

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD2220

Title: Feltham Housing Zone, London Borough of Hounslow – New Road Car Park and Associated Land at Manor Place

Executive Summary:

This Director Decision signs off due diligence undertaken in respect of an affordable housing project the GLA proposes to fund in the Feltham Town Centre Housing Zone and contractually commits the proposed allocation of Affordable Housing Grant to unlock the delivery of 120 homes.

Decision:

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

- Agree that the outcome of due diligence detailed in this report, demonstrates it is appropriate for the GLA to contractually commit Affordable Housing Grant of £ 1,773,301 to fund the affordable housing at the site known as New Road Car Park and Associated Land at Manor Place within the Feltham Town Centre Housing Zone; and

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:

25.3.18

Name: Martin Clarke

Position: Executive Director Resources

Signature:



Date:

20.3.18

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1 The Feltham Town Centre proposal was designated a Housing Zone by Mayoral Decision 1632, where funding of £32,610,000 was indicatively allocated (subject to the outcome of legal and financial due diligence and the availability of GLA funding) for the purposes of unlocking or accelerating the delivery of homes and helping to regenerate Feltham Town Centre.
- 1.2 Following the Housing Zone Review, the indicative allocation was reduced to £10,773,301. While the Housing Zone is still expected to deliver 2,907 units overall, only three interventions are now proposed for direct funding via the Housing Zone. Together, these interventions will deliver 432 direct units. This Director Decision seeks approval to invest £1,773,301 to unlock 120 homes (48 direct affordable) at New Road Car Park and Associated Land at Manor Place. A separate Director Decision will seek approval to invest £9M in infrastructure and land assembly to unlock 384 direct units at Feltham Station Quarter.
- 1.3 London Borough of Hounslow (the Borough) will retain oversight of delivery across the Housing Zone by implementing governance arrangements outlined in the Overarching Borough Agreement (OBA) dated 9 December 2016.
- 1.4 The Housing Zone proposal for the New Road Car Park site was originally for £3.19M to provide forward funding for land assembly and site preparation to support the delivery of 103 homes. In the revised proposal, the site boundary is extended to include the adjacent Labour Club and the total number of homes has increased to 120 (48 direct affordable) with a total site area of c 0.4 hectares.
- 1.5 On 20 December 2017, the Council agreed to the sale of freehold land at New Road Car Park and 6 Manor Place to Fairview Homes Limited (Fairview) and to enter into a Development Agreement with Fairview for the provision of 120 homes across the wider site including 2, 4 and 8-12 (evens) Manor Place and the vacant Labour Club. The consideration to be received by the Council for the sale of the land will be in the form of 250-year leases granted to the Council for 6 x 2 Bedroom (4 person) apartments to be provided on the site. The aggregate value of the apartments is currently £2.25M. In addition, the Council is entitled to receive a sales overage, equating to 50% of the net proceeds if the average private sales value exceeds £500 psf. The freehold interest will be transferred to Fairview on successful completion of the scheme.
- 1.6 Following negotiation between the GLA, the Borough, Fairview and Network, it has been agreed that the proportion of affordable homes to be provided at New Road Car Park and Associated Land at Manor Place will be 40% subject to the availability of £1,773,301 GLA grant funding. It is anticipated the requirement to deliver 40% affordable homes will be included in the Sale Agreement between the Borough and Fairview for the New Road Car Park site and in the S106 Agreement for the entire site. Network Homes Limited (Network) has agreed to purchase 48 affordable homes from Fairview of which 25 will be for affordable rent and 23 for shared ownership.
- 1.7 Due diligence has been undertaken in respect of the New Road Car Park and Associated Land at Manor Place intervention in the Feltham Town Centre Housing Zone, the conclusion of which is set out below.
Summary
- 1.8 Network requires GLA investment in the form of affordable housing grant in accordance with the Housing and Regeneration Act 2008 to deliver a total of 48 affordable homes by 28 February 2021. In addition to these homes, the site will also comprise a further 72 market homes that will be delivered by Fairview and which do not form part of the Affordable Housing Grant Agreement (AHGA) between the GLA and Network.
- 1.9 The delivery profile of homes and tenure apportionment will be as follows:

Tenure	Start on Site	Practical Completion	Units
Affordable Rent	31 March 2019	28 February 2021	25
Shared Ownership	31 March 2019	28 February 2021	23
Market (not in contract)	31 March 2019	28 February 2021	72
All	-	-	120

Funding

- 1.10 The indicative funding allocation provided for the site by MD1632 was £3.19M to deliver 103 homes (40% affordable). In the revised proposal, the site boundary is extended to include the adjacent Labour Club, and the level of funding requested to unlock the delivery of 120 homes (40% affordable) is reduced to £1,773,301.
- 1.11 Grant for the 23 shared ownership homes will be £28K per unit. This is in line with support available under the Mayors Affordable Housing Programme 2016-21 for Developer-led S106 schemes which provide a minimum of 40% affordable housing and demonstrate additionality.
- 1.12 Grant for the 25 affordable rent units will be £45,172 per unit. To support scheme viability, the units are to be let at above benchmark rents. The grant level exceeds that payable for Developer-led S106 scheme in the Mayors Affordable Housing Programme 2016-21 and has been calculated in accordance with the method established under the negotiated route. The Borough was fully engaged in the negotiation and agreed that the proposed rents were genuinely affordable.
- 1.13 In accordance with the change management procedure set out in DD1485, Housing Zone Steering Group approved a reduction in the indicative funding allocation for Feltham Housing Zone and corresponding reduction in Direct Zone Outputs in December 2017.

Appraisal

- 1.14 Project due diligence was undertaken by officers of the Housing and Land Directorate applying the methodology used to assess affordable housing bids submitted to the GLA for funding. This includes assessment of value for money, strategic fit with GLA priorities and review of deliverability.

Value for Money

- 1.15 The value for money assessment takes into account the grant rate proposed for the project and judges this against the total scheme costs. On the basis of the assessment carried out the project is deemed to represent good value for money.
- 1.16 Fairview will be required to deliver 40% affordable housing under the terms of the Development Agreement with the Borough and in the S106 agreement. However, this requirement is subject to the availability of £1,773,301 affordable housing grant. The scheme has not yet been submitted for planning but a Financial Viability Assessment (FVA) has been provided by the developer, details of which are set out in the Part 2 report.
- 1.17 Under the terms of the Development Agreement with Fairview, the Borough is entitled to receive a sales overage, equating to 50% of the net proceeds if the average private sales value exceeds £500 psf. Hence, it is not considered appropriate for the GLA to incorporate any clawback provision within the grant agreement.

Strategic Fit

- 1.18 The rationale for funding the New Road Car Park and Associated Land at Manor Place intervention is that it unlocks the delivery of 120 homes by supporting the acquisition of 7 freehold ownerships and mitigating the viability gap for a policy compliant scheme. This provides certainty to landowners and ensures minimal disturbance to existing residents. The funding therefore supports the intensification of a key site in the Feltham Station Quarter. The site benefits from a high level of public transport accessibility. Subject to planning permission, net new homes provided will be 114.
- 1.19 This will be the first Housing Zone scheme on site in the Feltham Housing Zone, providing a highly visible first step in the re-development of the wider Station Quarter.

Deliverability

- 1.20 The Borough intends to enter into a development agreement with Fairview for the provision of 120 homes across the entire site. The consideration to be received by the Council for the sale of its land will be in the form of 250-year leases granted to the Council for 6 x 2 Bedroom (4 person) apartments to be provided on the site. The aggregate value of the apartments is currently £2.25M. In addition, the Council is entitled to receive a sales overage, equating to 50% of the net proceeds if the average private sales value exceeds £500 psf. The freehold interest will be transferred to Fairview on successful completion of the scheme.
- 1.21 It is expected that the obligation to provide a minimum of 40% affordable housing will be enforced by the Borough via its Development Agreement with Fairview as well as by the Local Planning Authority through the S106 agreement. In each case, this will be subject to the availability of £1,773,301 affordable housing grant.
- 1.22 Network has agreed to purchase 48 affordable homes from Fairview of which 25 will be for affordable rent and 23 for shared ownership. The GLA will enter into an affordable housing agreement with Network. The units are additional to Network's existing targets as a Strategic Partner.
- 1.23 Restrictive covenants in favour of Network Rail are to be removed from the title, prior to disposal. These covenants are the legacy of a previous scheme which enabled the development of new bus facilities on land adjacent to Feltham Station by means of a highway realignment. None of the residual land is directly affected by the restrictive covenants.

Project Milestones

- 1.24 The key project milestones are summarised as follows:

Planning

- 1.25 Detailed planning application to be submitted in April 2018
- 1.26 The target date for planning approval is August 2018

- 1.27 Delivery

Scheme	Forecast Start on Site Date	Forecast Practical Completion Date	Absolute Longstop Completion Date
New Road Car Park and Land at Manor Place	31 March 2019	28 February 2021	31 March 2022

Governance

- 1.28 The Overarching Borough Agreement dated 9 December 2016 between the GLA and the Borough, sets out the governance structure for the overall Feltham Housing Zone proposal. In addition, the AHGA has a specific clause and obligations regarding monitoring and reporting. The GLA will contract

with Network in respect of the New Road Car Park and Land at Manor Place AHGA and this relationship will be managed on a reciprocal basis through quarterly review meetings to ensure deliverability of the scheme. The relationship will be managed by a designated officer from the GLA's Housing and Land Directorate with oversight of Housing and Land Senior Management Team.

Stakeholders and Contractual Arrangements

- 1.29 The counterparty in respect of the New Road Car Park and Land at Manor Place intervention is Network Homes Limited who will enter into a Housing Zone Affordable Housing Grant Agreement with the GLA. The Council owns a 40% interest in the site and will enter into a Development Agreement with Fairview who are in the process of acquiring the remaining interests on an unconditional basis. The Council's freehold interest will be transferred to Fairview on successful completion of the scheme. Network will enter into a Building and Sale Contract with Fairview for the purchase of the affordable homes on golden brick.

Conclusion

- 1.30 The assessment undertaken by officers in the Housing and Land Directorate concluded that the New Road Car Park and Land at Manor Place intervention meets the GLA's requirements in terms of value for money, strategic fit with GLA priorities and deliverability. Officers, therefore, recommend that it is appropriate for the GLA to contractually commit affordable housing grant of £1,773,301 to fund the scheme.

2. Objectives and expected outcomes

- 2.1 The project will provide 120 new homes including 48 affordable homes. The Borough will receive 6 x 2 Bedroom (4 person) units in consideration for its interest in New Road Car Park and 6 Manor Lane. It is anticipated that these will be let as private rented units. Management arrangements are to be agreed by the Borough.

3. Equality comments

- 3.1 Feltham Town Centre Housing Zone is aimed at implementing the Mayor's policies set out in the Mayor's Draft London Housing Strategy. In September 2017, the GLA published an impact assessment, including an equalities impact assessment, of that strategy. Policies related to increasing housing supply and delivering affordable housing, to which the New Road Car Park and Associated Lane scheme will contribute, were also covered by the Integrated Impact Assessment (IIA) for the Draft London Plan, published in November 2017.
- 3.2 The IIA concluded that the cumulative impact of these policies combined with policies for flexible housing mix, inclusive design and accessible housing would contribute to creating inclusive communities, relieve housing pressures that disproportionately affect lower-income groups and ensure the needs of diverse groups are taken into account in housing design.
- 3.3 Under section 149 of the Equality Act 2010, as public authorities, the Mayor and the GLA are subject to a public-sector equality duty and must have 'due regard' to the need to (i) eliminate unlawful discrimination, harassment and victimisation; (ii) advance equality of opportunity between people who share a relevant protected characteristic and those who do not; and (iii) foster good relations between people who share a relevant protected characteristic and those who do not. Protected characteristics under section 149 of the Equality Act are age, disability, gender re-assignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation, and marriage or civil partnership status.
- 3.4 Throughout the decision-making process relating to the funding of these interventions due regard has been had to the 'three needs' outlined above. The housing shortage in London disproportionately

negatively affects people with certain protected characteristics. Increasing the supply of housing, and in particular affordable housing will help to achieve positive impacts in line with the 'three needs'.

- 3.5 The delivery of new and additional homes 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.
- 3.6 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, partnered with funding streams and non-financial assistance to deliver these new homes. This decision will facilitate these goals and ultimately ensure that the needs of diverse groups are taken into account in the design and development of housing.
- 3.7 In order to access this funding Network will be required to enter into a contract with the GLA to deliver the intervention. With regard to project delivery the agreement places the following obligations on Network in respect of the Equality Act 2010:
 - The counterparty shall comply in all material respects with all relevant Legislation relating to health and safety, equality and relevant employment matters.
 - The counterparty has, and is in full compliance with, a policy covering equal opportunities designed to ensure that discrimination prohibited by the Equality Act 2010 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 GLA.

4. Other considerations

Key Risks and Issues

- 4.1 The GLA payment of grant is subject to the following conditions which have been introduced to mitigate the key risks and issues identified which may affect delivery of the scheme:
 - Network must represent and warrant to the GLA that all Consents necessary for the lawful development of the scheme are in place
 - Network must represent and warrant to the GLA that it has acquired a secure legal interest in the site.
 - Subject to start on site being achieved by 31 March 2019, GLA funding will be paid to Network Homes on a 100% basis at start on site of the scheme. If start on site is not achieved by 31 March 2019, GLA funding will be paid on a 50:50% basis at start on site and practical completion.
 - Failure to deliver 48 affordable homes will result in pro rata repayment of grant

Links to Mayoral Strategies and Priorities

- 4.2 The purpose of the Housing Zone Programme is to increase housing supply by accelerating and unlocking development. The scheme for New Road Car Park and Associated Land at Manor Place will contribute towards this and support the aim to deliver 66,000 additional homes per year as set out in the Draft London Plan, November 2017.
- 4.3 The scheme will redevelop a small number of existing homes (6 units), the vacant Labour Club and public car park, replacing them with a scheme of significantly increased density and intensifying land use around Feltham Station.
- 4.4 A Financial Viability Assessment has been undertaken in respect of Fairview's proposed 120 unit scheme. This indicates that, without the Housing Zone intervention, the high cost of assembling the various land parcels would reduce the level of affordable housing to 25% (30 homes) based on a policy compliant mix of 40% shared ownership and 60% affordable rent. The funding enables the provision of 40% affordable on site (48 units), making a positive contribution to the Mayor's strategic target.

- 4.5 The 38-space public car park will not be re-provided, restricting car parking in line with levels of existing and future public transport accessibility and connectivity.

Impact Assessments and Consultations

- 4.6 The Feltham Vision and Concept Masterplan was subject to a six-week public consultation between 20 January 2017 and 3 March 2017 prior to which, the Council held stakeholder engagement events in November 2016 and January 2017. The consultation highlighted general concerns about traffic congestion and car parking. However, no specific concerns were raised in relation to the site and stakeholders were generally supportive of proposed improvements around the station.

5. Financial comments

- 5.1 The decision requests a drawdown of £1,773,301 grant funding towards Feltham Town Centre Housing Zone from a total allocation of £10,773,301. The funding is to facilitate the increase of affordable housing on the New Road car park and associated land at Manor Place from 25% to 40% (48 homes from a total development of 120).
- 5.2 The payment of the grant to Network Homes Limited will be subject to conditions set out in 4.1 above, including a pro rata repayment of grant if the 48 affordable homes in the event of non-delivery.
- 5.3 Due diligence was undertaken by officers of the Housing and Land team and assessments of strategic fit, value for money and deliverability were found to be satisfactory.
- 5.4 London Borough of Hounslow receive overage if the average sales price of the 72 market sales exceeds £500 per square foot. There is no clawback provision in the grant agreement for the GLA other than through non-delivery of the 48 affordable homes.
- 5.5 The intervention will help deliver 23 shared ownership units and 25 affordable rent units. The grant for the shared ownership is £28k per unit; in line with support available under the Mayor's Affordable Housing Programme. The grant for the affordable rent units is £45,172 per unit; in excess of the level payable for Developer-led S106 scheme in the Mayor's Affordable Housing Programme. The rent will be above benchmark rates to support scheme viability. The London Borough of Hounslow was involved in the negotiations for these levels and agreed the proposed rents are genuinely affordable.
- 5.6 Grant/Recoverable Grant funding profile at £400m is currently over forecast by £20m. It should be noted however, that only £193m (exclusive of the current commitment) has been committed on thirteen interventions. There is additional £47.28m that currently in the process of being committed on further five interventions, which will bring the total of committed and pending to £240.28m.

6. Legal comments

- 6.1 Under section 30(1) of the Greater London Authority Act 1999 (as amended) ("GLA Act"), the GLA has the power to provide the funding for the proposed intervention providing it considers that doing so will further one or more of its principal purposes of: promoting economic development and wealth creation, social development, and the improvement of the environment in Greater London.
- 6.2 The intervention will unlock the delivery of housing and affordable housing, and it is open to the GLA to take the view that funding them will promote both social and economic development, and is therefore within its power, contained in section 30(1) of the GLA Act.
- 6.3 In exercising the power contained in section 30(1) of the GLA Act, the GLA must have regard to the matters set out in sections 30(3-5) and 33 of the GLA Act, and the Public-Sector Equality Duty in section 149 of the Equality Act 2010 as set out above.
- 6.4 The GLA has engaged with the London Borough of Hounslow in relation to the intervention which is the subject of this Director Decision. It is not considered necessary or appropriate for the GLA to

consult with any other persons or bodies including those specified in section 32(2) of the GLA Act for the purposes of this Director Decision.

- 6.5 External lawyers have been instructed to prepare and negotiate the funding contracts for the GLA, including the incorporation of any provisions required to ensure compliance with State Aid rules. No funding is to be paid out unless, amongst other requirements, London Borough of Hounslow's solicitor has either provided an opinion (satisfactory to the GLA) as to the State Aid treatment of the intervention or undertaken to meet the GLA's reasonable legal costs in procuring an opinion from the GLA's solicitors as to the same matter. Further, if there is found to have been any unlawful State Aid, and the intervention cannot be restructured to be compliant, the London Borough of Hounslow must repay the unlawful State Aid following a written demand for repayment by the GLA.

7. Planned delivery approach and next steps

Activity	Timeline
Completion of Contract	March 2018
Detailed Planning Permission	August 2018
Start on Site	March 2019
Practical Completion	February 2021
Scheme Longstop Date	March 2022

Appendices and supporting papers:

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:

Publication to be deferred until Network has entered into contract with Fairview

Until what date: 31 December 2018

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:

Judith Carlson has drafted this report in accordance with GLA procedures and confirms that:

✓

Assistant Director/Head of Service:

Nick Taylor 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 19/03/18.

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

M. D. Hille

Date

20.3.18

