

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD2353

Title: New Housing Delivery Strategy at Greenwich Peninsula

Executive Summary:

GLA Land and Property Ltd (GLAP) wishes to implement a new housing delivery strategy for Greenwich Peninsula, increasing the number of homes, affordable homes and the pace of delivery on GLAP owned land.

GLAP will enter into a Framework Agreement with Knight Dragon (KD) and London and Quadrant Housing Trust (L&Q) under the existing Land Disposal Agreement (LDA). This agreement is conditional on an appropriate planning permission being obtained. The agreement will facilitate the bringing forward of 3,500 homes at a minimum of 60% affordable housing by habitable room, with the anticipated net increase of the overall level of affordable housing on the Peninsula to 30% by habitable room.

If that permission is granted, London and Quadrant will become an additional delivery partner, which should accelerate the pace of construction. A new masterplan for the plots to be made available to L&Q will be submitted to Royal Borough of Greenwich (RBG).

Decision:

That the Executive Director of Housing and Land and the Executive Director of Resources approve: Entry into:

1. A Deed of Variation to the current Land Disposal Agreement, which will document the changes needed to permit L&Q to take a land development option;
2. A Framework Agreement (pursuant to the LDA), which will set out how the parties will work together to bring forward new affordable homes; and
3. An Obligations Agreement (also, pursuant to the LDA), which will set out how L&Q will transfer land value to GLAP.

AUTHORISING ASSISTANT DIRECTOR/HEAD OF UNIT

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 Lunts (RICKARDO HYATT)

Position: Executive Director of Housing and Land

Signature:

Date: 24/04/19

Name: Martin Clarke

Position: Executive Director - Resources

Signature:

Date: 28.4.19

PART I – NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1. The regeneration of Greenwich Peninsula is a priority for the Mayor and represents one of the largest development projects involving public land in London. The option to develop the Greenwich Peninsula site, which comprises 67 separate plots, was fully acquired by Knight Dragon, a Hong Kong based development company in 2013 through its acquisition of the joint venture development vehicle from former owners Quintain and Lendlease.
- 1.2. All development on the Peninsula comes forward under the terms of the Land Disposal Agreement (LDA), a development agreement entered into in 2002 by the then joint venture development company Greenwich Peninsula Regeneration Ltd and English Partnerships. The LDA gives Knight Dragon exclusive rights to develop the GLAP-owned plots that form the Greenwich Peninsula area provided that certain minimum development requirements are met.
- 1.3. There have been changes to the structure of the LDA to reflect changing economic, housing delivery and policy requirements. These are documented in DD1504. Development decisions on Greenwich Peninsula are delegated to the Executive Director of Housing and Land and Executive Director of Resources under MD1111. This is to avoid a conflict of interest on projects that may require new planning consents on the Mayor's land.
- 1.4. This paper seeks approval for a further change to the LDA to document the extended role of L&Q in Peninsula housing delivery (they already are constructing 106 homes), and allow entry into a Framework Agreement under the LDA and entry into an Obligations Agreement to document the relationship between GLAP and L&Q. Costs for legal and financial support are being borne by each party.
- 1.5. The pace of development on the Peninsula since KD secured the option to develop has been high, due to proactive working, public sector investment and revisions to simplify the historic legal agreements. Recently, the pace of development has fallen, in part as a result of tougher economic conditions and a slowdown in private housing market sales. In order to address this, and to support the Mayor's ambition to increase the levels of affordable housing wherever possible, GLA, KD and L&Q have agreed to come together and work jointly on a mechanism that seeks to maintain and accelerate the pace of construction, whilst also increasing the provision of affordable housing.

2. Objectives and expected outcomes

- 2.1. The new delivery strategy will make several plots on Greenwich Peninsula available to L&Q for development. L&Q will develop in parallel with Knight Dragon and will, subject to planning, deliver approx. 3,500 homes at a minimum of 60% affordable housing by habitable room across a range of tenures. L&Q will also deliver new employment space, community facilities, play and open space and urban realm improvements.
- 2.2. There are four key objectives of the delivery strategy:
 - 2.2.1. Increasing levels of affordable housing - The primary objective of the new delivery strategy is to increase the level of affordable housing being delivered on Greenwich Peninsula. The current 2015 masterplan allows for 25% affordable housing across the Peninsula. The new delivery strategy (which will require a new planning consent on the land to be transferred to L&Q) will ensure that a minimum of 60% affordable housing is delivered across the plots concerned. This should have the net effect of increasing the Peninsula wide provision to 30% by habitable room.

- 2.2.2. Accelerating the pace of construction – There are challenges associated with delivering large-scale strategic regeneration projects in London. Viability, funding, infrastructure and the provision of high levels of affordable housing are all issues that can slow or stall delivery and need to be addressed through partnership working and long-term investment. The new delivery strategy for Greenwich Peninsula will accelerate construction activity through the introduction of a second development partner. L&Q are a strategic partner for the GLA and are one of the largest developing Registered Providers in London.
- 2.2.3. Introduction of L&Q as delivery partner – the introduction of L&Q brings a number of advantages. Development risk can be shared, along with the ability to benefit from L&Q's development expertise and long-term investment approach. Importantly, L&Q will be developing homes under the terms of the existing Land Disposal Agreement and as such, the GLA is afforded protections, including minimum development obligations, legal assurances, planning strategy approval and termination options. L&Q also already have a major management presence on the Peninsula as the owners of the S106 affordable housing already built or under construction by Knight Dragon.
- 2.2.4. Maintaining the quality of building and place – Greenwich Peninsula is one of the largest housing led mixed-use schemes in London and the largest on land owned by the GLA. It is vital that the quality of homes and affordable homes is maintained and there are safeguards built into the agreements set out above that will protect design.
- 2.3. Greenwich Peninsula is a key development priority for the Mayor and it is imperative that development momentum is maintained on site. The proposed strategy will allow development impetus to be maintained, securing significant additional investment and ensuring the delivery of thousands of affordable homes.
- 2.4. As part of commercial discussions with KD and L&Q, GLAP has agreed a financial methodology (supported by cash flow and appraisal models) that will be used to determine land payments and will track project income and expenditure, offering scrutiny of development cashflows. The financial models are accompanied by operational manuals, explanatory narrative and clear input definitions to enable scrutiny of assumptions and outputs
- 2.5. GLAP has ensured the obligation on both KD and L&Q, to deliver residential development at an agreed rate in order to prevent the slow release of land is maintained. This will ensure that periods of development inactivity, such as those seen under the previous joint venture partnership, are avoided.
- 2.6. GLAP has reached agreement on a number of key commercial terms and these are outlined in part two of this paper. GLAP has been advised by its internal and external lawyers on potential procurement and state aid implications of implementing the changes.
- 2.7. Additionally, commercial proposals have been reviewed by GLAP's external commercial property consultants to ensure they comply with GLAP's public law duties, in terms of best value and state aid. Following negotiation by GLAP's external legal advisers, the legal documents are now in a form that can be recommended for approval, and the proposed changes to the commercial terms have been reviewed and deemed reasonable by GLAP's appointed property advisors.

3. Equality comments

- 3.1. The allocation of the funding in this report implements the Mayor's policies under his London Housing Strategy (LHS). An equality impact assessment of that strategy was undertaken which found that "...LHS policies are likely to have broadly positive benefits in relation to social and economic sustainability objectives such as improving health, reducing inequalities, increasing accessibility, and economic development..."

- 3.2. The Mayors Equality, Diversity & Inclusion Strategy was issued in May 2018. 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 delivery strategy will help to deliver new affordable homes in London.
- 3.3. In November 2017, the GLA published an Integrated Impact Assessment of the London Plan, including an equalities impact assessment. The policies related to increasing housing supply concluded that promoting the development of different types of housing to meet the needs of potential residents, whilst targeting 50% affordable housing, would deliver health benefits, economic benefits and environmental benefits. Furthermore, the provision of housing – including maximising the delivery of affordable housing – would be in line with other policies of the London Plan (such as Policy 3.5), which ensure that the needs of different groups are taken into account when designing housing.

4. Other considerations

a) Key risks and issues

- 4.1. The key risks to the success of this project include sales risk, the availability of long-term affordable housing funding and risks associated with cost inflation. Further information is included in Part 2 of this decision.

b) Links to Mayoral strategies and priorities

- 4.2. Draft New London Plan (Policy H1) promotes the increase of supply of housing in general and affordable housing. These proposals will make a significant contribution to Royal Borough of Greenwich’s housing targets.
- 4.3. Certainty around the commercial terms set out in the Framework Agreement will facilitate progress on other key community infrastructure, training and employment initiatives on the Peninsula. L&Q proposes up to 10,700 sqm of employment and leisure uses on their option land and are currently developing a Placemaking Strategy, Community Involvement and Employment and Training Strategy for Greenwich Peninsula. As part of the projects that L&Q undertakes through its Foundation, work will be done to assist residents into paid work thorough support and funding initiatives.
- 4.4. Draft New London Plan (Policy H5) outlines a strategic target for 50% of all new homes delivered across London to be affordable and specifically on public sector land. The delivery strategy agreed with KD and L&Q will deliver 60% affordable housing across land made available to L&Q.
- 4.5. The London Housing Strategy includes a chapter entitled “Delivering genuinely affordable homes”. The chapter details three policies (4.1 genuinely affordable homes; 4.2 increasing delivery of affordable homes; and 4.3 protecting London’s affordable homes) which set out the need and means for delivering many more genuinely affordable homes for Londoners.

c) Impact assessments and consultations

- 4.6. Whilst for this director’s decision the GLA has not considered it necessary or appropriate to consult any persons or bodies including those specified in section 32(1) of the Greater London Authority Act 1999, L&Q have consulted, and will consult with, a range of stakeholders.

5. Financial comments

- 5.1. This decision requests approval to enter into a deed of variation to the current Land Disposal Agreement, a Framework Agreement and an Obligations Agreement. Financial comments are in Part 2 of this decision.

6. Legal comments

- 6.1. GLAP has been advised by its external lawyers on this project since it was inherited from HCA in April 2012 including in relation to the documents and associated matters noted above.
- 6.2. The foregoing sections of this report indicate that the decision requested falls within the statutory powers of the Authority exercisable by the Executive Director of Housing and Land and the Executive Director of Resources (having delegated authority via MD1111 pursuant to section 38 of the Greater London Authority Act 1999), to do such things as are considered facilitative of or conducive to the promotion of economic development, social development and the improvement of the environment in Greater London
- 6.3. Therefore, the Executive Director of Housing and Land and the Executive Director of Resources (pursuant to their delegated authority granted under MD1111) may approve the proposed entry into the agreement and other legal documents referred to in this report if satisfied with the content of this report.
- 6.4. As GLAP will be the party to the legal documentation GLAP will also need to approve the proposed deal in accordance with its constitution.

7. Planned delivery approach and next steps

Activity	Timeline
Signing of documents	w/c 22 April 2019
Mini masterplan submitted to Royal Borough Greenwich	June 2019
Planning committee target date	September 2019
Start on site under new delivery strategy (plot 18.02, plot 18.03)	June 2020
Completion of first plots @ at least 60% affordable housing	Summer 2024
L&Q project completion est.	2035

Appendices and supporting papers:

None.

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FoIA) 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 it has been approved 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: Part 1 should be deferred until a planning application covering the land to be developed by L&Q is granted, to avoid any suggestion that the commercial arrangements outlined in this paper have influenced the statutory planning process.

Until what date: 30 November 2019

Part 2 – Sensitive information

Only the facts or advice that would be exempt from disclosure under FoIA should be included 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:

Wil Stewart has drafted this report in accordance with GLA procedures and confirms the following:

✓

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.

✓

Financial and Legal advice:

The Finance and Legal teams have commented on this proposal, and this decision reflects their comments.

✓

Corporate Investment Board

This decision was agreed by the Corporate Investment Board on 23 April 2019.

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

M. D. B. C.

Date 23.4.19