

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD1448

Title: Ilford Town Centre Housing Zone, London Borough of Redbridge - Britannia Music Site

Executive Summary:

This Decision signs off due diligence undertaken in respect of an intervention GLA Land and Property Limited (GLAP) proposes to fund in the Ilford Town Centre Housing Zone.

Decision:

That the Executive Director – Housing and Land and the Executive Director – Resources, after consulting with the Deputy Mayor for Housing, Land and Property are satisfied that the outcome of due diligence, detailed in this report demonstrates it is appropriate for GLA Land and Property Limited to contractually commit loan funding of £25,000,000 to the intervention specified below within the Ilford Town Centre Housing Zone.

AUTHORISING DIRECTORS

We have reviewed the request and are satisfied it is correct and consistent with the Mayor's plans and priorities.

It has our approval.

Name: David Lunts

Position: Executive Director Housing and Land

Signature:



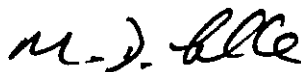
Date:

23.12.15

Name: Martin Clarke

Position: Executive Director Resources

Signature:



Date:

23.12.15

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1 The Ilford Town Centre proposal was designated a Housing Zone by MD1545 and funding of £54.78m was indicatively allocated to that zone (subject to the outcome of legal and financial due diligence) to unlock housing and regenerate the area.
- 1.2 The London Borough of Redbridge will retain oversight of delivery across the Housing Zone by implementing governance arrangements outlined in an Overarching Borough Agreement with the GLA.
- 1.3 Due diligence has now been undertaken in respect of one proposed intervention, which concerns the Britannia Music Site project. The outcome of this is set out below and in Part 2 of this Decision.

Summary

- 1.4 The Britannia Music Site is located in the southwest area of the Ilford Town Centre Housing Zone. Since acquiring the site, the developer has been unable to secure an appropriate finance package to facilitate development. GLA intervention will unlock the site, deliver much needed homes in an undersupplied area and help to stimulate the local housing market which has suffered from historically low values.

Proposition

- 1.5 The project will deliver a mixed use development comprising 865 sqm of commercial space and 354 housing units by March 2019. The tenure split of the housing units is as follows:
- 73 homes for affordable rent
 - 20 homes for shared ownership
 - 55 homes for private sale
 - 206 homes for private rent

Funding

- 1.6 The Borough's Housing Zone bid requested an interest bearing loan of £25,000,000 to contribute towards development costs in delivering the Britannia Music Site project.

Stakeholders / Contractual Arrangements

- 1.7 The counterparty in respect of this Intervention is Durkan Estates Limited who will enter into a Housing Zone Development Facility Agreement with GLA Land and Property Limited (GLAP). It is further proposed that GLAP enters into various additional agreements to ensure that it has adequate security in respect of this funding (as described in Part 2). Through a Planning Performance Agreement with Durkan Estates Limited, the Borough has committed to discharge planning conditions within prescribed timescales.

Appraisal

- 1.8 Project due diligence and an assessment of creditworthiness were undertaken by DTZ and GLA Group Finance respectively. Durkan's cost and value assumptions were reported to be in line with DTZ's expectations. The creditworthiness assessment did not report any factors that would prevent GLAP funding Durkan Estates Limited.
- 1.9 A report summarising the project and creditworthiness assessment was considered by GLA's Interest Rate Setting Board on 29 September 2015. Guided by the methodology in the European Commission's communication in relation to setting reference rates and in accordance with State Aid rules, including consideration of Durkan Estates Limited's credit rating and the security being offered, the Interest Rate Setting Board determined the interest rate to be offered to Durkan Estates Limited. This offer has been made on the basis that it is equivalent to a market rate and is subject to contract. The rate is detailed in Part 2.

Project Milestones

- 1.10 The project has full planning consent and works will commence on site in September 2016 and complete by March 2019. The scheme will be delivered in four blocks. Blocks A and B are due to complete by September 2018, block C by November 2018 and block D by March 2019. The 93 affordable units are contained in blocks A and B.

Governance

- 1.11 GLAP will contract with Durkan Estates Limited and this relationship will be managed through quarterly meetings in order to ensure transparency. The relationship will be managed by a designated officer from the GLA's Housing and Land Directorate with oversight by the Housing and Land Senior Management Team.

Conclusion

- 1.12 Since acquiring the site, Durkan has sought to de-risk the project by securing full planning consent and agreeing heads of terms with purchasers for the sale of the Private Rented Sector and affordable units. Despite this approach the site has remained stalled while the developer has sought to identify and secure an appropriate funding package. While the recent market downturn was a key factor in this, the challenge has been further exacerbated by the slow rate of housing growth in Ilford relative to other areas on the Crossrail route. A GLAP loan will provide short term development finance to facilitate and accelerate delivery of the project.

2. Objective and expected outcomes

- 2.1 The project will deliver a mixed use development comprising 354 residential units and 865 sqm of commercial space by March 2019.

3. Equality comments

- 3.1 Ilford Town Centre Housing Zone is aimed at implementing 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, to which the Britannia Music Site project will contribute, were covered by the Integrated Impact Assessment (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 new and additional homes 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 The designation of a Housing Zone 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.
- 3.5 In order to access this funding Durkan Estates Limited will be required to enter in to contract with GLAP to deliver the intervention. With regard to project delivery the contract places the following obligations on Durkan Estates Limited in respect of the Equality Act 2010:
- The Developer shall 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 enforce the terms of the Scheme Project Documents to ensure compliance with this clause.
 - The Developer has, and is in full compliance with, a policy covering equal opportunities designed to ensure that unfair discrimination on the grounds of colour, race, creed, nationality or any other unjustifiable basis directly or indirectly in relation to the Works 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 GLAP.

4. Other considerations

a) key risks and issues

- 4.1 The project is delivering a high proportion of units for private rent. There is a pre-contract agreement in place with a purchaser to acquire the private rent units. On the basis that commencement of the Crossrail service will coincide with practical completion, the development is likely to attract other potential investors in the event that this arrangement does not materialise.
- 4.2 The GLA has carried out 'know your customer' checks to identify and verify the parties with which it is contracting under this proposed transaction, namely Durkan Estates Limited (as borrower) and Durkan Holdings Limited (as guarantor). The Companies House website confirms that both Durkan Estates Limited and Durkan Holdings Limited are private companies limited by shares registered in England. The GLA's external lawyers have also carried out an Accuity Online Compliance search (an online research tool providing sanctions and politically exposed persons data) against the names of each company and against the name of each director, secretary and shareholder of the two companies. The majority of the results state that a search of the sanction lists, politically exposed persons and negative news has found nothing in connection with the relevant name. For those results that did return names, GLA officers have reviewed these and are satisfied that they do not relate to the relevant Durkan company director or shareholder. Further, the GLA's external lawyers have also confirmed that a Nexis search against the names of the two Durkan companies and any shareholder companies has only revealed positive media results.

b) links to Mayoral strategies and priorities

4.3 The purpose of the Housing Zones Programme is to increase housing supply by accelerating and unlocking development to deliver 50,000 homes by 2025. The Britannia Music Site project will contribute towards this and support the aim to deliver 42,000 homes per annum prescribed by the Further Alterations to the London Plan March 2015.

5. Finance comments

5.1 The appointed cost consultants DTZ have reviewed the proposals and consider the assumptions made to be reasonable.

5.2 Further comments are included in reserved Part 2.

6. Legal comments

6.1 Under section 30 of the GLA Act 1999, the GLA has the power to provide the loan funding for the intervention explained above, on the basis that to do so will further one or more of the GLA's principal purposes.

6.2 The provision of the proposed loan on market terms is likely to constitute a specified activity, as defined under section 34A of the GLA Act and the Greater London Authority (Specified Activities) Order 2013/973. Accordingly, it will need to be provided by a subsidiary company of the GLA, as is proposed. GLA Land and Property Limited (GLAP) is a subsidiary of the GLA.

6.3 Further legal comments are set out in Part 2.

7. Planned delivery approach and next steps

Activity	Timeline
Completion of Contracts	December 2015
Physical Start on site	September 2016
Practical Completion of development	March 2019

Appendices and supporting papers: None

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 – YES

ORIGINATING OFFICER DECLARATION:

Drafting officer to confirm the following (✓)

Drafting officer:

Rickardo Hyatt has drafted this report in accordance with GLA procedures and confirms that:

✓

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

M. D. Blle

Date

23.12.15