

GREATER **LONDON** AUTHORITY

REQUEST FOR MAYORAL DECISION – MD1484

Title: Twelvetreets Crescent

Executive Summary:

GLA Land and Property Limited (GLAP) seeks the Mayor's approval to enter into an option agreement and associated legal agreements (transfer, buy-back and overage agreement) for the sale of Twelvetreets Crescent to the East London Arts & Music and/ or Relevant Secretary of State; or proprietor or proposed proprietor of an Academy to facilitate the delivery of an Academy (as defined in the Academies Act 2010).

Decision:

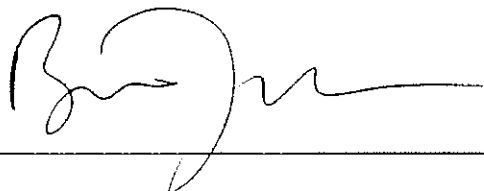
That the Mayor approves the sale of 0.23 hectares of land at Twelvetreets Crescent to the East London Arts & Music or its appointed delivery partner to facilitate the delivery of a new Free School.

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:

27.3.2015

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

Decision required – supporting report

1. Introduction and background

- 1.1 GLAP owns the freehold interest in the Twelvetrees site comprising an area of 0.23 hectares (0.568 acres). A site location plan is attached at Appendix 1. The site was originally acquired by the LDA in 2003 and subsequently transferred to GLAP by statutory transfer scheme in 2012.
- 1.2 A new free school is proposed; East London Arts and Music (ELAM). ELAM proposes to open a new music and digital arts school with places for 288 pupils aged between 16-19 years. The mission of ELAM is to provide music industry standard teaching focusing on music and digital arts. The courses would be BTEC Music Technology (equivalent to 3 A-levels) alongside literacy and numeracy qualifications (from GCSE (retakes) to A-Level) as well as work experience. It is designed to specifically improve the outcomes of young people from the diverse backgrounds across London's boroughs with no prescribed catchment area. ELAM's role is to equip young people with the technical skills and personal qualities they need to move onto university and then into employment.
- 1.3 The GLA's Housing Investment Group (HIG) endorsed the decision on the 18 December 2013 to dispose via an option, of GLAP's Twelvetrees Crescent site in Bromley-by-Bow (London Borough of Tower Hamlets) to ELAM and/ or relevant Secretary of State; or proprietor or proposed proprietor of an Academy for the provision of a new free school.
- 1.4 HIG further endorsed delegated authority from the Mayor to the Executive Director of Housing and Land to approve the commercial terms to dispose of the Twelvetrees Crescent site.

2. Objectives and expected outcomes

- 2.1 The terms of a disposal have been agreed and a sale of land at Twelvetrees Crescent to ELAM, or its appointed delivery partner is now recommended. The key elements of the transaction are:-
- 2.2 **Option Agreement:**
 - Option Fee: £1.00 (One pound);
 - Option Period: 9 + 9 months.
ELAM has 9 months from the date of the option agreement to exercise its option to buy the site. This timescale can be extended by a further 9 months where ELAM has either submitted a planning application and/ or appeal but this has yet to be determined
 - Option to Buy:
At the end of the option period, ELAM has the ability to exercise its option to purchase the freehold of the site from GLAP for the agreed price of £650,000 (Six Hundred and Fifty Thousand pounds)
- 2.3 **Buy Back Agreement**

On entering into the option agreement, GLAP will also enter into a buy-back agreement with ELAM which sets out the provisions for GLAP to buy back the site for the sale price (dependent on the timing of the exercise of the option, may be indexed or revalued) if the free school is not delivered within the following timescales:

 - *First Start Date:*
One year after the date of the agreement if ELAM has not commenced the development.
 - *Second Start Date:*
Three years after the date of the agreement if practical completion of the development has not occurred and less than 75% of the Development has been completed, or the date when the Secretary of State notifies that it doesn't intend to complete the development, whichever is later.

- **Third Start Date:**
Three and a half years after the date of the agreement if practical completion of the Development has not occurred, or the date when the Secretary of State notifies that it doesn't intend to complete the development, whichever is later.
- The buy-back agreement is also subject to step-in rights in favour of the Secretary of State.

2.4 Overage Agreement

On completion of the option agreement, GLAP will also enter into an overage agreement with ELAM which sets out the terms where overage may become payable for a period of five years from and including the date of the Agreement.

- 2.5 GLAP will receive overage, in the event ELAM receives planning for the Property for a use or uses other than those defined within use classes B1, B2, B8 and/or D1 of the Town and Country Planning (Use Classes) Order 1987.

3. Equality comments

- 3.1 The GLA's public sector equality duty has been considered in relation to this recommendation and no specific issues have been identified as a result.

4. Other considerations

- 4.1 The sale of Twelvetrees Crescent is in line with the Mayor's manifesto commitment to use public assets to secure sites for ten free schools and the commitment to support the Free School programme to increase the number of exceptional schools and provide more school places in the capital.

5. Financial comments

- 5.1 GLAP has opted to tax this property, therefore the sale price will be subject to VAT.
- 5.2 Any profit on the sale of Twelvetrees itself should be a trading profit and the tax result should equate to the accounting result.
- 5.3 The asset known as Twelvetrees is held as asset number 9900017 and is held as a freehold development stock asset transferred from the LDA title EGL438857.
- 5.4 The receipt will be in line with current market value, therefore best consideration requirements are expected to be met.
- 5.5 The value of the option to purchase this land at market value within 18 months to facilitate the delivery of a new Free School is estimated to be negligible, so a sale at £1 is reasonable.

6. Legal comments

- 6.1 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) of the GLA Act which are (1) promoting economic development and wealth creation in Greater London, (2) promoting social development in Greater London and (3) promoting the improvement of the environment in Greater London. The decision requested of the director falls within the GLA's statutory powers as described in this section.

- 6.2 As GLA Land and Property Limited (GLAP) is party to the legal documentation, GLAP has approved the proposed transaction in accordance with its constitution
- 6.3 Section 333ZC of the GLA Act provides that GLAP may not dispose of land held by it for the purposes of housing and regeneration for less than the best consideration which can reasonably be obtained unless the Secretary of State consents. In this case, the Twelvvetrees site has been valued by GL Hearn (valuation report dated 22 November 2013) as being a site with land use for industrial purposes, and the receipt will be in line with that market value. This report is shortly to be updated with the same valuation, it is understood. Accordingly it is considered that best consideration for the disposal of the Twelvvetrees site in compliance with Section 333ZC of the GLA Act and the Secretary of State's consent to the disposal is not required.

7. Investment & Performance Board

- 7.1 Housing Investment Group (HIG) endorsed the recommendation to dispose of the land to East London Arts and Music (ELAM) at the meeting on the 18 December 2013 and 13 January 2015. HIG minutes state:

18 December 2013

- That the proposal that GLA Land and Property Limited (GLAP) enters into a six month exclusivity period, with East London Arts and Music free school (ELAM) or its appointed delivery partner to dispose of an interest in Twelvvetrees Crescent (Twelvvetrees) site for a free school, be endorsed

13 January 2015

- That a deadline of 28 days from this meeting be set for exchange of an Option Agreement between the EFA/ELAM and the GLA.

8. Planned delivery approach and next steps

| Activity | Timeline |
|---|-----------------|
| Mayoral Decision | March 2015 |
| Option agreement and associated legal agreements to be entered into | March 2015 |
| Long-stop date for ELAM to exercise its option to buy the site | September 2016 |

Appendix 1 – Site 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? YES

If YES, for what reason:

Until contracts have been signed.

Until what date: Expected 1 January 2016

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 -NO

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 have been consulted on the final decision.

✓

Assistant Director/Head of Service:

Simon Powell 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:

Richard Blakeway 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. J. Hille

Date

26.3.15

CHIEF OF STAFF:

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

Signature

E. Smith

Date

27.03.2015

