Transport that the GLA agrees, in principle, to underwrite the cost of enabling works for an over station development at the planned HS2 station at Old Oak Common, subject to and noting however, that: (1) no legally binding commitment is made by the GLA at this point; and (2) following the conclusion of OPDC's engagement in the HS2's development of its design tender procurement documentation (scheduled to be completed in Autumn 2016), the next Mayor's express confirmation (by way of Mayoral Decision form) that the GLA remains agreeable to the underwriting of such costs.

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:

28/04/2016

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

Decision required – supporting report

1. Introduction and Background

- 1.1. The Old Oak Common (OOC) HS2 station will transform the area into one of the best connected sites in Europe with rail interchanges between HS2, Crossrail and the Great Western railway lines. OOC is one of the biggest regeneration sites in Europe with the potential of creating 24,000 homes and 55,000 new jobs. The work so far considered the potential for development above the track on land adjacent to the tracks (collectively referred to as Over Station Development or 'OSD'). The combined sites directly associated with the HS2 OSD could accommodate as many as 1,525 homes and 23,900 jobs.
- 1.2. OSD at OOC presents the opportunity to create a commercial, retail and residential core to a thriving, new hub in West London, whilst at the same time being a catalyst for regeneration in the wider area. This is a "one time" opportunity as OSD enabling works cannot be undertaken later and therefore needs to happen as the railway lines and station are being constructed.

Scenario assessment

- 1.3. During the Hybrid Bill petitioning process, the OPDC asked HS2 to consider design and engineering changes to accommodate OSD around the OOC station. In response, HS2 undertook an OSD Feasibility Study assessing the technical feasibility, cost and programme impact of incorporating OSD at OOC and concluded in that OSD was feasible, but likely to impact on schedule, the design of the station and construction logistics. All aspects are currently being assessed in more detail, particularly the impact and cost of the ventilation requirements for HS2 track and station.
- 1.4. Four development sites were considered: the HS2 track, the Triangle site, the Great Western Mainline (GWML) and the Victoria Road area. Please refer to Appendix A for a map and description of these sites.
- 1.5. OPDC have commissioned Deloitte consultants to undertake a Strategic Outline Case and a commercial assessment of different development scenarios.

Crossrail depot

- 1.6. The initial HS2 technical feasibility study assumed that the Crossrail depot at OOC was relocated. This option has now been discounted by TfL and the development scenario currently being examined for the depot includes decking over the depot buildings and sidings to accommodate OSD. The commercial studies undertaken by Deloitte's confirmed that a higher development value was achieved when the HS2 OSD was developed in combination with the development above the Crossrail depot. Commercial feasibility work is currently being undertaken by TfL in assessing the options for OSD at the Crossrail depot.
- 1.7. The assessment of the OSD potential of the Crossrail depot site is not likely to be completed within the timescales required for a decision to be made on the HS2 OSD, as the HS2 station design procurement process is due to begin in Autumn 2016. It is therefore proposed to progress key decisions concerning these two sites separately at this stage; however, the OPDC's Programme Delivery team, HS2 and Crossrail continue to work closely together due to the interdependencies between the sites.

Commercial development options for the HS2 OSD

- 1.8. In parallel with the scenario assessment, OPDC has assessed the high-level financial viability of the different scenarios. This financial analysis demonstrates the potential for significant financial returns to be realised from investment in HS2 OSD enabling works at OOC, as it is considered that there would be strong demand for development in this location, driven by the upgraded transport infrastructure. These returns are based on land receipts and business rates (the latter being subject to ongoing discussions between the OPDC, Government and the GLA) that would be generated from the development. They are strongly linked to the scale of enabling works and also to projections of future performance of the property market.
- 1.9. Commercial development options have been identified that could be used at OOC to deliver the new HS2 station, the enabling works and subsequent HS2 OSD. The options differ in terms of who is involved at each stage of the process with the key parties involved being HS2, OPDC and a private

developer. The options range from an OPDC-led design and delivery to a private developer-led design and delivery, with the other options being a combination of both public and private sector involvement. At this stage, a specific option has not been recommended by our advisors as further analysis is required to give more certainty on the preferred HS2 OSD scenario and its financial viability. This work will be completed by Autumn 2016 to enable a preferred option for OSD to be incorporated into the HS2 tender.

Memorandum of Understanding (MoU) with Secretary of State (SoS) for Transport

- 1.10. In the Autumn Statement 2015, the Chancellor announced his intention to pool public sector land in order to enable the comprehensive regeneration of the area around the proposed HS2 and Crossrail stations and Great Western Main Line Interchange.
- 1.11. An MoU between the SoS and the OPDC was agreed in March 2016, which set out the basis upon which such land pooling might take place in respect of land owned by, or under the control of Network Rail and the Department for Transport (DfT).
- 1.12. In order to provide OPDC with the maximum opportunity to secure comprehensive and coordinated redevelopment of the combined sites, the parties have agreed in principle that the Government will, subject to certain Conditions Precedent being fulfilled, consider the transfer of its land at Old Oak or granting of air development rights (on a case by case basis). The presumption is that all the DfT and Network Rail land and/or air rights set out within the MoU are available for transfer to the OPDC.
- 1.13. The MoU stipulates that the preferred development option over the HS2 and GWML stations has to be presented to the DfT's Board Investment and Commercial Committee (BICC) in Autumn 2016, before the HS2 station procurement commences. The MoU also states that there would need to be a binding commitment to funding the OSD works in Quarter 3, 2017 in advance of the station delivery contract. The decisions requested of the Mayor now and of the next Mayor in Autumn 2016 are decisions in principle only and, accordingly, do not represent legally binding commitments. They are, however, required by HS2 and DfT in order to demonstrate the support required to enable OPDC officers to engage with HS2 in progressing the procurement of the station design to include the HS2 OSD at the new OOC HS2 station.

Funding requirements

- 1.14. The potential funding required falls within a broad range and demonstrates the number of development scenarios tested, moving from a 'do minimum' to a 'do maximum' approach, concerning the sites listed in paragraph 1.4 and in terms of the extent of the station site which is developed and the quantum of OSD floorspace delivered. At this stage, no development scenarios have been ruled out but it is recognised that a realistic scheme is likely to fall somewhere in the middle of the current funding range.
- 1.15. Funding would be recovered once value can be realised from the development above the completed HS2 station. The timing of this repayment will depend on the development scenario, the commercial development option selected and the chosen value realisation method.
- 1.16. More information on the potential range of costs is provided in Part 2 (confidential).

Funding sources

- 1.17. For a development of this nature, which is principally infrastructure driven, it is common that the public sector would fund all or some of the enabling works. However, depending on the commercial development option selected, there could be a role for the private sector to play in funding some or all of the works. In all of the commercial development options, it is assumed that the DfT would fund the general, i.e. non-OSD station works, as agreed with HS2.

Risk and mitigation

- 1.18. The principal risk to the GLA of funding the enabling works is that there is no demand for the OSD and costs cannot be recouped in the timeframe envisaged. This risk is mitigated by retaining commercial advisors throughout the process to assess market demand for the development. A contingency of 34% for unknown costs to reflect the early stage in developing the scenario has been included.

- 1.19. Delays in the delivery of the HS2 programme and mis-alignment between the HS2 OSD and station works presents a potential risk. This risk is being mitigated by working closely with DfT and HS2 Ltd to develop a programme that is acceptable to all parties.

2. Objectives and expected outcomes

- 2.1. A decision in principle to underwrite the cost of enabling works for OSD is required to enable OPDC officers to commence working with HS2 to incorporate the enabling works in the tender for the design of the station. While several options are being considered at present, a preferred option will be required to have been identified by autumn 2016, at which point confirmation of the commitment in principle will be required.
- 2.2. A firm commitment to fund the enabling works will be required by autumn 2017. Further work will be carried out before then to develop and Funding & Financing Strategy and to identify potential partners.
- 2.3. This decision will enable the inclusion of an OSD option in the planned HS2 station procurement at OOC, due to commence in Autumn 2016.
- 2.4. HS2 OSD will create a commercial, retail and residential core to a thriving, new hub in West London, whilst at the same time being a catalyst for regeneration in the wider area.

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 (the duty in respect of this last characteristic is to eliminate unlawful discrimination only).
- 3.2. When considering the needs of the existing community and those that will be affected by the proposals for the redevelopment of Old Oak, any resulting development or activities will minimise disadvantages to all protected characteristic groups within society.
- 3.3. This decision is not expected to have any negative impact on persons with a protected characteristic under the Equality Act.

4. Other considerations

- 4.1. The proposals for an OSD over the HS2 station at Old Oak Common are consistent with the OPDC Opportunity Area Planning Framework (OAPF) adopted in November 2015 and the OPDC Draft Consultation Local Plan to deliver 55,000 jobs and 24,000 homes in the Old Oak Common area.

5. Financial comments

- 5.1. As this is a decision in principle only, there are no direct financial implications for the GLA at this stage. Further financial comments are included in Part 2 to this decision. OPDC will bear the cost of their engagement in the HS2 procurement process.

6. Legal comments

- 6.1. The commitment sought by DfT and HS2 is not legally binding at this stage, and the next Mayor will have the opportunity to decide whether the OSD enabling works should be underwritten by the GLA when the risks and costs associated with the preferred option have been assessed with sufficient certainty.
- 6.2. The provision of a non-legally binding commitment that the GLA agrees, in principle at this point, to underwrite such costs (subject always to subsequent express confirmation by the next Mayor by way of Mayoral Decision form) is within the Mayor's current powers under section 30 of the GLA Act 1999, and allows the project to proceed with OPDC involvement that may avoid even greater costs were it to be decided to incorporate the OSD enabling works later on in the project's development.

- 6.3. The in principle, non-legally binding nature of this decision accords with the principle that an incumbent administration should not unreasonably fetter the discretion of any future administration. Officers must ensure, therefore, that no legally-binding commitment is made or other activity is undertaken, including (without limitation) related announcements or communications, which might have an impact upon the exercise of the discretion of the next Mayor.

7. Investment & Performance Board

- 7.1. At this stage, agreement in principle only is being sought. It is anticipated that a formal commitment to underwrite the costs will be required in autumn 2017 and a report would be presented to IPB at that time.

8. Planned delivery approach and next steps

Activity	Timeline
MoU signed with SoS	15 March 2016
Technical Options Appraisal Complete	August 2016
HS2 OSD Outline Business Case	Mar – Oct 2016
HS2 Old Oak Common Station PQQ Issued	Autumn 2016
HS2 Old Oak Common Station Contract Award	Autumn 2017
HS2 Old Oak Common Station Open	2026

Appendices and supporting papers:

Appendix A: Map of the Site

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? YES

If YES, for what reason:

The Memorandum of Understanding between OPDC and the Department for Transport will be published in redacted form and the MD should not be published before the MoU.

Until what date: (a date is required if deferring) 30 May 2016

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:

Mo Williams has drafted this report in accordance with GLA procedures and confirms the following have been consulted on the final decision.

✓

Assistant Director/Head of Service:

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

✓

Sponsoring Director:

Fiona Fletcher-Smith has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

Advice:

The Finance and Legal teams have commented on this proposal.

✓

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

M. J. Allen

Date

26.4.16

CHIEF OF STAFF:

The Chief of Staff signature is not required due to conflict

Appendix A – Map illustration of the site



