

**REQUEST FOR ASSISTANT DIRECTOR DECISION – ADD273**

**Title: East Wick and Sweetwater Development Agreement**

**Executive Summary:**

The London Legacy Development Corporation (“Legacy Corporation” or “LLDC”) seeks prior Mayoral consent to the decision of the LLDC Board at its meeting on 18 November 2014 to endorse the consortium of Places for People and Balfour Beatty as Preferred Bidder with whom the Legacy Corporation will enter into a Development Agreement for an interest in the East Wick (PDZ5) and Sweetwater (PDZ4) sites to deliver the 2nd phase of new neighbourhoods on Queen Elizabeth Olympic Park (QEOP).

Approval is required under Paragraph 4.5 of the LLDC Governance Direction 2013 (approved by MD1227), because this is a ‘land transaction’ as defined by clause 2 of the National Lottery Funding Repayment Agreement (NLFRA).

The Decision is taken by the Head of Governance and Resilience in the GLA’s Corporate Management Directorate, under delegated authority from the Mayor, as approved by MD1276.

**Decision:**

That the Head of Governance and Resilience consents, under delegated authority from the Mayor (approved by MD1276), to the London Legacy Development Corporation Board’s decision to endorse the appointment of Places for People and Balfour Beatty as Preferred Bidder with whom the Legacy Corporation will enter into a development agreement for an interest in the East Wick and Sweetwater sites to deliver the second phase of new neighbourhoods on Queen Elizabeth Olympic Park.

**AUTHORISING ASSISTANT DIRECTOR/HEAD OF UNIT:**

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:** Tom Middleton

**Position:** Head of Governance and Resilience

**Signature:**

**Date:**

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

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

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

- 1.1 East Wick and Sweetwater will form two of five new neighbourhoods on Queen Elizabeth Olympic Park (QEOP), providing up to 1,500 new homes. In February 2013, the Legacy Corporation's Board approved acceleration of this second phase of housing delivery and associated infrastructure on the Park, with the ambition for the first residents to move into their new homes at the end of 2016 and the whole development completed by 2023, six years ahead of the original masterplan.
- 1.2 The Legacy Corporation launched an OJEU procurement process on 17 November 2013 to select a development partner to take forward the new neighbourhoods. The Pre-Qualification Questionnaire (PQQ) stage closed on 23 January 2014. As part of this process, the Legacy Corporation carried out thorough due diligence on bidders' financial and economic standing. Following responses to the PQQ stage, six companies/consortia were shortlisted for Outline Solutions. A summary of the Outline Solutions was presented to the LLDC's Investment Committee in May 2014, and subsequently three consortia were shortlisted for Detailed Dialogue: Grainger; Mace, Argent and Peabody; and Places for People and Balfour Beatty.
- 1.3 Following an extensive dialogue process, bidders were asked to submit proposals for design, priority themes, delivery approach, structure and funding, legal agreements, and financial offer. Bidders submitted final tenders on 8 October 2014.
- 1.4 LLDC undertook a thorough process to evaluate the three final tenders against evaluation criteria agreed by its Investment Committee in January 2014. The Selection Panel recommended to the Investment Committee to approve the consortium of Places for People and Balfour Beatty as the Preferred Bidder on the grounds that its proposal was the strongest submission, and it was awarded the highest overall score. Places for People and Balfour Beatty scored highest in relation to financial offer, commercial drivers, design and priority themes, and was considered to be a well-rounded, comprehensive and creative proposal for this important next phase of development on the Park.
- 1.5 On 11 November 2014, the LLDC's Investment Committee endorsed awarding Places for People and Balfour Beatty with Preferred Bidder status with whom the Legacy Corporation would enter into a development agreement for an interest in the East Wick and Sweetwater sites to deliver the second phase of new neighbourhoods on QEOP, subject to receiving further clarifications that the consortium continued to meet the financial and economic standing requirement of the PQQ stage of the procurement process, and the LLDC being satisfied of the consortium's financial standing, funding and guarantees. The LLDC Board endorsed the Investment Committee's recommendation at its meeting on 18 November 2014. Following notification to the Preferred Bidder, a period of fine-tuning to finalise the development agreement took place, alongside additional financial due diligence. The Legacy Corporation received the necessary assurances from the consortium partners to enable it to enter into the development agreement. Approval of the legal agreements and Final Project Approval has been delegated to the LLDC's Investment Committee, subject to Mayoral consent being obtained.
- 1.6 This matter falls under issues that the Mayor is required to provide prior consent under Paragraph 4.5 of the LLDC Governance Direction 2013. This stipulates that the Mayor's prior consent is required before any decision is made by the LLDC or a Subsidiary to approve a 'land transaction' as defined by clause 2 of the National Lottery Funding Repayment Agreement (NLFRA). Development sites PDZ4 and PDZ5 are on land which falls within the purview of the (NLFRA).

- 1.7 The decision is taken by the Head of Governance and Resilience in the GLA's Corporate Management Directorate, under delegated authority from the Mayor, as approved by the Mayoral Scheme of Delegations, as amended from time to time (MD1276).

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

- 2.1 The objectives of the project to procure a development partner for delivery of the East Wick and Sweetwater neighbourhoods, are to:
- Accelerate the delivery of housing to establish high quality communities
  - Deliver a significant quantum of private rented housing in order to support London's housing need, and providing housing choice
  - Secure a revenue stream and benefit from value growth over time
  - Optimise the opportunity to generate capital receipts in the medium to long-term to be used to repay the GLA and the National Lottery, in line with the Mayor's agreement of March 2012.
- 2.1 The project will deliver up to 1,500 homes on the East Wick and Sweetwater neighbourhoods on the Queen Elizabeth Olympic Park. The project will include c. 500 private rented sector homes, as well as a mix of affordable homes and supporting infrastructure. The project will also generate revenue and capital income for LLDC through the sale and rent of properties.

## **3. Equality comments**

- 3.1 The East Wick and Sweetwater development is brought forward under the Legacy Communities Scheme (LCS) outline planning permission. The LCS permission was submitted and approved alongside a suite of supporting documents, including the Statement of Participation, detailing the broad and deep engagement with local communities; the Design and Access Statement, detailing the market-leading approach to accessibility and inclusive design; and the Equality Statement, setting out the equality analysis.
- 3.2 In addition to this, the procurement process for the development partner required each of the bidders to be evaluated against equality and inclusive design objectives. Officers from the LLDC's Inclusion team were part of the LLDC competitive dialogue process, helping bidders develop their response to LLDC's equality and inclusion priorities.
- 3.3 The preferred bidder's scheme not only meets, or exceeds the LLDC's Inclusive Design Standards, it also proposes innovative, market-leading solutions in terms of community participation and employment. LLDC looks forward working with the developer to create a lifetime neighbourhood which sets an example in the sector, and will continue to consult communities on its detailed plans as they come forward.

## **4. Other considerations**

### *a) key risks and issues*

Key risk and issues are contained in Part Two of this Form.

### *b) links to Mayoral strategies and priorities*

The Mayor's London Plan states that "The Mayor will work with partners to develop and implement a viable and sustainable legacy for the Olympic and Paralympic Games to deliver fundamental economic, social and environmental change within East London. This will be London's single most important regeneration project for the next 25 years". LLDC's signing of the development agreement with the SPV between Places for People Homes Ltd. and Balfour Beatty, for an interest in the East Wick and Sweetwater sites will provide much needed housing, including private rental housing, and affordable homes that will contribute to easing the housing crisis in east London, and provide housing choice, which is essential to the delivery of this objective.

*c) impact assessments and consultations.*

LLDC's priority themes have been incorporated into each stage of the developer procurement process and bidders have responded positively and creatively. The submission from Places for People and Balfour Beatty is particularly strong in these areas. It includes a high quality design and strong understanding of the context of developing in proximity to Hackney Wick and Fish Island. It also contains ambitious yet realistic proposals for inclusive design and sustainability. The consortium of Places for People and Balfour Beatty has made excellent commitments to LLDC's socio-economic and community development ambitions, which demonstrate innovation, and include a series of self-imposed targets and financial penalties that will be contractual.

It is not considered that the Mayor need undertake any further impact assessment in respect of this particular decision.

In making this decision, the Legacy Corporation consulted its Investment Committee and Board in order to launch the procurement process. The evaluation criteria were agreed by the LLDC's Investment Committee. LLDC's Investment Committee and Board have both endorsed the outcome of the procurement process. The sites sit within two London Boroughs: Hackney and Tower Hamlets. Both boroughs were consulted during the procurement process, and Hackney was part of the evaluation team. Both boroughs were also represented at the (non-evaluated) bidders' presentations that were given following submission of final tenders. TfL Legal, GLA Finance and the LLDC PPDT have been kept informed of the plans and progress.

It is not considered that the Mayor need undertake any additional consultation in respect of this decision.

## **5. Financial comments**

- 5.1 LLDC's updated ten-year Business Plan includes the projected receipts from this land transaction and if they are delivered in line with this there is no financial risk to the GLA. The GLA's own long term financial plans and its funding of LLDC take these into account. Further comments are included in the confidential Part 2 section of this decision form.

## **6. Planned delivery approach and next steps**

- 6.1 Through the course of the project, LLDC will monitor the Developer's performance against key performance indicators such as payment of London Living Wage, employment of apprentices and under-represented groups. The Legacy Corporation will also monitor the project's income and costs, with the aim of staying within budget.

<b>Activity</b>	<b>Timeline</b>
LLDC and Places for People and Balfour Beatty sign Development Agreement	End Feb 2015
Zonal Masterplan submitted to Planning Authority	Summer/Autumn 2015
First phase of development start on site	Summer 2016
First occupants move into first phase of housing	End 2017
Development completed	2023

## **Appendices and supporting papers:**

- None

**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:

Until what date: Until the development agreement is signed because it remains subject to LLDC agreement and negotiation until it is actually signed and exchanged, and until both shareholders (Places for People and Balfour Beatty) in the Special Purpose Vehicle make press announcements due to the requirements for them to make stock market announcements etc. expected 16 March 2015.

**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:**

Michelle Reeves has drafted this report in accordance with GLA procedures and confirms that the Finance and Legal teams have commented on this proposal as required, and this decision reflects their comments.

✓

**HEAD OF GOVERNANCE AND RESILIENCE:**

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

**Signature:**

**Date:**