

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD2178

Title: Pontoon Dock, Royal Docks, London Borough of Newham

Executive Summary:

The GLA (through GLA Land & Property) has entered into agreement with a development partner for the delivery of a high quality residential-led scheme at Pontoon Dock in Royal Docks (approved by MD1487).

This Decision Form seeks approval for an additional expenditure of up to £25k to complete the necessary legal and estate management work in relation to the disposal of Pontoon Dock and see the project through to completion.

Expenditure of £45k was previously approved under ADD110 to complete the necessary due diligence and conduct a procurement exercise for the disposal of Pontoon Dock. Therefore, total expenditure on this project is expected to be £70k.

Decision:

That the Executive Director of Housing and Land:

1. Approves additional expenditure of up to £25K to support the delivery and disposal of the Pontoon Dock Site.

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, Housing and Land

Signature:



Date:

09/11/17

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1 A previous expenditure approval (ADD110) was granted in December 2013 for £45k to complete the necessary due diligence and conduct a procurement exercise for the disposal of Pontoon Dock, a site in the Royal Docks, London Borough of Newham, see plan at Appendix 1.
- 1.2 The procurement of a development partner was completed using the London Development Panel for the delivery of a high quality residential-led scheme. A decision (MD1487) was approved to enable GLA Land and Property Ltd (GLAP) to enter into a Development Agreement with Bouygues Development Ltd (Bouygues) on 31 March 2015.
- 1.3 In April 2016, a subsequent approval (MD1653) was granted to enter into a deed of variation to the Development Agreement to accommodate changes in the delivery of an enhanced scheme that incorporated a new entrance to Thames Barrier Park. In May 2016, an approval (MD1654) was granted for GLAP to enter into a Call Option Agreement with DLR Ltd and Bouygues that would enable the transfer of land required for the future upgrade of the Pontoon Dock DLR station.
- 1.4 Where it has been feasible any of these additional legal fees and costs associated with the completion of those legal agreements as set-out above and as necessary to enable the development to proceed, funding has been negotiated and secured from respective development partners involved in the delivery of related schemes.
- 1.5 The Pontoon Dock scheme received planning approval in May 2017 and Bouygues and GLAP entered into the Building Lease on 24 July 2017. The funding requested is to cover the additional legal fees of £12K required for a review of the Building Contract; Consultant Appointments; Warranties; Building Lease; and a Head lease restructure – amendments to the agreed form of separate head leases requested; and additional enquiries on a separate licence to enable off-site works, which were not anticipated in the drafting of the original Building Lease, but had become critical for delivery and necessary to complete for the financial close on the project between Bouygues and their investor.
- 1.6 Additional Head Leases were prepared as required on the trigger of the long-lease transfer of the property to the end purchaser/investor that would coincide with the Final Completion of the scheme and satisfaction of the conditions related to the Building Lease at the end of the construction period.
- 1.7 The costs of the following legal fees of £12K have been paid by Bouygues that includes a deed of variation to the Development Agreement for inclusion of the updated Building Lease, variations to the Building Lease and Deeds of Novation to reflect the changes in the Bouygues' company structure and the entity covered by the Parent Company Guarantee. These legal fees were met by the developer and it is only the residual amount remaining that has been calculated on a time-based, which GLAP is required to cover.
- 1.8 The £25K remaining lifetime project costs are as follows:
 - £12K for Legal Fees for completion of the Building Lease and Building Contract to date
 - £2-3K for Licence completion for the temporary occupation of adjoining land during construction
 - £10K for Legal and Estate Management costs for the completion of the works

2. Objectives and expected outcomes

- 2.1 The funding approval would ensure the management of the Building Lease overseeing the GLA's remaining involvement in the completion of works on site until the Final Completion is reached and the building is prepared for occupation and the transfer of the Head Leases.
- 2.2 GLAP's role includes the monitoring of the programme for the construction, licences for temporary works to facilitate and enable the development that has included temporary provisions for on-site offices, compound and welfare on adjoining GLAP land for the benefit of contractor's personnel whilst respecting the public access to the Thames Barrier Park and the Pontoon Dock DLR station. GLAP will be required to ensure the contractor under the developer's responsibilities satisfies the requirements of reinstatement in a timely manner to the agreed specification and the proposed new public access to the park is fully commissioned.
- 2.3 GLAP will also monitor the actions required for the Call Option Agreement which would either be triggered by a planning agreement associated with the Silvertown Quays development or at any other time that DLR Ltd requires the land for the station upgrades in accordance with the terms of the Agreement.

3. Equality comments

- 3.1 The scheme has been reviewed at planning to ensure it is compliant in respect of wheelchair accessible housing for the development and with the design of the public realm. The developer has been subject to the planning process and has been granted a detailed planning application to ensure that the proposed scheme has addressed those requirements.

4. Other considerations

Key Risks	Mitigation Strategy
Failure of the Developer to satisfy the conditions of the Building Lease.	The developer is working to ensure the satisfactory completion of the conditions required within the Building Lease. The timescales for the programme were marginally adjusted to account for additional dialogue with DLR and TfL to implement the upgrade to the Pontoon Dock DLR station.
The development partner defaults on the agreement, which would delay delivery of the project.	GLAP and the Investor has Step-in Rights to manage any default on the agreements and contracts currently in place.
Withdrawal or lack of interest from the current institutional investor, funding in particular the private rented homes.	The developer has entered into a Purchase and Sale agreement with the investor. Current market discussion with potential investors is positive and created confidence in maintaining a long-term investor.

- 4.1 B) Links to Mayoral Strategies: A policy desire to encourage institutional investment in the Private Rented Sector (PRS) as a way to increase the supply and choice of housing in the capital. The Mayor's Housing Strategy sets out that, where appropriate, the Mayor of London shall seek to use land assets to encourage institutional investment in the private rented sector and improvements in the design and management of this tenure.
- 4.2 C) Impact assessments and consultations: The developer has been subject to the statutory planning process and has been granted a detailed planning application to ensure that the proposed scheme has addressed requirements required in consultation and appropriate levels of impact.

5. Financial comments

- 5.1 This decision requests approval of up to £25K to complete the necessary legal and estate management work in relation to the disposal of Pontoon Dock in the Royal Docks.
- 5.2 The expenditure is available from the dedicated project budget in Land & Property Programme within Housing and Land department and have been profiled to be spent between 2017/18 to 2019/20 financial years (see table below):

2017/18	2018/19	2019/20
£15k	£5k	£5k

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) which are:
- Promoting economic development and wealth creation in Greater London;
 - Promoting social development in Greater London; and
 - Promoting the improvement of the environment in Greater London

and, in formulating the proposals in respect of which a decision is sought, officers confirm they have complied with the GLA's related statutory duties to:

- pay due regard to the principle that there should be equality of opportunity for all people;
- consider how the proposals will promote the improvement of health of persons in Greater London, promote the reduction of health inequalities between persons living in Greater London, contribute towards the achievement of sustainable development in the United Kingdom and contribute towards the mitigation of or adaptation to climate change in the United Kingdom; and
- consult with appropriate bodies.

- 6.2 Sections 1 - 3 of this report indicate that the decision requested of the Director falls within the GLA's statutory powers.

7. Planned delivery approach and next steps

Activity	Timeline
Procurement of contract	Completed March 2015
Planning Permission Granted (incl. Sec 106 Agreement)	Completed May 2017
Delivery Start Date (Start on Site)	Completed August 2017
Delivery End Date (Final Completion)	Anticipated Early 2020
Project Closure (Transfer of land interest)	Anticipated Mid 2020

Appendices and supporting papers:

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? 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 – NO

ORIGINATING OFFICER DECLARATION:

Drafting officer
to confirm the
following (✓)

Drafting officer:

Paul D. Clarke has drafted this report in accordance with GLA procedures and confirms that:

✓

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.

✓

Financial and Legal advice:

The Finance and Legal teams have commented on this proposal, and this decision reflects their comments.

✓

Corporate Investment Board:

The Corporate Investment Board reviewed this proposal on 6 November 2017.

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

M. D. Clarke

Date

8. 11. 17