

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD2101

Title: City Island London Film School relocation

Executive Summary:

GLA Land and Property Limited (GLAP) has the benefit of a restrictive covenant on an area of land at City Island in the London Borough of Newham which is currently being re-developed by the Ballymore Group (Ballymore). The covenant restricts the use of the land to specified uses and any breach of the covenant within 21 years of 25 February 2008 would trigger a clawback payment of £7m plus VAT to GLAP and other parties with the benefit of the covenant.

Ballymore has agreed terms for the relocation of the London Film School (LFS) from Covent Garden to the land subject to the restrictive covenant at City Island. The use of the land for educational purposes is not one of the specified uses allowed by the restrictive covenant. Ballymore are not looking for a full release/removal of the covenant. Instead, they are seeking a letter of consent from GLAP for the grant of two leases to LFS and to permit the use of the property as an educational facility without triggering the clawback payment. This consent and waiver will be personal to LFS only and will cease to apply when the leases to LFS expire or are determined for any reason.

External advisors appointed by the GLA have reviewed the Head of Terms agreed between Ballymore and LFS and have determined that the deal represents a negative value to Ballymore.

This decision was agreed by the Deputy Mayor's Informal Panel on 14 December 2016.

Decision:

That the Mayor approves:

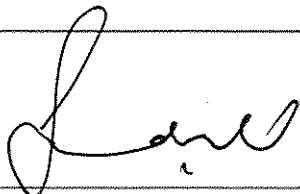
- 1) that GLAP issues a letter of consent to Ballymore to allow for the grant of two leases to LFS of property at City Island, and for the use of the property as an educational facility and ancillary office space; and
- 2) that GLAP waives any breach of restrictive covenant and clawback payment due to GLAP as a result of the use in paragraph (1) above.

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:

28/9/17

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

Decision required – supporting report

1. Introduction and background

- 1.1 On 31st March 1998, the property was transferred from London Docklands Development Corporation (LDDC) to Wallworths Limited for consideration of £65,000 plus VAT. The transfer imposed a restrictive covenant on the property for the benefit of land retained by LDDC not to use the property for any purpose other than a combined heat and power plant.
- 1.2 On 25th February 2008, the Commission for the New Towns (the Commission) entered into a Deed of Release of Covenant with Clearstorm Limited (part of Ballymore). In consideration of a payment of £330,000 plus VAT, the deed varied the permitted use of the land from a combined heat and power plant to the follow uses:

- a combined heat and power plant
- a community centre/sports hall
- a marketing suite
- an electricity substation

The deed provided that if Clearstorm use the land for any other use within 21 years of the date of 25 February 2008 then they must pay the Commission £7m plus VAT for the full release of the covenant.

- 1.3 GLAP is a successor in title to part of the land previously owned by the Commission and (together with other parties) has the benefit of the restrictive covenant on the land at City Island proposed for the relocation of the LFS.
- 1.4 In March 2016 Ballymore presented their proposals to the GLA's planning team for the relocation of the London Film School (LFS) from Covent Garden to City Island, which is currently being redeveloped and the grant of 2 leases by Clearstorm to LFS for two buildings for terms of 75 years and 15 years. The GLA is supportive of the proposals subject to a review of the commercial arrangements between Ballymore and LFS.
- 1.5 The additional use of the LFS to City Island would add a cultural dimension to the residential district and further add to the mixed-use credentials of the scheme.
- 1.6 The relocation of LFS to City Island will facilitate greater engagement with local communities. LFS already run a practical filmmaking programme for 13-17 year olds and will be expanding this further into Tower Hamlets, as well as running workshops in local schools and youth groups. They are developing joint outreach projects with the English National Ballet focussing on Dance on Film, again intended to offer residents of London City Island and surrounding areas the opportunity to engage with filmmaking and ballet in new and innovative ways. Their community cinema programme will bring an exciting range of films and special events for residents of Tower Hamlets.
- 1.7 Ballymore are not seeking a full release of the covenant. They have asked GLAP to provide a letter of consent to allow Ballymore to grant two leases to LFS and allowing for the use of the property as an educational facility and ancillary office space in addition to the existing permitted uses set out in paragraph 1.2 above without triggering the overage payment. This consent and waiver will be personal to LFS only and will cease to apply if the leases to LFS expire or are determined for any reason.
- 1.8 It should be noted that GLAP can only issue a consent in relation to the part of the property with the benefit of the restrictive covenant which has been retained by GLAP. Other parties with the benefit of the restrictive covenant, including Transport for London, will also need to give their consent.

- 1.9 In order to assess whether there is any financial benefit to Ballymore in connection with the relocation of the LFS, the GLA appointed external property consultants GL Hearn to review the Heads of Terms agreed between Ballymore and LFS. The report concluded that the value of the income derived from the film school premises does not exceed the financial obligations of Ballymore. We also asked GL Hearn to consider if any additional sales value could be derived by Ballymore as a consequence of the relocation of the LFS. They have concluded that there is no tangible uplift in the value of the Ballymore scheme.
- 1.10 All legal and consultancy costs associated with the review and preparation of legal documents are being met by Ballymore and there is no cost to the GLA.

2. Objectives and expected outcomes

- 2.1 The LFS agree the terms of the lease and successfully relocate from their current premises in Covent Garden.

3. Equality comments

- 3.1 It is not anticipated that the recommendations in this paper will have any unequal impact on equality groups.

4. Other considerations

- 4.1 Key Risks

Risk	Mitigation
Ballymore vary the agreed HOT's/lease	A draft copy of the HOT's/lease will be attached to the approval letter. Ballymore to provide a copy of the signed lease.

5. Financial comments

- 5.1 GLAP has a restrictive covenant on land at City Island, which is being developed by Ballymore Group. The covenant has a life of 21 years from 25th February 2008 with a value £7m plus VAT, for full release of the covenant. Ballymore Group wants to lease the land to London Film School (LFS).
- 5.2 The paper is seeking consent from GLAP for Ballymore to grant a lease to LFS and for GLAP to give permission for the site to be occupied by LFS as an educational facility. Ballymore is not seeking full release of the covenant.
- 5.3 An independent review by professional consultants into the lease arrangement with LFS, concluded that there were no financial gains to Ballymore. Ballymore will fund all the legal and consultancy costs associated with the arrangements.
- 5.4 GLAP plans to grant permission for the lease and to partially vary the Deed of the Restrictive Covenant, for educational purposes, at £nil consideration.

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:
- (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
- 6.2 It should be noted that as GLAP will be a party to the legal documentation, GLAP will also need to approve the proposed documentation in accordance with its constitution.

7. Planned delivery approach and next steps

The next steps following approval by the Mayor are summarised below:

Activity	Timeline
Complete letter approving the educational use	October 2017
Secure a copy of the lease entered into between Ballymore and LFS	December 2017

Appendices and supporting papers:

1. Plan showing the proposed location of the LFS

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 – NO

ORIGINATING OFFICER DECLARATION:

Drafting officer to
confirm the
following (✓)

Drafting officer:

Paul Guest 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 25 September 2017.

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

Date

28.09.17

TOM MIDDLETON ON BEHALF OF MARTIN CLARKE

CHIEF OF STAFF:

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

Signature

Date

25/9/2017

