

## REQUEST FOR DIRECTOR DECISION – DD2153

### Title: Southall Gateway Housing Zone, London Borough of Ealing – Land Assembly

#### Executive Summary:

In MD 1457 the Mayor designated an area within Southall as a Housing Zone and agreed to indicatively allocate £19.875m of GLA funding for interventions to unlock or accelerate the delivery of housing within the Zone. The funding was approved subject to the outcome of legal and financial due diligence on the proposed interventions.

Some £14m (DD1397) has already been contractually committed to the London Borough of Ealing. This decision form seeks approval of an additional, recoverable grant of £5.75m to LB Ealing for it to acquire the Network Rail and Greylands land to consolidate land ownership – committing the full amount for the Southall Gateway Housing Zone. It also sets out the outcome of related due diligence work to inform that decision.

#### Decision:

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

- approve, in light of the due diligence detailed in this report, the contractual commitment of recoverable grant funding to the London Borough of Ealing (LBE) of up to £5,750,000 for the purpose of unlocking the delivery of housing within the Southall Gateway Housing Zone.

#### 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:**

15.08.17

**Name:** Martin Clarke

**Position:** Executive Director Resources

**Signature:**



**Date:**

15.08.17

TOM MIDDLETON ON BEHALF OF MARTIN CLARKE

## **PART I - NON-CONFIDENTIAL FACTS AND ADVICE**

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

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

- 1.1 In MD 1457 the Mayor designated an area within Southall as a Housing Zone and agreed to indicatively allocate GLA funding to fund interventions for the purpose of unlocking or accelerating the delivery of housing within the zone. The funding was approved subject to the outcome of legal and financial due diligence on the proposed interventions.
- 1.2 In October 2015, the GLA and the LBE entered into an Overarching Borough Agreement to record the indicative allocation for the Southall Gateway Housing Zone. LBE will oversee delivery across the Housing Zone through implementing the governance arrangements outlined in the Overarching Borough Agreement with the GLA.
- 1.3 The purpose of the Southall Gateway Housing Zone intervention funding is to unlock housing development on site situated directly opposite of Southall Gasworks, adjacent to South Road Bridge and in close proximity of the Crossrail station. This investment will offer a significant incentive to unlock wider investment and to support value increases in the wider Southall opportunity area. The project has a number of constraints which would not be attractive to the market as a development proposition without public sector intervention.
- 1.4 The purpose of this intervention is to accelerate the delivery of 425 new homes by assembling land which is all currently occupied by third parties.
- 1.5 With the aim of preventing piecemeal, poorly integrated and poor quality development by third parties within the Housing Zone, LBE commissioned architects to do a high-level feasibility for the Southall Gateway site as part of the Growing Places Fund (GPF).

#### Proposition

- 1.6 It is envisaged that the Gateway site has the potential to deliver 425 homes by 2023, of which 276 (65%) will be for private sale and 149 (35%) will be for affordable housing. The capital grant will be used to acquire the private interests to assemble the land for development and associated fees.

#### Funding

- 1.7 The LBE's Housing Zone bid requests a recoverable grant of £5,750,000 to contribute towards the acquisition of the land; all of the grant funding is to be repaid. However, it may be recycled into future delivery by LBE should values increase with the arrival of Crossrail and this decision will be taken at the end of the development once sales values have crystallised.

#### Planning

- 1.8 LBE has adopted a Supplementary Planning Document (SPD) for the Southall Gateway Area (June 2015), which identifies comprehensive redevelopment for the area and a residential-led scheme (with community and retail uses) for the Southall Gateway site
- 1.9 Planning policy context is supportive (through the SPD) and in line with the envisaged scheme. Whilst full planning would need to be achieved and therefore remains a risk, the main planning risks are likely to relate to smaller scheme specific issues - given the recent SPD adoption.
- 1.10 An application for Planning Permission is intended to be submitted in Summer 2018, and it is anticipated that full permission will be granted in Winter 2018.

### Stakeholders / Contractual Arrangements

- 1.11 The counterparty in respect of this intervention is the LBE, who will enter into a Housing Zone Borough Intervention Agreement with the GLA.

### Appraisal

- 1.12 Project due diligence was undertaken by Cushman and Wakefield (C&W). Further details are contained in Part 2 of this paper.

### Project Milestones Achieved

- 1.13 Three major milestones have already been achieved:
- In principle resolution to implement the land acquisition strategy including commencement of the process of making a CPO as necessary in June 2014;
  - Approval of the Master Plan / Framework Document in July 2015; and
  - Completion of land acquisition of Site 3 (Thames Materials Land) by the Borough in 30 April 2016.

### Governance

- 1.14 The primary delivery team for the scheme will initially be LBE. They will hold the key responsibility for overall delivery, within their existing public body structure. LBE have stated that once site assembly is complete, they will submit a planning application and procure a development partner through an OJEU process.
- 1.15 As the scheme will be of a specialist nature an OJEU procurement route has been selected ahead of using the GLA London Development Panel (LDP) framework. Should the scheme change the LDP may be considered more appropriate at that time.
- 1.16 The project sponsor is LBE, which has committed significant resources to the project to date - including land acquisition and GPF loan funding.
- 1.17 The GLA will contract with LBE and this relationship will be managed through quarterly meetings, in order to ensure transparency. The relationship will be led by a designated officer from the GLA's Housing and Land Directorate, with oversight from the Housing and Land Directorate Management Team.

### Conclusion

- 1.18 Without the GLA's investment totalling £5,750,000, the delivery of housing would not be accelerated in Southall Gateway. The site is constrained and would not be attractive to the market as a development proposition without public sector intervention. The housing outputs envisaged in LBE's Housing Zone submission will not be achieved without this investment.

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

- 2.1 The project is expected to deliver 425 residential units by March 2023 of which 276 (65%) will be for private sale and 149 (35%) will be for affordable housing, all starting by March 2021. It would also support the provision of additional commercial, retail and community space as well as enhanced, upgraded public realm, new Gurdwara temple and new cycle bridge across the railway line.

- 2.2 The new bridge link is a requirement of the Opportunity Area Planning Framework (OAPF) following traffic and transportation modelling. It will enable the provision of a quiet parallel cycle and footway to the busy and congested South Road.
- 2.3 The forecasted unit numbers and delivery timescales are dependent on the ability of the LBE to acquire land in a timely manner and to bring it into development, either through Broadway Living or another developer. It is probable that a higher number of units will be achieved on the sites when planning permission is sought.

### **3. Equality comments**

- 3.1 The Southall Housing Zone will contribute towards the implementation of the Mayor's policies set out in the Mayor's London Housing Strategy. In January 2014, the GLA published an *Integrated Impact Assessment* (IIA), including an equalities impact assessment of the strategy. The policies related to increasing housing supply, to which the Southall Gateway land assembly project will contribute, were covered by the IIA for the *Further Alterations to the London Plan* (March 2015).
- 3.2 The IIA concluded that updating housing projections and targets would support the delivery of sufficient housing and may help to stabilise housing prices; supporting equal opportunities throughout communities. Furthermore, the provision of housing, including maximising the delivery of affordable housing, would be in line with the other policies of the Plan (e.g. Policy 3.5), ensuring that the needs of different groups are taken into account in housing design.
- 3.3 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 creating new homes and housing products as well as well-designed housing schemes.
- 3.4 The designation of an area as a Housing Zone is intended to identify an area with high potential for housing growth and delivery within London. The GLA Housing Zone designation and associated funding is often partnered with other funding streams and non-financial assistance, in order to deliver these new homes, and therefore this decision will facilitate these goals and ultimately ensure that the needs of different groups are taken into account in the design and development of new homes.

### **4. Other considerations**

#### *Risks*

- 4.1 Staff turnover at LBE – given the short timescales involved, any key staff turnover at LBE could potentially delay the project. While this risk is hard to mitigate, as the project progresses a steering group will be put in place that includes all relevant parties
- 4.2 Planning - there is a risk that successful planning permission will not be achieved, or will be delayed. This is minimised by the recent SPD adoption, but can be further mitigated through appropriate community consultation.
- 4.3 Greylands land purchase terms - the purchase terms for the Greylands land are not currently known - including purchase price. There is a risk that the eventual price is higher than the Housing Zone funding ask. If this is the case then alternative funds will need to be found either from LBE or to explore the opportunity for increasing the GLA intervention subject to conditions of delivery.
- 4.4 The GLA should insist on appropriate drawdown arrangements to ensure the funds are only used once agreement has been reached on each separate parcel. There should also be appropriate control over the purchased land parcels (e.g. charges) to maximise the chances of unit delivery.

- 4.5 Non-cooperation by Highways Agency – the Highways Agency may not initially cooperate regarding their small land parcel, or negotiations are drawn out thus delaying scheme progress. LBE should progress consultation with the Highways Agency as the scheme advances to avoid project delay and achieve their buy-in.
- 4.6 Network Rail access and demarcation agreement – there is a risk that the service and access rights held by Network Rail through a demarcation agreement over the Greylands and Thames Materials land could have an impact on the developable area/floorspace.
- 4.7 The extent of the access and service rights should be confirmed before purchase of the Greylands land to ensure this is not going to affect the scale of development envisaged.
- 4.8 There is a further risk that Network Rail receive an offer from a third party for their land and this could delay the acquisition and/or increase the price for the land and possibly mean that LBE are unable to acquire the key site within the zone.
- 4.9 This risk is managed through the contract and funding is not being released until terms are agreed and therefore there is no financial risk more so a delivery risk generally for the site and the housing zone.

*Links to Mayoral strategies and priorities*

- 4.10 The purpose of the Housing Zones Programme is to increase housing supply by accelerating and unlocking development to deliver 50,000 homes by 2025. The Southall Gateway land assembly project will contribute towards this and support the aim to deliver 42,000 homes per annum, as specified in the *Further Alterations to the London Plan* (March 2015).

## **5. Financial comments**

- 5.1 This decision requests approval for the GLA to provide recoverable grant funding to LBE of up to £5.75m to acquire The Network Rail and Greylands land to consolidate their land ownership in the Southall Gateway Housing Zones site. Satisfactory due diligence has been obtained prior to reaching this decision.
- 5.2 LBE's initial site acquisition strategy is through private treaty, with the fall-back position of purchasing through a Compulsory Purchase Order (CPO) route, which potentially may require additional funding.
- 5.3 The total indicative allocation for the Southall Gateway Housing Zone is £19.875m (MD1457) of which £14.125m (DD1397) has been contractually committed already and the additional allocation of £5.750m (this MD) will utilise the indicative allocation in full.
- 5.4 Grant/Recoverable Grant funding profile is currently over forecast by £275.626m against the £400m budget. It should be noted, however, that only £94.141m (exclusive of the current commitment) has actually been committed on eight interventions.

## **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 provided 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. The intervention will accelerate and unlock the delivery of housing and affordable housing, and it is open to the GLA to take the view that funding it will promote both social and economic development, and is therefore within its power, contained in section 30(1) of the GLA Act.

- 6.2 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 also the Public Sector Equality Duty in section 149 of the Equality Act 2010, which are explained in paragraph 7.3 of the legal comments of MD1457. As is noted in paragraph 7.4 of MD1457, the London housing strategy, which included a policy for Housing Zones, has been subject to an Integrated Impact Assessment, and GLA officers consider that the delivery of new and additional homes within the Housing Zones programme will help to implement Objectives in the Mayor's Equalities Framework "Equal Life Changes for All." (See also sections 4 and 5 of MD1457).
- 6.3 The GLA has engaged with LBE in relation to the intervention which is the subject of this Director Decision. GLA officers have confirmed 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.
- 6.4 The GLA funding for the intervention is grant funding. It is not being provided on a commercial basis and is not therefore a specified activity under section 34A of the GLA Act that is required to be provided through GLA Land and Property (GLAP).
- 6.5 External lawyers have advised GLA officers in relation to State Aid rules, and have been instructed to prepare and negotiate the funding contract for the GLA, including the incorporation of any provisions required to ensure compliance with State Aid rules. These clauses include provisions which ensure that no funding will be paid out unless, amongst other requirements, LBE's solicitor has provided an opinion (satisfactory to the GLA) as to the State Aid treatments of the interventions. Further, if there is found to have been any unlawful State Aid, and the interventions cannot be restructured so as to be compliant, LBE must repay the unlawful State Aid following a written demand for repayment by the GLA.

## 7. Planned delivery approach and next steps

Activity	Indicative Date
Complete Overarching Borough Agreement - relating to the Ealing Housing Zone	2 <sup>nd</sup> October 2015 - achieved
Complete Borough Intervention Agreement - Southall Gateway	August 2017
Completion of land acquisition of Site 1 (Gudwara Land) by the LBE	On completion of sale to private partner but not later than March 2018
Completion of land acquisition of Site 2 (Greylands Holdings Land) by the LBE	31 March 2019
Completion of land acquisition of Site 3 (Thames Materials Land) by the LBE	30 April 2016
Completion of land acquisition of Site 4 (Network Rail Land) by the LBE (target date for exchange is 31 March 2017)	31 October 2017
Completion of land acquisition of Site 5 (Highways Agency Strip) by the LBE	31 October 2017
Planning Performance Agreement (or alternative arrangement acceptable to GLA) is in place in accordance with clause 6.5	June 2018
Submit Planning Application for the Sites	30 June 2018
Granting of Planning Permission for the Sites	31 December 2018
Vacant possession of land to the east of the new footbridge	Not later than March 2021

Completion of Site 1 Land Swap	On completion of new Gurdwara but not later than March 2022
Appointment of CDM Co-ordinator in accordance with paragraph 3.1.4 of Schedule 5	Prior to commencement of works.

## **Appendices and supporting papers:**

### **Appendix 1 – Site Acquisition 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:**

Zuzana Piontekova/Shawn Stephens have 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 14 August 2017

**EXECUTIVE DIRECTOR, RESOURCES:**

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

Signature



Date

15.08.17

TOM MIDDLETON ON BEHALF OF MARIN CLARKE