

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION - DD2199

Title: Ailsa Street, Poplar Riverside (Phase 1) Housing Zone, London Borough of Tower Hamlets

Executive Summary:

MD1545 designated an area within London Borough of Tower Hamlets as a Housing Zone and agreed to indicatively allocate £51.95m of GLA funding for interventions to unlock or accelerate the delivery of 3,034 homes within Phase 1 of the Zone. The funding was approved, subject to the outcome of legal and financial due diligence on the proposed interventions.

This Director's Decision approves providing the London Borough of Tower Hamlets with £2,400,000 non-recoverable grant and £1,473,378 recoverable grant to deliver a new pedestrian and cycle bridge across the River Lea at Lochnagar Street which will accelerate the delivery of 785 homes at Ailsa Street, within the Housing Zone. It also sets out the outcome of the due diligence work to inform and support this decision.

Decision:

That the Executive Director of Housing and Land and the Executive Director Resources, in consultation with the Deputy Mayor for Housing and Residential Development:

1. Approve, in light of the due diligence detailed in this report, the contractual commitment of up to £2,400,000 non-recoverable grant and £1,473,378 recoverable grant to the London Borough of Tower Hamlets to deliver a new pedestrian and cycle bridge within the Poplar Riverside Housing Zone accelerate the delivery of 785 homes at Ailsa Street as outlined in this paper.

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 Lunt

Signature:



Position: Executive Director Housing & Land

Date:

16.01.18

Name: Martin Clarke

Signature



Position: Executive Director Resources

Date:

16.01.18

TOM MIDDLETON ON BEHALF OF MARTIN CLARKE

PART I – NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1 In MD1545, the Mayor designated an area within Tower Hamlets as a Housing Zone (HZ) and agreed to indicatively allocate £51.95m of GLA funding for interventions to unlock or accelerate the delivery of 3,034 homes within Phase 1 of the Zone. Phase 2 comprised a funding request of £25.85m to unlock or accelerate a further 3,370 homes. It was agreed that Phase 2 would be given supportive designation only, with no funding allocated to it, with a view to investigating recycling of funds from Phase 1. The area is now known as the Poplar Riverside Housing Zone
- 1.2 The Ailsa Street site is included in both phases of the HZ. Within phase 1, £12m repayable grant was allocated for site assembly and CPO work required to bring forward the housing delivery. Within phase 2, there was a sum of £5.8m recoverable grant for land remediation works to unlock the viability of the site for development of circa 1,040 homes and an additional sum of £3.5m non-recoverable grant for environmental works/infrastructure, including a bridge over the River Lea to enhance local access and future-proof the location.
- 1.3 In March 2016, the GLA and the London Borough of Tower Hamlets (LBTH) entered into an Overarching Borough Agreement (OBA) to record the indicative allocation of funding for the Poplar Riverside Housing Zone (PRHZ). LBTH will retain oversight of delivery across PRHZ by implementing governance arrangements outlined in the OBA.
- 1.4 The purpose of the intervention is to fund the construction of a bridge that will accelerate the delivery of 785 new homes on Ailsa Street. The scheme secured a resolution to grant planning permission in November 2017 and will provide 35% affordable housing without any additional public sector grant subsidy.
- 1.5 Due diligence has now been undertaken in respect of the intervention, the findings of which are set out in this report and in part 2 of this DD.

2. Proposition

- 2.1 Ailsa Street is located between the A12 Blackwall Tunnel Northern Approach Road and the River Lea as shown in Appendix 1. The site is occupied by various industrial activities including car breaking, vehicle salvage, waste transfer, and warehouse space, all of which are in a poor state of repair.
- 2.2 LBTH own five separate parcels of land referred to as the Pink land which total 0.548 hectares. The Pink land forms part of the wider Ailsa Street development site which totals 2.39 hectares – see plan at Appendix 1.
- 2.3 LBTH will dispose of the Pink land to Ailsa Wharf Development Ltd (AWDL) to enable them to deliver the housing scheme. AWDL will in turn transfer to LBTH at nil cost an area of land (642m²) for the landing point for the new Lochnagar Bridge in Tower Hamlets – See Appendix 2. AWDL will also be responsible for obtaining planning permission for the bridge and assisting LBTH with acquiring land/other rights required for the landing point in LB Newham.
- 2.4 The intervention is for the provision of a new pedestrian and cycle bridge across the River Lea at Lochnagar Street (Lochnagar Bridge). This will be the first bridge crossing between Canning Town and Bromley-by-Bow. Improving connectivity in the Lower Lea Valley Opportunity Area is integral to facilitating development and enhancing the sustainability of existing and future communities.

- 2.5 The bridge is intended to create a sense of place and provide easier access to employment, education, health & leisure facilities in Newham including the new the Lea River Park. Star Lane DLR will only be a few minutes' walk / cycle away providing access to transport hubs at Canning Town & Stratford stations. Improved occupier and investor demand for the residential and commercial floorspace will enhance values and improve scheme viability for this scheme and other developments in this part of the HZ.

3. Funding

- 3.1 LBTH has requested a total of £3,873,378 GLA HZ funding to support the Lochnagar Bridge intervention.
- 3.2 The current estimated cost of the Lochnagar Bridge is £7,922,451, of which the GLA is providing £2,400,000 non-recoverable grant and £1,473,378 recoverable grant (non-interest bearing), with the balance being subject to the outcome of a bid to DCLG's Housing Infrastructure Fund (HIF). If LBTH are unsuccessful with their HIF bid they will need to secure funding through alternative routes. LBTH will repay any monies drawn down from the £1,473,378 recoverable grant by March 2022.

4. Stakeholders / Contractual Arrangements

- 4.1 The counterparty in respect of the interventions which form this Director's Decision is LBTH, who will enter into a Borough Intervention Agreement (BIA) with the GLA.
- 4.2 LBTH and LB Newham jointly provide leadership for strategy and delivery of the Lea River Park having taken on responsibility from LLDC in early 2017.

5. Due Diligence

- 5.1 Lambert Smith Hampton (LSH) undertook project due diligence to assess AWDL's financial assumptions and deliverability in relation to the Ailsa Street scheme. Likewise, an assessment was carried out on the delivery of the Lochnagar Bridge. The detailed outcome of this work is included in Part 2 of this DD.
- 5.2 LSH due diligence confirms that the bridge is expected to improve accessibility and connectivity to and from the Ailsa Wharf development and the wider area, but additionally, if the bridge is not able to progress, the deal with the developer will likely need to be revised or not progressed. They therefore consider that funding the bridge will accelerate and/or unlock delivery of housing on this scheme.

6. Project Milestones

Outputs: Starts

Scheme Name	2019/20	2020/21	2021/22	Total Units	Total Habitable Rooms	% Habitable Rooms
Market Rent	0	0	0	0	0	n/a
Affordable Rented	89	63	0	152	521	24%
Market Sale	4	497	51	552	1,387	65%
Shared Ownership	49	32	0	81	225	11%
	142	592	51	785	2,133	100%

Outputs: Completions

Scheme Name	2022/23	2023/24	204/25	Total	Total	%
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					Habitable Rooms	Habitable Rooms
Market Rent	0	0	0	0	0	n/a
Affordable Rented	152	0	0	152	521	24%
Market Sale	501	51	0	552	1,387	65%
Shared Ownership	81	0	0	81	225	11%
	734	51	0	785	2,133	100%

7. Governance

- 7.1 The GLA will contract with LBTH and this relationship will be managed through quarterly meetings to ensure project milestones are met, transparency upheld and the housing outputs achieved. The relationship will be managed by a designated officer from the GLA's Housing and Land directorate with oversight from the Housing and Land Directorate Management Team.
- 7.2 LBTH provides leadership for the PRHZ via established governance arrangements under the PRHZ delivery board, involving a range of public and private sector partners.

8. Conclusion

- 8.1 LBTH has used its land transfer agreement to negotiate a commercial deal to incentivise AWDL to achieve a substantial start on site of all 785 units within 40 months of the land transfer and to submit and fund a single planning application for the Lochnagar Bridge.
- 8.2 Without the transfer of land from LBTH and the GLA's investment totalling £3,873,378, it is unlikely that the housing would come forward due to the fragmented land ownership, the level of contamination and poor connectivity. It would not be an attractive place to live. However, with the interventions proposed there is not only the opportunity to deliver a sizeable number of private and affordable homes on this major riverside site, it is hoped that it will kickstart the wider regeneration of this neglected part of London.

9. Objectives and expected outcomes

- 9.1 The new pedestrian and cycle bridge at Lochnagar Street will be the only river crossing between the A13 East India Dock Road at Canning Town and Twelvetreces Crescent at Bromley-by-Bow. It will also accelerate the delivery by March 2024 of a mixed-use scheme of 785 homes of which 35% will be affordable and 2,954m2 of commercial floorspace.

10. Equality comments

- 10.1 In September 2017, the Mayor published the draft London Housing Strategy. The strategy proposes the HZ programme should continue to increase the pace and scale of housing delivery, including the proportion of affordable homes.
- 10.2 The intervention will contribute towards the ambitions set out in the draft Mayor's Vision for a Diverse and Inclusive City (June 2017), in particular building more genuinely affordable accessible decent homes for Londoners (Priority Outcome 1.1).
- 10.3 The designation of a HZ within an area is designed to identify a site or sites as an area for housing growth and delivery within London, often partnered with a series of funding streams and non-financial assistance to deliver these new homes, and therefore this decision will facilitate these goals and ultimately ensure that the needs of different groups are taken into account in the design and development of housing.

10.4 In order to access this funding; LBTH will be required to enter a contract with the GLA to deliver the interventions specified in this DD. This places the following obligations on LBTH:

- LBTH will comply in all material respects with all relevant legislation, including but not limited to legislation relating to health and safety, welfare at work and equality and diversity and will use reasonable endeavours to procure that all Grant Recipient Parties do likewise.
- LBTH confirms that it has, and is in full compliance with, a policy covering equal opportunities designed to ensure that discrimination prohibited by the Equality Act 2010 is avoided at all times and will provide a copy of that policy and evidence of the actual implementation of that policy upon request by the GLA.

11. Other considerations

Know your customer checks

11.1 In accordance with the GLA Anti-Money Laundering Policy Appendix 1, Ann Sutcliffe (Acting Corporate Director, Place Directorate, LB Tower Hamlets), has provided written confirmation that Daniel McCarthy is employed as a consultant by the Council as the Project Manager for the Poplar Riverside Housing Zone and is authorised to negotiate on behalf of the Council.

Links to Mayoral strategies and priorities

11.2 The purpose of the Housing Zones Programme is to increase housing supply by accelerating and unlocking development to deliver 75,000 homes by 2026. Ailsa Street will contribute towards this and support the aim to deliver 66,000 additional homes per annum prescribed by the draft London Plan (December 2017). A total of 233 affordable homes unlocked by this intervention are forecast to start on site prior to March 2021, thereby contributing to the Mayor's target to deliver 90,000 affordable housing starts by that date.

11.3 Improving connectivity in the Lower Lea Valley (LLV) Opportunity Area is integral to facilitating development and enhancing the sustainability of existing and future communities. Proposed improvements to the local movement network will address the issues of local severance and inhospitable routes which currently reinforce the fragmented character of the LLV (Lower Lea Valley, OAPF – January 2007). The Lochnagar bridge also fits with the Mayor's Draft Transport Strategy 2017 (proposal 89) which seeks to promote new walking, cycling and public transport river crossings.

Environmental considerations

11.4 The scale of the Housing Zones programme presents significant opportunities for innovative building design to reduce resource costs, and unlock investment connecting new developments to necessary utility and social infrastructure assets. Such assets include low carbon decentralised energy and water networks, green infrastructure, waste and recycling collection infrastructure, low emission transport hubs, parks and open spaces. Boroughs and counterparties to Housing Zone designation should look to include opportunities to address environmental and wider regeneration, quality of life and place making benefits that are viable and will help unlock investment in line with policy ambitions set out in the London Plan. GLA support can be made available to help identify environmental opportunities in specific locations.

Financial risks

11.5 As the £2,400,000 is non-recoverable grant, there is a financial risk to the GLA. If the 785 homes are not delivered (completions) by 31 March 2025, the funding will be repaid to the GLA. In line with the terms of the funding agreement LBTH will be contractually obliged to repay the grant to the GLA in the event of non-delivery.

Delivery risks

- 11.6 Potential delay caused by the planning application for Lochnagar Bridge being refused and the need to appeal. This can be mitigated by LBTH working closely with LB Newham and appropriate community consultation.
- 11.7 Potential delay caused by LBTH being unable to secure the land or rights required for the Lochnagar Bridge landing point within LB Newham. Should a CPO be required a joint working with LB Newham would be necessary. LB Newham have provided a letter of comfort to LBTH confirming they are willing to support a CPO to allow the construction of the bridge and the adequate landing areas in Newham.
- 11.8 Funding for the Lochnagar Bridge is dependent on LBTH being successful with their bid to DCLG's Housing Infrastructure Fund (HIF). If unsuccessful, LBTH will need to identify and secure alternative funding. This could potentially delay works starting on the bridge. The GLA will manage this risk on an on-going basis, through regular quarterly meetings with a designated officer from the GLA's Housing and Land Directorate with oversight from the Housing and Land Directorate Management Team.

12. Finance comments

- 12.1 This decision requests approval for the GLA to contractually commit up-to £3.873m of grant funding (£2.4m non-recoverable grant and £1.473m recoverable grant) to the London Borough of Tower Hamlets (LBTH) to deliver a new pedestrian and cycle bridge within the Popular Riverside Housing Zone. GLA obtained a satisfactory due diligence result prior to reaching this decision (per findings set out in Part 2).
- 12.2 Total estimated cost of the bridge is £7.9m of which the GLA is providing £3.873m, with the balance being subject to the outcome of a bid to DCLG's Housing Infrastructure Fund (HIF). Recoverable grant element of the funding (£1.473m) is to be repaid by March 2022.
- 12.3 Non-recoverable grant proportion of the funding (£2.4m) represents a financial risk to the GLA, which is mitigated through contractual obligation of LBTH to repay the funding in the event of non-delivery (see Section 11.5 for further details).
- 12.4 The total indicative allocation for the Popular Riverside Housing Zone is £3.873m and this commitment will utilise the allocation in full.
- 12.5 Grant/Recoverable Grant funding profile at £400m is currently over forecast by £32m. It should be noted, however, that only £233m (exclusive of the current commitment) has actually been committed on twelve interventions.

13. Legal comments

- 13.1 Under section 30(1) of the Greater London Authority Act 1999 (as amended) ("GLA Act"), the GLA has the power to provide the funding for the proposed intervention providing it considers that doing so will further one or more of its principal purposes of: promoting economic development and wealth creation, social development, and the improvement of the environment in Greater London.

- 13.2 The intervention will unlock the delivery of housing and affordable housing, and it is open to the GLA to take the view that funding it will promote both social and economic development, and is therefore within its power, contained in section 30(1) of the GLA Act.
- 13.3 In exercising the power contained in section 30(1) of the GLA Act, the GLA must have regard to the matters set out in sections 30(3-5) and 33 of the GLA Act, and also the Public-Sector Equality Duty in section 149 of the Equality Act 2010, which are explained in paragraph 7.3 of the legal comments of MD 1545. As is noted in paragraph 7.4 of MD1545, the London housing strategy, which included a policy for Housing Zones, has been subject to an Integrated Impact Assessment, and GLA officers consider that the delivery of new and additional homes within the Housing Zones programme will help to implement Objectives in the Mayor's Equalities Framework "Equal Life Changes for All." (See also sections 4 and 5 of MD1545).
- 13.4 The GLA has engaged with LBTH in relation to the intervention which is the subject of this Director Decision. It is not considered necessary or appropriate for the GLA to consult with any other persons or bodies including those specified in section 32(2) of the GLA Act for the purposes of this Director Decision.
- 13.5 External lawyers have been instructed to prepare and negotiate the funding contract for the GLA, including the incorporation of any provisions required to ensure compliance with State Aid rules. No funding is to be paid out unless, amongst other requirements, LBTH's solicitor has either provided an opinion (satisfactory to the GLA) as to the State Aid treatment of the intervention or undertaken to meet the GLA's reasonable legal costs in procuring an opinion from the GLA's solicitors as to the same matter. Further, if there is found to have been any unlawful State Aid, and the intervention cannot be restructured so as to be compliant, LBTH must repay the unlawful State Aid following a written demand for repayment by the GLA.

14. **Planned delivery approach and next steps**

Activity	Timeline
GLA / LBTH complete Borough Intervention Agreement (BIA)	January 2018
Housing at Alisa Street	
LBTH & AWDL – purchase completion on the Pink land	March 2021
Material SOS on all 785 homes	March 2022
Completion of all 785 homes longstop date	March 2025
Lochnagar pedestrian & cycle bridge	
AWDL / LBTH to submit infrastructure planning application	May 2019
Infrastructure planning permission granted	December 2019
LBTH acquire land and/or rights for landing point in Newham	March 2021
Infrastructure commence	November 2021
Infrastructure complete	September 2022
Recoverable grant re-paid to GLA	March 2022

Appendices and supporting papers

Appendix 1 – Ailsa Street - Indicative plan showing land transferred by LBTH to AWDL (Pink land).

Appendix 2 – Ailsa Street - Safeguarded area for the future footbridge (LBTH side).

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:

Until the land agreement is entered between LBTH and AWDL

Until what date: 31 March 2018

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/NO

ORIGINATING OFFICER DECLARATION:

Drafting officer to confirm the following (✓)

Drafting officer:

Ray Everingham 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.

✓

Corporate Investment Board:

The Corporate Investment Board reviewed this proposal on 15 January 2018.

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature



Date

16.01.18

TOM MIDDLETON ON BEHALF OF MARTIN CLARKE