

# GREATER LONDON AUTHORITY

## REQUEST FOR DIRECTOR DECISION – DD1511

### Title: Hale Village Settlement Agreement

#### Executive Summary:

In 2009, the Homes and Communities Agency (HCA) invested loan and equity funding in the development of the Hale Village scheme in Tottenham. Following a proposal to buy the last remaining development plot within the scheme by Anthology, this report recommends that the Executive Director of Housing & Land approve the terms of the early settlement of these agreements and the release of the existing floating charge, to be replaced with a suitable alternative fixed charge to the value of the settlement for an interim period (expected 3 months) in order to allow the forward sale to take place and the funds for the settlement to be released and paid to GLAP.

The early settlement of the Investment Agreements will deliver at least 250 new homes in Tottenham, helping to meet the Mayors target of 42,000 new homes each year, and deliver a return on GLAP's original investment which in turn will be used to fund further interventions to help to deliver the Mayors agenda for the improvement of London.

#### Decision:

That the Executive Director for Housing & Land;

- Approves the terms of the settlement agreement (the details of which are set out in the reserved section), subject to the exchange of contracts with Anthology,
- Approves release of the floating charge which covers the wider Hale Village development site subject to it being replaced by a fixed charge over the Tower site subject to LVE and Anthology entering into contracts on the terms set out in Part 2, until GLAP is paid in full in accordance with the terms of the settlement agreement.

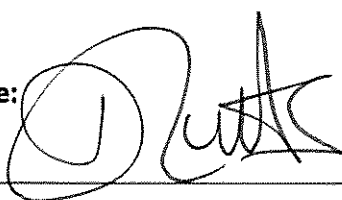
#### AUTHORISING DIRECTOR

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

**Position:** Executive Director

**Signature:**



**Date:**

19/05/16

## **PART I - NON-CONFIDENTIAL FACTS AND ADVICE**

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

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

- 1.1 In 2009 the Homes and Communities Agency (HCA) invested in the Hale Village development at Tottenham Hale by virtue of the Investment Agreements. The Investment Agreements are now with GLAP as they were transferred under the Transfer Scheme following the devolution of the HCA in London and as provided under the Localism Act. As part of the security for the investment, GLAP holds a charge over the development until the terms of the agreement are fulfilled.
- 1.2 The loan facility agreement dated 8 April, 2009 (the Loan Agreement), was designed to help fund the redevelopment of the former industrial estate at Tottenham Hale. The further equity agreement dated 4 December 2009 (the Equity Agreement) was a further investment termed as an 'equity stake' within the agreement terms. Notably this is not a true equity investment, but an investment with the potential for uplift, but without guarantee of return.
- 1.3 The Investment Agreements are settled in two different ways. Firstly, the Loan Agreement is repaid on completion of the 'Pavilions', a series of 5 development parcels to the East of the scheme. Whereas, the Equity Agreement is repaid on gross receipts being generated from the site (capital or income based) and distributed according to a predetermined cascade of priority set out in the Equity Agreement.
- 1.4 LVE have successfully brought forward the current phases (known as 'Pavilions 1 to 5') of development in the scheme, with one remaining plot left for disposal known as 'the Tower Site'. This is a frontage corner plot facing Tottenham Hale Station and has an existing consent for development of a 19 storey tower (18 plus ground floor).
- 1.5 LVE have exchanged and completed contracts with Bellway to deliver Pavilion 5 of the development scheme. Once the remaining receipts are received by LVE, the payment terms of the Equity Agreement are triggered and repayment is due.
- 1.6 Working with GLAP, LVE approached the market for potential development partners for this site and had identified Bellway as their preferred development partner for a landmark tower on this plot of approximately 30 storeys. However, due to a number of constraints, this deal did not come to fruition.
- 1.7 In the interim, a matching unconditional offer has been received for the Tower Site from Anthology; a London based residential developer backed by Oaktree Capital Limited. LVE have decided to proceed to accept this offer.
- 1.8 The proposed new scheme meets the aspirations of the Borough and is in conformity with the vision for both the recently designated Tottenham Housing Zone and the Mayors adopted Upper Lea Valley Opportunity Area Planning Framework. The Tower site is specifically identified as a site for delivery of around 250 units and of a scheme of a height of approximately 30 storeys within the emerging Tottenham Area Action Plan (AAP) and its contained policies, which is currently at public consultation 'Reg 19' stage, with a view to a public inquiry in 2016 and result in adoption later that year. It is therefore fair to assume that any policy compliant scheme on this site would be approximately 30 storeys high and provide approximately 250 residential units, subject to a suitable planning approval.

- 1.9 The package proposed by Anthology would ultimately provide sufficient gross receipts to LVE to cover the settlement figure agreed (which represents the amounts due under both Investment Agreements).
- 1.10 **Funding Resolution**
- 1.11 LVE have proposed that the GLA releases its existing floating charge over the wider site and instead take first charge over the remaining tower site so that LVE can deal with the site as required to achieve the deal with Anthology which, in accordance with the full Red Book valuation undertaken by JLL on behalf of LVE and the GLA, would be of sufficient value to provide the GLA with securities to cover the settlement figure. Given the nature of Anthology's funding, via an investment fund rather than a bank, the GLA's charge will be able to take priority.
- 1.12 LVE expect a period of 3 months from release of the floating charge to allow papers to be prepared and agreed before the settlement figure is satisfied.
- 1.13 Doing so will mean the GLA's monies to be repaid in a single payment at a point shortly after the exchange of contracts, rather than being spread across multiple milestones and contingencies as was originally proposed by Bellway who suggested a split payment post planning permission and post completion.

## **2 Objectives and Expected Outcomes**

- 2.1 The original proposals for the Hale Village development, and subsequent funding, looked to deliver 1,210 residential units (including 30% affordable units) and 700 rooms of student accommodation, along with ancillary office, retail and community space. The current scheme has already delivered 1,100 residential units, of which 542 (49%) are affordable, as well as 1,200 rooms of student accommodation. The delivery of the Tower site would take forward a further 250 homes, of which a percentage confirmed at the planning application stage would be affordable, increasing both overall supply and affordable housing levels in the area.
- 2.2 The resolution to release the existing charges and secure a new charge on the Tower site will ensure the GLA continues to have sufficient security over the site to ensure the settlement is paid, whilst ensuring the ongoing viability of the development partner within the scheme and delivery of the remaining Tower site residential units.
- 2.3 This in turn will ultimately lead to the repayment of the monies owed to GLAP in full under the Investment Agreements, alongside securing the delivery of approximately 250 new homes within the Tottenham Housing Zone, approximately 50 units more than was anticipated in the original Housing Zone bid.

## **3 Equality comments**

- 3.1 The proposed resolution to the existing funding agreement is aimed at delivering new housing units within Haringey, and the Tottenham Housing Zone, which in turn will help to implement the Mayor's policies set out in the Mayor's London Housing Strategy. In January 2014 the GLA published an Integrated Impact Assessment (IIA), including an equalities impact assessment, of that strategy. The policies related to increasing housing supply, of which this paper relates, were covered by the IIA for the Further Alterations to the London Plan.
- 3.2 The IIA concluded that updating housing projections and targets would support the delivery of sufficient housing and may help stabilise housing prices, supporting equal opportunities throughout communities. Furthermore, the provision of housing, including maximising the delivery

of affordable housing, would be in line with other policies of the Plan (e.g. Policy 3.5), ensuring that the needs of different groups are taken into account in the housing design.

- 3.3 The delivery of 250 new homes (of which a percentage to be determined at the planning stage would be affordable) within the Housing Zone and particularly those facilitated on this site will help to implement Objectives 1, 2, 3 and 4 of the Mayor's Equalities Framework "Equal Life Chances for All" (June 2014) through the creation of new homes, housing products and well-designed housing schemes.
- 3.4 Such homes, in line with the Housing Zone programme, would be designed to the Mayors Housing Design Guide standards, promoting accessibility for all and homes suitable for all users.

#### **4 Other considerations**

- 4.1 With regard to the potential levels of housing development proposed by Anthology within the scheme, it should be noted that the figures stated here do not prejudice any future Mayoral decisions on planning designations/de-designations or consideration of future planning applications.

#### **5 Financial comments**

- 5.1 There are several reasons for the proposal of the changing of our charge over the land as part of the development, but the most important one is mentioned in section 1 of part 1, of this report. This is that the viability of the developer would be jeopardised if this change was not put in place.
- 5.2 Secondly this proposal will make the construction of 250 dwellings more certain and therefore help achieve the mayor's target of 42,000 dwellings.
- 5.3 Further comment relating to the commercial elements of this deal is contained in in Part 2 of this report.

#### **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 to 4 of this report and section 7 of the reserved section of this report indicate that GLAP and the Mayor has the power to proceed to make the decisions as requested within this report.

## **7 Next steps**

- 7.1 The next steps following consideration by HIG are summarised below:

<b>Activity</b>	<b>Timeline</b>
Determination of Planning	Q4 2016/17
Settlement of the agreement and payment to the GLA	Q4 2016/17

### **Appendices:**

**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: Part 1 of this report provides details of a current commercial contract negotiation that is ongoing. Releasing this information in to the public domain prior to resolution of this negotiation would risk the successful completion of this agreement, and as a result both the delivery of these new homes and the funding repaid to the GLA.

Until what date: Exchange of contracts with the development partner – expected 31<sup>st</sup> August 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:**

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:**

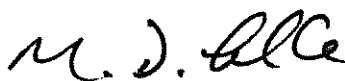
The Finance and Legal teams have commented on this proposal, and this decision reflects their comments.

✓

**EXECUTIVE DIRECTOR, RESOURCES:**

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

Signature



Date

19.5.16