

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD2036

Title: Tottenham Housing Zone (Phase 1), London Borough of Haringey – Hale Village Tower

Executive Summary:

This Mayoral Decision allocates a further £55,159,294 to fund an intervention to unlock and accelerate the delivery of additional homes within the Tottenham Housing Zone. Subject to the satisfactory outcome of due diligence, the Mayor agrees to fund this further Financial Transaction intervention as part of a mixed development finance package in order to unlock the Hale Village Tower site.

The £55,159,294 is an interest bearing loan which will unlock and accelerate the delivery of around 250 homes on the Tower site, enabling the completion of the Hale Village scheme. Hale Village is a scheme comprising the Tower and several other sites which, with this intervention, is expected to deliver around 1,350 homes of which 43% will be affordable (subject to planning approval). Hale Village sits in the Tottenham Housing Zone, and its completion is in turn expected to lead to increased confidence in relation to the delivery of surrounding interventions in the Tottenham Housing Zone.

Decision:

That the Mayor:

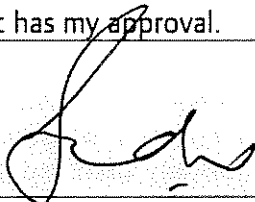
- Approves the indicative allocation of a further £55,159,294 being made available for the purposes of unlocking or accelerating the delivery of housing within the Tottenham Hale Housing Zone in addition to the indicative allocation of £44,115,000 of funding made available in respect of the Tottenham Hale Housing Zone under MD1457, noting that such funding shall only be contractually committed subject to the satisfactory outcome of legal and financial due diligence;
- Delegates authority to the Executive Director of Housing and Land in consultation with the Deputy Mayor for Housing & Residential Development to determine (by means of a record in writing) that such due diligence has been satisfactorily undertaken and that it is appropriate for GLA Land and Property Limited (GLAP) to contractually commit Housing Zone loan funding of £55,159,294 to the intervention known as the Hale Village Tower site within the Tottenham Housing Zone (Phase 1); and
- Additionally delegates authority to the Executive Director of Housing and Land to approve any amendments required to the Overarching Borough Agreement between the London Borough of Haringey and the Greater London Authority dated 3 September 2015 he considers necessary or expedient as a consequence of this Mayoral Decision.

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:

30/9/16

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

1. Introduction and background

- 1.1 The Tottenham Housing Zone (Phase 1) was designated as a Housing Zone by MD 1457 and funding of £44.115m was indicatively allocated to that zone (subject to the satisfactory outcome of legal and financial due diligence) to unlock housing and regenerate the area. Detailed due diligence and contracting processes are underway to commit the full £44.115m to deliver 1965 homes within the Zone. The additional intervention proposed in this report in respect of the Hale Village Tower site would require a further £55,159,294 loan funding to be allocated to this Housing Zone to deliver further homes in addition to the original 1965 homes and would comprise the provision of loan funding to Anthology Development 4 Limited for this amount. The new intervention would bring the total funding for the Tottenham Housing Zone to £99,274,294 and the total number of homes to be delivered to 2,215.

The £55,159,294 is an interest bearing loan which will unlock and accelerate the delivery of around 250 homes, enabling the completion of the Hale Village. (Hale Village is a scheme comprising several sites which will deliver around 1,350 homes (subject to planning approval for the 250 homes proposed to be funded by this intervention). This in turn is expected to lead to enhanced values in the local area and increased confidence in relation to the delivery of surrounding interventions in the Tottenham Housing Zone.

- 1.2 Anthology Development 4 Limited is proposing to purchase the Hale Village Tower site from Hale Village London Limited and approached the GLA to explore options around acquisition and development finance to deliver the scheme. It is now proposed that GLA Land and Property Limited (GLAP) enters into a loan agreement with Anthology as part of the Housing Zones programme. Further detail on Anthology is provided at Annex 1, which is appended to Part 2 of this report.
- 1.3 London Borough of Haringey will retain oversight of delivery across the Housing Zone by implementing governance arrangements outlined in an Overarching Borough Agreement with the GLA.
- 1.4 Due diligence is being undertaken and is expected to complete shortly in respect of the proposed intervention known as the Hale Village Tower site. The details of this are set out below and in Part 2 of this report. It is proposed that authority is delegated to the Executive Director Housing and Land in consultation with the Deputy Mayor for Housing & Residential development to determine in due course whether due diligence has been satisfactorily completed, including "know your customer" requirements, title due diligence and appropriate contractual terms and conditions.

Summary

- 1.5 The Hale Village Tower site is located in the South East of the Tottenham Housing Zone, adjacent to Tottenham Hale Station. Anthology's US parent is reluctant to provide funding to the scheme over the value of equity it is willing to commit. GLA funding improves the risk profile of the scheme and the appetite for Anthology to purchase and develop the site. The funding ensures that the site can be acquired within the requisite timeframe, thus ensuring that housing can be unlocked and delivered earlier than if other sources of funding had to be secured.

Proposition

- 1.6 The proposed Hale Village Tower scheme to deliver 250 new homes is in conformity with the vision for both the designated Tottenham Housing Zone and the Mayor's adopted Upper Lea Valley Opportunity Area Planning Framework. The Tower site is specifically identified as a site for delivery

of around 250 homes and of a scheme of a height of approximately 30 storeys within the emerging Tottenham Area Action Plan (AAP) and its contained policies, which is currently at public consultation 'Reg 19' stage, with a view to a public inquiry in 2016 and result in adoption later this year. It is therefore fair to assume that any policy compliant scheme on this site would be approximately 30 storeys high and provide approximately 250 homes, subject to a suitable planning approval.

- 1.7 For planning purposes, the site is part of a wider masterplan for Hale Village, which comprises a number of different sites. Overall the masterplan provides for delivery of 1,294 homes of which 542 (42%) are affordable. The masterplan had not included any affordable housing for the Tower site, but the availability of Housing Zone funding proposed under this MD is expected to facilitate an increase in the total number of homes on the Tower site (from 194 to 250 – increasing the total number of homes within Hale Village from 1,294 to 1,350) and to make 38 (68%) of the additional 56 homes affordable (subject to planning approval). The completion of the Tower site, and therefore the Hale Village scheme, supports and will increase confidence in regeneration more widely in the Tottenham Housing Zone.

Funding

- 1.8 As the full amount of funding within the Tottenham Housing Zone is committed to deliver other interventions, this report seeks the Mayor's endorsement to commit a further £55,159,294 of Financial Transaction funding (see MD1481 regarding Financial Transactions) in the form of interest bearing loans from the existing uncommitted funding on the basis it will be repaid in full by Q4 2020/21.

Stakeholders / Contractual Arrangements

- 1.9 The counterparty in respect of this intervention is Anthology Development 4 Limited (a wholly owned subsidiary of Anthology) who will enter into a Housing Zone Acquisition and Development Facility Agreement with GLAP. It is further proposed that GLAP enters into various additional agreements to ensure that it has adequate security in respect of this funding (as described in Part 2).

Appraisal

- 1.10 Project due diligence and an assessment of creditworthiness (including "know your Customer" checks) have been undertaken by GLA Housing and Land and Group Finance respectively. Anthology's cost and value assumptions were reported to be in line with the expectations of GLAP's retained property consultants, Lambert Smith Hampton. The creditworthiness assessment did not report any factors that would prevent GLAP funding Anthology.
- 1.11 Reports summarising the project and creditworthiness assessment were considered by the GLA's Interest Rate Setting Board (IRSB) on 21 July 2016 and 16 August 2016. Guided by the methodology in the European Commission's communication in relation to setting interest rates and in accordance with State Aid rules, including consideration of the counterparty's creditworthiness and the security being offered, IRSB determined the interest rate to be offered. This offer has been made on the basis that it is equivalent to a market rate and is subject to contract. The rate is detailed in Part 2.

Project Milestones

- 1.12 40% of the equity to be contributed to the project by Anthology is being invested at the start of the project alongside Housing Zone investment to fund the acquisition of the Tower site, demonstrating a commitment to the project and its timely progress given the fact that this equity investment carries an opportunity cost.

- 1.13 A planning application for the project is due to be submitted Q1 2017/18. Works are due to start on site by Q1 2018/19. The date for completion of the project will be finally determined prior to drawdown of the development finance element of the Housing Zone loan but practical completion is currently expected to be no later than Q4 2020/21.
- 1.14 The funding agreement will contain a number of key performance milestones with dates in order to ensure the start and timely progression of the works. The milestones will initially include planning application submission and start on site with further milestone dates to be approved by GLAP in respect of the frame, cladding and practical completion after site acquisition but prior to the drawdown of any development finance.

Governance

- 1.15 GLAP will contract with Anthology Development 4 Limited and this relationship will be managed through quarterly meetings in order to ensure transparency. The relationship will be managed by a designated officer from the GLA's Housing and Land Directorate with oversight from the Housing and Land Senior Management Team. The funding agreement also places reporting obligations on the counterparty linked to project milestones.

Conclusion

- 1.16 This site is the last remaining phase of the multi-stage Hale Village development which has catalysed Tottenham's position as a site for growth and development. Whilst a development package and deliverable scheme has been discussed with partners, issues with transatlantic development finance and the wider market risked stalling the scheme and impeding the wider development of the Tottenham Hale Housing Zone. A Housing Zone loan will provide development finance to facilitate and accelerate delivery of the project.

2 Objectives and Expected Outcomes

- 2.1 Housing Zone investment ensures that the site can be acquired within the requisite timeframe, thus ensuring that housing can be unlocked and delivered earlier than if other sources of funding had to be secured. The delivery of the site will ensure the completion of Hale Village, delivering around 250 homes and potentially leading to enhanced values and increased confidence in relation to the delivery of surrounding schemes in the Tottenham Hale Housing Zone.

3 Equality comments

- 3.1 The proposals will ensure the delivery of new housing units within Haringey, and the Tottenham Housing Zone, which in turn will help to implement the Mayor's policies set out in the Mayor's London Housing Strategy. In January 2014 the GLA published an Integrated Impact Assessment (IIA), including an equalities impact assessment, of that strategy. The policies related to increasing housing supply, to which the Hale Village Tower scheme will contribute, were covered by the IIA for the Further Alterations to the London Plan.
- 3.2 The IIA concluded that updating housing projections and targets would support the delivery of sufficient housing and may help stabilise housing prices, supporting equal opportunities throughout communities. Furthermore, the provision of housing, including maximising the delivery of affordable housing, would be in line with other policies of the Plan (e.g. Policy 3.5), ensuring that the needs of different groups are taken into account in the housing design.
- 3.3 The delivery of new homes within the Housing Zone and particularly those facilitated on this site will help to implement Objectives 1, 2, 3 and 4 of the Mayor's Equalities Framework "Equal Life Chances for All" (June 2014) through the creation of new homes, housing products and well-designed housing schemes.

- 3.4 The designation of a Housing Zone within an area is designed to identify a site or sites as an area for housing growth and delivery within London, often partnered with a series of funding streams and non-financial assistance 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 housing.
- 3.5 In order to access funding Anthology will be required to enter in to contract with GLAP to deliver the intervention. With regard to project delivery the contract places the following obligations on Anthology in respect of the Equality Act 2010:
- Anthology shall 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 enforce the terms of the Scheme Project Documents to ensure compliance with this clause where any failure to comply would result in a Material Adverse Effect.
 - Anthology 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 and will provide a copy of that policy and evidence of the actual implementation of that policy upon request by GLAP.

4 Other considerations

a) Key risk and issues

- 4.1 With regard to the potential levels of housing development proposed by Anthology within the scheme, it should be noted that the figures stated here do not prejudice any future Mayoral decisions on planning designations/de-designations or consideration of future planning applications.
- 4.2 Know Your Customer checks are being carried out in order to verify the identity of the contracting party. Anthology Development 4 Limited is a wholly owned subsidiary of Anthology Group Limited, which is a UK registered company. Anthology Group Limited is in turn a subsidiary of Luxembourg based Anthology Sarl. The ultimate ownership of Anthology Sarl lies in the United States. Oaktree Capital Group Holdings LLC is the ultimate parent, which is a fund manager with over \$100bn of assets under management worldwide. Anthology's Luxembourg parent has a significant focus on real estate including in the UK: Knightsbridge student accommodation, Pegasus later living and Saco serviced hotel apartments.
- 4.3 Know Your Customer checks are being supplemented by an Accuity Online Compliance search (an online research tool providing sanctions and politically exposed persons data).
- 4.4 The above checks are being carried out on the contracting entity, its directors, secretary and shareholders. The same are being carried out on parent companies of the contracting entity where a beneficial ownership of 25% or more is held in terms of shareholding/voting rights over the contracting entity.
- 4.5 The GLA has engaged with the parties to this proposed intervention, as it has considered appropriate. It is not considered necessary or appropriate to consult any other persons or bodies including those specified in section 32(1) of the Greater London Authority Act 1999 for the purposes of this Mayoral Decision.

b) Links to Mayoral strategies and priorities

4.5 The purposes of the Housing Zones programme is to increase housing supply by accelerating and unlocking development to deliver over 75,000 homes by 2026. The Hale Village Tower Site will contribute towards this and support the aim to deliver at least 42,000 homes per annum prescribed by the Further Alterations to the London Plan March 2015.

4.6 It is proposed that the Executive Director of Housing and Land be delegated authority to determine whether the necessary due diligence has been satisfactorily completed in consultation with the Deputy Mayor for Housing & Residential Development. In order to expedite matters this determination will be recorded in writing rather than by a Director Decision.

5 Financial Comments

5.1 All comments are in the reserved part of this MD.

6 Legal Comments

6.1 Under section 30(1) of the GLA Act 1999, the GLA has the power to provide the loan funding for the intervention explained above, on the basis that to do so will further one or more of the GLA's principal purposes. In exercising the power in section 30(1), the Mayor must have regard to the matters set out in section 30(4-6A) of the GLA Act. Those matters have been taken into account as considered appropriate by the GLA in respect of these Housing Zones (see MD1457) and, in respect of this intervention, as detailed in this report.

6.2 The provision of the proposed loan on market terms is likely to constitute a specified activity, as defined under section 34A of the GLA Act and the Greater London Authority (Specified Activities) Order 2013/973. Accordingly, it will need to be provided by a subsidiary company of the GLA, as is proposed. GLA Land and Property Limited (GLAP) is a subsidiary of the GLA.

6.3 Further legal comments are set out in Part 2.

7 Planned delivery approach and next steps

Activity	Timeline
Mayoral Decision	Sep 2016
Completion of Acquisition and Development Finance Agreement	Sep 2016
Physical Start on Site	Quarter 1 2018/19
Practical Completion of Development	Quarter 3, 2020/21 *
Final Repayment of Housing Zone funding	Quarter 4, 2020/21 *

**These dates will be finally determined, by agreement between Anthology and GLAP, after acquisition of the site but prior to the development finance being made available.*

Appendices and supporting papers:

Part 2

Annex 1 – Anthology profile

Annex 2 – Cashflow analysis

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:

Fred Keegan 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:

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

✓

Sponsoring Director:

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

✓

Mayoral Adviser:

James Murray has been consulted about the proposal and agrees the recommendations.

✓

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. D. Bolce

Date 29.9.16

CHIEF OF STAFF:

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

Signature

D. Bellamy

Date

29/9/2016

