

# GREATER LONDON AUTHORITY

## REQUEST FOR DIRECTOR DECISION – DD2445

### Title: Canada Water Strategic Investment Fund and Affordable Housing Grant

#### Executive Summary:

British Land's Canada Water masterplan is one of London's largest regeneration projects. Subject to planning consent, it will deliver a minimum of 2,000 homes at 35% affordable, up to 400,000 sqm (GEA) of office and retail space, along with improvements to public realm and a new leisure centre. This will support approximately 20,000 new jobs.

In 2018, the Mayor established a £112 million Strategic Investment Fund (SIF), using the GLA's forecast share of the growth in business rates income to fund strategic projects in the capital. British Land applied for £17.5m of SIF funding to help with the viability of the project. This application was approved by the Mayor in September 2018 under Mayoral Decision (MD)2363, which delegated authority for detailed project level approval to the relevant GLA Executive Director via Director Decision.

It is proposed that the SIF funding is provided together with £21.6m of Affordable Homes Programme 2016-22 grant. The funding would be applied towards the delivery of affordable homes on the site. In accordance with MD2282, a Director Decision is required if the decision in respect of the Affordable Homes Programme relates to a bespoke agreement, which is the case here.

The masterplan was approved by the London Borough of Southwark Planning Committee on 30th September 2019. The first homes are forecast to start on site by autumn 2020.

#### Decision:

That the Executive Director of Housing and Land approves the grant of up to £17.5m from the Strategic Investment Fund (MD2363) and up to £21.6m from the Affordable Homes Programme 2016-22 to British Land to enable the delivery of 700 affordable homes at the Canada Water site.

#### 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:** Rickardo Hyatt

**Position:** Interim Deputy Executive Director, Housing and Land

**Signature:**



**Date:**

17 March 2020

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

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

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

- 1.1. British Land's Canada Water masterplan comprises 53 acres of brownfield land in the London Borough of Southwark (LB Southwark). The masterplan comprises plans to redevelop the Surrey Quays shopping centre and low rise, out of town style commercial units plus the former Evening Standard Printworks to create a new town centre. Subject to detailed planning consent, the scheme will deliver: a minimum of 2,000 homes at 35% affordable, up to 400,000 sqm (GEA) of office and retail space, as well as significant improvements to public realm and a new leisure centre. This will support approximately 20,000 new jobs.
- 1.2. On 30th September 2019, LB Southwark's Planning Committee recommended approval for the British Land Masterplan application, after five years of extensive consultation and engagement with the community. A partnership was created last year between Southwark Council and British Land after they entered into a Master Development Agreement.
- 1.3. The Mayor, the London boroughs and the City of London Corporation (collectively referred to as 'London government'), with the agreement of the then Secretary of State for Communities and Local Government, established a London Business Rates Pool ('the pool') for 2018-19. The Mayor's agreement to the GLA's participation in the pool was set out in MD2217.
- 1.4. In the memorandum of understanding with the other pool members and the government, the Mayor set out his intention to use his share of the net financial benefit of pooling on strategic investment in the capital. To do this, the Mayor has established a £112 million Strategic Investment Fund (SIF) using the GLA's forecast share of the growth in income.
- 1.5. The Mayor approved 13 bids for SIF investment for £90.89m (through MD2363) in September 2018, including £17.5m for the Canada Water project to improve the viability of the project and enable the delivery of the Masterplan objectives. This assessment was undertaken by the GLA's Regeneration and Economic Development Unit.
- 1.6. In addition, to assist with viability, it is proposed that British Land are allocated £21.6m of Affordable Housing Grant (AHG). Together, the SIF funding and AHG is expected to enable the delivery of 700 affordable housing starts by March 2022 (including 220 nil grant units). In accordance with MD2282 and the Mayoral Decision-Making in the Greater London Authority framework, a Director Decision is required if the decision in respect of the Affordable Homes Programme relates to a bespoke agreement, which is the case here.
- 1.7. The Housing and Land Directorate are responsible for contracting and monitoring the delivery of the project.

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

- 2.1. The outline permission for the masterplan sets out minimum and maximum parameters for delivery of 2,000 (an increase from the initial 1,500) to 4,000 homes and up to 400,000 sqm (GEA) of commercial space. The affordable housing offer is 35% of the first 2,000 homes at a 70:30 tenure split weighted in favour of London Affordable Rent. The remainder will consist of intermediate housing products. An affordable housing viability review mechanism has been included in the section 106 agreement to further increase the scheme's affordable housing offer.

### Strategic Investment Fund

- 2.2. It has been estimated that the business rate revenue for the illustrative masterplan is £46.2 million per annum (for more information see Appendix 1). This application was approved by the Mayor under MD 2363 in September 2018.
- 2.3. British Land applied for £17.5m of SIF to accelerate the delivery of commercial space to develop the area's economic sustainability; including supporting a viability gap arising from upfront costs associated with the relocation of a large Tesco store and transport requirements. Following further due diligence, including analysis to ensure compliance with State aid rules, it is proposed that the SIF funding is provided to assist with delivery of the affordable housing units on the site. This should enable British Land to invest more of its other financial resources into the up-front infrastructure costs, allowing it to deliver the against the Masterplan objectives. To further fulfil the objectives of the Strategic Investment Fund, the grant agreement will require British Land to use its reasonable endeavours to deliver at least 400,000 square meters of workspace and create at least 20,000 new paid positions of employment in connection with or resulting from the development of the wider site.
- 2.4. It is proposed that British Land receive the SIF funding at start on site for each plot at a grant rate of £36,458 per affordable home to meet the timescales for drawdown for the SIF programme. All SIF monies must be drawn down by March 2022.

### Affordable Housing Grant

- 2.5. The original tenure mix proposed by British Land focussed the affordable offer on intermediate products, which was not compliant with LB Southwark policy. British Land therefore also requested affordable housing grant (AHG) from the GLA to support provision of London Affordable Rent and Shared Ownership, subject to viability assessment. The proposed AHG allocation is £21.6m. This will deliver 700 affordable housing starts by March 2022 (including 220 nil grant units) at a 70:30 tenure split weighted in favour of London Affordable Rent. The units and grant liability will transfer at a pre-agreed price to a Registered Provider (which may be LB Southwark) on completion.

### Contracting

- 2.6. The GLA will enter into a single bespoke consortium contract (covering both AHG and SIF grant streams) with BL CW Holdings Limited, a British Land group company who will remain the lead consortium member, together with other companies which are expected to hold leases of the individual plots, to deliver the affordable homes.
- 2.7. The grant agreement will secure investments from both the AHG and SIF to a total of £39,100,000, equivalent to 3% of total scheme costs.

## **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 re-assignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation and marriage or civil partnership status.
- 3.2. Delivery of additional affordable homes in London is likely to help many of those with protected equality characteristics, as many of these groups are disproportionately represented among those in need of affordable housing. This is in part because they are more likely to experience homelessness or overcrowding, or to have low incomes that make it difficult for them to afford market housing. By enabling the development of new affordable accommodation, this project is likely to advance equality of opportunity for those with protected characteristics.

- 3.3. The allocation of the funding in this report implements the Mayor's policies under his London Housing Strategy (LHS). An equality impact assessment of that strategy was undertaken which found that "...LHS policies are likely to have broadly positive benefits in relation to social and economic sustainability objectives such as improving health, reducing inequalities, increasing accessibility, and economic development..."
- 3.4. The Mayor's Equality, Diversity and Inclusion Strategy was issued in May 2018. 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 project will help deliver new affordable housing. This in turn helps to implement the requirements for new housing set out in the London Plan.
- 3.5. In order to access funding, British Land will be required to enter into a grant agreement with the GLA, which will place an obligation on British Land to have and comply with a policy covering equal opportunities designed to ensure that discrimination prohibited by the Equality Act 2010 is avoided at all times. British Land will also provide a copy of that policy and evidence of the actual implementation of that policy upon request by the GLA.
- 3.6. 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

##### Risks

Identified Risks	Issue and Mitigation
Planning Consent	<p>The project has been de-risked by the Planning Committee recommending the grant of permission of the outline masterplan in September 2019.</p> <p>The Stage 2 planning referral was also approved on 10 February 2020.</p>
Judicial Review	<p>It is expected that there may be challenges from local campaign groups who are actively fundraising to mount a challenge focusing particularly on transport issues. LB Southwark and TfL have therefore proceeded with additional due diligence on these aspects of the s106 to protect against an unfavourable Judicial Review challenge.</p>
Outcome of Housing Infrastructure Fund bid	<p>The scheme will benefit from the GLA's/TfL's East London Line bid for Housing Infrastructure Funding (HIF) from Ministry of Housing Communities and Local Government (MHCLG). The bid included £18m for station improvements for Surrey Quays station. TfL have secured £10m in the S106 to cover the remainder of the cost. The HIF bid was approved by MHCLG in August 2019.</p> <p>The pace of the s106 negotiations between British Land and the LB Southwark are a risk to the HIF funding. Any delay will affect the GLA's/TfL's ability to enter into the HIF grant agreement and drawdown money for improvements to the Surrey Quays Station which are requirements of the HIF project.</p> <p>Housing and Land officers are working proactively with British Land and planners at the GLA and LB Southwark to ensure that</p>

	the delays are mitigated and the project can meet contract milestones.
Brexit Uncertainty	This remains a risk to all GLA programmes while the full impact of the withdrawal negotiations is unknown. GLA officers will continue to engage with partners and government, offering GLA support where appropriate.
Starts on site by March 2022	<p>It has taken longer than anticipated to secure planning permission and there is some concern that British Land may not be able to start all the affordable homes by March 2022 and ensure that 100% SIF is drawn down by the deadline date of March 2022</p> <p>To mitigate this risk, British Land submitted detailed proposals on three plots and aim to be on site by Q3 2020 with the first affordable homes to meet the March 2022 starts deadline. Further detailed applications will be submitted under reserved matters.</p> <p>Detailed applications on the first three plots of the development were approved and will provide the first 87 affordable homes estimated to be on site in October 2020.</p>
State Aid	<p>The SIF programme's primary objective is to increase London's economic activity and long-term sustainability, and any funding allocation will need to be compatible with State aid rules.</p> <p>This SIF money and AHG will be used to meet some of the costs of delivering the affordable housing units on the scheme.</p> <p>The GLA's external lawyers have reviewed the State aid advice received from British Land's lawyers to check that the GLA funding is capable of being applied in compliance with State aid rules.</p> <p>In the event that the funding gives rise to any unlawful State aid, the grant agreement will provide the GLA with the ability to recover the funding.</p>

#### Links to Mayoral strategies and priorities

- 4.1. The Intend to Publish (ItP) London Plan (2019) provides an integrated policy framework across housing, social, economic, cultural, environmental and transport policies.
- 4.2. The Plan is underpinned by the concept of Good Growth - growth that is socially and economically inclusive and environmentally sustainable. The draft London Plan is informed by six Good Growth objectives: GG1 Building strong and inclusive communities; GG2 Making the best use of land; GG3 Creating a healthy city; GG4 Delivering the homes Londoners need; GG5 Growing a good economy; and GG6 Increasing efficiency and resilience.
- 4.3. The ItP London Plan also identifies Canada Water as one of London's opportunity areas with significant capacity for development. The British Land Masterplan responds to both the aspirations identified in the opportunity area the Good Growth objectives, by providing jobs, homes, offices, shops, public spaces and facilities within Canada Water. 4.2.4 The Mayor's London Housing Strategy sets out policies and proposals determining how to deliver good growth priority GG4 – Delivering the homes Londoners need. This includes building homes for Londoners; delivering genuinely affordable homes; and high quality homes and inclusive neighbourhoods. The £17.5m SIF and £21.6m AHG is

expected to support the delivery of 700 affordable homes (including 220 nil grant) and a new town centre.

### Declarations of Interest

- 4.4. There are no conflicts of interest to declare for the officers involved in the drafting or clearance of this Decision form.

## **5. Financial comments**

- 5.1. This decision requests approval for grant expenditure of up to: -

- (i) £17.5m from the Strategic Investment Fund (MD2363), and
- (ii) £21.6m from the Affordable Homes Programme 2016-22 to British Land to enable the delivery of 700 affordable homes at the Canada Water site.

- 5.2. Both streams of capital expenditure will be incurred over 2020-21 and 2021-22.

## **6. Legal comments**

- 6.1. The provision of financial assistance (including grant funding) to part fund the delivery of affordable housing is permissible under sections 30(1) and 34 of the Greater London Authority Act 1999 (the GLA Act), if the GLA considers that doing this will further one or more of the GLA's principal purposes of: promoting economic and social development in Greater London, and improving the environment in Greater London. The foregoing sections of this report indicate that it is open to the Director to take the view that the provision of this grant to British Land will promote economic and social development in Greater London.
- 6.2. In determining whether or how to exercise the power conferred by section 30(1) of the GLA Act, the GLA must:
- (i) have regard to the effect that these decisions will have on the health of persons in Greater London, health inequalities between persons living in Greater London, the achievement of sustainable development in the United Kingdom and climate change and its consequences (sections 30(3-5) of the GLA Act);
  - (ii) pay due regard to the principle that there should be equality of opportunity for all people (section 33 of the GLA Act); and
  - (iii) have due regard to the Public Sector Equality Duty; namely the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Equality Act 2010, and to advance equality of opportunity between persons who share a relevant protected characteristic (race, disability, gender, age, sexual orientation, religion or belief, pregnancy and maternity and gender reassignment) and persons who do not share it and foster good relations between persons who share a relevant protected characteristic and persons who do not share it (section 149 of the Equality Act 2010).
- 6.3. In this respect, regard should be had to section 3 above.
- 6.4. Officers must ensure that all necessary and appropriate steps are taken, and a suitable funding agreement entered into with BL CW Holdings Limited and the other consortium members, to formalise the provision of the grant funding, including requirements regarding state aid compliance, before committing to the same.

- 6.5. Further comments in respect of the terms of the proposed grant agreement are set out in Part 2 of this report.

## 7. Planned delivery approach and next steps

Activity	Timeline
Achieve planning permission for the wider masterplan	March 2020
Enter into Consortium Grant Agreement securing AHG and SIF Investments	March 2020
Enabling works start	Summer 2020
Start on Site of first affordable home	Autumn 2020
First drawdown of SIF	Autumn 2020
Last drawdown of SIF	Spring 2022
Practical Completion of wider project	Spring 2035

### Appendices and supporting papers:

Appendix 1. Potential Business Rates from illustrative scheme

Appendix 2. Site Plans



### 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: While contract negotiations remain in place it is not appropriate to publish the investment details.

Until what date: April 2020.

### 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:

Carolyn Whittaker has drafted this report in accordance with GLA procedures and confirms the following:

✓

#### Assistant Director/Head of Service:

Heather Juman 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

This decision was agreed by the Corporate Investment Board on 16 March 2020.

### EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

*M. D. Allge*

Date 16.3.20