

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD2060

Title: Poplar Riverside Housing Zone, London Borough of Tower Hamlets – Blackwall Reach

Executive Summary:

This Mayoral Decision allocates £27.01m, in addition to a previous indicative allocation of £22.99m, as an interest bearing loan facility to accelerate the delivery of 1,477 homes (1,225 net of demolitions) within the Poplar Riverside Housing Zone. Subject to the satisfactory outcome of due diligence, the Mayor agrees to the provision of the total £50m loan facility to Swan New Homes Ltd as part of a mixed development finance package in order to expedite the Blackwall Reach development scheme.

Decision:

That the Mayor:

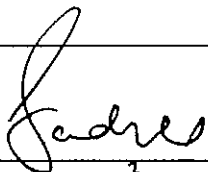
- Approves the indicative allocation of a further £27.01m Financial Transaction funding being made available for the purposes of accelerating the delivery of housing within the Poplar Riverside Housing Zone in addition to the indicative allocation of £22.99m Financial Transaction funding in respect of the Poplar Riverside Housing Zone under MD1545, noting that such funding shall only be contractually committed subject to the satisfactory outcome of legal and financial due diligence; and
- 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 £50m to Swan New Homes Ltd in respect of the Blackwall Reach Regeneration Project intervention described in the report below.

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:

3/1/17

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

Decision required – supporting report

1 Introduction and background

- 1.1 The Poplar Riverside Housing Zone was designated as a Housing Zone by Mayoral Decision 1545. This indicatively allocated £22.99m Financial Transaction (interest bearing loan) funding, and a further £28.96m of grant (subject to the outcome of legal and financial due diligence) to unlock and accelerate housing, and regenerate the area.
- 1.2 The London Borough of Tower Hamlets has confirmed that the indicative allocation of £22.99m Financial Transaction funding from MD1545 is no longer required to serve the originally intended intervention, and accepts the proposal that it is reprioritised to fund a new intervention in respect of the Blackwall Reach Regeneration Project (BRRP). This report, therefore, seeks the Mayor's approval to allocate a further £27.01m of Financial Transaction funding to the Poplar Riverside Housing Zone in order that, subject to the satisfactory outcome of legal and financial due diligence, a total of £50m of Housing Zone funding in the form of an interest bearing loan may be committed to Swan New Homes Limited (Swan NH) in respect of the BRRP on the basis that it will be repaid in full by 31st December 2026. The proposed £50m of Financial Transaction funding comprises £22.99m indicatively approved under MD1545 in addition to the £27.01m indicatively approved under this Mayoral Decision.
- 1.3 The total indicative allocation for the Poplar Riverside Housing Zone will be £78.96m (£50m Financial Transaction funding plus £28.96m grant funding):

Original grant allocation in MD 1545	£28.96m
Original Financial Transaction allocation in MD 1545	£22.99m
Additional Financial Transaction allocation in this MD	£27.01m
Revised total	£78.96m

- 1.4 The £50m of Financial Transaction (interest bearing loan) funding is part of the £200m facility that has been awarded to the GLA by DCLG to support the London Housing Zone programme.
- 1.5 This new BRRP intervention will support the delivery of 1,477 new homes (1,225 net of demolitions) and bring the total number of homes to be delivered within the Housing Zone to 4,368.
- 1.6 Swan NH does not have the capacity to fund the intervention using its own resources. If the proposed Financial Transaction funding is not approved, it would need to access financial markets to fund the development which would slow down delivery of Phase 1B (which has started on site) and subsequent phases.
- 1.7 BRRP involves the comprehensive redevelopment of the Robin Hood Gardens housing estate and adjoining commercial land in Poplar adjacent to Blackwall DLR station. The project has been brought forward jointly between the GLA and LB Tower Hamlets (LBTH) as the twin principal land owners. The GLA has a Principal Development Agreement (PDA) with LBTH and the appointed development partner, Swan Housing Association, dated 19th April 2011.

- 1.8 Outline planning permission for BRRP was secured on 30th March 2012 for a scheme, which will provide up to 1,575 new homes (of which more than 50% are affordable by habitable room and 98 of which are already completed). There will be no net loss of social housing, with 472 net new affordable homes across the scheme (including Phase 1A affordable units). In addition, the scheme will provide a new park and play space, a new community centre, retail floor space, business floor space and a replacement mosque. The scheme also provides funding through a Section 106 Agreement for infrastructure improvements and the expansion of the adjacent Woolmore primary school to increase school places from 204 to 420. Work is currently due to complete on the scheme in 2026-27. The scheme will be delivered in five phases, the first of which is already completed.

Proposition

- 1.9 The proposed new intervention meets the aspirations of the Borough, will accelerate the early delivery of the project, and is in conformity with the wider vision for the Poplar Riverside Housing Zone.
- 1.10 Phase 1A of the scheme completed in March 2015. The proposed Housing Zone funding will provide cash flow funding to enable delivery of the remaining 4 phases of the scheme (1B, 2, 3 and 4). In addition to helping ensure that there is sufficient funding to deliver each phase of the scheme, the funding will also allow phases to come forward in parallel or with overlapping timetables, accelerating the delivery of housing units. It will enable at least 321 affordable homes to achieve a start on site between 2015 and 2021 to assist in the delivery of the GLA's new 90,000 affordable housing target. The GLA will also use reasonable endeavours to seek to bring forward starts on site for Phase 4.
- 1.11 Overall, the project will deliver a residential development of 1,575 units with a proposed phasing of the scheme (noting Phase 1A is already complete) as follows:

Phase	Start on site	Completion	Total no. of Units	Affordable	Private
Phase 1A	May 2013	March 2015	98	98	0
Phase 1B	December 2016	March 2020	242	42	200
Phase 2	2017-18	2019-20	268	114	154
Phase 3	2020-21	2022-23	324	165	159
Phase 4	2021-22	2024-25	643	260	383

Funding

- 1.12 This report seeks the Mayor's approval to indicatively allocate a further £27.01m of Financial Transaction funding (see MD1481 regarding Financial Transactions) in the form of an interest-bearing loan from the existing uncommitted funding on the basis it will be repaid in full by 2026-27.

Stakeholders / Contractual Arrangements

- 1.13 The counterparty in respect of this intervention is Swan New Homes Limited (Swan NH). Swan NH will enter into a Housing Zone Development Facility Agreement with GLA Land and Property Limited (GLAP). Swan Housing Association Limited will also be a party to the Development Facility Agreement in order to covenant with GLAP to perform various obligations (further detail is

provided in Part 2 of this report). It is further proposed that GLAP enters into various additional agreements in relation to its security for the loan funding (as described in Part 2 of this report).

- 1.14 Swan NH is the subsidiary commercial development arm for its parent, Swan Housing Association Limited, which enables activities that generate arms-length surpluses which are recycled back in to Swan HA to serve its charitable purposes in delivering and managing affordable housing.

Appraisal

- 1.15 Initial project due diligence and assessment of creditworthiness were undertaken by Lambert Smith Hampton (LSH) and GLA Group Finance respectively. Swan NH's cost and value assumptions were reported to be in line with expectations for similar schemes. The creditworthiness assessment did not report any factors that would prevent GLAP funding Swan NH.
- 1.16 A report summarising the project and creditworthiness assessment was considered by the GLA's Interest Rate Setting Board on 15th November 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, the Interest Rate Setting Board determined the interest rate to be offered to Swan NH 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

- 1.17 The project has full planning consent for Phases 1B and 2 (including approval for reserved matters), with outline consent for all remaining phases and works, and preparatory works for Phase 1B commenced on site in September 2016. Phase 4 of the scheme is currently expected to complete by March 2025 at the latest, subject to negotiation with existing leaseholders in Phase 4.

Governance

- 1.18 GLAP will contract with Swan NH and this relationship will be managed through quarterly reports in order to ensure transparency. The relationship will be managed by a designated officer from the GLA's Housing and Land Directorate with the oversight of the Housing and Land Senior Management Team.

Conclusion

- 1.19 This site is a long-term regeneration partnership between LB Tower Hamlets and the GLA which will deliver over 1,575 new homes¹ of which more than 50% will be affordable by habitable room, along with community facilities, a new park, extension to an existing school and new commercial space. Providing fully repayable loan funding to the scheme will help to accelerate the delivery of new homes, including affordable homes.

2 Objectives and Expected Outcomes

- 2.1 The original proposals for development at Blackwall Reach involved each phase being taken forward sequentially, without overlap. This new funding facility will allow Swan NH and Swan HA to accelerate the development across all phases.
- 2.2 A loan rather than grant funding equity arrangement will ensure the repayment of the monies awarded by GLAP in full, alongside securing the delivery of 1,477 new homes (1,225 net of demolitions) within the Poplar Riverside Housing Zone.

¹ 98 homes have already been completed.

3 Equality comments

- 3.1 The proposals will ensure the delivery of new housing units within Tower Hamlets, and the Poplar Riverside 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, of which this paper relates, 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 1,477 new homes (of which 581 will be affordable) 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 Such homes, in line with the Housing Zone programme and the existing PDA, would be designed to the Mayor's Housing Design Guide standards, promoting accessibility for all and homes suitable for all users.
- 3.5 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.
- 3.6 In order to access funding Swan NH will be required to enter into contract with GLAP to deliver the intervention. With regard to project delivery the contract places the following obligations on Swan NH in respect of the Equality Act 2010:
- Swan NH 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 obligation.
 - Swan NH 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 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 GLA officers have carried out 'know your customer' checks to verify the party with which it is contracting under this proposed transaction. Swan NH was set up to develop new-build housing for outright sale. A search of the Companies House website shows it is listed as "active", it last

submitted a Confirmation Statement to Companies House on 17th August 2016, and its Certificate of Incorporation shows that it was incorporated on 17th August 2004. Swan NH is a wholly-owned subsidiary of Swan Housing Association Limited. Swan Housing Association Limited is regulated by the Social Housing Regulator, the Homes and Communities Agency (registration code: L4145); it is registered with the Financial Conduct Authority (FCA) (registration number: 28496R). GLA officers obtained the 2015-16 audited accounts of Swan Housing Association Limited, which listed its directors and chief officers. They checked the FCA's Mutuals Public Register and confirmed Swan Housing Association Limited's status is "registered" and that it remains active (it last submitted its Annual Return and Accounts on 31st October 2016). GLA officers also verified the identity of the main officer they were dealing with in relation to this transaction.

- 4.3 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

- 4.4 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. BRRP 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.
- 4.5 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.
- 4.6 Under the General Delegation in the Mayoral Scheme of Delegation, subject to the change management process set out in Director Decision 1485, the Executive Director of Housing and Land has authority to approve any amendments required to the OBA entered into between the GLA and the London Borough of Tower Hamlets on 4th March 2016 (which recorded the indicative allocation of funding for the Poplar Riverside Housing Zone) which he considers necessary or expedient as a consequence of this Mayoral Decision.

5 Financial Comments

- 5.1 This is a loan facility of £50,000,000 to Swan NH, with appropriate security arrangements as detailed in the confidential Part 2 section.
- 5.2 The loan facility is for a period of 10 years at an interest rate that will be referred to in the confidential Part 2 section.
- 5.3 Properties provided on these sites provide 50% affordable dwellings by habitable rooms.
- 5.4 Entering into this loan will secure the lending of a further £50,000,000 of a housing loan finance transaction.
- 5.5 The lending across this scheme will be £33,852 per dwelling therefore making this project good value for money.
- 5.6 If this loan is to be agreed, GLAP would then have lending to Swan NH on the Cambridge Road development in Barking of £29,950,000 and Blackwall Reach of £50,000,000. It is therefore suggested that no more lending is agreed to Swan NH until the Cambridge Road development in Barking is fully repaid.

- 5.7 The interest rate to this loan is considered to be above the State Aid Minimum by the Interest Rate Setting Board.
- 5.8 Including this £50,000,000 commitment will take the housing zones financial transaction spend to £159,354,294, from a budget of £200,000,000. Therefore there will be a remaining budget of £40,645,706.

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
Signing of contract terms	December 2016
Start on site Phase 1B	December 2016
Completion of Phase 1B	March 2020
Start on site Phase 2	May 2017
Completion of Phase 2	March 2020
Start on site Future Phases	Subject to Planning

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:

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

✓

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.

✓

Corporate Investment Board

This decision was agreed by the Corporate Investment Board on the 19 December 2016.

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

M. J. Bille

Date 19.12.16

CHIEF OF STAFF:

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

Signature

D. Bellamy

Date 19/12/2016.