

# GREATER LONDON AUTHORITY

## REQUEST FOR DIRECTOR DECISION – DD1219

**Title:** Request for £80K to carry out site disposal for Stephenson Street, West Ham

### Executive Summary:

This report seeks approval for a budget of £80,000 to complete the necessary due diligence and conduct a procurement exercise to complete a disposal of Stephenson Street, West Ham to be taken to market this summer via the London Development Panel. Of this £50K will be for commercial advice, £20K for legal work and £10K for additional site investigation work to further refine the cost estimates for site remediation works.

The site will provide a number of privately rented residential units in line with Mayoral targets. A developer will be sought in advance of a masterplan or planning permission meaning there could be several options for what the site could incorporate, including a potential free school. There is likely to be a large amount of work involved in both compiling the requirements for the ITT, and analysing the bids. In addition due diligence work to date has identified issues associated with restrictive covenants and site contamination. The budget for legal advice and site investigation work will help ensure the site can be brought forward for residential-led development.

### Decision:

That the Executive Director of Housing and Land approves expenditure of up to £80K to undertake the work described to dispose of the site at Stephenson Street, West Ham.

### AUTHORISING DIRECTOR

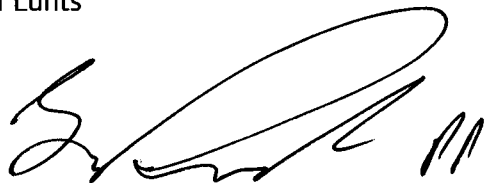
I have reviewed the request and am satisfied it is correct and consistent with the Mayor's plans and priorities.

It has my approval.

**Name:** David Lunts

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

**Signature:**



**Date:** 23/05/14

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

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

#### **Introduction and background**

- 1.1 Stephenson Street is a 10.62 hectare site which is currently vacant having recently undergone the demolition of the derelict buildings on site in readiness for redevelopment. GLAP intends to market this site via the London Development Panel and to this end we are currently carrying out extensive due diligence on the site to ensure that all information provided to bidders is accurate.
- 1.2 We are currently drafting a planning and development brief which outlines the requirements for the site to be a residential-led scheme which will include c. 750 PRS units and an appropriate provision of affordable housing along with private for sale homes. In addition there will be a requirement for the site to contribute to a new local centre, provide a degree of employment uses, improve upon existing and create new access points to the site and to potentially incorporate a new free school.

#### **Property Consultant**

- 1.3 The site presents challenges in that access is constricted, there are a number of development restrictions, it has power lines underneath it, is adjacent to railway lines and an operational gas holder site and it is contaminated from its former use. On the converse there are a limited number of sites of this size in this location, the potential for transport links is excellent and it is in an area where residential values are rising along with the market as a whole. These contradictory factors mean that the optimum outcome will be difficult to predict without extensive work by a consultant to assess the various options on a qualitative and quantitative basis.
- 1.4 This will be a high profile disposal of a site that has been vacant and in public ownership since 2004. In addition there are a number of complexities of this development that mean that seeking comprehensive and commercial professional advice will be very important in optimising both what is delivered and ensuring a reasonable land receipt for the GLA. These are:
  1. The site is large and therefore can accommodate a variety of different uses.
  2. Developers may be asked to submit proposals with and without a free school being provided on site meaning there will be an increased requirement for analysis of the responses.
  3. The PRS tenure is a relatively new one and we will require advice on quality of this aspect of the submission specifically in terms of management structure, hold periods etc.
- 1.5 GLAP will market Stephenson Street as a residential-led scheme, and the current intention is to seek a development partner through the London Development Panel. The procurement will follow the standard LDP three-stage methodology.
- 1.6 The successful consultant will be required to input into the drafting of the sifting brief questions, the analysis of the responses and shortlisting; the preparation of the ITT and evaluation methodology, mid ITT interviews with successful bidders, and selection of the eventual development partner on the basis of the evaluation methodology.
- 1.7 We intend to prepare a brief for commercial advice and procure by running a mini competition with the assistance of TFL procurement with an anticipated upper limit of £50K where consultants will be asked to offer a fixed fee. A previous procurement exercise for other PRS sites to be marketed by GLAP has suggested that this is an appropriate budget.

### **Site Investigation Work - £10K**

- 1.8 The GLA instructed White Young Green (WYG) to carry out an update to site investigation work previously undertaken on the site at Stephenson Street with the aim of providing more comprehensive information about the ground and water conditions, and to provide a narrower cost range for the costs to remediate the site. The purpose of this was to allow bidders to accurately assess the financial implications of this aspect of the development. This was at a cost of £27K.
- 1.9 The estimated costs for remediation had a broad range; between £1.5m, to £3.3m.
- 1.10 WYG estimate that the range of costs could be cut by around 50% by carrying out a Detailed Quantitative Risk Analysis (DQRA) on certain matters. This would usually be carried out once there is a masterplan in place in order to present a more accurate end use for the site to inform the survey but in this case a masterplan will not be sought in advance of the GLA seeking bids for the site.
- 1.11 Despite this we consider the expenditure of £10K to be value for money in order to narrow the range of likely costs from £1.8m to circa £0.9m and provide a better idea of appropriate residential typologies. Developers will then have a more accurate basis upon which to bid and this cost will be more than recouped in this way in terms of bids for the site. An appropriate route to market will be discussed with TFL Procurement.

### **Legal Budget - £20K**

- 1.12 The site has a number of titles, including a leasehold area and will require title packs to be compiled in due course. There are also a number of restrictive covenants affecting the site that prevent development for anything other than industrial. Whilst we are negotiating with the parties who have the benefit of the covenants directly and currently making use of internal legal resources the resolution of this is clearly crucial. Our current in-house legal resource is a temporary secondment and further work will need to be outsourced and paid for separately.
- 1.13 Whilst the intention is to take the site to market via the LDP which should be relatively inexpensive in terms of legal costs we will require a budget to prepare the legal agreement with the selected developer whichever procurement route is selected.

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

The objectives are:

- 2.1 To complete a development brief to inform bidders and prepare an ITT that ensures that we provide comprehensive information to tendering developers. We will require commercial input on this.
- 2.2 To ensure that the developer selection process is robust, that GLA development objectives are met, and that proposals are carefully evaluated.

## **3. Other considerations**

### a) Key risks and issues

1. Whilst there will be a number of GLA requirements for what should be delivered on the site there is a risk that some of these requirements on development could depress values. The

procurement of this consultant aims to ensure that our requirements will balance value and delivery in terms of bids for the site.

2. Contamination – SI work will reduce risk to the GLA and the developer and ensure more appropriate bids.
3. Restrictive Covenants – Without the removal of these no residential development can take place on the site.

#### b) Links to Mayoral strategies and priorities

There is a mayoral commitment to release land for development generally, along with commitments in the Housing Strategy and London Plan to release land both for the delivery of privately rented homes and private for sale. There is also a statutory obligation to get best consideration for GLAP-owned land in line with the above point.

#### c) Impact assessments and consultations.

We are consulting with LBN as planning authority and the GLA's Planning and Environmental teams

## 4. Financial comments

- 4.1 Spend to date on this project totals £30,000 made up of £25,000 on Site Investigation Work (ADD 75) and £5k on PRS feasibility (ADD 87).
- 4.2 The intention is to fund this from carry forward requested from 13/14 (£30k), budget earmarked for 14/15 (£20k) and £30k revenue budget allocated to Bidder Street that is no longer required for this project. Should the carry forward request not be approved, savings from other GLAP projects in 2014-15 will need to be found to cover this expenditure.

## 5. Legal comments

- 5.1 Section 30 of the Greater London 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) of the GLA Act which are (1) promoting economic development and wealth creation in Greater London; (2) promoting social development in Greater London; and (3) promoting the improvement of the environment in Greater London.
- 5.2 Sections 1, 2 and 3 of this report indicate that the decision requested falls within the GLA's statutory powers as described in section 5.1 above.
- 5.3 The Mayor may, under section 38 of the GLA Act, delegate the exercise of the GLA's functions to the Executive Director of Housing and Land as proposed. The Mayoral Scheme of Delegation specifies that spending of up to £125,000 can be authorised by the Executive Director of Housing and Land in a Director Decision form.

## 6. Planned delivery approach and next steps

Please note that this timescale relates to procurement of the development will come at a later stage once the developer evaluation has been concluded. As the contract for the consultants has not yet been procured it is very difficult to outline accurate timescales so this is a best estimate. There are also a number of strands of work attached to this DD.

<b>Activity</b>	<b>Timeline</b>
Procurement of contract [for externally delivered projects]	Mid June
Announcement [if applicable]	N/A
Delivery Start Date [for project proposals]	1 <sup>st</sup> July
Final evaluation start and finish (self/external) [delete as applicable]:	
Delivery End Date [for project proposals]	January 15
Project Closure: [for project proposals]	N/A

**Appendices and supporting papers:**

None

**Public access to information**

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) 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 approval 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:

GLAP is about to undertake a procurement activity associated to the disposal of land. We would ask that the content of this decision – in pertaining to the details of the procurement process and the specification, will remain confidential until a time that is not commercially sensitive and will not provide any organisation a competitive advantage. There is also information relating to restrictive covenants that is not in the public domain.

Until what date: (a date is required if deferring) 1 September 2014

**Part 2 Confidentiality:** Only the facts or advice considered to be exempt from disclosure under the FOI Act should be 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:**

Caroline Cameron has drafted this report in accordance with GLA procedures and confirms that

✓

**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

✓

**EXECUTIVE DIRECTOR, RESOURCES:**

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

Signature

Date

22 May 2014

p.p. EXECUTIVE DIRECTOR OF RESOURCES