

PART 2 – CONFIDENTIAL FACTS AND ADVICE

DD2284

Charles Street Acquisitions

Information may have to be disclosed in the event of a request under the Freedom of Information Act 2000. In the event of a request for confidential facts and advice, please consult the Information Governance team for advice.

The information below is not for publication until the stated date, because:

The information provided in this Part 2 contains commercially sensitive information the disclosure of which might prejudice the commercial and business interests of GLA Land and Property Ltd.

Date at which Part 2 will cease to be confidential or when confidentiality should be reviewed: 31.03.2020

Legal recommendation on the grounds of keeping the information confidential:

The contents of Part 2 include sensitive information which related to the GLAP's commercial interests, the disclosure of which could prejudice those interests. For those reasons it is considered that the information contained in this report and Confidential appendices (two and three) is exempt from publication in reliance upon the exclusions contained in section 43 (2) (Commercial Interests) of the FOI Act 2000 and because the public interest in withholding the information outweighs the public interest in releasing it.

Legal Adviser - I make the above recommendations that this information should be considered confidential at this time

Name Claire Mason

Date 20.03.2018

Once this form is fully authorised, this should be circulated with the Part 1 form.

Confidential decision and/or advice:

That the Executive Director of Housing and Land is asked to:

- Approve the purchase of the leasehold interests detailed at 1.1 and 1.2 in aggregate up to the maximum value of £6.254 million including stamp duty land tax and fees; and
- Note that the Executive Director of Housing and Land will be asked to approve the final terms of the acquisition of the land interests.
- Note the short-term lettings which will also be completed under existing estate management delegations.

1 Proposed Investment

- 1.1 As set out in Part 1, the redevelopment of Silvertown Quays is essential for the long-term financial success of the Enterprise Zone and the business rate-funded Delivery Plan recently approved by the Mayor. Ensuring the development can proceed is of critical importance and therefore removing the long leasehold interests of Oak Viking and Drum are critical.
- 1.2 Work has been done over recent months to regularise sub-leases to facilitate the surrender of the Oak Viking long leasehold and negotiations have continued with Drum.
- 1.3 The Silvertown Quays (SQ) site (see Appendix 1 Site Plan) has two historic long leasehold interests still in existence near Charles Street:
- Plot 12 (437 North Woolwich Road) – Oak Viking have a protected lease (within the Landlord and Tenant Act 1954 (The Act)) with a contractual term from 4 March 1957 to 4 March 2057 with no breaks. Oak Viking are an investment company and do not occupy the site. They have underlet the site (see 1.2 below) to a company called ALLHD Airports Limited (ALLHD), a company providing catering services to London City Airport (LCA). The underlease dated 20th December 2012, is for a term of 10 years and is contracted out of The Act with no option to break.
 - Plot 4 (361-365 North Woolwich Road/Charles street) – Drum Group Limited (Drum) have a protected lease within The Act with a contractual term from 22 February 1983 to 22 February 2082 which includes a Landlord break but not until 3 March 2054.
- 1.4 There are also a number of shorter interests in the Charles Street area which the GLA intends to ensure are surrendered or regularised at the same time as the settlements for the acquisition of the long-term interests outlined at 1.1 above. These are:
- Plot 12 Oakviking let to ALLHD, details of which are set out in bullet point 1 of 1.1 above.
 - Plot 12A ALLHD – lease dated 1st December 2009 for a period of 5 years which is contracted out of The Act. The lease was not renewed at the expiry date but the tenant remains in occupation and continues to pay rent to the GLA's agents GVA. Therefore, it is likely that a periodic tenancy may be inferred, which is protected by the Act.
 - ALLHD are also occupying a strip of land adjacent to plot 12. In the absence of any legal documentation being found to relate to this occupation it would appear that ALLHD's occupation of the strip of land is as a licence pursuant to an oral licence in place.
 - ALLHD have agreed to surrender their interest as part of this process and legal documentation has been prepared.
 - As part of the surrender of the Oak Viking and ALLHD interests, two sub-lettings will be completed to Flightcare (trading as Swissport) and Proflex. These leases will be for three years with a break with six months' notice at any point after 18months.
 - Plot 8 – lease dated 19th December 2016 for a period of 10 years with Drum which is protected under the Act. There is a Landlord and Tenant break clause with 12 months' notice any time after 19th December 2019 which can be exercised by the Tenant for any reason but only for redevelopment purposes by the Landlord.
 - Drum will surrender their Plot 4 lease and be granted a new lease of three years with a landlord's break after 18months with 6months notice.
- 1.5 Under the terms of the SQ Master Development Agreement, TSP are required to undertake the land assembly to progress with the wider approved SQ scheme (including those at Charles Street). There is therefore the option to defer the acquisitions and ask TSP to undertake them at a later date. However, due to GLAPs understanding of the Charles Street interests, GLAP continues to lead on the Charles Street land assembly discussions. TSP retains the right to step in and take over

the negotiations where it wishes to do so. Given the apparent willingness of Oak Viking and Drum to surrender their interests it is highly advisable to proceed now while the opportunity exists.

- 1.6 Under the terms of the MDA GLAP can ask TSP to meet the costs of securing vacant possession of the Charles Street interests up to a maximum amount of £3,000,000.
- 1.7 Additionally, given the estimated figures for settlement exceeds £3m and the fact that where TSP cover these costs now, TSP must, under the terms of the MDA, treat the £3m as 'development expenditure' resulting in interest accruing on the sum until it is set off against payments due to GLAP in Phase 2 OR (where the MDA is terminated) becomes repayable by GLAP. The approval sought under this paper is for GLAP to cover the costs of the acquisition itself.
- 1.8 Furthermore, land values within the area of the Royal Docks are increasing steadily and it is considered that the longer the vacant possession of all the remaining interests takes, the more it is likely to cost GLAP/the Scheme to settle these interests.
- 1.9 GLAP has appointed GL Hearn (GLH) to negotiate and secure vacant possession of the remaining interests at Charles Street either by negotiation or by a Compulsory Purchase Order (CPO). They have provided an estimate of the settlement figures by negotiation (report attached – see section 13 of the report), summarised as follows:
- Drum Group (including the short-term lease) – up to £2.5m.
 - Oak Viking (including all the ALLHD interests and associated underlets as set out in 1.2 above) up to £2.5m
 - Vacant possession could therefore cost up to £5m.
 - The negotiations are at an advanced stage but it may be necessary to offer in excess of the initial estimates to secure vacant possession. Therefore, budget approval is sought for an additional contingency for securing vacant possession of up to a maximum of £0.5m (subject to GL Hearn confirming them as reasonable).
 - Additional budget of £0.5m will be required to cover the fees associated with agreeing settlements with the parties.
 - SDLT on the transaction is likely to be £254,000.
 - **Total maximum expenditure £6.254m.**
- 1.10 It is recommended therefore that approval is given for GLAP to progress negotiations with Oak Viking and Drum to seek the vacant possession of the sites and secure final approval from the Executive Director for Housing & Land, subject to the surrender price being franked by GL Hearn.
- 1.11 To protect site security and maximise income, GLAP will agree short term lettings, which don't give long term tenancy rights, across the Silvertown Quays site. These will include construction compounds to support Bouygues' and Galliford Try's developments on GLAP land at Pontoon Dock and Silvertown Way respectively. These will be agreed via the existing approval mechanisms.

2 Financial comments

The Decision is seeking approval for the surrender of leases between GLAP and third parties, to enable a comprehensive development of Silvertown Quays. GLH (professional valuers) are negotiating with the third parties for settlement of the leases on GLAP's behalf and have provided estimates for the settlements. The lessees of the leases to be surrendered are:

- OakViking Limited at plot 12, 437 North Woolwich Road; the maximum cost for the surrender is estimated at £2.5m. This will also include the settlement for plot 12A and the land strip with ALLHD. The surrender of the leases is expected to be completed during 2018/19.

- Drum Group Limited at plot 4, 361-365 North Woolwich Road\Charles Street, the maximum cost of the surrender of the lease is estimated at £2.5m. The surrender of the lease is expected to be completed during 2018/19.
- A budget of £500k is required to cover the costs associated with the surrender of the leases.
- SDLT liability for the settlement or the leases are estimated at £254k

The total budget requirement for the surrenders are estimated at £6.254m. The cost of the lease surrenders will be funded from Affordable Homes Programme (MD2282) grant transferred from GLA, which could be subject to Corporation Tax, depending on the overall tax position of GLAP. Further advice will be required to establish the most efficient way to get the funds from the GLA to GLAP.

Confidential Annexes to Part 2

- GL Hearn report