

# GREATER LONDON AUTHORITY

**REQUEST FOR MAYORAL DECISION – MD2771**

**Title: EastPlus – sale of EastPlus Plot 70, Reef Street, Dagenham Dock**

## **Executive Summary:**

GLA Land and Property Limited ('GLAP') seeks approval for the freehold sale of a plot of vacant industrial land in the EastPlus property portfolio to GLAP's development partner, SEGRO. The disposal will enable the development of new industrial premises on the London Sustainable Industries Park targeted at local small and medium-sized enterprises ('SMEs') wanting to own their business units.

GLAP also seeks approval to the disposal of three small vacant industrial plots in the same portfolio for use as electrical substations to serve SEGRO's customers.

## **Decision:**

That the Mayor approves:

- 1) the disposal by GLA Land and Property Ltd of EastPlus Plot 70 (formerly called London Sustainable Industries Park Plot 1) in Reef Street in Dagenham Dock to SEGRO, materially on the terms set out in Part 2 of this Decision Form;
- 2) the disposal by GLA Land and Property Ltd of three industrial plots in the same portfolio for electrical substations to be owned and operated by local network operators; and
- 3) expenditure by GLA Land and Property Limited on the EastPlus project of up to £90,000 on the costs of sale of EastPlus Plot 70 and the disposal of the three substation plots.

## **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:**

2/3/21

## **PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR**

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

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

- 1.1. Industrial land and property in east London owned by GLA Land and Property Limited (GLAP) is being developed under an existing agreement with SEGRO Development Properties Ltd (SEGRO) pursuant to Mayoral Decision (MD) 1620 which approved their selection as development partner by entry into a development agreement (DA) in accordance with the GLA's disposal plan.

#### *Background*

- 1.2. The development of the EastPlus portfolio has the potential to create up to 4,000 jobs.
- 1.3. EastPlus Plot 70 is one of six industrial plots in the EastPlus portfolio in the London Sustainable Industries Park that are collectively being marketed by SEGRO further to their obligations under the agreement between GLAP and SEGRO dated 31 March 2016 (the 'EastPlus DA'). Plot 70 is located on the west side of Reef Street, a shared-access private estate road, in the London Borough of Barking & Dagenham, and has an entrance at the junction with Clove Street in RM9.
- 1.4. The industrial site (no buildings) comprises 0.81 hectares (2.01 acres) gross and is located in the north eastern corner of the commercial estate, with an access road (Reef Street) off Choats Road in Dagenham. The site is within walking distance of Dagenham Dock railway station (London, Tilbury and Southend Railway Line).
- 1.5. The land drawdown process prescribed in the EastPlus DA requires the developer, SEGRO, to submit a Site-Specific Development Plan ('SSDP') to GLAP when requesting the drawdown of a site in the EastPlus portfolio. The SSDP establishes the land price for the property. It is then scrutinised by Lambert Smith Hampton, cost consultants for GLAP on the EastPlus project.
- 1.6. The legal costs of sale on this plot (and for other plots in the EastPlus portfolio) are scrutinised and managed by TfL Legal. The rate of plot sales (three already in 2020/2021) and the new premises under construction on those plots for Wanis Ltd (a national food wholesaler) and for The Capital Dairy Company Limited (a new dairy) is indicative of the good progress that has been made on the project.
- 1.7. New electrical substations are needed to supply SEGRO's commercial customers on the estates they are creating from land in the EastPlus portfolio. These substations are built by SEGRO and are owned and operated by local network operators ('LNOs'). As a condition of energising these substations and providing an electrical supply, the LNOs require a long lease (typically 99 years, sometimes longer) of the substation land, associated rights to install and retain their electrical apparatus, and rights of access for a nominal consideration (a premium of £1.00, if demanded).
- 1.8. Electrical substations are currently needed to serve:
- EastPlus Plot 70 in Reef Street, Dagenham Dock;
  - EastPlus Plot 8 in Hindmans Way, Dagenham Dock; and
  - SEGRO Park Rainham in Courier Road, Rainham.
- 1.9. Detailed planning consent has been granted by the London Borough of Barking & Dagenham for the development of EastPlus Plot 70 (conditional on entering a section 106 agreement) and for the electrical substations.

### *The sale of EastPlus Plot 70*

- 1.10. Terms for the drawdown of EastPlus Plot 70 by SEGRO to facilitate the development of three terraces of industrial buildings and associated yards in which a total of 13 units will be sold, are well advanced through the disposal route prescribed in the EastPlus DA.
- 1.11. The price of EastPlus Plot 70 exceeds the gross minimum price required by the DA, and it meets GLAP's requirements of the EastPlus project in realising the value of its property assets.
- 1.12. The new premises on EastPlus Plot 70 will be built by SEGRO, as envisaged under the EastPlus DA, to meet the requirements of SMEs.
- 1.13. GLAP will sell EastPlus 70 to a SEGRO company on the terms set out in Part 2 of this Form.
- 1.14. The plot has been left unused for many years except for temporary storage whilst HS1 was being built. The sale will support local SMEs including, it is expected, those specialising in the distribution of food; it addresses the Mayor's London Plan policy aspirations around retention and expansion of London's industrial floorspace.

### *The disposal of substation land in Dagenham Dock and at SEGRO Park Rainham*

- 1.15. Terms for the disposal of the land necessary to support new electrical substations at EastPlus Plots 8 and 70 at Dagenham Dock and at SEGRO Park Rainham are under negotiation. No income will be generated by GLAP from these disposals as the substations are required for the EastPlus developments they serve. Without a long lease (or freehold) in the substation land the LNOs will not supply SEGRO's customers on EastPlus properties.
- 1.16. The disposal of the land for the substations is routine and necessary; it requires a Mayoral Decision because the disposal will be by a lease for more than seven years (or by freehold) depending on the specific legal and operational requirements of the LNOs.

## **2. Objectives and expected outcome**

- 2.1. The central objective of this decision is to dispose of the development site in Reef Street by SEGRO to SMEs and to contribute towards updating and renewing east London's industrial stock, directly addressing the Mayor's plans for the recovery of London by improving and expanding London's industrial floorspace.
- 2.2. The disposal of EastPlus Plot 70 will also maintain continuity on a live and successful development project on GLAP-owned land in east London during a time when the recovery of London's economy from the covid pandemic is especially dependant on efficient local distribution networks.
- 2.3. The sale of EastPlus Plot 70 will achieve an above-minimum land price for GLAP, with the land receipt from that property expected to be received in (or soon after) March 2021.
- 2.4. The disposal of the land for the three substations will enable the new industrial premises being constructed by SEGRO to be used, contributing towards London's recovery.
- 2.5. The decision will enable GLAP to meet its contractual requirements under the EastPlus DA.

### *Mayor's strategies and priorities*

- 2.6. The longer-term benefits to the area (and to the GLA) of the proposed development of EastPlus Plot 70 include:
  - (i) the potential for millions of pounds of investment in south Dagenham;
  - (ii) the regeneration of the northern part of the London Sustainable Industries Park, building on the successful development of a neighbouring GLAP-owned industrial plot that is now a

- successful energy from food waste plant that also exports bio-methane gas, a by-product of the anaerobic digestion process, directly to the national gas distribution network;
- (iii) the potential, in some instances, for achieving business synergies with the potential occupiers' other premises in the area; and
- (iv) more partnership working with other businesses on the London Sustainable Industries Park.

### **3. Equality comments**

- 3.1. 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.
- 3.2. 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.
- 3.3. Throughout the decision-making process relating to the approvals being sought in this Decision Form to facilitate the property disposals due regard has been had to the 'three needs' outlined above. An evaluation has concluded that the sales have not identified any issues that adversely affect any groups with protected characteristics.

### **4. Other considerations**

- 4.1. EastPlus Plot 70 is a speculative development by SEGRO which requires the approval of SEGRO's board. SEGRO's London development team are in the process of updating their internal approval with their Corporate Investment Board. Once the site has been drawn down by SEGRO the risk of not securing sales (of the individual units within the scheme) at the forecast prices lies with the developer.
- 4.2. SEGRO propose to set up a new management company (a 'ManCo') to administer the on-plot 'common areas' with EastPlus Plot 70: a shared yard, and associated parking and landscaping. As part of the disposal strategy, SEGRO intend to retain overall control of the ManCo until all 13 units on the scheme have been sold, a standard commercial practice in the industry.
- 4.3. As with any development on brownfield land, there is the risk of encountering ground contamination from historic uses in the area, such as 'blue billy', a chemical or mineral deposit associated with coal gasification where the vivid blue pigment is composed of complex iron cyanides. SEGRO has carried out ground testing and some site preparation to mitigate this risk. All ground contamination and archaeological risk is passed to the developer once the disposal terms are agreed.
- 4.4. At the rear (and to the west) of EastPlus Plot 70 is the Gores Brook, a Controlled Water that the Environment Agency tests from time to time. SEGRO's development must protect the integrity of the soft embankment to the Gores Brook. SEGRO will provide a warranty from their main contractor to meet this requirement.
- 4.5. The costs to GLAP in connection with the disposal of EastPlus Plot 70 and the substation land are legal fees (including Land Registry charges) and specialist cost consultancy fees. These will be incurred in or by March 2021. GLAP is consulting TfL Estates' team on the service charge regime.
- 4.6. There are no conflicts of interest to note for any of the officers involved in the drafting or clearance of this decision.

4.7. Pursuant to MD2565 ('EastPlus – retention of services of a specialist property consultant by GLAP'), Lambert Smith Hampton scrutinises for GLAP the development costs and appraisals submitted by SEGRO.

4.8. This decision will support:

- (i) the exit strategy for Mayor's Land & Property portfolio;
- (ii) the continued comprehensive regeneration of brownfield land in east London, leading to the creation of many hundreds of jobs, both directly and indirectly, many in SMEs; and
- (iii) the economic development of the Dagenham Dock industrial area.

## **5. Financial comments**

5.1 The decision is seeking approval of the disposal of EastPlus Plot 70 to SEGRO, a development company. The site is part of the EastPlus development portfolio and is located at the London Sustainable Industries Park.

5.2 The decision is also seeking approval to lease the substation land to local network operators (LNOs), on which new electrical substations will be built, and will be owned and managed by the LNOs.

5.3 GLAP is expecting to incur legal and professional costs on the disposal of the sites, which is expected to be incurred by the end of 2020-21. All risks associated with the site will be passed to the developer following disposal of the site.

5.4 Further financial comments are set out in Part 2 of this decision.

## **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:

- i. Promoting economic development and wealth creation in Greater London;
- ii. Promoting social development in Greater London; and
- iii. Promoting the improvement of the environment in Greater London

and, in formulating the proposals in respect of which a decision is sought, officers confirm they have complied with the GLA's related statutory duties to:

- pay due regard to the principle that there should be equality of opportunity for all people;
- consider how the proposals will promote the improvement of health of persons in Greater London, promote the reduction of health inequalities between persons living in Greater London, contribute towards the achievement of sustainable development in the United Kingdom and contribute towards the mitigation of or adaptation to climate change in the United Kingdom; and
- consult with appropriate bodies.

6.2 Sections 1 - 3 of this report indicate that the decision requested of the Mayor falls within the GLA's statutory powers.

## 7. Planned delivery approach and next steps

<b>Activity</b>	<b>Estimated Timeline</b>
Contract – finalisation of detailed terms and conditions with SEGRO	March 2021
Delivery – completion of Building Lease with SEGRO, and Long Leases of the substation land with the LNOs	March 2021 (Plot 70) April 2021 (substations)
Delivery – handover of the sites	March 2021 (Plot 70) April 2021 (substations)

### **Appendices and supporting papers:**

Appendix 1 – Plan of EastPlus Plot 70 (aka 'London Sustainable Industries Park Plot 1') in Reef Street, Dagenham Dock (not to scale).

**Public access to information**

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FoIA) 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 it has been approved or on the defer date.

**Part 1 - Deferral****Is the publication of Part 1 of this approval to be deferred? YES**

Publication of Part 1 is to be deferred for 2 months from the date of the decision whilst the detailed terms and conditions of the transfer of EastPlus Plot 70 and the substation land are concluded; immediate publication risks compromising the implementation of the decision.

**Part 2 - Sensitive information**

Only the facts or advice that would be exempt from disclosure under FoIA should be included 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:**

Christopher Broster has drafted this report in accordance with GLA procedures and confirms the following:

✓

**Sponsoring Director:**

Rickardo Hyatt has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

**Mayoral Adviser:**

Tom Copley 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 22 February 2021.

**EXECUTIVE DIRECTOR, RESOURCES:**

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

**Signature**

**Date**

23 February 2021

**CHIEF OF STAFF:**

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

**Signature**

**Date**

22 February 2021

