

# GREATER LONDON AUTHORITY

## REQUEST FOR MAYORAL DECISION – MD1365

**Title: Beam Park**

### **Executive Summary:**

Beam Park is a 29ha brownfield site in London Riverside Opportunity Area with the potential to deliver circa. 3,000 new homes for London. Estimates for remediation costs for the site currently range from £7.5 - £15m. Further work is needed to improve certainty and close this gap.

£450,000 has been set aside from savings made from the existing (2014-15) Land and Property Programme budget.

An additional budget amount of £260,000 (£190,000 in 14-15 and £70,000 in 15-16) is required to undertake intrusive site investigations and carry out robust development appraisals to enable GLA Land and Property (GLAP) to have an accurate understanding of the key viability issues, reduce risk and therefore ensure best consideration for the Beam Park site is achieved.

### **Decision:**

That the Mayor approves:

- Expenditure of £450,000 from the Land and Property Programme 2014-15 budget; and
- Additional expenditure of £190,000 in 2014-15 and £70,000 in 2015-16 which will increase the overall Beam Park budget to £710,000 (£640,000 2014-15 and £70,000 2015-16) from the Housing and Land External Services Budget.

to undertake intrusive site investigations, carry out development appraisals and ensure best consideration for the Beam Park site is achieved.

### **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:**

9 July 2014

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

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

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

1.1 GLA Land and Property Ltd (GLAP) owns the freehold of Beam Park, a brownfield site located in South Dagenham. The site spans the border between the London Borough of Havering (LBH) and the London Borough of Barking and Dagenham (LBBD), comprising 29.3 hectares (72.4 acres) and formed of three distinctly separate plots:

- Plot 1 (also known as the PTA site): 18.2 hectares (LBBD)
- Plot 2 (also known as the Beam Park site): 9.5 hectares (LBH)
- Plot 3 (also known as the Victor Engineering site): 1.6 hectares. (LBH)

A plan showing the sites is appended.

1.2 The site was formerly part of the Ford Motor Company manufacturing works until closure and in 2001 and 2002 was sold to the LDA in two separate transfers. GLAP inherited the freehold to the whole of Beam Park from the LDA in March 2012.

1.3 Plot 1 abuts the Ford stamping plant – which is in the process of being decommissioned – to the west (see below 3.8). To the south the entire length site is bordered by the Essex Thameside Railway line and the Channel Tunnel Rail Link (CTRL). Plot 2 is currently leased to TfL for the open storage of road salt and baled waste material which has been temporarily located on the site. Plots 1 and 3 are currently vacant; however there is a proposal for spoil to be stored on Plot 3. An environmental appraisal is underway (deadline to be confirmed) to ensure that this is not detrimental to the future development of Beam Park for residential use.

1.4 The three plots form the main scope of the development opportunity however there are two other ambitions which GLAP and its partners wish to see delivered. There is an opportunity to purchase land at Beam Park's upper western corner which is part of Ford's disposal of the Stamping Plant site. This will enable better access from the western approach to the site along the A1306. Secondly there is a need to improve connections to Dagenham Dock Station and the options to explore the best way to do this are being pursued.

1.5 A new Beam Park station is proposed which would support future development of the site. LBH is currently leading station feasibility work in consultation with the Department for Transport (DfT), Network Rail (NR) and Transport for London (TfL), which will be completed in June 2014. Further detailed work on timetabling, a preferred station design and cost options will be undertaken.

1.6 The site is an opportunity to deliver significant new housing (c 3,000 new homes) and jobs within London Riverside. GLAP is working with LBBD and LBH to progress the redevelopment of the site with their full support, in line with planning policy and to maximise the regeneration potential of London Riverside.

1.7 GLAP has developed options for the future use and is preparing a development brief with the two boroughs to agree the objectives for the site. This will shape the disposal strategy going forward for identifying development partners. Disposal is likely to be via LDP depending on the viability testing of the options and the need to encourage more novel approaches to achieve a successful development.

1.8 The forthcoming disposal of the 20ha Ford Dagenham Stamping and Tooling Plant (DSTO) adjacent to Beam Park presents an opportunity for GLAP to purchase the site. If this happens the DSTO site

could be combined with Beam Park as part of a strategic regeneration scheme for South Dagenham. However there is a high level of uncertainty around this opportunity and it will take some time to undertake the tasks required to ensure due diligence. There are other interested parties, some of whom have already made offers to Ford for the site. Ford are pending a decision from the US board regarding disposal and have already indicated that GLAP's interest and request for Ford to consider disposal for re-development for non-commercial uses will impact and possibly delay the board's decision. They may in the meantime decide to sell to the highest bidder.

- 1.9 In light of this high level of uncertainty around the future of the DSTO site it is proposed to continue work on Beam Park so as not to unnecessarily delay the disposal of the Beam Park site and ensure the Mayor's objectives and targets for homes are met within timescales. It is not considered that the additional work will impact negatively on a future strategic regeneration scheme for both sites but will simply provide more data which can be used to inform the options moving forward.
- 1.10 £20,000 was spent in 2013-14 (ADD83). This funded a review of the site investigation data which dates from investigations undertaken in 2004. The results of this review are outlined in 1.12
- 1.11 £450,000 budget for this project, for 2014-15, was identified from savings within the existing Land and Property Programme budget. Since the budget was set, additional works to reduce risk, ensure viability and improve the return GLAP could expect from the site have been identified. It is estimated that carrying out these tasks will require additional expenditure of £260,000 (£190k 14-15 and £70k 15-16). This will be contained from within existing Housing and Land budgets.

## **Additional Work**

### **1.12 Site investigation**

A review in 2014 has identified significant gaps in the data and a wide ranging cost estimate for the remediation works of between £7.5m and £15m. To close this gap and have more certainty over the extent of contamination on the site the report recommends additional intrusive stage 2 site investigations. More certainty over the remediation costs will enable GLAP to have a stronger negotiation position to obtain a higher capital receipt for the site.

A cost model has been developed and expenditure of £535,000 is required to carry out the works, review the data and produce a remediation strategy. The investigations are likely to identify the costs to be lower than the highest cost estimate. It is possible that the site is not as contaminated as previously assumed. The review of data has revealed that the site has lower levels of contamination than expected. The current data is insufficient to assess whether this is the case or whether the testing to date just hasn't identified the contaminants. This investment could enable GLAP to obtain a higher receipt from the disposal, potentially up to £7.5m higher than would be possible without the investigations.

### **1.13 Property and Marketing Advice**

There is a desire to see a mix of tenures on the site to achieve Mayoral targets for affordable homes, but also to ascertain if the site has the potential to accommodate PRS and custom build units. This adds complexity to the development appraisal which was not anticipated in 2013. Recent procurements for PRS appraisal for Stephenson Street and other sites have had higher costs than a standard appraisal. Alongside this there are three potential options for land use mixes on Beam Park which also requires work additional to a standard appraisal. As with the development appraisal work the work required for the procurement of the development partner is higher than usual due to the additional work involved in assessing for PRS and custom build proposals over conventional proposals.

There is also an opportunity which didn't exist in 2013 to purchase a 4.5 acre area of land belonging to Ford as part of the Dagenham Stamping and Tooling Plant (DSTO) site. This land is immediately adjacent to the Beam Park site and due to be disposed of as part of the DSTO site. If the land is

developed for commercial purposes as part of the overall DSTO site this would have an adverse effect on land values and developable area which would impact on the receipt GLAP could receive from the disposal. Ford has indicated that they are willing to dispose of this site separately and in advance of the main site's disposal. Acquisition and valuation advice is required to fully understand the cost implications of acquiring this land. Alongside this IPB request a report is being considered by HIG to assess if GLAP should purchase the entire DSTO site. Should the decision be taken to progress this then the purchase of the smaller parcel of land can be combined with the main site work. However to mitigate risk and ensure that Beam Park is not adversely affected by any delays to DSTO disposal or if Ford decide to sell to another interested party it is proposed to proceed with the valuation of the parcel of land on the Beam Park

#### 1.14 Legal Advice

In line with the disposal programme it is proposed to move £10,000 from 14-15 to the 15-16 budget to allow for external legal support. To ensure sufficient budget is available to accommodate OJEU procurement should there be limited interest in the site it is proposed to increase the budget from £50,000 to £80,000. £40,000 is proposed to be spent in 14-15 and £40,000 in 15-16.

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

- 2.1. The objective of the additional works is to improve data and reduce the risks associated with the site. These are specifically around the extent of contamination, viability and land value. At the end of the work it is expected that:
- The remediation strategy for the site will be based on more accurate data resulting in greater cost certainty for developers. This will reduce risk and enable a more robust development appraisal
  - GLAP will understand more fully the costs associated with purchasing the DSTO land adjacent to Beam Park
  - The viability of affordable, PRS and custom build will have been assessed to inform the desired quantum of uses and inform the development of ITT documents.

## 3. **Equality comments**

There are no equality implications at this stage. The request for additional funding is for site investigations and other work to prepare the site for disposal. This has no impact on the end users (future residents) and therefore no impact on any of the protected characteristics. Equality implications will continue to be considered as the project moves into delivery.

## 4. **Other considerations**

### **Key Risks and Issues**

- 4.1. There is a high level of uncertainty with the remediation costs which range from £7.5m - £15m for a mixed use development (residential with gardens is significantly more). The site's market value for a mixed use development after remediation costs is £8.4m (2014 based on 2010 data and remediation costs of £20m). Further site investigations and more cost certainty would help mitigate this risk and potentially increase the site's market value, increasing the return to GLAP and improving viability.
- 4.2. Not securing the Ford land adjacent to Plot 1 Beam Park is a risk to future development of Beam Park. Leaving it outside the development opportunity could also result in industrial uses being developed within the Plot 1 block which do not fit with GLAP's proposals. Bringing the Ford land into GLAP's ownership would enable its future to be incorporated into the plans for Beam Park and

mitigate these risks. Environmental due diligence work and valuation of the land is required prior to purchase to inform the price negotiation and ensure best value.

- 4.3. A proposal to relocate commercial grade spoil from LSIP to Beam Park Plot 3 is under consideration. This has implications for the future use of Beam Park for residential development. There are four options under consideration; the first three may have an impact on the remediation costs and valuation for Beam Park.
- 4.4. The site is currently used for the storage of bales of waste material which has an indicative cost of £3,000,000 to dispose of this waste. A provision has been made to cover this cost – a separate MD approval is required to spend against this provision and will be made once actual costs are known.

### **Links to Mayoral Strategies**

- 4.5. The delivery of new housing for London is a Mayoral Priority. The Beam Park site could deliver a significant number of housing units – including affordable housing – in the London Boroughs of Bark & Dagenham and Havering.
- 4.6. The Beam Park site also has potential to deliver significant commercial space – be it retail, office and/or industrial – which will contribute to the Mayoral Priority of nurturing businesses (small and large) and help Londoners to find and access jobs.
- 4.7. The Beam Park site requires significant improvement to local transport and green infrastructure to facilitate Regeneration – a Mayoral Priority - of the South Dagenham area. To do this, GLAP will support LB Havering deliver a new station at Beam Park and high quality public realm and development. These will act as a catalyst to achieving growth and creating jobs.

### **Impact Assessments and Consultations**

- 4.8. GLAP is working in close partnership with the London Boroughs of Barking & Dagenham and Havering to agree a coherent strategy for bringing forward the site for development. The site is of significant importance to both Boroughs and will deliver significant regeneration of an area substantial need.

## **5. Financial comments**

- 5.1. The additional revenue expenditure of £260,000 required for the disposal of the Beam Park site will be allocated from the H&L External Services Budget which was endorsed by SMT on the 12 May 2014 and contained within the existing Housing and Land Budgets for 2014-15 and 2015-16.
- 5.2. 2ha of Plot 2 are leased to TfL on a ten year lease from 29/09/10 with an annual break clause (24 June) requiring 6 month notice. Copies of all leases entered into need to be supplied to Finance and Estates Management.
- 5.3. GLAP has opted to tax the land at Beam Park. As such, it will be able to reclaim any VAT it is charged on the purchase of any of Ford's land. Subsequent sales of GLAP land will be subject to VAT in the normal way.
- 5.4. SDLT at 4% will be payable by GLAP on the VAT inclusive price of any land purchased with vacant possession (assuming Ford has "opted to tax"). If land is bought subject to any existing tenancies to third parties, SDLT at 4% will be payable on the VAT exclusive price. In either case, SDLT will be an additional cost for GLAP to fund.
- 5.5. The expenditure to be incurred is revenue in nature and will be monitored as part of the revenue programme budget monitoring

- 5.6. Further MD approval is required to dispose of any GLAP asset once the outcome of these studies is complete.
- 5.7. Costs to potentially acquire land and cover any potential SDLT liability are not yet known and sources of funding have not been identified in this paper. Further MD approval is required prior to any asset acquisition.

## 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:
- (a) Promoting economic development and wealth creation in Greater London;
  - (b) Promoting social development in Greater London; and
  - (c) 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 2 and 3 of this report indicate that the Mayor has the power to agree to the Decisions set out above.

## 7. Investment & Performance Board

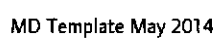
- 7.1. Due to the nature of this report it was considered by HIG. HIG approved the report but concerns were addressed about the programme timetable outlined below. The timetable is subject to review. The timetable for site investigation works is based on estimates from the Site investigation consultants who undertook the stage 1 work. It is hoped that once the work is procured the timetable can be compressed. However it is to be noted that this will depend on viability and procurement timetables.

## 8. Planned delivery approach and next steps

Activity	Timeline (target date)
Procure and appoint property consultants	July 2014
Procure and appoint SI consultants and contractors	July 2014
Obtain valuation of Ford land adjacent to Beam Park	July 2014
Soft Market testing with the LDP	August 2014
HIG Approval for development brief and disposal route	October 2014
Appoint external Legal advisors	August 2014
Initial site investigation results	September 2014
Carry out development appraisal	October 2014
Commence procurement/marketing	December 2014
Complete Site investigation work	December 2014
Appoint development partner	Mid 2015



## Site plan





**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? NO**

If YES, for what reason:

Until what date: (a date is required if deferring)

**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 -NO**

**ORIGINATING OFFICER DECLARATION:**

Drafting officer to confirm the following (✓)

**Drafting officer:**

Carolyn Tobin 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:**

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

✓

**Sponsoring Director:**

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

✓

**Mayoral Adviser:**

Richard Blakeway 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. D. Blakeway*

**Date**

27.6.14

**CHIEF OF STAFF:**

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

**Signature**

*Edmund H1*

**Date**

27.06.2014

