

# GREATER LONDON AUTHORITY

## REQUEST FOR DIRECTOR DECISION – DD2523

### Title: ExCel Expenditure

#### Executive Summary:

GLA Land and Property Limited (GLAP) is the freeholder of land surrounding the Royal Docks in Newham, including the area on which the London International Exhibition Centre (LIEC) is located. The long leasehold between GLAP and LIEC was signed in 2001. It is a complicated document which does not provide either party with clarity, particularly with regards to the development of the remaining plots of land.

Following ADD2317 which approved initial expenditure of up to £50,000, work has been progressed to explore a variation to the lease in order to provide clarity to both parties. Additional expenditure is now required to further progress this workstream.

#### Decision:

That the Executive Director of Housing and Land approves expenditure of up to a maximum of £80,000 on legal and commercial advice relating to the LIEC estate review and the variation of existing lease documentation.

#### 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:** Rickardo Hyatt

**Position:** Executive Director of Housing and Land

**Signature:**



**Date:**

1 March 2021

## **PART I - NON-CONFIDENTIAL FACTS AND ADVICE**

### **Decision required – supporting report**

#### **1. Introduction and background**

- 1.1 In 2001, the London Development Agency (LDA) granted the London International Exhibition Centre (LIEC) a 200-year lease over a large estate within the Royal Docks. The LDA lease was inherited by GLA Land and Property Limited (GLAP) in 2012.
- 1.2 Bordering three DLR stations (Royal Victoria, Prince Regent and Custom House), the LIEC estate is a strategic gateway to the Royal Docks. The ExCeL Exhibition Centre is located on the estate, which is a major asset for the area, bringing in over 4 million visitors a year and promoting the Royal Docks as a place for business and investment. The estate also incorporates residential, hotel and retail uses, in addition to several plots of land which have unrealised development potential.
- 1.3 The lease provides GLAP with a share of annual turnover from LIEC and sets out a process for sharing value when plots are developed. However, the process for value sharing is overly complicated, outdated and doesn't allow for straight forward decision-making. This was illustrated in 2017, when GLAP and LIEC negotiated a separate agreement for three development plots due to the complexity and vagueness of the existing lease. This was a time-consuming process and involved extensive legal and commercial negotiation which ultimately delayed the construction of new homes. As a result, the intention is to vary and simplify the lease documentation to prevent a need for piecemeal agreements in the future. The renewed lease documentation will also ensure that there are mechanisms in place to allow the delivery of a higher proportion of affordable housing.
- 1.4 ADD2317 secured approval for the principle of exploring a potential variation to the LIEC lease and for initial expenditure to commission the required legal and commercial advice. This initial expenditure has now been exhausted. The funding has been used to carry out an in-depth legal review of the existing lease documentation, to cover the legal costs associated with a variation to the umbrella agreement referred to above and to produce the legal documents required to approve the establishment of the Nightingale Hospital within the ExCeL Exhibition Centre.
- 1.5 Additional funding is required to further progress legal work regarding the variation of the lease. Commercial advice is also needed to ensure that the formulas for calculating future value are appropriate and protect GLAP's financial position. Both commercial and legal advisors have been appointed for this project and additional expenditure will be used within the scope of their existing contracts.

#### **2. Objectives and expected outcomes**

- 2.1 The LIEC estate is a strategic land holding within the Royal Docks which is critical to the cohesive transformation of the area. The Royal Docks Enterprise Zone offers a regeneration opportunity on a global scale, projected to generate 35,000 jobs, 4,000 homes and attract over £5bn in inward investment by 2038.
- 2.2 The guiding principles of the process for GLAP are:
  - to continue to support the success and growth of LIEC in attracting visitors, investment and business in the Royal Docks;
  - to ensure that any future changes continue to allow GLAP to receive an appropriate share of value from the LIEC estate;

- to rationalise the lease to make its interpretation clearer, support proper management of the terms and make future decision-making easier; and
- to provide a clear route for any future development of the estate including the basis for sharing value between the parties.

2.3 Further approvals from GLA are likely to be required as a result of this work.

### **3. Equality comments**

3.1 Under section 149 of the Equality Act 2010 (the “Equality Act”), as a public authority, the GLA must have ‘due regard’ to the need to eliminate unlawful discrimination, harassment and victimisation, and to advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not. Protected characteristics under the Equality Act comprise age, disability, gender re-assignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation and marriage or civil partnership status. This lease review has been assessed against the duty and is not expected to raise any issues which could result in any potential impacts on those with protected characteristics.

### **4. Other Considerations**

#### Risk and issues

- 4.1 A key risk for this project is ensuring delivery within budget. The expenditure requested in this approval is based on realistic cost estimates obtained by project experience to date.
- 4.2 There is a risk that LIEC and GLAP will not be able to reach agreement for a lease variation. This has been mitigated through close communication between the two parties to understand priorities for the lease variation. The umbrella agreement negotiated in 2017 also provides a useful template for negotiations.

#### Links to Mayoral strategies and priorities

- 4.3 The proposed lease variation will contribute to the objectives of the London Housing Strategy which sets out the rationale for the GLA to take a more interventionist approach in London’s land market, with the aims of building more genuinely affordable homes, accelerating the speed of building, and capturing value uplift for public benefit.
- 4.4 The LIEC estate will also contribute towards the Mayor of London’s Good Growth agenda by facilitating development which is able to support the existing and growing communities in the Royal Docks.

#### Declaration of interest

- 4.5 There are no conflicts of interest to note for any of those involved in the drafting or clearance of the decision.

### **5. Financial comments**

- 5.1 This decision seeks approval for expenditure up to £80,000 on legal and commercial advice relating to an assessment of the options to simplify the lease held by GLAP with the London International Exhibition Centre.

- 5.2 The funding for this expenditure will come from the GLAP budget (Land and Property). £10,000 is expected to be spent in 20/21 and the remainder of the expenditure in 21/22.

## 6. Legal comments

- 6.1 Section 30 of the Greater London Authority Act 1999 (as amended) (GLA Act) gives the Mayor a general power to do anything which he considers will further one or more of the principal purposes of the GLA as set out in section 30(2) which are:

- i. Promoting economic development and wealth creation in Greater London;
- ii. Promoting social development in Greater London; and
- iii. Promoting the improvement of the environment in Greater London

and, in formulating the proposals in respect of which a decision is sought, officers confirm they have complied with the GLA's related statutory duties to:

- pay due regard to the principle that there should be equality of opportunity for all people;
- consider how the proposals will promote the improvement of health of persons in Greater London, promote the reduction of health inequalities between persons living in Greater London, contribute towards the achievement of sustainable development in the United Kingdom and contribute towards the mitigation of or adaptation to climate change in the United Kingdom; and
- consult with appropriate bodies.

- 6.2 Sections 1 - 3 of this report indicate that the decision requested falls within the GLA's statutory powers.

## 7. Planned delivery approach and next steps

Activity	Timeline
Development of initial proposals with LIEC	Quarter 1 2021-22
Potential future decision	Quarter 3 2021-22

### 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: To maintain the confidentiality of the transaction until it is completed, and to allow the pre-election period to elapse before the decision is published.

Until what date: 31 May 2021

## 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 – NO

## ORIGINATING OFFICER DECLARATION:

Drafting officer to confirm the following (✓)

### Drafting officer:

Christine Wood 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 22 February 2021.

## EXECUTIVE DIRECTOR, RESOURCES:

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

### Signature



### Date

1 March 2021