

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD2215

Title: Romford Housing Zone, London Borough of Havering – Bridge Close

Executive Summary:

The purpose of the Housing Zones programme is to increase housing supply by accelerating and/or unlocking development. This decision seeks approval to commit a total of £12.4 million grant to enable the London Borough of Havering to purchase affordable housing from a public/private joint venture established to develop the Bridge Close industrial estate. Development of the site will deliver 1,070 homes, of which 35% will be affordable.

Romford was designated a Housing Zone by MD1632. MD1632 delegated authority to the Executive Director of Housing and Land and the Executive Director of Resources, in consultation with the Deputy Mayor for Housing, Land and Property (now the Deputy Mayor for Housing and Residential Development), to approve the interventions that were to be funded following due diligence and contractually commit that funding.

Decision:

That the Executive Director of Housing and Land and the Executive Director of Resources, after consulting with the Deputy Mayor for Housing and Residential Development, approve:

1. entering into a contractual commitment to provide grant funding of up to £12.4 million to the London Borough of Havering to fund the proposals specified below within the Romford Housing Zone; and
2. the re-profiled start on site, completion dates for the delivery of the housing outputs, and timing for funding payments as detailed in this report.

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

Signature:



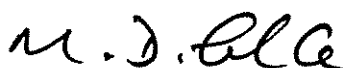
Position: Executive Director Housing and Land

Date:

28.2.18

Name: Martin Clarke

Signature:



Position: Executive Director Resources

Date:

28.2.18

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1. The Romford Town Centre proposal was designated a Housing Zone by MD1632 and funding of £34.9 million was indicatively allocated to that zone (subject to the outcome of legal and financial due diligence) to unlock and/or accelerate housing and to regenerate the area. Following this designation, the GLA and London Borough of Havering (LBH) entered into an Overarching Borough Agreement in September 2016, which formalised the indicative allocation.
- 1.2. Due diligence has now been undertaken in respect of the Bridge Close intervention. The conclusions drawn from this due diligence are set out below and in Part 2 of this decision.
- 1.3. This Director Decision is seeking approval for the GLA to enter into a Housing Zones contract to commit a total of £12.4 million grant to LBH to purchase affordable homes in the Bridge Close scheme. Some of this grant may be recoverable to the GLA depending on the performance of the scheme. As a condition of funding, LBH is also obligated to procure that non-housing outputs necessary to unlock the scheme are delivered, including a new three-form primary school, a new local health facility and approximately 46,000 sq ft of commercial floor space. In addition to HZ funding, LBH is seeking a further £1.54 million from the 2016-21 Affordable Homes Programme to support affordable housing costs in the scheme. In total, £13.94 million of GLA grant will support a scheme comprising 1,070 homes of which 375 will be affordable (35 per cent).

Summary

- 1.4. £12.4 million of HZ grant will enable LBH to purchase affordable housing from a joint venture set up to develop the Bridge Close scheme. Overall, development of the site will bring forward 1,070 homes over multiple phases by March 2026 comprising:
 - 214 affordable homes and 695 private homes (contractually tied to the HZ agreement for which this Director Decision seeks approval to enter).
 - 55 affordable homes (funded through the Affordable Housing 16-21 Programme)
 - 106 affordable homes (funded through the Council's Housing Revenue Account)
- 1.5. The HZ contract also obligates LBH to procure delivery of the following non-housing outputs required to unlock the scheme:
 - A new three-form entry primary school.
 - A local health centre.
 - 46,000 sq ft commercial floor space.

Proposition

- 1.6. Romford Town is the administrative centre for LBH. The town centre has significant potential for economic growth with strong transport links to be further strengthened by the arrival of Crossrail in 2019, which will enable thousands of additional homes and jobs, encourage new enterprise and attract greater investment. HZ investment provides a catalyst for this growth by: assisting in early delivery of challenging sites, supporting a good-quality housing offer and fostering private sector confidence in the area.
- 1.7. Bridge Close is currently a fragmented and poorly maintained industrial estate in multiple ownership which for many years developers have unsuccessfully tried to assemble for development. The comprehensive redevelopment of Bridge Close will deliver 1,070 new homes including a mix of private

and affordable homes, associated parking and amenity space. It will also deliver up to 46,000 sq ft of commercial floor space for use as offices and flexible workspace. Infrastructure including environmental improvements to the River Rom and the introduction of a new east-west pedestrian and cycle bridge to Romford Station will help to reconnect the residential areas outside of the Romford ring road. A new primary school and health centre will be developed providing additional social value to existing and new communities within the local area. Bridge Close will introduce high-quality residential living and an improved commercial offer to Romford.

- 1.8. To deliver the Bridge Close scheme, the Council will establish a 50:50 Joint Venture ("Bridge Close Regeneration LLP") between LBH and First Base Bridge Close Redevelopment LLP (a JV between First Base Ltd and Savills Investment Management). Bridge Close Regeneration LLP will assemble existing land interests through private treaty negotiations. Where necessary the Council will also use its Compulsory Purchase Order ("CPO") powers to acquire land holdings.
- 1.9. LBH will use the HZ funding to purchase affordable housing from the JV. Additionally, a condition of HZ funding will be delivery of the non-housing outputs in paragraph 1.5.

Funding

- 1.10. LBH is seeking £12.4 million HZ grant funding. It will use this funding to purchase affordable housing units from the JV. In exchange for HZ funding, LBH will be contractually required to procure delivery 909 direct units (214 affordable and 695 private). The average grant per homes for the intervention is £58k per affordable home and £14k per home. The HZ funding agreement contains overage clauses: some of this funding may be recovered depending on the performance of the scheme. This would result in improved grant per home rates.
- 1.11. LBH will also seek Affordable Homes 16-21 programme funding to fund 55 affordable homes. This Director Decision does not seek approval for this funding.
- 1.12. LBH intends to fund 106 affordable homes through its Housing Revenue Account.

Stakeholders / Contractual Arrangements

- 1.13. The counterparty for the Bridge Close intervention is LBH.
- 1.14. Following a Competitive Dialogue Procurement exercise, in November 2017 LBH's cabinet agreed to establish a Limited Liability Partnership for the purposes of meeting the council's regeneration objectives for Bridge Close by entering into a Members Agreement with First Base Bridge Close Regeneration LLP.

Appraisal

- 1.15. Lambert Smith Hampton (LSH) undertook project due diligence in relation to the Bridge Close intervention. It concluded that HZ grant funding is required in order to ensure the scheme is deliverable and that funding will therefore unlock the development of 1,070 homes, of which 35 per cent will be affordable.
- 1.16. LSH identified potential risks with the scheme including viability. Further information is included in Part 2.

Project Milestones

- 1.17. Key milestones in the HZ funding agreement include:
 - Establishing the Joint Venture as a corporate entity by March 2018
 - Securing phase 1 housing starts on site by March 2020

- Completing the new school by March 2023
- Completing the new health centre and commercial floor space by March 2026
- Completing homes by March 2026

Governance

- 1.18. The GLA will contract with LBH and this relationship will be managed through quarterly meetings to ensure transparency. The relationship will be managed by a designated officer from the GLA's Housing and Land Directorate with oversight from the Housing and Land Senior Management Team.

Conclusion

- 1.19. Providing HZ funding to LBH to purchase affordable homes will directly unlock housing in the Bridge Close scheme in the Romford Housing Zone.

2. Objectives and expected outcomes

- 2.1. The purpose of the HZ programme is to increase housing supply by accelerating and/or unlocking development. Investing £12.4 million of HZ funding in the Bridge Close scheme will unlock housing supply in the Romford Town Centre Housing Zone.
- 2.2. In exchange for HZ funding, LBH contractually commits to delivering 214 shared ownership homes and 695 market sale homes. A further 161 affordable will be funded through other sources. Overall, the Bridge Close scheme will deliver 375 affordable homes (35 per cent of all homes).
- 2.3. 119 of the 375 affordable homes in the Bridge Close scheme are expected to start on site prior to 31 March 2021 thereby contributing to the Mayor's target to deliver 90,000 affordable housing starts by that date.
- 2.4. In addition to housing, in exchange for HZ funding LBH contractually commits to procuring delivery of a new three-form primary school, a health centre and approximately 46,000 sq ft of commercial floor space for use as offices and flexible workspace.

3. Changes to the Romford Town Centre Housing Zone, Bridge Close intervention

- 3.1 LBH has revised its estimated funding, starts and completions profiles compared to the position set out in MD1632 and the Overarching Borough Agreement.
- 3.2 In accordance with the Housing Zones Change Management Process (DD1485), Housing Zones Steering Group approved the changes in January 2018. It was agreed the changes fell within a 'Tier 2' pre-contract variation, and would therefore require Housing Zones Steering Group review followed by agreement in principle by the Assistant Director – Programme Policy and Services, or in their absence a Head of Area other than the Head of Area in whose area the Tottenham Hale HZ is, before being submitted for a Director Decision. GLA officers confirm that these processes have been followed.

4. Equality comments

- 4.1 The Mayor published a draft London Housing Strategy in September 2017. The strategy had a three-month consultation period and an equality impact assessment was also undertaken in parallel.
- 4.2 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.

- 4.3 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'.
- 4.4 The Mayor's Vision for a Diverse and Inclusive City was issued as a consultation draft in June 2017. The first chapter of this document is entitled "A Great Place to Live". Priority outcome 1.1 in the vision refers to delivering affordable, accessible and decent homes. This funding will help to deliver new affordable homes in London.
- 4.5 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.
- 4.6 To access this funding, LBH will be required to enter into contracts with the GLA to deliver the interventions specified in this Director Decision. With regard to project delivery, the contracts place the following obligations on LBH in respect of the Equality Act 2010:
- LBH will comply and shall use reasonable endeavours to procure that its partners 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, and will use reasonable endeavours to enforce the terms of the intervention related documents to ensure compliance with this clause.
 - LBH confirms that it has and is in full compliance with, a policy covering equal opportunities designed to ensure that unfair discrimination on the grounds of colour, race, creed, nationality or any other unjustifiable basis directly or indirectly in relation to the works is avoided at all times (in so far as it is able) and will provide a copy of that policy and evidence of the actual implementation of that policy upon request by the GLA.

5. Other considerations

a) key risks, issues and mitigation of these

- 5.1 LSH highlighted key risks associated with the project, including scheme viability, as well as recommendations on how these risks could be mitigated. These are detailed in Part 2 of this Director Decision.

b) links to Mayoral strategies and priorities

- 5.2 The purpose of the HZ programme is to increase housing supply by accelerating and/or unlocking development. HZ funding ultimately unlocks delivery of 1,070 homes in the Bridge Close scheme, of which 375 are affordable. 119 of the affordable homes will contribute to the Mayor's target to deliver 90,000 affordable housing starts by 2021.

- 5.3 The Bridge Close development will also contribute to the ambition in the Mayor's draft London Housing Strategy to invest in London's growth areas, which include HZs.

c) Environmental considerations

- 5.4 The scale of the HZ programme presents significant opportunities for innovative building design to reduce resource costs, and unlock investment connecting new developments to necessary utility and social infrastructure assets. Such assets include: low-carbon decentralised energy and water networks; green infrastructure; waste and recycling collection infrastructure; low-emission transport hubs; and parks and open spaces. Boroughs and counterparties to HZ designation should look to include opportunities to address environmental and wider regeneration, quality of life and place-making benefits that are viable and will help unlock investment in line with policy ambitions set out in the London Plan. GLA support can be made available to help identify environmental opportunities in specific locations.

6. Finance comments

- 6.1 This decision requests approval to contractually commit up to £12.4m of non-recoverable grant funding to enable London Borough of Havering (LBH) to purchase affordable homes in the Bridge Close scheme, within Romford Housing Zone. Due diligence results, outlining all the risks and mitigating actions associated with this proposal, are summarised in Part 2 of this decision.
- 6.2 Total funding indicatively allocated for this Housing Zone is £34.9m (MD1632), £2.7m of which has been earmarked to LBH to acquire leaseholder properties on the Waterloo Estate in line with the Council's responsibility to deliver vacant possession to its development partner prior to start on site.
- 6.3 Funding requested above (£12.4m) will directly fund 214 affordable homes and 695 private homes. Additionally, LBH is seeking approval for £1.54m of funding, through GLA's 2016-21 Affordable Homes Programme, to support a further 55 affordable homes, and will be funding further 106 affordable homes through its' Housing Revenue Account, bringing the total affordable homes number to 375, which equates to 35% against the total capacity of homes to be delivered on site (1,070).
- 6.4 In order to unlock GLA's funding LBH is also obligated to procure that non-housing outputs, such as a new three-form primary school, a new local health facility and approximately 46,000 sq ft of commercial floor space, are being delivered.
- 6.5 It should be noted that part of the Housing Zones funding may become recoverable depending on the performance of the scheme (please refer to Part 2, Section 1.7 for further details).
- 6.6 Grant/Recoverable Grant funding profile at £400m is currently over forecast by £24m. It should be noted, however, that only £190m (exclusive of the current commitment) has been committed on thirteen interventions.
- 6.7 See part 2 for further comments.

7. Legal comments

- 7.1 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.

- 7.2 The intervention will unlock the delivery of housing and affordable housing, and it is open to the GLA to take the view that funding it will promote both social and economic development, and is therefore within its power, contained in section 30(1) of the GLA Act.
- 7.3 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 also the Public Sector Equality Duty in section 149 of the Equality Act 2010 as set out above.
- 7.4 The GLA has engaged with the London Borough of Havering 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.
- 7.5 External lawyers 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. No funding is to be paid out unless, amongst other requirements, London Borough of Havering'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 Havering must repay the unlawful State Aid following a written demand for repayment by the GLA.

8. Planned delivery approach and next steps

Activity	Timeline (expected)
Complete HZ funding agreement	February 2018
Establish Joint Venture as a corporate entity	March 2018
Housing starts on site (Phase 1)	March 2020
New school completed	March 2023
New health centre and commercial floor space completed	March 2026
Final homes completed	March 2026

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 – YES

ORIGINATING OFFICER DECLARATION:

Drafting officer to confirm the following (✓)

Drafting officer:

Rachael Hickman has drafted this report in accordance with GLA procedures and confirms that:

✓

Assistant Director/Head of Service:

Fiona Duncan 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 26 February 2018.

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

M. D. Allge

Date

28.2.18