

# GREATER **LONDON** AUTHORITY

## REQUEST FOR MAYORAL DECISION – MD1643

### Title: Olympicopolis - Agreements for Lease and Leases for Stratford Waterfront

#### Executive Summary:

At its Board meeting on 10 March 2016, the London Legacy Development Corporation (LLDC) agreed, subject to Mayoral consent, to enter into an Agreement for Leases (AFLs), and subsequently leases, with the Olympicopolis partners - University of the Arts London (UAL), Sadler's Wells and the Victoria & Albert Museum (V&A) - on the Stratford Waterfront site on Queen Elizabeth Olympic Park (QEOP). By entering into each AFL, the Legacy Corporation and each of the partners are committing to enter into a long lease once the three conditions of the AFLs have been met. Mayoral consent is required to enable the LLDC to enter into the AFLs. (Consent will be sought separately in relation to the Smithsonian Institute.)

#### Decision:

- (i) Grant consent to LLDC to enter into AFLs with UAL, Sadler's Wells and the V&A and flowing from these AFLs, to subsequently grant leases to these organisations for three sites on QEOP as part of the Olympicopolis initiative, which will involve 'land transactions' as defined by clause 2 of the National Lottery Funding Repayment Agreement (NLFRA). (Under paragraph 4.5 of the GLA's Corporate Governance Direction to the LLDC, approved by MD 1227, such 'land transactions' can only be entered into by the Legacy Corporation with the Mayor's prior consent);
- (ii) Grant consent to LLDC to dispose of land for less than best the consideration than can reasonably, to which the LLDC will be committing by entering into the AFLs. (Under section 209(1) of the Localism Act 2011, the Legacy Corporation may not dispose of land for less than best the consideration that can reasonably be obtained unless the Mayor consents);
- (iii) Consent to the granting of a loan by LLDC to UAL alongside the AFL with that organisation. ((Under Section 213 of the Localism Act 2011 Mayoral consent is required to give financial assistance)

#### 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:

22.4.2016

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

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

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

- 1.1. The LLDC has been working closely with the Mayor of London, Government, University College London, V&A, UAL, Sadler's Wells and other cultural partners since 2013 to develop the Olympicopolis project to bring together world leading culture and university institutions on Queen Elizabeth Olympic Park (QEOP) to create an inspirational centrepiece to drive aspiration and opportunity for the people of East London.
- 1.2. An Outline Business Case (OBC) for the Olympicopolis project was approved by Government in November 2014. In December 2014, the Chancellor of the Exchequer confirmed in his National Infrastructure Plan that he would provide up to £141 m for the project. This is set out in a memorandum of understanding between the GLA and the Department for Communities and Local Government approved under MD 1422. The Spending Review 2015 confirmed Government support for Olympicopolis and increased the Government capital grant to £151m.
- 1.3. Heads of Terms were agreed with UAL, Sadler's Wells and the V & A in December 2014 following agreement on the direction of travel from the LLDC Board and delegation to the Chief Executive to sign provisional heads of terms with institutions on 18 November 2014. These Heads of Terms have formed the basis of the Agreements for Lease (AFLs) and leases.
- 1.4. UCL has signed an AFL and lease (approved by the LLDC Board in February 2015) and this has also informed the AFLs and Leases for the Stratford Waterfront partners. That land transaction was approved under MD 1473.
- 1.5. Since Heads of Terms were agreed, substantive terms of the AFLs with development obligations have been negotiated with UAL, Sadler's Wells and V&A. Under the terms of each of the AFLs, once obligations on both the Legacy Corporation and partners have been discharged, the agreement becomes unconditional and the lease is granted to the tenant.
- 1.6. The LLDC owns the freehold interest of Stratford Waterfront, a 4.2 acre site adjacent to the London Aquatics Centre in QEOP. The Legacy Corporation, or its successor body, will retain the freehold and grant leasehold interests in Stratford Waterfront to the partners, and manage the public realm.
- 1.7. At its meeting on 10 March 2016, the Legacy Corporation's Board approved entering into an AFLs with UAL, Sadler's Wells and the V&A, subject to Mayoral consent.
- 1.8. Description of the different schemes:
  - UAL – 32,000 sqm academic building. This will be a 399 year lease
  - Sadler's Wells – 7,000 sqm theatre and dance studios. This will be a 200 year lease.
  - V&A – 17,000 sqm museum space. This will be a 200 year lease.
  - In addition, there will be public realm around the buildings at the waterfront and podium levels
- 1.9. The LLDC will enter into construction contracts to deliver the buildings to shell and core with the partners undertaking fit out works.
- 1.10. The budget for these buildings is to be funded by the GLA supported by Government funding for the Olympicopolis project, partner contributions and philanthropic fundraising.

1.11. Detailed information on the terms of the AfLs, leases and various ancillary documents is contained in confidential supporting documents to Part Two of this Form. The information is in Part Two for reasons of commercial confidentiality.

2.1. The Mayor's consent is required in respect of three matters relating to the proposal for the Legacy Corporation to enter into AfLs with the V&A, UAL and Sadler's Wells.

Paragraph 4.5 of the GLA Governance Direction to the LLDC 2013

2.2. The Governance Direction 2013 sets out how the Legacy Corporation and the GLA have agreed where the consent of the Mayor is required and how this will be obtained. Paragraph 4.5 of the Governance Direction 2013 provides:

*Prior consent must be obtained to any decision by LLDC...to approve a 'Land Transaction' as defined in Clause 2 of the National Lottery Fund Repayment Agreement (NLFRA) regarding returns to the Lottery and LLDC shall in advance share with GLA the details of all such anticipated Land Transactions.*

2.3. The sites for the three institutions are on land on QEOP that is subject to the NLFRA, and therefore the LLDC's decision to enter into AfLs, and subsequently, long leases for these sites fall within the terms of the Direction.

Section 209 of the Localism Act 2011 ("the Localism Act")

2.4. Section 209 of the Localism Act empowers the Legacy Corporation to dispose of land held by it in any way it considers appropriate but specifies that it must not dispose of land for less than the best consideration that can reasonably be obtained unless the Mayor consents.

2.5. Entering into the AfLs with V&A and Sadler's Wells will commit the LLDC to disposals of land which, as explained in Part Two of this paper, are at less than the best the consideration that can reasonably be obtained. The Mayor's specific consent is therefore required under section 209(1) of the Localism Act.

2.6. Whilst not directly relevant to the issuing of such Mayoral consent, "Circular 06/03: Local Government Act 1972 general disposal consent (England) 2003 disposal of land for less than the best consideration that can reasonably be obtained" sets out what information local authorities should provide when applying to the Secretary of State for Specific Consent for Disposal at less than best consideration.

2.7. It is considered appropriate that a similar level of detail should be provided to and considered by the Mayor when deciding whether or not to give his consent to a disposal by the LLDC at less than best consideration.

2.8. Circular 06/03 provides:

*"10. Once an application for a specific consent is submitted, the Secretary of State is obliged to make a decision on the proposed disposal on its merits. However, if he is of the opinion that his consent is not required (i.e. the sale is not at an undervalue).....his statutory function to give specific consent will not arise*

*11. Applications for specific consent should be sent to the Secretary of State via the Director of Planning at the Government Office for the relevant Region. The Secretary of State will require the following information:*

- i) a written description of the site and buildings, its physical characteristics, location and surroundings together with a plan which should be accurate enough to allow it to be used to identify the land in the Secretary of State's decision in cases where consent is given;*
- ii) a written description of the authority's tenure and a summary of the details of any leases, encumbrances, such as easements etc, to which it is subject. Details should be given of the purpose(s) for which the authority holds the land. Normally land is held for the purposes of the power under which it was acquired, or taken on lease, unless it has since been formally appropriated to another purpose;*
- iii) a written description of the existing use(s), current planning consents and alternative planning uses(s) that are likely to be permitted;*
- iv) a summary of the proposed transaction, noting the reasons for disposing at an undervalue, the key terms and any restrictions to be imposed by the authority; and*
- v) a detailed Valuation Report covering the matters listed in the Technical Appendix, and signed by a qualified valuer (a member of the RICS). The Department would normally expect the valuation to have been undertaken no earlier than six months before the submission."*

- 2.9. A similar level of detail to that referred to at (i-v) in the paragraph above is contained in this Mayoral Decision (including Part Two) in respect of the proposed disposals at less than best consideration.
- 2.10. The reasons for disposals at less than best consideration include the proposed change of use from residential to cultural, and the long-term benefits of the Olympicopolis project, which are expected to support a wide range of policy objectives, and are expected to significantly outweigh the cost to the public purse of creating the new urban quarter at QEOP. They include the following: Olympicopolis is an important contribution to LLDC's plans to drive tangible social, economic and cultural growth in order to leave a lasting legacy on the site of the London 2012 Olympic Games; the project is anticipated to benefit not only Stratford and east London life chances of the communities and economy but also to go beyond London and the UK as a whole, including 3,000 jobs, 1.5m additional visitors, £2.8bn of economic value for Stratford and surrounding area; it will bring together organisations to showcase art, dance, history, craft, science, technology and design to create a world class centre for the arts and education; it will act as a step change to the cultural and educational offer in East London which in turn would act as a catalyst to economic growth that would flow from the proposal. It is felt that left to the market in isolation, there would be very little prospect for the provision of the broad range of academic and cultural facilities
- 2.11. The Outline Business Case for Olympicopolis, of which these AFLs are a part and which is supported by Government, also shows that the expected net benefits are greater than those that would be delivered by the alternative residential housing-led scheme, which delivers more housing.

#### Section 213 of the Localism Act 2011 ("the Localism Act")

- 2.12. Under Section 213 of the Localism Act Mayoral consent is required to give financial assistance. Complementary to the AFL with UAL, LLDC will give a loan to UAL as cashflow support for the project. Paragraph 2.10 above provides the justification for the Mayor consenting to the financial assistance involved.

### **3. Objectives and expected outcomes**

- 3.1. The Mayor's vision is that Olympicopolis will support LLDC's ability to deliver a meaningful and sustainable legacy from the London 2012 Olympic and Paralympic Games. Olympicopolis has been designed to ensure that the QEOP area becomes an exciting new district of London, providing a unique offer to residents and visitors. The proposition for Olympicopolis will support wider economic growth, greater access to education provision, as well as new skills and employment opportunities, generated by a strong visitor economy and an innovative learning and research location for inward investors.

3.2. Olympicopolis has been designed specifically to ensure that future infrastructure investment on QEOP supports the Mayor's legacy priorities of physical, social and economic regeneration for east London. The new facilities being developed for Olympicopolis will be designed and delivered to ensure they support the Mayor's regeneration priorities, including:

- economic growth;
- enhanced education and skills levels;
- sustainable local jobs;
- raising local aspirations;
- supporting the delivery of a successful and accessible Park;
- helping to redefine Stratford's place in London's economy, as a new heart for east London.

3.3. This will be enabled through the provision of:

- 125,000 m<sup>2</sup> of Higher Education space;
- up to 40,000m<sup>2</sup> of cultural space;
- up to 800 new residential units.

#### **4. Equality comments**

- 4.1. The LLDC priority theme of championing equalities and inclusion was taken into account in the development of the proposition for Olympicopolis, in consultation with all the project partners. LLDC will ensure that equalities, access and sustainability considerations are applied to procurement, employment, participation and inclusive design as required throughout the project.
- 4.2. The LLDC is a public body with a responsibility to promote equality, tackle discrimination and promote good relations between different groups of people with protected characteristics. The LLDC undertook a strategic equality impact assessment on its renewed priorities, including its emerging five year organisational strategy and the Olympicopolis plans. As part of this process the Legacy Corporation consulted with equality groups and tested whether its approach is helping to promote its equality priorities. The outcomes of the strategic equality impact assessment in relation to Olympicopolis have been used to inform the planning process and public consultations.

#### **5. Other considerations**

##### *a) key risks and issues*

- 5.1. There are a number of programme, funding and delivery risks that have been identified that are typical of a project of this scale and complexity. These are addressed in the Part 2 report including the mitigation strategies.

##### *b) links to Mayoral strategies and priorities*

- 5.2. The Mayor's London Plan states that 'The Mayor will work with partners to develop and implement a viable and sustainable legacy for the Olympic and Paralympic Games to deliver fundamental economic, social and environmental change within east London (known as 'Convergence'). This will be London's single most important regeneration project for the next 25 years". Olympicopolis directly addresses the Convergence ambition for east London, supported by the Mayor and DCLG. It also supports the Growth Deal for London 2014, within the context of detailed regional objectives, as set out in the Mayor's Vision 2020, Jobs & Growth Plan for London (2013) and the Mayor's Culture Strategy (2014).

- 5.3. The Strategic Case in the OBC focuses on three principal policy areas that capture the objectives of the project around: legacy, economy, and convergence.

*c) impact assessments and consultations*

- 5.4. An economic impact assessment was undertaken as part of the Olympicopolis Outline Business Case submitted to Government. It showed that the Olympicopolis project will generate 3,000 jobs, 1.5 million additional visitors and £2.8 billion of economic value to Stratford and the surrounding area.
- 5.5. The Legacy Corporation undertook a strategic equality impact assessment on its emerging five year organisational strategy and the Olympicopolis plans. The outcomes in relation to Olympicopolis have been used to inform the planning process and public consultations. The public consultations on the masterplans for Stratford Waterfront are taking place in March-May 2016.
- 5.6. The pre-application consultations will give both statutory and non-statutory consultees, including the local community, an opportunity to express their opinions on the proposed development before the planning application is submitted, thus ensuring significant issues can be considered as part of the design and planning application process.
- 5.7. The Legacy Corporation's Board and Investment Committee, Stratford Waterfront partners, TfL Legal and external legal advisors were consulted during the development of the AfLs.

## **6. Financial comments**

- 6.1. MD1422 approved the GLA entering in to a MOU with the Government for the funding of Olympicopolis which required the GLA to underwrite the cost of the project. This set out the financial risks that the GLA would be exposed to. There are significant financial implications arising from the LLDC's entry into these agreements, but they have been taken into account in LLDC's updated 10 year financial plan (which is subject to a separate Mayoral decision) and are included in the GLA's support for LLDC in its budget and longer term financial projections. Additional comments are set out in part 2 of this decision.

## **7. Legal comments**

No other significant legal implications concerning the giving of consent require reporting which are not mentioned elsewhere in his report.

## **8. Investment & Performance Board**

This is an LLDC project that has been considered by its own Investment Committee and Board. LLDC's ten year plan is due to be considered by IPB on 19 April.

## **9. Planned delivery approach and next steps**

<b>Activity</b>	<b>Timeline</b>
Legacy Corporation enters into Agreement for Leases with UAL, V&A, Sadler's Wells	May 2016
Planning application submitted	December 2016

Full Business Case approval	April 2017
Planning approval	July 2017
Construction contracts awarded	July 2017
Reserved matters and pre-commencement conditions approved	Feb 2018
Start on site	Feb 2018
Stratford Waterfront buildings operational from	Autumn 2021

**Appendices and supporting papers:**

LCS Boundary Plan (attached as Appendix 1)

LLDC Board Paper: Olympicopolis Stratford Waterfront agreements for lease and leases, 10 March 2016

LLDC Ten Year Plan 2015/16 – 2024/25

**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? YES**

If YES, for what reason:

Until what date: Publication should be deferred until the Agreements for Lease are signed, expected to be by 31 May 2016.

**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:**

Tim Somerville has drafted this report in accordance with GLA procedures and confirms the following have been consulted on the final decision.

✓

**Assistant Director/Head of Service:**

Tom Middleton has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

**Sponsoring Director:**

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

✓

**Mayoral Adviser:**

Sir Edward Lister has been consulted about the proposal and agrees the recommendations.

✓

**Advice:**

The Finance and Legal teams have commented on this proposal.

✓

**EXECUTIVE DIRECTOR, RESOURCES:**

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

Signature

*M. J. Allen*

Date

18.4.16

**CHIEF OF STAFF:**

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

Signature

*Edward Lister*

Date

19.04.2016



Subject: Stratford Waterfront AfL and Lease  
Meeting date: 10 March 2016  
Report to: Board  
Report of: Rosanna Lawes (Executive Director of Development)

## Appendix 1 - LCS Boundary Plan



