

# GREATER LONDON AUTHORITY

## REQUEST FOR MAYORAL DECISION – MD2151

**Title: Disposal of Land at Creative Industries Quarter, Abbey Road, Barking**

### Executive Summary:

This Mayoral Decision concerns the disposal of freehold land at the Creative Industries Quarter (CIQ) Abbey Road, which is currently owned by GLA Land and Property Ltd, to the London Borough of Barking and Dagenham.

### Decision:

That the Mayor approves:

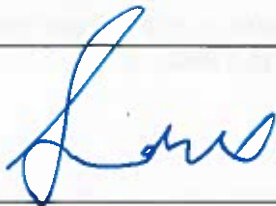
- the transfer of GLA Land and Property Ltd's freehold interest in Phase 1 of the completed CIQ development at Abbey Road to the London Borough of Barking & Dagenham;
- the transfer of a strip of land adjacent to the CIQ development to the London Borough of Barking & Dagenham;
- an increase in the project budget of £11,122 to cover additional project costs, valuation fees and legal fees for the transfer of the freehold interest.

### 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:**

7/8/17

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

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

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

- 1.1 The objective of the Creative Industries Quarter (CIQ) project was to create a new creative industries quarter along Abbey Road in Barking, built to exemplar design and quality standards with complementary residential development above. The London Thames Gateway Development Corporation (LTGDC) began work on the project in 2006, acquiring seven separate land interests in order to deliver comprehensive re-development.
- 1.2 The development was completed in October 2015 and is known as the Ice House Quarter and Ice House Court. It provides 102,000 sqft of commercial space which is a mixture of new and refurbished buildings. The commercial space consists of flexible creative studio space, space for training and events and a café. The headquarters of the building contractor Roof Ltd is also located there. In addition to this, the development provides 278 new affordable rented homes owned by the London Borough of Barking & Dagenham (LBBD).
- 1.3 The first stage of development was the refurbishment of the Granary and Malthouse buildings by Roof Ltd. LTGDC selected Bouygues UK as their development partner for the residential element of the project following an OJEU competitive dialogue process, and in June 2011 the parties entered into a conditional contract to secure the development in two phases.
- 1.4 The land at CIQ which was still owned by LTGDC transferred to the GLA on 16 April 2012 under the London Thames Gateway Development Corporation (Transfer of Property, Rights and Liabilities) (Greater London Authority) Order 2012 (LTGDC Transfer Order). Following this transfer, the GLA completed the leasehold sale of phase 1 to Bouygues UK in August 2012, to enable construction to begin.
- 1.5 MD1215 (July 2013) approved the transfer of the freehold title from GLA to GLA Land and Property Ltd (GLAP), the sale of the leasehold interest of phase 2 to Bouygues UK and the transfer of the freehold of phase 2 on practical completion. The GLA subsequently completed the leasehold sale of phase 2 to Bouygues UK in August 2013.
- 1.6 The project is now fully complete: phase 1 of 134 homes and 4,400sqft of commercial space completed in July 2014 and phase 2 of 144 homes completed in October 2015.
- 1.7 Upon completion of each phase and with GLAP's consent, Bouygues UK transferred its leasehold interest to LBBD, who let all 278 homes as affordable rented homes, at 80% of local market rents. The homes are marketed, let and managed through LBBD's institutionally backed housing company Reside, with the majority of homes targeted at people in employment.
- 1.8 Upon transfer of the leasehold interest to LBBD, all obligations in the Development Agreement, the phase 1 and 2 leases and the Overage Deeds transferred to LBBD.

#### **Call and Put Options**

- 1.9 Under the phase 1 and phase 2 leases, the tenant (LBBD) has the benefit of a Call Option which requires GLAP to sell the property to the tenant for £1. In turn, GLAP has the benefit of a Put Option to require the tenant to purchase GLAP's interest. In relation to phase 2, LBBD may exercise their Call Option as soon as practical completion is achieved, conversely, the phase 1 lease states that the tenant may not exercise the phase 1 Call Option until ten years after practical completion (this would be July 2024).

## **Phase 2**

- 1.10 LBBB has now exercised its Call Option for phase 2 and therefore GLAP is required to dispose of the freehold to them. The phase 2 land is shown as the land within the red line and hatched blue in the plan at Appendix 1. The transfer of the freehold of phase 2 is approved in MD1215, but this Mayoral Decision seeks an increase in the project budget in order to fund legal fees to complete the transfer and to allow GLAP to fulfil its contractual obligation.

## **Phase 1**

- 1.11 LBBB is also seeking to exercise the Call Option for phase 1 early and to take transfer of phase 1 and phase 2 together. The phase 1 land is shown as the land within the red line and coloured white in the plan attached as Appendix 1.
- 1.12 Under the lease, the phase 1 Call Option period begins ten years after practical completion. This was put in place in order for the GLA to retain control over the property use classes of the creative industries accommodation, which consists of 4,400 sqft of flexible creative workspace. The space has been fitted out with the benefit of funding from the Mayor's High Street Fund and let to Bow Arts for a minimum of ten years. Bow Arts is marketing and managing the workspace and grants under-leases to artists, designers and makers.<sup>1</sup> Current occupiers include a furniture maker, an ethical fashion brand and a film production company.
- 1.13 Supporting the workspace as a space for creatives is a key part of LBBB's long-term strategy to promote creative industries in Barking Town Centre and LBBB is working closely with the GLA to achieve this objective. The Barking Artist Enterprise Zone is a borough led initiative to promote space for artists to live and work in the town centre and the Mayor is supporting this initiative through an allocation of £250,000 from the London Regeneration Fund to create live-work units for artists at a site on Linton Road within the town centre.
- 1.14 Given that the lease to Bow Arts secures the use of the space for creative industries for ten years, GLAP can transfer the freehold now being satisfied that the space will be used by creative industries for at least ten years; it is also LBBB's intention to renew the Bow Arts lease at the end of the term, or enter into a lease with an alternative creative workspace provider. GLAP will lose the ability to control the use of the workspace in the event that the lease to Bow Arts is varied or determined for any reason, however, there is no indication that this will occur; the space is being well-used and it is a crucial part of LBBB's strategy to promote creative industries in Barking Town Centre.
- 1.15 LBBB will provide an undertaking to cover GLAP's legal fees in relation to this transaction, consequently there will be no negative financial impact to GLAP for bringing forward the Call Option period.

## **Strip of land**

- 1.16 When preparing the phase 2 transfer document, it became clear that GLAP also owns the freehold of a strip of land adjacent to the CIQ development which forms part of the Abbey Road pavement and highway which was not included in the phase 1 and 2 leases.
- 1.17 This land is coloured blue on the plan attached as Appendix 1 and it is believed that it was omitted from the building leases to ensure that Bouygues UK could not develop a scheme with balconies overhanging the highway. Given that the development has now completed and the balconies do not overhang the highway, the strip of land should be transferred to LBBB.

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<sup>1</sup> <http://bowarts.org/studios/icehouse-court-barking>

- 1.18 As this land is of very little use or value to the GLA and is not developable land, it seems prudent to transfer the freehold of this land to LBBD in order to avoid the risks and obligations of freehold ownership. Please refer to part 2 of this report for further details on the market value of this strip of land.

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

- 2.1 Disposing of the freehold interest in phase 1, phase 2 and the strip of land will relinquish GLAP from any future liabilities in relation to the land.

## **3. Equality comments**

- 3.1 This Mayoral Decision seeks approval to dispose of the freehold of a completed development and a strip of land adjacent to the completed development which forms part of the pavement and highway. As the development has already been completed and this land disposal will not have any visible effects, it is not thought that this decision will have an impact on those with protected characteristics.

## **4. Other considerations**

### *a) key risks and issues*

- 4.1 There is a risk that legal fees could increase and further expenditure will be required, however, the phase 2 transfer has already been drafted and is ready to complete. There is a risk that the lease to Bow Arts could be varied or determined and the workspace could be used for a different purpose, subject to planning permission, however, as outlined in paragraph 1.14 this is unlikely given that this workspace is an important part of LBBD's aspirations for Barking Town Centre. Following Mayoral approval, the documents to transfer phase 1 and the strip of land will be drafted, based on the agreed transfer for phase 2, therefore the legal process should be simple and quick without a requirement for negotiation between the parties and consequently, the risk of legal fees increasing is low.

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

- 4.2 The *London Plan* (March 2016) sets out the need to accelerate housing development to meet London's need for 42,000 new homes per annum, this CIQ site has already contributed 238 new affordable homes and this land disposal will release GLAP from any liabilities in relation to the site.

### *c) impact assessments and consultations*

An impact assessment has not been completed in relation to this land disposal. Consultation has been undertaken with LBBD who has confirmed that they are ready to receive the transfer of the three parcels of land discussed in this report.

## **5. Financial comments**

- 5.1 The paper is seeking approval for the disposal of the freehold interest in CIQ phase 1 and phase 2 and an adjoining strip of land, following the leasehold disposal of the site to LBBD. Approval is also sought for additional budget of £11,122 to complete the transfer of the freehold interest.

## **6. Legal comments**

- 6.1 GLAP has been advised by Eversheds in relation to the transfers and they are familiar with the site.

- 6.2 Section 30 of the Greater London Authority Act 1999 (as amended) (GLA Act) gives the Mayor a general power to do anything which he considers will further one or more of the principal purposes of the GLA as set out in section 30(2) which are:
- (a) Promoting economic development and wealth creation in Greater London;
  - (b) Promoting social development in Greater London; and
  - (c) Promoting the improvement of the environment in Greater London
- 6.3 It should be noted that as GLAP will be a party to the legal documentation, GLAP will also need to approve the proposed transfers in accordance with its constitution

## 7. Planned delivery approach and next steps

Activity	Timeline
Complete freehold transfer of CIQ phase 1, phase 2 and strip of land	25 August 2017

### Appendices and supporting papers:

#### Appendix 1 – Plan

**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**

**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:**

Elinor Savage has drafted this report in accordance with GLA procedures and confirms the following:

✓

**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 31 July 2017

**EXECUTIVE DIRECTOR, RESOURCES:**

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

**Signature**

*M. D. Ellis*

**Date**

31.7.17

**CHIEF OF STAFF:**

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

**Signature**

*D. Bellamy*

**Date**

31/7/2017