

Homes for Londoners Board

Date of meeting: **27 February 2018**

Title of paper: **Land Fund Update**

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Cleared by: **James Murray, Deputy Mayor for Housing and Residential Development and
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Classification: **Public**

1 Executive Summary

- 1.1 The draft London Plan sets out ambitious new housing targets (66,000 new homes a year) and a strategic target of 50% of new homes to be genuinely affordable. Alongside the new draft Plan, the GLA has produced new borough housing delivery targets which will require a substantial uplift in the number of development sites coming into production, together with a more focussed approach to land assembly and infrastructure.
- 1.2 The Mayor's draft London Housing Strategy supports this ambition by setting out a rationale for the GLA to take a more interventionist approach in bringing more land forward to step up the pace and scale of new and affordable home building.
- 1.3 The Mayor has recently announced a new GLA £250 million Land Fund to support this approach which will be used to acquire and prepare land for new and affordable housing, working closely with boroughs and our development partners. The Fund will be drawn from the GLA's existing and projected housing and land resources and receipts and it is intended that it will operate as a revolving fund, recycling land receipts and reinvesting to deliver additional land for similar purposes over time.
- 1.4 This paper provides a summary of the purpose, management and proposed business strategy of the Fund.

2 Recommendation

- 2.1 That the Board notes the report.

3 Introduction and Background

- 3.1 The GLA's land and property assets are owned and managed by Greater London Authority Land & Property Ltd (GLAP), a wholly GLA-owned subsidiary company and the assets acquired and managed by the new fund will be held and organised via GLAP.

- 3.2 The GLA, through GLAP, inherited a very substantial portfolio of land and property interests in 2012 when the London assets of the former London Development Agency, the London Thames Gateway Development Corporation and the Homes & Communities Agency were transferred to the Mayor. This amounted to around 635 hectares and has provided a powerful platform to influence housing outcomes and test new approaches to procurement, design, tenure and development management.
- 3.3 Almost all the inherited GLAP assets that are capable of development for new homes and workspace are now either on site or through procurement with development partners in place with a total of around 60,000 new homes due to be completed. Unless the GLA begins to intervene and find fresh opportunities to acquire sites then City Hall will lose the opportunity to continue to influence housing outcomes, and to build on the innovation, expertise and capability that the GLA has developed over the last six years.
- 3.4 The GLA is also in the final stage of procuring a new London Development Panel (LDP2), based on the highly successful earlier LDP which provides a highly efficient and fully OJEU-compliant fast track for getting public sites into development. Although the Panel can operate across the public sector, without a commitment to a pipeline of future GLA opportunities for the framework members to access this is likely to be less effective.
- 3.5 An Investment Committee has been established to supervise the Fund, comprising the Deputy Mayor for Housing & Residential Development, the Executive Director of Housing & Land, the Assistant Director of Strategic Projects & Property; the GLA's Group Treasury & Chief Investment Officer and two independent members with development and investment expertise (Mike Youkee, ex development director, Quintain and Gerry Murphy, Deputy Chief Executive, London Legacy Development Corporation). The role of the Committee is to provide scrutiny and challenge in the assessment of potential investments; to approve the Fund's investment strategy and business plan; and to monitor the delivery of the Fund's objectives and key business outcomes.
- 3.6 The preparation of the Fund's business plan and investment strategy is underway and will be presented to the Land Fund Investment Committee in March 2018, along with a number of potential acquisition and investment proposals.
- 3.7 The main objectives of the Fund are to:
- Support opportunities to bring land forward for housing development more quickly;
 - Target opportunities for genuine additionality in terms of project viability, pace and levels of affordable housing and where there is a market failure;
 - Ensure that the Fund's investment delivers at least 50% genuinely affordable housing across its sites and investments;
 - Enable the GLA to be able to pursue innovative approaches to the procurement and design of new housing and to have a significant level of influence over the pace, quality and tenure profile of affordable housing delivery in London;
 - Develop a pipeline of short, medium and longer-term assets, taking a portfolio investment approach to ensure that short term 'wins' are balanced by a longer-term pipeline;

- Work with partners to inject financial support towards the cost of land and enabling infrastructure for schemes where additional affordable housing may be possible or where acceleration may be achieved;
 - Pursue partnerships and joint ventures with other housing providers where appropriate;
 - Test the scope for extending the fund by exploring the potential for additional future third-party investment in the Land Fund; and
 - Support the Fund's activities through the full range of mayoral investment and statutory powers, including compulsory purchase where appropriate.
- 3.8 The Fund will operate in close partnership with boroughs and our housing partners to identify opportunities for intervention, building on our collaborative work around the Housing Zones programme, Opportunity Areas and more generic engagement with partners' affordable housing development programmes.
- 3.9 Sourcing opportunities for intervention is a key priority for the GLA's Housing and Land team that is being led, predominantly, by the three Area Operations teams with specialist technical support from the Strategic Projects and Property team. A detailed pilot project has been undertaken to investigate potential opportunities to optimise and intensify development in a number of locations through selective land acquisitions and partnerships with adjacent site owners and these are being explored in more detail, along with a wider pipeline of sites that we are aware of through dialogue with boroughs and a number of housing associations. These opportunities range from direct acquisitions to brokering deals with third parties, potential use of statutory powers and financing enabling works.

4 Objectives and Expected Outcomes

- 4.1 The Land Fund will deliver a range of outcomes, including a substantial number of new homes, at least 50% of which will be genuinely affordable. It will bring forward sites that will demonstrate best practice in public procurement (utilising the new London Development Panel) and offer opportunities to test fresh approaches to housing design and development.
- 4.2 In addition to the key housing outcomes, the fund will also support wider regeneration and good growth outcomes through maximising associated employment and training opportunities.
- 4.3 The Fund will also provide a return on its initial investment with the aim of establishing a self-supporting revolving facility that can be recycled to support additional land acquisitions and associated activities together with future potential opportunities for co-investment from external parties.

5 Key Risks and Issues

- 5.1 Team capacity has been strengthened through the creation of several new posts within the Homes for Londoners team. This will ensure that the team is able to proactively source opportunities for intervention in the land and property market. New ways of working have also been introduced to optimise internal working arrangements across the Directorate.

- 5.2 The Land Fund does not as yet, have an agreed investment strategy and business plan in place. However an outline investment strategy is in preparation and will be presented to the March 2018 Land Fund Investment Committee meeting for consideration. Any interim decisions will be taken based on the Fund's agreed objectives.

6 Equality Comments

- 6.1 The Fund aims to maintain or increase momentum in the delivery of new and affordable housing. Increasing the supply of housing in London will help to address problems such as overcrowding and homelessness, which evidence indicates disproportionately affect specific groups, including Black and Minority Ethnic groups and women. The delivery of high-quality housing will also promote improved health and wellbeing, given evidence of an association between poor housing conditions and poor health.

7 Financial Comments

- 7.1 It is intended that the Fund will provide a return on its initial investment with the aim of establishing a self-supporting revolving facility that can be recycled to support additional land acquisitions and associated activities together with future potential opportunities for co-investment from external parties.

8 Next Steps

- 8.1 The next steps following consideration by the Board are:
- Officers to present an outline Investment Strategy to the Land Fund Investment Committee in March 2018; and
 - Update the Homes for Londoners Board on progress at its June 2018 meeting (and periodically thereafter).

Appendices:

None