

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD2328

Title: Holloway Prison – London Borough of Islington – Peabody Trust: Loan Finance

Executive Summary:

MD2396 secured £486m of funding from Government to help unlock and accelerate housing delivery in London through land assembly, infrastructure investment and provision of gap funding.

MD2396 also approved terms for the delegated authority to the Executive Director of Housing and Land in consultation with the Deputy Mayor for Housing and Residential Development, to approve the allocation of funding in accordance with the terms associated with the programme and in pursuit of the Mayor's housing ambitions.

Following consideration and approval by the Land Fund Investment Committee (LFIC), this Director's Decision requests approval for the provision of an interest-bearing loan facility for a total of £41.636m to Peabody Trust (Peabody) to enable the delivery target of 1,100 homes of which 60% will be affordable based on number of homes.

Decision:

That the Executive Director of Housing and Land in consultation with the Deputy Mayor for Housing and Residential Development approves:

Provision of a loan facility of £41,636,000 from GLA Land and Property Limited, under MD2396, to Peabody Trust for the purpose of accelerating the delivery target of 1,100 homes at the former Holloway Prison Site (LB Islington), including 60% affordable housing.

AUTHORISING DIRECTOR

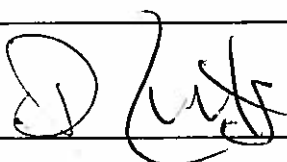
I have reviewed the request and am satisfied it is correct and consistent with the Mayor's plans and priorities.

It has my approval.

Name: David Lunts

Position: Executive Director of Housing and Land

Signature:



Date:

20/02/19

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

Introduction

- 1.1. MD2396 approved on the 27 November 2018 £486m of funding from Government to help unlock and accelerate housing delivery in London through land assembly, infrastructure investment and provision of gap funding.
- 1.2. MD2396 delegated authority to the Executive Director of Housing and Land in consultation with the Deputy Mayor for Housing and Residential Development, to approve, via a director decision the allocation of this new funding in accordance with the terms associated with the programmes and in pursuit of the Mayor's housing ambitions.
- 1.3. This report seeks the Director's approval to allocate an interest-bearing loan totalling £41.636m to Peabody Trust (Peabody). The facility will be used to acquire the former Holloway Prison, LB Islington site (the Site).
- 1.4. The loan will enable Peabody to deliver a target of 1,100 homes of which no fewer than 60% will be affordable based on number of homes, 10% points higher than the planning policy requirement. These homes are expected to start-on-site no later than 31 March 2021.
- 1.5. LFIC has approved the facility subject to satisfactory legal and site due diligence on the basis that the facility is fully repayable by March 2027.
- 1.6. The Transactions Team within the GLA's Housing and Land Directorate will retain oversight of the facility, monitoring drawdown and delivery.

Proposition

Former Holloway Prison, LB Islington site (the Site)

- 1.7. The Site is approximately 4.05 hectares in size and fronts onto the busy arterial route of Parkhurst Road/Camden Road, which has a mix of uses, including a library, commercial uses, arts and educational uses and residential uses. However, on three sides the Site is mostly flanked by residential accommodation situated on quieter streets, as per Appendix 1.
- 1.8. The Site is being sold by the Ministry of Justice who earmarked it for residential development following the prison's closure in 2016. The site was taken to market in 2017 and was initially awarded to London Square and its preferred partner. Subsequently, London Square's preferred partner withdrew and Peabody has stepped into the purchase forming a joint venture with London Square to acquire the site.

Planning Context

- 1.9. The Holloway Prison Site Supplementary Planning Document (SPD) was adopted by LB Islington in January 2018. It was developed by Islington Council working closely with the GLA, and its status as a document endorsed by both was affirmed through its joint foreword between Islington's Executive Member for Housing and Development, and City Hall's Deputy Mayor for Housing and Residential Development.
- 1.10. The SPD recognises the potential of the Site to provide a high quality, inclusive and sustainable new neighbourhood that can make a valuable contribution to the local community and built environment.

1.11. The SPD outlines viability analysis, which demonstrates that the Site can deliver a policy compliant scheme that includes a minimum of 50% affordable housing based on a tenure split of 70% social rent and 30% intermediate (shared ownership).

1.12. A summary of the key objectives for the Site outlined in the SPD are as follows:

- The provision of housing and in particular maximising affordable housing to meet identified housing needs in the borough.
- The provision of a women's building/centre that incorporates safe space to support women in the criminal justice system and services for women as part of a wider building that could also include affordable workspace to support local organisations and employment opportunities.
- Active uses along Parkhurst Road and Camden Road, which could include, for example, a small amount of retail provision.
- Improvements to local infrastructure to support population growth, for example, health facilities and public transport.
- The provision of publicly accessible open green space including play space as part of a design that protects and enhances biodiversity, retains existing trees and provides high quality landscaping.

Funding

1.13. This decision seeks approval to provide an interest-bearing loan of £41.636m from existing uncommitted funding (see MD2396), to be fully repaid by March 2027.

1.14. As at the date of this paper there are sufficient funds available under MD2396 to cover these loans.

Stakeholders / Contractual Arrangements

1.15. The Borrower in respect of the loan facility is Peabody Trust. Peabody is one of the largest and well-established housing associations in England. Following mergers with both Gallions and Family Mosaic they own over 55,000 housing units.

1.16. Peabody are a member of the G15, a group of London's largest housing associations and predominately operate in London with 3% of its housing stock situated across Essex, Sussex, Kent and Hampshire.

1.17. Peabody's 2017/18 annual report outlines their ambition to increase their development programme to 2,500 homes per annum from 2021. The housing provider has a strong track record of development. Recent developments include:

- Parkside, LB Lewisham (completed)
- City Forum, LB Islington in partnership with Berkeley Homes (completed)
- The Wharf, LB Islington (under construction)
- Battersea Power Station, LB Wandsworth (under construction)
- The Green, LB Ealing (selected as preferred development partner in July 2018)

1.18. In 2017 Peabody entered into a strategic partnership with the GLA to deliver 6,000 affordable homes. In November 2018 Peabody committed to deliver an additional 750 affordable homes, bringing its total programme to 6,750 affordable homes.

1.19. Peabody holds a Moody's credit rating of A3. A summary of its group structure is provided at Appendix 2. As at 30th November 2018 the Peabody Group had £634m of available funding out of a total facility of £2.8bn and have advised that this facility will be utilised to finance both the pre-development and development phase of the Site.

Project Milestones

	Milestone Longstop Date
Site Acquisition	20 March 2019
Planning Submission	30 June 2020
Start on Site – Affordable Housing	31 March 2021
Practical Completion – Affordable Housing	20 March 2027

Governance

- 1.20. A designated officer from the GLA's Housing and Land Directorate will manage the relationship with Peabody overview from the Housing and Land Directorate Management Team. The facility agreement will also place reporting obligations on Peabody Trust, which will enable GLA officers to monitor progress against project milestones.
- 1.21. *Value for Money*: the £41.636m loan to Peabody for the purpose of accelerating the delivery target of 1,100 homes at the former Holloway Prison Site, including 60% affordable housing, is an average of £37,850 GLA loan per home. When compared to previous GLA debt funded schemes, the proposed loan is close to the lower range of GLA financing per unit.

Legacy

- 1.22. The Loan is essential in enabling Peabody to deliver 60% affordable housing on site, 10% points higher than the planning policy requirement.
- 1.23. Upon the final repayment date, the GLA will also have generated a return with the full funds and accrued interest ready to be deployed again in March 2027.

2. Objectives and expected outcomes

- 2.1. The proposed loan will:
- Accelerate housing delivery on surplus public-sector land.
 - Safeguard delivery of 60% affordable housing.

3. Equality comments

- 3.1. 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..."
- 3.2. The Mayors Equality, Diversity & 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 loan funding will help to deliver new affordable homes in London.
- 3.3. In November 2017, the GLA published an Integrated Impact Assessment of the London Plan, including an equalities impact assessment, of that strategy. The policies related to increasing housing supply, to which the Holloway Prison scheme will contribute to, concluded that promoting the development of different types of housing to meet the needs of potential residents, whilst targeting

50% affordable housing, would deliver health benefits, economic benefits and environmental benefits. Furthermore, the provision of housing – including maximising the delivery of affordable housing – would be in line with other policies of the London Plan (such as Policy 3.5), which ensure that the needs of different groups are taken into account when designing housing.

3.4. To access funding, Peabody Trust will be required to enter into a contract with GLALP. The contract places the following obligations on the borrower in respect of the Equality Act 2010:

3.4.1. The borrower 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.

3.4.2. The borrower shall have, and fully comply 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. It will also provide a copy of that policy and evidence of the actual implementation of that policy upon request by GLALP.

4. Other considerations

a) Key risks and issues

4.1. Key risks to the success of this project include sales risk and cost-inflation risk. Further information is included in Part 2 of this decision

b) Links to Mayoral strategies and priorities

4.2. Draft New London Plan (Policy H1) promotes the increase of supply of housing in general and affordable housing. The Site will deliver 14% of LB Islington's 10-year housing target of 7,750.

4.3. Draft New London Plan (Policy H5) outlines a strategic target for 50% of all new homes delivered across London to be affordable and specifically on public sector land. The site will deliver 60% affordable housing.

4.4. The London Housing Strategy includes a chapter entitled "Delivering genuinely affordable homes". The chapter details three policies (4.1 genuinely affordable homes; 4.2 increasing delivery of affordable homes; and 4.3 protecting London's affordable homes) which set out the need and means for delivering many more genuinely affordable homes for Londoners.

The loan to Peabody will help to deliver the strategic priorities as outlined above.

c) Impact assessments and consultations

4.5. Whilst for this director's decision the GLA has not considered it necessary or appropriate to consult any persons or bodies including those specified in section 32(1) of the Greater London Authority Act 1999, Peabody and its partner London Square have consulted, and will consult with, a range of stakeholders. Further details are available in Part 2.

d) Know Your Customer

4.6. In line with its Anti-Money Laundering Policy as approved by DD2095, GLA officers have carried out Know Your Customer (KYC) checks to verify the identity of the contracting entities.

5. Financial comments

- 5.1. This decision requests approval for an interest-bearing loan of £41.636m to the Peabody Trust. The loan will be used to accelerate the delivery target of 1,100 homes, of which 60% will be affordable. The loan is scheduled to be fully repaid by March 2027.
- 5.2. The funding of the loan will come from the GLA's £486m of additional funding secured from Government..
- 5.3. Further financial comments are set out in Part 2.

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 scheme 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 GLA 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 this scheme, 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 (GLALP) 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
Completion of Contracts	w/c 4 March 2019
Site Acquisition	8 March 2019
Start on Site date for Affordable Housing Dwellings	31 March 2021
Practical Completion Date for Affordable Housing Dwellings	20 March 2027
Final Repayment Date	20 March 2027

Appendices and supporting papers:

Appendix 1 – Site Plan

Appendix 2 – Peabody Group Structure

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? YES

If YES, for what reason: Date for exchange/ completion. Mayoral announcement on-site.

Until what date: 8 March 2019

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:

Amy Cook has drafted this report in accordance with GLA procedures and confirms the following:

✓

Assistant Director/Head of Service:

Rickardo Hyatt 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 18 February 2019.

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

M. D. Allen

Date

18.2.19

