

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD2415

Land Fund: Provision of a Loan Facility to The Silvertown Partnership

Executive Summary:

It is proposed that £37.02 million is allocated from the Homes for Londoner's Land Fund (as approved by Mayoral Decision (MD)2396) to The Silvertown Partnership (TSP) in the form of a loan to meet the cost of delivering a new, publicly accessible, foot and cycle bridge across the Royal Victoria Dock located in the Royal Docks, Newham.

Silvertown Quays is a 50-acre site in the heart of the Royal Docks. GLA Land and Property Limited (GLAP) own the freehold of the site which is under a Master Development Agreement with TSP; a joint venture between Starwood Capital and Lendlease.

Detailed planning permission for phase one of the development scheme has been secured. This phase will deliver 943 homes, 65,000 sqm of commercial/brand space and refurbish the Millennium Mills building. Based on the outline planning permission, the overall site will deliver up to 3,000 homes in total.

The delivery of the new foot and cycle bridge will connect the development site across the Royal Victoria Dock to the new Elizabeth Line station at Custom House.

Decision:

That the Executive Director of Housing and Land approves:

The provision of a loan facility, on terms materially set out in part 2 for £37.02 million from GLA Land and Property Limited, using funding from the Homes for Londoner's Land Fund (as approved by MD2396), to The Silvertown Partnership for the purpose of accelerating the delivery of a publicly accessible foot and cycle bridge.

AUTHORISING DIRECTOR

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

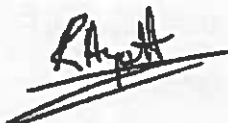
Name:

Rickardo Hyatt

Position:

Interim Deputy Executive Director of Housing and Land

Signature:



Date:

17 March 2020

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

Introduction

- 1.1 On 27 November 2018, MD2396 approved funding from the Ministry of Housing, Communities and Local Government (MHCLG) to help unlock and accelerate housing delivery in London through land assembly, infrastructure investment and provision of gap funding. A Memorandum of Understanding (MoU) between the MHCLG and the GLA for this funding is aimed at unlocking sites capable of delivering 8,000 housing completions in London by 2030.
- 1.2 MD2396 grants the Executive Director of Housing and Land delegated authority in consultation with the Deputy Mayor for Housing and Residential Development to approve, via a director decision, the allocation of the funding in accordance with the terms associated with the programmes and in pursuit of the Mayor's housing ambitions.
- 1.3 The proposals in this report were considered by the Land Fund Investment Committee, which in noting the strategic importance of the proposed intervention, endorsed the recommendation to allocate funding from the Land Assembly Fund in principle, subject to further due diligence.
- 1.4 This report seeks the Director's approval to allocate £37.02 million from the Homes for Londoner's Land Fund (as approved by MD2396), to the Silvertown Quays development scheme. The loan facility will be provided by GLA Land and Property (GLAP) to The Silvertown Partnership (TSP) to fund the delivery of a new foot and cycle bridge across the Royal Victoria Dock located in the Royal Docks, Newham in order to increase the pace of build out on the land.

Site Context

- 1.5 Silvertown Quays is a 50-acre former industrial site in the heart of the Royal Docks in Newham. GLAP owns the freehold of the site which is under a Master Development Agreement with TSP; a joint venture between Starwood Capital and Lendlease.
- 1.6 Detailed planning permission was secured for phase one of the development scheme in December 2019. This phase will deliver 943 homes, 65,000 sqm of commercial/brand space and refurbish the Millennium Mills building. The overall site has outline planning consent for 7 million sqft of mixed-use development and up to 3,000 new homes. The historic approvals set out below have been to consent progression of the development scheme:
 - MD977 (March 2012) – adoption of London Development Agency's procurement process
 - MD1205 (May 2013) – signing of the MDA with TSP
 - MD1410 (November 2014) – investment of DCLG grant into the site
 - MD1653 (May 2016) – signing of the Section 106 relating to the Outline Planning Permission
 - MD2280 (May 2018) – approval of the change of control under the MDA
 - MD2053 (October 2019) – SQ Policy Compliance

Rationale

- 1.7 The proposed loan facility will fund the design, planning permission and construction of a new publicly accessible bridge. The new bridge will provide at-grade access across Royal Victoria Dock, bringing the site within short walking distance of the new Elizabeth Line station at Custom House.
- 1.8 The loan facility will allow TSP to deliver the bridge at pace and thus progress the development scheme and contribute to the wider regeneration of the Royal Docks.
- 1.9 It is anticipated that Phase one infrastructure works, excluding the bridge, will be partially funded by an additional loan facility from Homes England. The Homes England funding may be recycled into future phases of the development scheme to aid delivery.

Loan Facility

- 1.10 It is proposed to give TSP a loan facility with a 14-year term. The facility will have a variable interest rate based on the strength of the collateral available. The interest rate will be determined annually by a red-book valuation which will review the strength of the collateral, as detailed further in part 2 of this decision.
- 1.11 The facility is due to be drawn down by TSP in Spring 2020. The facility will have set longstop dates which require TSP to repay a proportion of the funding. Prepayment of the loan facility will be permitted.
- 1.12 The GLA's Housing and Land Directorate will retain oversight of the facility and monitor drawdown, repayment and delivery. An appropriate project management and performance monitoring system will be established.
- 1.13 To ensure delivery of the new bridge, a completion and a capped cost overrun guarantee will be provided. At the borrower's expense, an independent Monitoring Surveyor will also be appointed to ensure that the bridge is delivered at pace and to a high quality.
- 1.14 The heads of terms for the loan, as agreed between GLAP and TSP are set out at in part 2.

2 Objectives and expected outcomes

- 2.1 The proposed GLAP intervention aims to:
 - i. fund the delivery of the new Royal Victoria Dock bridge;
 - ii. facilitate and accelerate a key development within the Enterprise Zone; and
 - iii. secure timely delivery of new homes on public-sector land.

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.

- 3.2 When considering the needs of the existing community and those that will be affected by the proposed projects outlined in this paper, any activity will look to minimise disadvantages to all protected characteristic groups within society.
- 3.3 The GLA's assessment is that the proposal set out in this paper will not have an adverse effect on any groups with a protected characteristic and will assist in fostering relationships between groups.
- 3.4 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 policies within the LHS 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.
- 3.5 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 loan funding will help to deliver high quality homes in London.
- 3.6 In November 2017, the GLA published an Integrated Impact Assessment of the London Plan. It was concluded that the policies which related to increasing housing supply would deliver health benefits, economic benefits and environmental benefits. Furthermore, the provision of 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 considered when designing housing.
- 3.7 The delivery of the new bridge will further improve the accessibility of Silvertown Quays and the wider Royal Docks area, creating opportunities for communities to come together and foster good relations.
- 3.8 The London Borough of Newham is one of the most disadvantaged boroughs in London and one of the most diverse in terms of faith and ethnicity. It is paramount to redevelop this key strategic site in the Royal Docks in a sustainable way which provides benefits for all local communities and responds to the diversity of the surrounding area.
- 3.9 All consultants procured by TSP will conform with The Equality Act and will have no negative impact on those with protected characteristics.
- 3.10 This decision is therefore not expected to have any negative impact on persons with a protected characteristic under the Equality Act.

4 Other considerations

Links to Mayoral Strategies and Priorities

- 4.1 The LHS sets out the policy rationale for the GLA to take a more interventionist approach in London's land market, with the aims of: building more social rented and other genuinely affordable homes; accelerating the speed of building; and capturing value uplift for public benefit.
- 4.2 A failure over recent decades to build the number and type of homes London needs has resulted in a housing crisis characterised by increasing affordability pressures and rising housing need. To address this, the draft New London Plan sets a target of 520,000 new homes over the next 10 years.

Due Diligence

- 4.3 The "Know Your Customer" due diligence process under the GLA's Anti-Money Laundering Policy has been completed against TSP, and no areas of concern have been highlighted through that process.

Key Risks and Issues

Risk	Impact	Mitigation
Cost overrun	Delay and need to refinance	<ul style="list-style-type: none">• Contingency allocated• Cost overrun guarantee
Timing	Delay to delivery of housing	<ul style="list-style-type: none">• Programme management and overlapping of activities
Repayment	GLAP not able to recoup funding	<ul style="list-style-type: none">• Collateral reviewed annually
Completion	Significant infrastructure not delivered	<ul style="list-style-type: none">• Completion guarantee from borrower
Quality	Bridge not delivered to the required quality	<ul style="list-style-type: none">• GLAP sign off required at gateways• Independent surveyor to monitor construction

Declarations of Interest

- 4.4 There are no conflicts of interest to declare for the officers involved in the drafting or clearance of this Decision form.
- 4.5 The GLA has engaged with TSP and Homes England in relation to these proposals. 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 Decision.

5 Financial comments

- 5.1 The Decision is seeking approval to provide a loan for £37.02m to the Silvertown Partnership (TSP). The loan would be used to fund the development of a new foot and cycle bridge across the Royal Victoria Dock located at the Royal Docks, London Borough of Newham. The loan will be funded from the Homes for Londoner's Land Fund.
- 5.2 The loan will be for a term of 14 years and will bear a variable rate of interest, which will be based on the EC ref. rate plus a margin. The margin will be based on the strength of the collateral, which will be subjected to an annual valuation. Repayments will be by instalments and will be based on the Gross External Area of the development scheme that has been delivered. Several risks and mitigating actions have been highlighted in paragraph 4.2.

6 Legal comments

- 6.1 Under section 30(1) of the Greater London Authority Act 1999 (as amended) ("GLA Act"), the GLA has the power to provide the loan funding for the project explained above, provided that doing so will further one or more of the GLA's principal purposes of: promoting economic development and wealth creation, social development, and the improvement of the environment in Greater London. The project will deliver infrastructure which is consequently expected to accelerate the delivery of new housing, including affordable housing, and it is open to the GLA to take the view that funding it will promote both social and economic development, and is therefore within its power contained in section 30(1) of the GLA Act.
- 6.2 In exercising the power in section 30(1), the GLA must have regard to the matters set out in section 30(4-6A) of the GLA Act, and also the Public Sector Equality Duty in section 149 of the Equality Act 2010. Reference should be made to section 3 above in this respect.
- 6.3 In addition to the above, where the GLA is proposing to use the power conferred in section 30(1) of the GLA Act, the GLA must consider consulting in accordance with section 32 of the GLA Act. As noted at paragraph 4.5 above, GLA officers have engaged with the proposed borrower and Homes England in relation to the project which is the subject of this Director Decision. GLA officers have

confirmed it is not considered necessary or appropriate for the GLA to consult with any other persons or bodies including those specified in section 32(2) of the GLA Act for the purposes of this Director Decision.

- 6.4 The provision of the loan facility at a market rate of interest 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.
- 6.5 External lawyers have advised GLA officers in relation to state aid compliance and will be instructed to prepare and advice upon the form of facility agreement and security documentation between the GLA and the borrower.
- 6.6 Further legal comments are set out in Part 2.

7 Planned delivery approach and next steps

- 7.1 The proposed programme for the delivery of the bridge is as follows:
 - Completion of facility agreement – Spring 20
 - Detailed design complete –Summer 20
 - Planning submission – Winter 20/21
 - Procurement and contracting of works –Q2 2021
 - Start on site – Q4 2021
 - Completion –Q4 2023

Appendices and supporting papers:

Appendix 1- Silvertown Quays Development Scheme Site Plan

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 2020

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:

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 16 March 2020

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

M. J. Ollé

Date 16.3.20

