

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD2216

Title: North Tottenham Housing Zone, London Borough of Haringey – Land Acquisition and Infrastructure

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 £60,019,375 to accelerate/unlock housing in the High Road West scheme.

The North Tottenham Housing Zone was designated a Housing Zone as part of the wider Tottenham 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 to 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 contractual commitments to provide grant funding of up to £60,019,375 to the London Borough of Haringey to fund the interventions specified below within the North Tottenham Housing Zone, noting that any payments relating to the demolition and redevelopment of the Love Lane estate will be conditional on a resident ballot in accordance with the Mayor's new policy regarding estate regeneration; and
2. The re-profiled start on site and completion dates for the delivery of the housing and infrastructure outputs and the funding interventions and payment timescales 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:



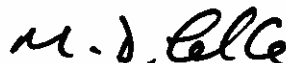
Position: Executive Director Housing & Land

Date:

03/09/18

Name: Martin Clarke

Signature:



Position: Executive Director Resources

Date:

28.8.18

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1. The North Tottenham area of the London Borough of Haringey (LBH) was designated a Housing Zone (HZ) by MD1632 as part of the wider Tottenham Housing Zone previously approved under MD1545. Funding was indicatively allocated to the Zone – subject to the outcome of legal and financial due diligence – to unlock and accelerate housing in the area.
- 1.2. In February 2017, the GLA and LBH entered into an Overarching Borough Agreement to record the indicative allocation of funding for the North Tottenham HZ. Notably, this agreement proposed three separate interventions (land acquisition, infrastructure and affordable housing grant). In subsequent discussions between the GLA and LBH it has been agreed – and subsequently approved by Housing Zones Steering Group – to consolidate these interventions in to a single funding stream for land acquisition, which in turn will unlock both housing and infrastructure as part of the wider redevelopment.
- 1.3. This Decision is seeking approval to commit £60,019,375 from the HZ grant budget through two Borough Intervention Agreements (BIAs):
 - “BIA1” – High Road West land acquisition and infrastructure (£57,059,375)
 - “BIA2” – Station Approach and District Energy Network (£2,960,000)
- 1.4. The £60,019,375 includes £6,360,000 reallocated from the Mayor’s Regeneration Fund to the HZ programme in MD1650. Of this, £3,400,000 is included in BIA1 since it relates to land acquisition and the remaining £2,960,000 – which relates to the Station Approach and District Energy Network – is included in BIA2.
- 1.5. BIA1 will commit £57,059,375 of HZ grant to LBH to contribute to land acquisition costs to deliver the High Road West Scheme. Of this, £33,959,375 is non-recoverable grant. The GLA may recover up to £23,100,000 under certain circumstances as detailed in this decision.
- 1.6. As a condition of receiving HZ funding through BIA1, LBH commits to delivering at least 2,000 homes by March 2026, of which 700 homes will be affordable (35% by unit). The existing Development Agreement between Lendlease and LBH is committed to delivering 29% affordable housing by unit (35% by habitable room) on the site. LBH has committed to increasing this to a minimum of 35% (by unit) in the first instance, and working to increase this to 50% affordable (by habitable room) as noted below. Additionally, LBH commits to procuring delivery of social infrastructure – including a new railway station approach, a new public square and a new library and learning centre – that is required to help unlock this housing.
- 1.7. BIA2 will commit £2,960,000 of HZ grant to procure delivery of station approach works and a District Energy Network in line with MD1650. The transformation of White Hart Lane Station will see a new ticket hall creating a better connection with Tottenham High Road, two new lifts delivering step-free access and a new station forecourt. It is intended that the District Energy Network will provide energy supply for the High Road West development in addition to a number of other adjacent developments.
- 1.8. Part of the High Road West Scheme involves regeneration of the Love Lane estate. Following MD2316, GLA funding for strategic estate regeneration projects is conditional on a ballot of residents that demonstrates support for redevelopment (see para 5.5). As a result, the GLA has included the ballot requirement as a condition of Housing Zones funding for this intervention. The GLA has agreed that Haringey can draw down £460,000 for station approach works in BIA2 prior to undertaking a ballot

since the works do not involve any demolition of social housing and are unrelated to the redevelopment of the Love Lane estate. A resident ballot showing support for redevelopment must be provided before any Housing Zones funding related to demolition and redevelopment of the estate is drawn down.

- 1.9. Due diligence has been undertaken in respect of the investment, the conclusion of which is set out below and in Part 2 of this Director Decision.

Summary of proposed intervention

- 1.10. Following extensive public consultation and engagement with residents, LBH identified an opportunity to regenerate the High Road West area of Tottenham through a multi-phase regeneration programme to deliver over 2,000 new homes alongside substantial new public realm, community infrastructure and business space (both commercial and industrial).
- 1.11. In 2016-17 LBH undertook a procurement process to bring on board a partner to deliver this vision and appointed Lendlease as its selected developer in December 2017. This procurement took place separately to the parallel Haringey Development Vehicle procurement process.
- 1.12. LBH previously identified a shortfall in funding to deliver the wider regeneration of the area, particularly around the provision of social infrastructure and the associated cost of acquiring the necessary land to facilitate this, and bid as part of the second Housing Zone funding round for gap funding to meet these costs.
- 1.13. The original Housing Zone proposal (approved under MD1632) agreed up to £55.7m of indicative funding for three interventions: land acquisition, provision of infrastructure and affordable housing grant. Of these, the land acquisition funding allocation identified £23,100,000 of funding would be repayable from proceeds from the development once sales had been completed. The investment was anticipated to unlock 2,000 new homes, of which 700 homes (35% by unit) would be affordable, alongside new public realm and community infrastructure.
- 1.14. Following the appointment of Lendlease as the development partner for the scheme, LBH identified that while it could deliver the same outputs it originally identified, HZ funding would best support the scheme if used for land acquisition at commencement of the scheme. It was agreed that the GLA would consolidate the proposed interventions into a single land acquisition fund.
- 1.15. Of the £57,059,375 HZ grant to be committed through BIA1, the GLA may recover £23,100,000 under certain circumstances. In order to contribute further to the Mayor's commitments to delivering 90,000 affordable housing starts by 2021, LBH has agreed in the first instance to reapply these monies to increase the affordable housing percentage in the scheme. Any subsequent monies remaining may then be repaid to the GLA up to a maximum of £23,100,000. Further information is included in Part 2 to this decision.

Proposition

- 1.16. It is proposed that the GLA provides £60,019,375 of HZ funding to unlock at least 2,000 homes, of which 700 will be affordable (35%) alongside a new White Hart Lane Overground railway station approach, a new public square ("Moselle Square"), a new library and learning centre and a District Energy Network. The first phase of housing will commence in 2019 and final homes are expected to be completed by 2026.

Funding

- 1.17. Through BIA1, LBH has requested £57,059,375 of HZ funding towards land acquisition costs. It expects this funding to unlock at least 2,000 homes of which 700 would be genuinely affordable alongside substantial community infrastructure and public realm improvements.
- 1.18. As noted previously, BIA1 will include a reapplication mechanism that will require up to £23,100,000 of the overall funding to increase affordable housing levels within the scheme. Under certain circumstances, this amount may be repaid to the GLA.
- 1.19. Through BIA2, LBH has requested £2,960,000 of HZ funding to enable delivery of station approach works to White Hart Lane station and a District Energy Network.
- 1.20. HZ investment of £60,019,375 across BIA1 and BIA2 equates to a grant rate of £30,010 per home or £85,742 per affordable home. Any reapplication of grant to increase affordable housing in the scheme as detailed in paragraph 1.14 above would result in a lower grant amount per affordable home.

Stakeholders

- 1.21. LBH is working in partnership with Lendlease as its appointed development partner to engage with existing local land owners, residents, businesses and communities in order to deliver the wider regeneration of the area and secure the identified development sites.
- 1.22. Other important stakeholders include TfL and Network Rail.

Appraisal

- 1.23. Cushman & Wakefield (C&W) undertook project due diligence in relation to the HZ investment. It concluded that HZ investment is critical towards enabling delivery of the High Road West scheme, thereby unlocking housing. It also found current cost and value assumptions are reasonable while noting these assumptions may change as the scheme is further refined. Further findings from C&W's work are detailed in Part 2 of this Director Decision.

Dependencies

- 1.24. The delivery of the scheme is dependent on:
 - Securing HZ grant for the acquisition of land within the overall scheme to unlock housing.
 - Successful acquisition of parcels of land within each relevant phase.

Project Milestones

- 1.25. Key project milestones include the following:
 - Start on site for development by 2019 across the wider scheme.
 - Outline Planning Consent by October 2019 at the latest.
 - Completion of the land assembly programme by 2027.

Governance

- 1.26. LBH has a well-established Housing Zone Board in place that will steer the direction and delivery of the project to completion alongside key partners. The GLA sits on this board and has full oversight of expenditure and commitments.

Conclusion

- 1.27. It is considered that the outcome of due diligence, as detailed above and in Part 2, demonstrates it is appropriate for the GLA to contractually commit HZ funding in respect of BIA1 and BIA2. GLA investment totalling £60,019,375 will unlock the regeneration of the wider area and is expected to deliver at least 2,000 homes – of which 700 (35%) will be affordable – by 2026. Of these, 256 affordable homes 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. Additionally, HZ investment will enable additional infrastructure required to unlock the scheme to be delivered, including: a new public square; a new library and learning centre; a new station approach to White Hart Lane Overground station; and a District Energy Network.

2. Objectives and expected outcomes

- 2.1 HZ funding will contribute to the acquisition of land within the High Road West scheme. The funding will in turn help to unlock delivery of 2,000 homes, of which 700 (35%) will be affordable, by 2026. Additionally, HZ investment will enable community resources, new public highways and public realm improvements including a new public square in the heart of the new development to be delivered.

3. Changes to the North Tottenham Housing Zone

- 3.1 LBH has revised its estimated funding profile compared to the position set out in MD1632 and the Overarching Borough Agreement. As noted above, it has consolidated the three proposed interventions into a single request for HZ funding to contribute to land acquisition costs.
- 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 'Tier 1' and have therefore been subject to review by the Senior Housing Zones Manager and agreed in principle by the relevant Head of Area, prior to being submitted for formal approval in this Director Decision.

4. Equality comments

- 4.1 The London Housing Strategy was adopted in August 2018. The strategy had a three-month consultation period and an equality impact assessment was also undertaken in parallel. The HZ programme is included within that impact assessment.
- 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 HZ is intended to identify an area with high potential for housing growth and delivery within London. The HZ 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 In order to access this funding, LBH will be required to enter into a contract with the GLA to deliver the interventions specified in this Director Decision. With regard to project delivery, the contract places the following obligations on LBH in respect of the Equality Act 2010:
- LBH 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 and issues

Land acquisition cost estimates

- 5.1 LBH will use HZ funding to contribute to land acquisition costs. There is a risk that acquisition costs are different to those currently anticipated which affects delivery of the High Road West Scheme. Further information is included in Part 2 to this decision.

Compulsory purchase

- 5.2 If the land acquisitions cannot be negotiated through private treaty, LBH may have to consider using its compulsory purchase powers. This requires Secretary of State approval which presents a risk that this approval is not obtained.

Planning

- 5.3 LBH has confirmed that work has commenced with Lendlease to develop initial plans for public consultation on the development. The intention is to secure outline consent by October 2019, with the intention to secure this well in advance and commence work on the initial phases of development in 2019. However, if consent is not forthcoming in time then this may delay the start on site and delivery of new homes.

b) Links to Mayoral strategies and priorities

- 5.4 The purpose of the HZ programme is to increase housing supply by accelerating and unlocking development. The 256 affordable homes unlocked by this HZ investment will contribute to the Mayor's target to deliver 90,000 affordable housing starts by 2021.

c) Funding condition requiring resident ballots

- 5.5 MD2316 introduced a funding condition within the GLA's Affordable Housing Capital Funding Guide requiring resident ballots to be undertaken on strategic estate regeneration projects where GLA funding is sought. This intervention involves, among other things, demolition of an existing social housing estate (the Love Lane estate) to which the resident ballot requirement applies.
- 5.6 As per paragraph 1.4 above, £6,360,000 of GLA funding was reallocated to this intervention from the Mayor's Regeneration Fund in MD1650. The purpose of this funding was for station approach and district energy network projects. Haringey requires to draw down £460,000 of this funding in advance of holding a resident ballot to fund the station approach works, which would be for expenditure unrelated to the regeneration of the Love Lane estate. The GLA has therefore agreed that Haringey may draw down £460,000 under BIA2 prior to undertaking a resident ballot for the purpose of funding the station approach works. No part of the £460,000 may be spent in relation to the Love Lane estate and any further drawdown of funding under BIA1 or BIA 2 will be subject to the GLA's resident ballot requirement.
- 5.7 The £460,000 grant is for station approach works only. It will not fund any demolition of social housing and is unrelated to the redevelopment of the Love Lane estate.

d) Environmental considerations

- 5.8 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. Financial comments

- 6.1 This decision requests approval to contractually commit up to £60.02m of a combination of recoverable and non-recoverable grant funding to the London Borough of Haringey (LBH) to fund High Road West land acquisition and infrastructure (£57.06m) as well as Station Approach and District Energy Network (£2.96m), within North Tottenham Housing Zone. GLA obtained a satisfactory due diligence result prior to reaching this decision (per findings set out above and in Part 2).
- 6.2 Funding indicatively allocated for this Housing Zone is £55.7m (MD1632). Consequently, MD1650 allocated further £6.36m from the Mayor's Regeneration Fund, bringing the total indicative allocation to £62.06m. Subsequently, LBH has revised its estimated funding profile compared to the position set out in MD1632 and the Overarching Borough Agreement, which was approved through the Housing Zones Change Management process (DD1485). Please refer to Section 3 above for further details.

- 6.3 Table below illustrates how the requested amount (£60.02m) is split between two Borough Intervention Agreements (BIAs) as well as Recoverable/Non-recoverable elements of the funding:

	BIA1 (£m)		BIA2 (£m)		Totals (£m)	
	Recoverable Grant	Non-recoverable grant	Recoverable Grant	Non-recoverable grant	Recoverable Grant	Non-recoverable grant
High Road West land acquisition and infrastructure works	23.10	33.96			23.10	33.96
Station Approach and District Energy Network				2.96		2.96
Totals	23.10	33.96		2.96	23.10	36.92

- 6.4 Recoverable Grant funding (£23.10m) would be repayable from proceeds from the development once sales had been completed, details of which are listed in Section 1.15 above as well as in Part 2.
- 6.5 BIA1 will commit £57,059,375 of HZ grant to LBH to contribute to land acquisition costs to deliver the High Road West Scheme. LBH's initial site acquisition strategy is through private treaty, with the fall-back position of purchasing through a Compulsory Purchase Order (CPO) route, which is a potential risk to the project that may require additional funding (further details in Part 2).
- 6.6 The initial allocation from Mayor's Regeneration Funding of £6.36m (reallocated to HZ programme through MD1650), will be split between BIA1 (£3.4m) and BIA2 (£2.96m) of non-recoverable grant to LBH (see Section 6 above for further details). The remaining £53,659,375 for BIA1 will be funded from the Tottenham North allocation within the Housing Zone Fund set up under MD1632.
- 6.7 Non-recoverable grant allocation of this proposal represents a financial risk to the GLA, which is mitigated through contractual obligation from LBH to repay the funding, on a pro-rata basis, in the event of non-delivery.
- 6.8 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.

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 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.
- 7.2 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.

- 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 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 Haringey 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.
- 7.5 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 Haringey'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 Haringey must repay the unlawful State Aid following a written demand for repayment by the GLA.

8. Planned delivery approach and next steps

Activity	Timeline
Borough Intervention Agreements signed	September 2018
Land acquisition programme (expected)	2019 to 2027
Housing outputs start on site (expected)	2019
Completion of Station approach works (expected)	2020
Housing outputs complete (expected)	2026
Completion of station approach, public square and library and learning centre (expected)	2027
Completion of District Energy Network works (expected)	2027

Appendices and supporting papers:

None.

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:

Neil Hook 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 28 August 2018.

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

M. J. Ellis

Date

28.8.18