

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD2221

Title: Feltham Housing Zone, London Borough of Hounslow – Feltham Station Quarter

Executive Summary:

This Director Decision signs off due diligence undertaken in respect of two related interventions the GLA proposes to fund in the Feltham Town Centre Housing Zone and contractually commits the proposed allocation of Agreed Intervention Funding for the purposes of providing or facilitating the delivery of affordable housing and related outcomes to unlock the delivery of 500 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 Agreed Intervention Funding within the Feltham Town Centre Housing Zone as follows:
 - (i) £8M to support the acquisition of agreed Zone Output sites within the Feltham Station Quarter;
 - (ii) £1M to contribute to the costs of relocating statutory utilities, enabling the Feltham Station Enhancement and Highway Mitigation Scheme to commence; and
- Agree the forecast delivery dates for interventions and outputs

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:

21.3.18

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 MD1632 designated Feltham Town Centre a Housing Zone and indicatively allocated £32,610,000 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 620 homes (432 direct units).
- 1.3 This Director Decision seeks approval to invest up to £9M in two interventions to unlock the delivery of 500 homes (384 direct) in the Feltham Station Quarter. Following negotiation between the GLA and the Borough, it has been agreed that the proportion of affordable homes to be provided in Feltham Station Quarter will be 50% subject to the availability of up to £9M GLA grant funding. A separate Director Decision will seek approval to invest £1,773,301 Affordable Housing Grant to unlock the delivery of 120 units at New Road Car Park and Manor Place.
- 1.4 The Council propose to use grant funding to deliver two interventions. They are seeking a contribution of £8M to support the acquisition of key sites in the Feltham Station Quarter. A further contribution of up to £1M is requested to support the delivery of capital works to help mitigate the highway impacts of the Network Rail scheme to upgrade Feltham station. Network Rail is carrying out improvements to the railway between Reading and London Waterloo to enable the introduction of ten car trains on this route. Longer platforms at Feltham Station are required to permit the longer trains to operate. Network Rail's scheme will close the level crossing on Bedfont Lane and extend the platforms at the western end of the station. A new shared pedestrian and cycle bridge will be provided to maintain access in the area and there will be public realm improvements around the station entrance on New Road. To facilitate the closing of the level crossing, the Council will undertake works to change the surrounding highways, diverting vehicular traffic from Bedfont Lane around the east of the station and upgrading pedestrian, cycle and bus facilities in the town centre. Grant funding will contribute to the costs of relocating statutory utilities. There is a high risk of cost overruns in relation to utility relocations and the contingency is required by the Borough and Network Rail to enable the scheme to go ahead. The New Road Triangle site will be used as a site compound for the duration of the works. This site cannot be released for residential development until the works are completed.
- 1.5 Due diligence has been undertaken in respect of proposed interventions for the Station Quarter in the Feltham Town Centre Housing Zone, the conclusion of which is set out below with further details provided in Part 2.

Proposition

- 1.6 It is envisaged that Feltham Station Quarter could deliver 500 homes by 31st March 2025 of which 50% will be affordable. The Capital grant will be used to acquire the private interest to assemble the land for development and provide the contingency funding necessary to enable the Feltham Station Enhancement and Highway Mitigation Scheme to commence.

Funding

- 1.7 Proposed intervention funding of £9M non-recoverable grant is comprised of an £8M contribution towards the costs of site assembly and up to £1M towards the costs of relocating statutory utilities as part of the Feltham Station Enhancement and Highway Mitigation Scheme. The infrastructure funding will enable the Station Enhancement and Highway Mitigation Scheme to commence, unlocking

development of the New Road Triangle and providing additional rail capacity to support intensification across the Feltham Housing Zone.

- 1.8 The Housing Zone proposal for the Station Quarter was originally for £9.9M to provide forward funding for land assembly and site preparation to support the delivery of 561 homes and £4.95M to support infrastructure schemes designed to maintain and improve connectivity around Feltham Station and the Longford River. In the revised proposal, the site boundary is adjusted to improve vfm and scheme deliverability. Detailed capacity studies indicate that the target sites could deliver around 500 homes.
- 1.9 The Borough will guarantee the delivery of 500 homes including 50% affordable. The site assembly intervention provides direct funding for 384 homes. If this is not achieved, the Borough will repay grant pro-rated at £36,866 per direct affordable housing unit. A further 116 indirect units will be unlocked on the New Road Triangle site. Failure to deliver the indirect units is an Event of Default.
- 1.10 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

- 1.11 Project due diligence was undertaken by Lambert Smith Hampton (LSH). Further details are contained in Part 2 of this paper.

Stakeholders and Contractual Arrangements

- 1.12 The counterparty in respect of this intervention is London Borough of Hounslow, who will enter into two Borough Intervention Agreements with the GLA.

Governance

- 1.13 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 BIAs include a specific clause and obligations regarding monitoring and reporting. The GLA will contract with London Borough of Hounslow via BIAs in respect of the site assembly at Feltham Station Quarter and utility relocation works at Feltham Station (A244 over bridge). In addition to monthly Board meetings, 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.

Conclusion

- 1.14 GLA investment of £9M will unlock and accelerate the delivery of 500 homes by enabling the Feltham Station Enhancement and Highway Mitigation Scheme to go ahead and supporting key site acquisition and assembly. The proposal provides for an element of early delivery and supports realisation of the Council's longer-term vision. The availability of GLA forward funding to support land assembly will help de-risk Feltham Station Quarter, enabling the Council to attract a development partner and deliver a comprehensive scheme. Officers, therefore, recommend that it is appropriate for the GLA to contractually commit grant of £9M to fund the scheme.

2. Objectives and expected outcomes

- 2.1 The scheme is expected to deliver a total of 500 new homes by 31st March 2025 of which 50% will be affordable. The Housing Zone interventions will make a significant contribution to the realisation of overall Housing Zone capacity of 2,907 units by providing additional rail capacity regenerating the Station Quarter and creating confidence in Feltham.

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 Feltham Station Quarter 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 Hounslow 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 (or substantially similar obligations) on Hounslow in respect of the Equality Act 2010:
 - The Borough shall comply in all material respects with all relevant Legislation, including but not limited to legislation relating to health and safety, welfare at work and equality and diversity, modern slavery and will use reasonable endeavours to enforce the terms of the Intervention Related Documents to ensure compliance with this clause 7.3.
 - The Borough 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 the GLA.
 - The Borough shall have due regard to the public sector equality duty under the Equality Act 2010.

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:
- LB Hounslow must provide the GLA with legal opinion to confirm that the purchase is compliant with State Aid rules
 - LB Hounslow must provide the GLA with evidence of detailed planning permission approval for the Feltham Station Enhancement and Highway Mitigation Works
 - LB Hounslow can only draw down grant for site assembly once it has provided evidence that it has sufficient funding in place to procure the agreed outputs and provided an independent valuer's report to confirm acquisition costs
 - LB Hounslow can only draw down grant for relocating statutory utilities once it has demonstrated that all other scheme funding is fully committed and provided an independent valuer's report to confirm scheme costs
 - Valuers appointed by LB Hounslow to owe Duty of Care to GLA and maintain professional indemnity cover to an appropriate level
 - Failure to deliver 217 direct affordable homes will result in pro rata repayment of grant
 - Failure to deliver 116 indirect homes is an Event of Default which may result in a reduction of funding

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 Feltham Station Quarter 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 underused land, significantly increasing density and intensifying land use around Feltham Station.

Impact Assessments and Consultations

- 4.4 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. Stakeholders were generally supportive of proposed improvements around the station.

5. Financial comments

- 5.1 The decision requests a drawdown of £9m non-refundable grant towards Feltham Town Centre Housing Zone from a total allocation of £10.8m. The drawdown is to be allocated as follows:
- £8m to support the acquisition of key sites in the Feltham Station Quarter;
 - £1m for a contingency towards the cost of relocating statutory utilities as part of the highway works required to increase station capacity.
- 5.2 Together, the interventions will unlock and accelerate the delivery of 500 homes; 50% of which will be affordable.
- 5.3 Due diligence was undertaken by Lambert Smith Hampton (LSH). On the basis of the due diligence, the officers of the Housing and Land directorate recommend that it is appropriate to commit grant to fund the scheme.

- 5.4 The payment of the grant to London Borough of Hounslow will be subject to conditions set out in 4.1 above, including having sufficient funding in place before drawing down the grant.
- 5.5 The non-refundable grant presents a risk to the GLA. The risk is mitigated through an obligation on the London Borough of Hounslow to repay the grant on a pro-rata basis should they fail to deliver 217 affordable homes.
- 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.
- 5.7 See part 2 for further comments.

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 interventions 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 interventions 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 interventions which are 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
Completion of Highway Mitigation Works	December 2020
Site Acquisition	September 2021
Start on Site	March 2022
Practical Completion	March 2025

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? No

If YES, for what reason:

Until what date:

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 19/03/2018

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

M. J. HLA

Date

20.3.18

