

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD2266

Title: Tottenham Hale (LB Haringey) Housing Zone – Hale Wharf

Executive Summary:

The purpose of the Housing Zones programme is to increase housing supply by accelerating and/or unlocking development. This Mayoral Decision allocates £38,183,235 to accelerate housing delivery within the Tottenham Hale (LB Haringey) Housing Zone, as an interest-bearing loan facility to fund the construction of up to 505 homes, of which 35% will be affordable, on the Hale Wharf scheme in LB Haringey.

Decision:

That the Mayor:

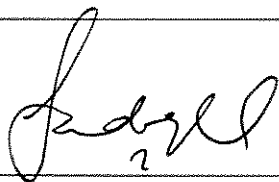
- approves the allocation of £38,183,235 of Financial Transaction funding to be made available for the purposes of accelerating housing delivery within the Tottenham Hale (LB Haringey) Housing Zone; and
- contractually commits this Financial Transaction funding to the borrowers in the form of an interest-bearing loan facility to accelerate housing delivery within the Tottenham Hale (LB Haringey) Housing Zone, noting that legal and financial due diligence has been satisfactorily completed as described in the report below.

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:

29/3/18

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

Decision required – supporting report

1. Introduction and background

Introduction

- 1.1 Mayoral Decision (MD) 1457 designated Tottenham Hale (LB Haringey) as a Housing Zone (HZ) and indicatively allocated £44.1m to unlock and accelerate housing in the area. Following this designation, the GLA and LB Haringey entered into an Overarching Borough Agreement (OBA) in September 2015. In September 2016, MD2036 subsequently increased the indicative allocation in the Tottenham Hale HZ by £55.2m to £99.3m.
- 1.2 This report seeks the Mayor's approval to allocate £38,183,235 of Financial Transaction (interest-bearing loan) funding to the Tottenham Hale (LB Haringey) HZ. It is proposed that GLA Land and Property Limited (GLAP) commits this funding to the borrower in the form of an interest-bearing loan to facilitate development of the Hale Wharf site in LB Haringey. This decision takes the form of an MD rather than a Director Decision (DD) because no indicative funding for Financial Transactions (interest-bearing loans) currently exists in the Tottenham Hale (LB Haringey) HZ.
- 1.3 The loan funding will support the delivery of up to 505 new homes on the site, of which 35% will be affordable by habitable room.
- 1.4 The site benefitted from a Financial Transaction indicative allocation of £8.2m at the point of the designation of the HZ in 2015. Discussions have been on-going with the borrower since 2015 while the scheme progressed through the planning system and have evolved into a wider funding proposal compared with the original indicative funding allocation. The funding will enable the scheme to be brought forward, to deliver homes which may otherwise not be delivered and the funding will ensure that programme timescales in respect of housing output are achieved.
- 1.5 Due diligence has been completed in respect of the proposed intervention. The details of this work are set out below and in Part 2 of this report.
- 1.6 The £38,183,235 will be funded through the £200m facility that the Government awarded the GLA to support the HZ programme. This facility is currently overprogrammed in that contractual commitments represent approximately £202m, but the GLA is in negotiation with the Government to recycle £150m of the £200m facility. The GLA's Interest Rate Setting Board (IRSB) approved the proposed funding of £38,183,235 on the basis that either the recycling proposal is agreed or, as an exit strategy, the funding comes from existing, uncommitted funding programmes within the Housing and Land Directorate.
- 1.7 Hale Wharf benefits from £14,670,000 recoverable grant funding from the HZ programme (see DD 2161). This MD does not seek any further approval for the use of this grant funding. Any further funding other than the £38,183,235 loan facility described in this document will require separate approval where not already approved.
- 1.8 LB Haringey will retain oversight of delivery across the HZ by implementing the governance arrangements outlined in the OBA between LB Haringey and the GLA.

Summary

- 1.9 The Hale Wharf site lies within the boundary of the Lee Valley Regional Park with water channels on both sides. It is highly prominent and acts as a gateway to the Borough from the east, along Ferry lane. Located to the south east of the HZ, the site is expected to deliver up to 505 homes, 35% of which will be affordable by habitable room, replacing the former office building at the entrance to the site and a low-density, light-industrial yard to the north. GLAP funding will enable

the scheme to be brought forward to deliver homes which may otherwise not be delivered and the funding will ensure that programme timescales in respect of housing output are achieved.

Proposition

- 1.10 The proposed commercial loan will support the development of the Hale Wharf scheme. The scheme is expected to deliver up to 505 homes, of which 35% will be affordable by habitable room. The scheme is in conformity with the vision for the Tottenham Hale HZ.

Funding

- 1.11 The Tottenham Hale (LB Haringey) HZ does not currently have an indicative allocation for Financial Transaction funding. Consequently, this report seeks the Mayor's endorsement to commit £38,183,235 of Financial Transaction funding (see MD1481 on Financial Transactions) in the form of an interest-bearing loan facility from the HZ loan programme on the basis it will be repaid as sales commence and no later than 48 months following the initial drawdown of funding.

Stakeholders / Contractual Arrangements

- 1.12 The borrower is Waterside Places Limited (WPL). WPL is a joint venture (JV) comprising Muse Developments Limited and the Canal and River Trust. Muse Developments Limited will act as the development manager for the project. Muse will as part of this function procure a main contractor to construct the scheme.

Appraisal

- 1.13 Project due diligence and an assessment of creditworthiness has been undertaken. The GLA's retained property consultants, Lambert Smith Hampton, provided benchmarking analysis and reported on the cost and value assumptions for Hale Wharf scheme in September 2017 in fulfilling the due diligence requirements for the recoverable grant investment under DD 2161. A further update to this work has been carried out in March 2018. The outcome of this work is detailed in Part 2 of this MD.
- 1.14 The GLA's IRSB considered a report summarising the scheme and borrower creditworthiness on 20 December 2017. Guided by the methodology in the European Commission's communication in relation to setting interest rates and in accordance with State Aid rules, including a consideration of borrower creditworthiness and the security on offer, IRSB determined that the interest rate for the loan 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

- 1.15 The freehold interest in the site is owned by the WPL. A leasehold interest within this freehold has been acquired and a further leasehold interest remains to be acquired. The scheme received planning permission on 12 June 2017, is due to start on site by December 2019 and complete by September 2022.

Governance

- 1.16 GLAP will enter into a loan agreement with WPL. A designated officer from the GLA's Housing and Land Directorate will manage this relationship through quarterly meetings, with overview from the Housing and Land Directorate Management Team. The funding agreement places reporting obligations on the borrower linked to project milestones.

Conclusion

- 1.17 GLAP funding will enable the scheme to be brought forward to deliver homes which may otherwise not be delivered and the funding will ensure that programme timescales in respect of housing output are achieved.

2. Objective and expected outcomes

- 2.1 The project is expected to deliver a mixed-use development comprising up to 505 residential homes, of which 35% will be affordable by habitable room.

3. Equality comments

- 3.1 The HZ programme implements the Mayor's policies set out in the Mayor's Draft London Housing Strategy. The Mayor published the draft strategy in September 2017. The strategy had a three-month consultation period and an equality impact assessment was also undertaken in parallel.
- 3.2 Under section 149 of the Equality Act 2010, as public authorities, the Mayor and the GLA are subject to a public-sector equality duty and must have 'due regard' to the need to (i) eliminate unlawful discrimination, harassment and victimisation; (ii) advance equality of opportunity between people who share a relevant protected characteristic and those who do not; and (iii) foster good relations between people who share a relevant protected characteristic and those who do not. Protected characteristics under section 149 of the Equality Act are age, disability, gender re-assignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation, and marriage or civil partnership status.
- 3.3 Throughout the decision-making process relating to this funding due regard has been had to the 'three needs' outlined above. The housing shortage in London disproportionately negatively affects people with certain protected characteristics. Increasing the supply of housing, and in particular affordable housing will help to achieve positive impacts in line with the 'three needs'.
- 3.4 The Mayor's Vision for a Diverse and Inclusive City was issued as a consultation draft in June 2017. 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 funding will help to deliver new affordable homes in London.
- 3.5 To draw funding WPL will be required to enter into a contract with GLAP. The contract will contain the following obligations (or similar obligations) on WPL 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 which it is a party 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 and the scheme 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 Key project risks which may impact on the success of this HZ intervention as identified in the due diligence include land assembly, market failure, construction cost increase and project viability. The primary risk for GLAP is non-repayment of the loan. Further detail, including mitigation of these risks, is provided in Part 2 of this MD.

b) Links to Mayoral strategies and priorities

- 4.2 The Hale Wharf development will contribute to the ambition in the draft London Housing Strategy to invest in London's growth areas, which include HZs. The affordable homes delivered by this loan funding are required to start on site prior to 31 March 2021, thereby contributing to the Mayor's target to deliver 90,000 genuinely affordable housing starts by this date.
- 4.3 The purpose of the HZ programme is to increase housing supply by accelerating and/or unlocking development to deliver over 75,000 homes by 2026. The redevelopment of this site, and the levels of affordable housing proposed, will contribute towards this objective and support the aim to deliver at least 64,935 homes per annum as set out in the draft London Plan.

c) Impact assessments and consultations

- 4.4 The GLA has engaged with relevant stakeholders, including LB Haringey, with regards to this proposal. It is not considered necessary or appropriate to consult any other persons or bodies including those specified in section 32(1) of the Greater London Authority Act 1999 for the purposes of this MD.
- 4.5 Details of the relevant impact assessment and strategy context are set out above at paragraph 3.1.

d) Know your customer

- 4.6 In line with its Anti-Money Laundering Policy as approved by DD2095, GLA officers have carried out Know Your Customer (KYC) checks to verify the identity of the contracting entities. Consistent with the GLA's Anti-Money Laundering Policy, reliance has been placed on the KYC checks carried out for the Hale Wharf scheme in June 2017 because the (i) same borrowers and/or individuals are involved; (ii) the previous KYC due diligence was carried out less than two years ago; and, (iii) the risk profile of the borrowers has not changed.

e) Environmental considerations

- 4.7 The scale of the HZ 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; and parks and open spaces. Boroughs and counterparties to HZ 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.

5. Finance comments

- 5.1 The Decision seeks approval for an allocation of an interest bearing loan of £38.2m to the Tottenham Hale housing zone in the LB Haringey to facilitate delivery of up to 505 new homes on the site; 35% affordable by habitable rooms. The loan will be made to WPL, a joint venture between Muse Developments Limited and Canal and River Trust.
- 5.2 Tottenham Hale has also received £14.67m recoverable grant funding from the housing zone programme.
- 5.3 The principal risk is the non-repayment of the loan – see Security in Part 2.
- 5.4 Further comments are contained within Part 2.

6. Legal comments

- 6.1 Under section 30(1) 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. In exercising the power in section 30(1), the Mayor must have regard to the matters set out in section 30(4-6A) of the GLA Act. Those matters have been taken into account as considered appropriate by the GLA in respect of these Housing Zones (see MD1457) and, in respect of this intervention, as detailed in this report.
- 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 loan agreement	March 2018
Start on site	December 2019
Completion of development	September 2022
Repayment of loans	As sales commence and no later than 48 months following the initial drawdown of funding

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:

Fred Keegan has drafted this report in accordance with GLA procedures and confirms the following:

✓

Sponsoring Director:

Jamie Ratcliff, under Director delegation, has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

Mayoral Adviser:

James Murray 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 26 March 2018.

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

M. D. All

Date

26.3.18

CHIEF OF STAFF:

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

Signature

D. Bellamy

Date

26/3/2018.

