

# GREATER LONDON AUTHORITY

## REQUEST FOR MAYORAL DECISION – MD2784

### Silvertown Quays – Changes to the Master Development Agreement

#### Executive summary:

Silvertown Quays (SQ) is a 50-acre development site in the Royal Docks Enterprise Zone owned by GLA Land and Property Ltd (GLAP). In June 2013, following a regulated procurement for a development partner to deliver a mixed-use development at SQ, GLAP entered into a Master Development Agreement (MDA) with the developer, The Silvertown Partnership LLP (TSP) and BREPS LLP. TSP had an Outline Planning Permission (OPP) granted in August 2016.

The Mayor approved a change of control under the MDA in 2018 (MD2280) to a joint venture of Starwood and Lendlease, and the parties entered into a Deed of Variation of the MDA to facilitate the change. Since then the Royal Docks Team has been working with TSP to move the scheme forward, and in late 2019 TSP achieved detailed planning consent for phase one. Shortly after this, the parties began discussing the desire to increase the level of affordable homes on the site to 50 per cent. The parties now wish to make further changes to the MDA. This MD sets out the proposed changes that will allow for an update to the planning consent for the site, to ensure it meets current Mayoral policy objectives and the recently adopted London Plan to deliver a higher quantum of affordable homes.

#### Decision:


The Mayor approves GLA Land and Property Ltd entering into a further Deed of Variation materially on the terms set out in this Decision, to the MDA between (1) GLA Land and Property Ltd (2) The Silvertown Partnership and (3) Starlend Developments Limited and any other ancillary documentation necessary to facilitate the changes outlined in this form.

#### 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:

1/7/21

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

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

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

- 1.1. Pursuant to a competitive procurement process, launched in 2011, GLAP selected TSP as its development partner and entered into the MDA with TSP in June 2013 to deliver a mixed-use redevelopment on the SQ site in the Royal Docks. TSP submitted an outline planning application in 2014, which was approved by the London Borough of Newham (LB Newham) and the previous Mayor of London in December 2015; the section 106 agreement (s106) was signed in August 2016. In 2018 GLAP approved a change-of-control event involving a corporate restructuring of the ownership interests in TSP and the entry into associated documents. More detail of these changes and documents can be found in Mayoral Decision (MD) 2280, which was published in May 2018.
- 1.2. The bulk of historic approvals have been to consent to stages in the project, as follows:
  - i. MD977 (March 2012) – adoption of the London Development Agency’s procurement process.
  - ii. MD1205 (May 2013) – signing of the MDA with TSP.
  - iii. MD1410 (November 2014) – investment of the former Department for Communities and Local Government grant into the site.
  - iv. MD1653 (May 2016) – signing of s106 agreement relating to the OPP.
  - v. MD2280 (May 2018) – approval of the change of control under the MDA.
  - vi. MD2523 (October 2019) – approval for annual expenditure and income, and a note regarding the potential changes to the MDA to secure affordable housing policy compliance.
- 1.3. As set out in MD2523, the consented OPP granted in 2016 provides for 35 per cent affordable housing in accordance with planning policy guidance applicable at the time of the application. However, the new London Plan 2021 revises the affordable housing requirement to 50 per cent by habitable room. To note, further references to affordable housing in this form will be in reference to an assessment by habitable room.
- 1.4. In line with the revisions to the MDA agreed in 2018, the date for TSP to submit their Reserved Matters Application for phase one was 30 September 2019. TSP achieved this milestone on 29 September 2019 and the planning consent for phase one was granted at LB Newham’s Strategic Planning Committee on 10 December 2019.
- 1.5. As set out in MD2523, the parties began discussing the potential to change the masterplan to provide for an increase in affordable homes from 35 per cent in summer 2019 and intended to present the detailed commercial implications to the Mayor for approval in December 2019. However, given the complexities of the scheme, ensuring a robust approach to the development strategy took longer than expected. The timetable was significantly delayed by the impact of the Covid-19 pandemic, in relation to both available ongoing resources to the scheme, and being able to finalise the strategic approach to delivery in the context of an unstable global economy and real estate market. The parties are now agreed on the way forward and, subject to this decision, intend to make further changes to the MDA to facilitate the proposed new masterplan.
- 1.6. Following the changes being made, TSP will ensure that the development of the SQ site accords with current Mayoral planning policy in relation to the provision of affordable housing on public land. The proposed changes are set out in the next section.

## **2. Objectives and expected outcomes**

### Introduction of new minimum requirements

- 2.1. TSP currently intends to submit a new masterplan planning application for the entire SQ site that will deliver at least 50 per cent affordable housing and replace or vary the existing OPP. It may replicate some of the plots from the previously consented detailed phase one, which will enable TSP to start on site before the new masterplan consent is secured. Once a new masterplan planning permission has been secured, two new minimum requirements (absolute obligations on TSP under the MDA which will be included as part of the proposed variation) will become effective.
- 2.2. The first new minimum requirement will state that 50 per cent of the residential space must be affordable housing. There is no equivalent minimum requirement or anticipated percentage in the current MDA, but the existing OPP for SQ provides for 35 per cent.
- 2.3. The additional affordable housing requirement is due to a change in Mayoral planning policy which was introduced in 2018, requiring all new housing schemes on public land in London to meet a target of at least 50 per cent affordable housing. Since the signing of the MDA in 2013 and the planning approval in 2015, and signing of the s106 agreement in 2016, there have been significant changes to policy relating to the site including an update to the National Planning Policy Framework (2019); publication of the Mayor's Transport Strategy (2018); adoption of the New London Plan (2021); and adoption of the LB Newham Local Plan (2018).
- 2.4. Furthermore, TSP will also be obliged by additional head lease grant conditions, to ensure that at least 50 per cent of the scheme's affordable housing achieves practical completion by the time 85 per cent of the total residential development area has achieved practical completion. The purpose of this provision is to ensure proportionate delivery of the affordable housing through the life of the scheme against the private housing. It will be acknowledged in the drafting of this change that this constraint cannot conflict with the local planning authority's requirements. TSP has also agreed to restrictive covenants being imposed in the relevant areas securing affordable housing use. This is intended to ensure commitments to affordable housing are maintained throughout the lifetime of the development.
- 2.5. The second new minimum requirement will state that the non-residential floor space must total a minimum of 167,225 square metres, to maintain a balance of mixed uses. The minimum requirement in relation to non-residential floor space currently total 78,090 square metres.
- 2.6. The SQ site is also within the Royal Docks Enterprise Zone and provides a key source of business-rate income from the non-residential uses. Therefore, the change to the minimum requirements to increase the amount of non-residential floorspace within the development is of benefit to the GLA, as it will secure a higher amount of business rates to be reinvested into the area.

### Changes to the financial provisions

- 2.7. The financial provisions of the MDA are to be adjusted as set out in the Part 2 of this decision form. The revised financial arrangements reflect adjusted parameters for the new masterplan planning permission. Should the new masterplan consent materially depart from the current development strategy (167,225 square metres non-residential use, and c.6,100 residential units with 50 per cent being affordable in tenure with associated affordable housing grant provision), GLAP will have the ability to propose revised financial arrangements to be agreed by TSP.

### Changes to the milestone dates

- 2.8. The MDA includes identified project milestones ('milestone events') which each have associated 'milestone dates', namely a 'target date', a 'long stop date' (extendable for 'delay events') and an ultimate 'drop dead date' (only extendable at the absolute discretion of both parties). Failure by TSP to meet a long stop or drop dead date affords GLAP the right to terminate the agreement and

therefore provides key controls in the scheme's delivery.

- 2.9. Changes are being made to the milestone events and associated milestone dates. These include inserting a new milestone event for submission of the new masterplan planning application. This will require TSP to submit their masterplan planning application to the local planning authority within 12 months (target date) of the Deed of Variation to the MDA being signed, and in advance of the 18-month long stop date and the 24-month drop dead date.
- 2.10. Including new milestones for the submission of the masterplan planning application gives GLAP certainty that the changes to achieve 50 per cent affordable housing will be secured in a timely manner. The planning application will undergo full consultation with the local community and Royal Docks stakeholders, LB Newham, Transport for London and the GLA.
- 2.11. In addition, the milestone dates relating to the implementation of the works on phase one, which were originally drafted by reference to certain periods after detailed planning permission for phase one, are being revised as fixed dates. Additional milestones (and milestone dates) are being imposed on TSP to achieve planning permission for and deliver the new bridge over the Royal Victoria Dock.
- 2.12. TSP has been engaging with GLAP on the matter of extending certain milestone dates in relation to phase one due to the impact of Covid-19, which has delayed the agreement of the development strategy for the scheme, and therefore the commencement and related completion dates for the phase. TSP is seeking 14 months' delay to current milestones as a result of the national lockdowns experienced and related restrictions, which have impacted resources supporting the team and the ability to determine the appropriate development strategy for the new masterplan. GLAP intends to agree to this given that, under the MDA, long stop dates are subject to extension for delay events due to "any emergency; government restrictions; and any matter outside the Developer's reasonable control other than changes in market conditions".
- 2.13. In addition to the delay event extension to certain milestones relating to the remaining conditions precedent under the MDA and to phase one, in light of the extreme and unforeseeable nature of the Covid-19 pandemic, GLAP intends to agree an extension of six months to the drop dead dates for the same milestones. The MDA already allows an extension to drop dead dates if both parties agree in their absolute discretion.

#### Phases and sub-phases

- 2.14. A change to the MDA will be made that introduces the concept of sub-phases. This will allow TSP to draw down the land required to deliver a part of the phase-one planning consent while securing the new wider masterplan consent, and will ensure that they can meet the relevant conditions required in advance of drawing down the land, including but not limited to a funding condition.
- 2.15. It is proposed that phase one of the SQ scheme will be capable of being divided into sub-phases, each comprising at least two independent buildings. GLAP intends to pre-approve the division of the existing phase one into four sub-phases, which will enable sub-phase one to be brought forward under the existing OPP.
- 2.16. Where a phase has been divided into sub-phases, the conditions that need to be satisfied under the MDA for the developer to commence works on site will remain in place and need to be met in relation to the relevant sub-phase rather than the phase as a whole. Phase-related milestone events will still apply to the phase as a whole rather than each sub-phase.

#### Brand Pavilions

- 2.17. One of the development objectives in the MDA is the creation of an avenue of Brand Pavilions. This will now be a cluster, rather than an avenue, to reflect the latest scheme's design. In addition, GLAP will record its approval to reduce the number of Brand Pavilions, so that there will be a minimum of five Brand Pavilions, rather than 15. The new masterplan anticipates the Brand Pavilions being larger

in size, but fewer in number.

- 2.18. TSP is obliged to include at least 66,750 square metres of Brand Pavilions in the SQ scheme. The changes to these provisions include the amalgamation of the minimum requirements for Brand Pavilions in relation to phases two and three (the aggregate requirement for those phases remaining the same), and certain minor amendments such as including the following in the list of potential primary uses: education, making, manufacturing, logistics and performance.
- 2.19. TSP will need to submit an updated business plan (together with phasing plan) reflecting the new masterplan for GLA's approval in accordance with the MDA.

#### Further clarifications

- 2.20. The following amendments will be made to the MDA to provide further clarifications regarding the interpretation of the MDA minimum requirement for phase one:
- 2.21. The original MDA required the development to include the retention, refurbishment and restoration of Millennium Mills, which included a building known as the Rank Hovis building. Following a fire on 23 June 2019, and having taken planning counsel's advice, GLAP is intending to arrange for the demolition of the Rank Hovis building and TSP will therefore no longer be obliged to retain, refurbish or restore that element of Millennium Mills. It will be documented that TSP will instead reimburse GLAP for their demolition costs (up to £3m) on draw-down of the head lease of the area in which the Rank Hovis building is currently located.
- 2.22. It will be clarified that only dock-wall repair or replacement works required as part of phase one will be those within the boundary of phase one, not wider dock-wall works to other areas.
- 2.23. TSP also wishes to carry out early works to Pontoon Dock under licence before the relevant head lease has been granted. To do so, TSP requires a licence from the Royal Docks Management Authority (RoDMA), which has a long lease of the water areas within SQ. The MDA already includes a right for TSP to require GLAP to exercise its rights against RoDMA, as landlord, to grant an underlease or take a surrender of the relevant areas. GLAP will support TSP in reaching an agreement with RoDMA in relation to the proposed in-filling of Pontoon Dock and the surrender of its lease of that area.
- 2.24. All measurements in the MDA will be clarified as referring to gross external area (GEA). This is purely a point of clarification that all areas referred to in the MDA are to be treated as GEA, unless otherwise stated.
- 2.25. GLAP and TSP have clarified the process involved in establishing a "delay event" for the purposes of extensions to long stop dates. This additional clarification will ensure that there is certainty going forward as to its interpretation, and will record (for the avoidance of doubt) the required link between a delay event and the associated extension to the relevant long stop dates.

#### Funding

- 2.26. TSP is seeking funding from Homes England for phase-one infrastructure, as the first phase is sizeable but also includes crucial infrastructure that unlocks the rest of the site. It is anticipated that phase one will start onsite in Q1 2022, and will ensure crucial momentum is achieved onsite after decades of underuse. Previously GLAP sought approval to loan fund TSP for the Royal Victoria Dock footbridge, which was granted in DD2415. The heads of terms for this loan have not been progressed into a loan agreement, given that the funding from Homes England will include an allocation for the bridge; making the proposed GLAP loan unnecessary.

### **3. Equality comments**

- 3.1. Under section 149 of the Equality Act 2010 (the Equality Act), as a public authority, the GLA must

have 'due regard' to the need to eliminate unlawful discrimination, harassment and victimisation, and to advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not. Protected characteristics under the Equality Act comprise age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation, and marriage or civil partnership status.

- 3.2. When considering the needs of the existing community and those that will be affected by the proposed development (both currently and in the future development scheme), any development activity will look to minimise disadvantages to all protected characteristic groups within society. This decision is therefore expected to have positive impacts on persons with a protected characteristic under the Equality Act, as increasing the supply of housing in London will help to address problems such as overcrowding and homelessness, which evidence indicates disproportionately affect specific groups, including Black, Asian and minority ethnic groups; and women.
- 3.3. The development of SQ will deliver strategic objectives from the Mayor's Equality, Diversity and Inclusion Strategy (section: "Making London a great place to live").
- 3.4. The outline masterplan will be designed to provide a minimum of 50 per cent affordable homes on GLAP land, in line with the new London Plan, increasing the supply of genuinely affordable homes. This will advance equality of opportunity for groups with a protected characteristic.
- 3.5. LB Newham is one of the most disadvantaged boroughs in London, and one of the most diverse in terms of faith and ethnicity. It is paramount to redevelop this key strategic site in the Royal Docks in a sustainable way, and to consider how the regeneration of the area will provide benefits for all local communities. The masterplan will be designed to respond to the diversity of the surrounding area; and, in the design of the landscape and homes, will follow all Part M building-regulation requirements to create an accessible development in the Royal Docks.
- 3.6. There is a high proportion of young people in LB Newham compared to other London boroughs. The play space, landscaping and education facilities will create opportunities for communities to come together and foster good relations between diverse groups.
- 3.7. The proposals in this paper have no negative impact on those with protected characteristics. The GLA's assessment is that this initiative will not have an adverse effect on any groups with a protected characteristic, and will assist in fostering good relationships between groups.

#### **4. Other considerations**

- 4.1. This decision outlines an opportunity to proceed with a scheme which will comprehensively redevelop a significant brownfield site in East London and make the best use of, and maximise affordable housing on, GLAP land.
- 4.2. The revised outline masterplan for SQ will aim at implementing a number of the Mayor's policies, such as those outlined in the new London Plan 2021 (the Healthy Streets Approach, the Culture Strategy, the London Housing Strategy and the Transport Strategy) and is aligned with the Mayor's Equalities Framework to consider the requirements of relevant equalities groups. The residential development will be required to meet building safety standards that the Mayor has applied to GLA land.
- 4.3. As the project sits on GLA-owned land, when the GLA considers the planning application, the Mayor will delegate authority to the Deputy Mayor for Planning, Regeneration and Skills, as is the protocol in these scenarios.
- 4.4. There are no conflicts of interest to note for any of those involved in the drafting or clearance of the decision.



## Key risks

- 4.5. Changes to the MDA will need to fall in line with procurement regulations. GLAP will work with legal advisers to ensure any adjustments do not breach procurement laws.
- 4.6. The constraints associated with the site result in high infrastructure costs, which will be required for the initial stages of the project. Funding is being sought for the early phases of the project from Homes England.

## **5. Financial comments**

- 5.1. The decision is seeking approval for changes to the Silvertown Quays MDA, which will ensure the development meets the Mayoral policy on the number of affordable houses delivered. The changes will result in an increase in the number of affordable homes on the development from 35 per cent to 50 per cent.
- 5.2. The financial implications 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 that he considers will further one or more of the principal purposes of the GLA as set out in section 30(2) which are:
  - promoting economic development and wealth creation in Greater London
  - promoting social development in Greater London
  - promoting the improvement of the environment in Greater London.

Additionally, 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
  - 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.
  - 6.3. Please refer to part 2 of this Decision Paper for further legal comments.

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

Activity	Timeline
Mayoral Decision	June 2021
Publish voluntary ex-ante transparency (VEAT) notice	July 2021
Publish contract award notice	July 2021
Enter into variation to the MDA	August 2021

Implement phase one	January 2022
Submission of revised masterplan planning application	Summer/autumn 2022
Masterplan planning determination	Spring 2023

**Appendices and supporting papers:**

None.



**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**

If YES, for what reason: The MD should be published simultaneously with the VEAT notice being published on the TED Electronic portal.

Until what date: tbc but c. 7 July 2021

**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:**

Bethan James 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 28 June 2021.

**EXECUTIVE DIRECTOR, RESOURCES:**

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

**Signature****Date**



1 July 2021

**CHIEF OF STAFF:**

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

**Signature****Date**



1 July 2021

