

PART 2 – CONFIDENTIAL FACTS AND ADVICE

MD2159

Title: Funding to OPDC to develop a business plan for Old Oak North

Information may have to be disclosed in the event of a request under the Freedom of Information Act 2000. In the event of a request for confidential facts and advice, please consult the Information Governance team for advice.

This information is not for publication until the stated date, because:

It is commercially sensitive and its premature publication could compromise OPDC's ability to negotiate effectively with landowners, developers and other stakeholders.

Date at which Part 2 will cease to be confidential or when confidentiality should be reviewed: **31 January 2018**

Information Governance recommendation on the grounds of keeping the information confidential:

In the event of any request for access to the information contained in this document under section 1 of the Freedom of Information Act 2000 ("the Act"), it is considered this information could be withheld from disclosure on the basis that the disclosure of this information would be likely to prejudice the commercial interests of OPDC. The information would therefore be exempt from disclosure under the exemption provide at section 43 of the Act.

Section 1 of the Act creates the general right of access, which provides that any person making a request for information to a public authority is entitled:

- to be informed in writing by the public authority whether it holds information of the description specified in the request; and
- if that is the case, to have that information communicated to him/her.

Part II of the Act contains a number of exemptions from disclosure for certain classes of information.

Section 43 of the Act provides that information is exempt information if its disclosure under the Act would, or would be likely to, prejudice the commercial interests of any person (including the public authority holding it). As stated above, releasing Part 2 of this Mayoral Decision form could harm the commercial interests of OPDC by limiting its ability to negotiate effectively with landowners in the OPDC area, driving up costs and/or hindering the ability of OPDC to secure land deals that in future will support regeneration. Furthermore, releasing the breakdown of the budget available for procuring external advice could impede OPDC's ability to secure value for money in these contracts.

The section 43 exemption is a qualified exemption and its use is therefore subject to a public interest assessment.

Public Interest Assessment

On balance it is considered the public interest is best served if the information is not disclosed at this point. As stated below, developers/investors in the area are aggressively seeking to capitalise on the opportunity generated from the public investment in HS2. Revealing OPDC infrastructure priorities might in turn encourage landholders and developers to increase valuations and so the amount the public sector is required to pay to ensure effective place-making and regeneration at Old Oak.

It is considered that this outweighs the general public interest in immediate disclosure for reasons of transparency of decision-making at this time.

The eligibility of these exemptions should be reassessed in the event of an FOI request for this information as the level of sensitivity will change over time and different circumstances may alter the arguments in favour of non-disclosure.

Information Governance Manager - I make the above recommendations that this information should be considered confidential at this time

Name: Ian Lister

Date: 13/7/2017

Confidential decision and/or advice:

The Mayor is being asked to approve an additional £0.8m of funding for additional work and resources intended to help the Corporation develop a Business Plan for Old Oak North. Subject to OPDC Board approval and agreement on funding, it will then seek to implement the plan. As outlined in Part 1, while OPDC will initially focus on producing an Old Oak North Business Plan in support of this work, it will also progress discussion with:

- DfT, Network Rail and other relevant parties to bring forward sites for delivery of housing across Old Oak North, considering various options including partnership/joint venture arrangements with land owners and/or developers;
- TfL, HS2 Ltd and other local stakeholders to bring forward additional technical and commercial studies to establish what priority infrastructure is needed to unlock development and value across the site, and assess viability and options for delivery; and
- DfT, Network Rail and HS2 Ltd to ensure future development adjacent to Old Oak Common station post-2026 takes place and to explore 'in principle' terms for funding upfront costs – that being a crash-deck and mechanical ventilation needed to support adjacent development.

Further details on these initiatives are set out below.

Land opportunities

With active developers/investors in the area aggressively seeking to capitalise on the opportunity generated from the public investment in HS2, there is a risk that, without the right level of financial and political support, OPDC and the GLA miss the opportunity to intervene and influence the kind of development that comes forward across the site and the pace of such development. This work will help to assess whether there is an actual opportunity for a capture of the future uplift in value and the potential for some form of self-funding for the organisation.

- Therefore, where it supports development of a Business Plan for Old Oak North, OPDC will work with DfT, Network Rail and other relevant public bodies, to bring forward strategic sites that support early delivery of housing. It will consider a wide range of commercial options available to it in bringing forward development across strategic sites. It will assess the financial implications including risk, reward and affordability and the role that the existing public partners (including Network Rail) and the private sector could play.

The relationship between public investment in infrastructure and increase in land values and ensuring that this uplift in value is not lost to the private sector will also be a key strategic factor considered.

Delivering priority transport and utility infrastructure

Infrastructure requirements

Key to unlocking development and value across Old Oak is the delivery of infrastructure that improves accessibility across the site and connectivity to transport hubs. Studies by OPDC have identified that the delivery of a north-south connection, linking HS2/Crossrail station to Old Oak North, then through to Willesden Junction/Harlesden, and the delivery of a bridge over the canal and road connections creating an east-west link from Old Oak Common Lane through to the Cargiant site and Scrubs Lane are priorities. These north-south and east-west routes are crucial to connect development sites and to plug them into the public transport network and the wider community. Refer to Attachment 2 – priority infrastructure.

Certainty over funding and delivery of these links, notably a north-south connection, remains a key issue impacting development: it is already the case that Cargiant's plans to bring forward a planning application are being delayed in part by uncertainty around the delivery of key infrastructure linking their site to Willesden Junction and Old Oak Common Station.

Currently, a number of north-south connection options are being considered for early delivery, the main options being OPDC's Old Oak High Street proposal and an Eastern Vehicle Bridge proposal (HS2 Hybrid Bill solution). Irrespective of timing of delivery, OPDC regard the High Street proposal (or something similar), which has been developed from a vision and strategic policy within the OAPF and Draft Local Plan, as being necessary to unlock the comprehensive regeneration of Old Oak from both a place-making and movement perspective and in ensuring that existing communities in Harlesden and East Acton as well as future residents and employees across Old Oak and Park Royal can access Old Oak Common station.

Therefore, in order to meet HS2's Old Oak Common station procurement timetable, further feasibility work needs to be completed before September 2017 to:

- work with TfL and GLA to identify and agree a package of connections needed to support the comprehensive regeneration of Old Oak and establish which of these connections are our priority and needed in time for the opening of Old Oak Common station in 2026. This work will need to include assessment of technical and financial delivery options;
- assess how Old Oak Common station would connect into a new north-south high-street connection at an appropriate level, which may require a new northern access (or provision for access) to the Old Oak Common station; and
- assess the width of the east-west connection that runs to the north of the Old Oak Common station box and consider design changes and delivery options to ensure this street accords with the Mayor's healthy streets agenda.

Infrastructure funding options

OPDC's proposals to secure and develop sites will also consider strategies for funding and delivering priority infrastructure. Given local authority funding constraints, OPDC believe there is an expectation that funding for transport infrastructure which supports new development is largely funded by the parties that benefit financially from the development. OPDC is therefore looking at a funding solution which considers the following sources:

- Retention of future growth in business rates within a designated zone combined with interim financing support. Commercial development adjacent to Old Oak Common station and across Old Oak North provide opportunities and OPDC will be developing a proposal and initiating discussions with key stakeholders.
- Developer contributions (S106, CIL and S278 contributions) will help fund smaller, local transport improvements and social infrastructure requirements and restrictions on how the funding can be used need to be considered. Developer contributions are based on development viability, which will be

impacted by affordable housing levels, land costs and development complexity/risk associated with various sites, and are therefore likely to be small compared to the total funding requirement.

- Private investment – there may be opportunities to bring in private investment to deliver some infrastructure (eg. utilities), where a commercial return can be generated.
- Development profits – reinvestment of profits by the GLA or through a self-funding model.
- Government funding – there is an opportunity to put forward a case for Treasury for additional funding / financial support (various options). OPDC will also submit a bid, to the GLA for HCA infrastructure funding, which enables the delivery of housing.

Future development around Old Oak Common HS2 station

Emerging development options

HS2 have for some time been assessing the technical feasibility of incorporating 'enabling works' into the design of Old Oak Common station to allow adjacent development. Emerging options indicate that no enabling works would be required, but the addition of a crash-deck incorporating mechanical ventilation over the western box could cost in the region of £40m. This option would allow a mixed-use development of at least 200,000 sq. m. (2.1m sq. ft.) across a site adjacent to the station. This is subject to a decision on whether provision should be made for Chiltern Line platforms at Old Oak, which may increase the cost/reduce the quantum of development

Proposed OPDC response

It is proposed that OPDC engage with government to ensure development is possible on the site post-2026. OPDC would be seeking a fairer more equitable funding deal which could incorporate capture of future business rates generated by the development into the deal (which would include discussions and agreement with the GLA and Boroughs) and ensuring that delivery and financial risks be shared appropriately between the relevant parties. Engagement of a development partner early on will also be considered as a way to defray risks/costs and to assist in securing outline planning for the site prior to development post-2026.

Masterplan

In order to support the above, the scope of the masterplan will be expanded to encompass the 'harder to deliver' sites in the north. It also includes infrastructure work to support this masterplanning activity – transport studies into appropriateness of links, feasibility studies on particular crossings and additional utilities studies.

Key risks and issues

In an area such as Old Oak and Park Royal, where significant investment (a £1bn station) has already been announced and committed, and a development corporation established to maximise the regeneration potential, there is a substantial risk that the opportunity to capture some of the uplift in land values will be lost.

Any delays will constrain the Corporation's ability to:

- capture value uplift;
- maximise short-term delivery of homes and jobs; and
- influence the nature of development, including affordable housing mix.

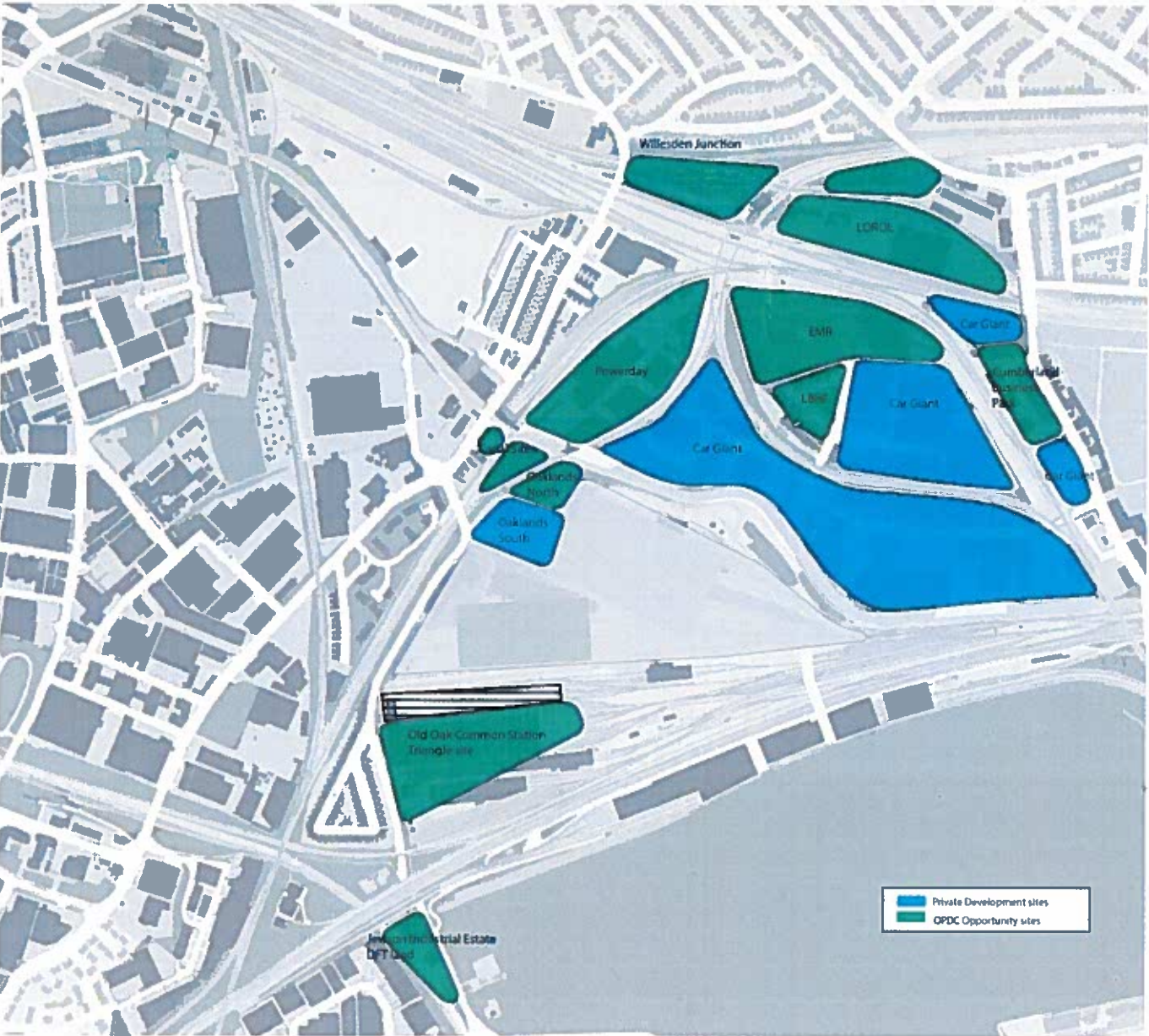
While it will be advantageous to revisit certain aspects of the MoU, the in principle agreement to transfer land to the Corporation at value in existing use is extremely valuable (Network Rail/DfT would be unable to dispose of their assets at these values under normal circumstances). However, the Corporation wishes to go beyond this and open discussions to acquire key strategic sites in advance of satisfying the MoU conditions for acquisition and, perhaps, waiving some or all of the conditions.

Draw down of contingency funding

OPDC anticipates that this work (Old Oak North Business Plan) will require additional funding of up to £0.8m. Costs (July to December 2017) are forecast to be:

	£m
• Commercial advice	0.120
• Real estate advice	0.255
• Legal advice	0.125
• Masterplan – broadened scope	0.250
• Contingency	0.050
Total	0.800

Attachment 1: Site Plan



[illegible]

