

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD1373

Title: Meanwhile East Croydon (MRF)

Executive Summary:

This decision seeks approval to award up to £250,000 for the 'predevelopment' of the Meanwhile East Croydon project from the London Enterprise Fund (LEF). The predevelopment process will see the derelict site cleared, designs developed, planning permission sought, and activities undertaken to secure sufficient pre-let interest.

The project as a whole (predevelopment plus delivery) seeks to invest in and deliver a new temporary retail and leisure development on Croydon's highest profile vacant site—the southern area of the land next to East Croydon station, to be developed as Ruskin Square—with a nationally significant, sustained meanwhile use. It is expected to catalyse the development of 1.07 million square foot of commercial office space and create 240 direct new jobs and substantially more indirect jobs.

The Mayor (under cover of MD895) delegated authority to the Executive Director Development, Enterprise and Environment to approve this decision following advice from Investment and Performance Board (IPB). Approval from IPB was received on 20 November 2014 based on Stage 1: Strategic Case and Stage 2: Investment Decision papers.

Decision:

The Executive Director approves expenditure of up to £250,000 revenue by way of the award of grant funding from the London Enterprise Fund to the London Borough of Croydon as a contribution to its costs of developing its 'Meanwhile East Croydon' project.

AUTHORISING DIRECTOR

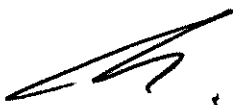
I have reviewed the request and am satisfied it is correct and consistent with the Mayor's plans and priorities.

It has my approval.

Name: Fiona Fletcher-Smith

Position: Executive Director Development, Enterprise and Environment

Signature:



Date:

3 . 3 . 2016

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1. Following the public order disturbances in August 2011, the Mayor announced a fund of £70m to invest in the long-term regeneration of some of the worst affected boroughs (MD895). £50m of this budget comprises the Mayor's Regeneration Fund (MRF) with the remaining £20m grant funding from DCLG through the London Enterprise Fund (LEF), which is ring-fenced for Tottenham and Croydon. The Mayor, under cover of MD895 and MD1092 approved the overall MRF/LEF programme budget and delegated authority on the detailed allocation of the programme budget, individual project budgets and any further resources required to the Executive Director for Development, Enterprise and Environment.
- 1.2. The London Borough of Croydon was identified as a recipient of MRF / LEF funding on the basis of the impact on businesses in the local area and potential for growth, and were invited alongside other boroughs to submit a proposal that would be prioritised on the basis of deliverability, value for money and contribution to economic growth.
- 1.3. The resulting £28.8m Croydon MRF/LEF programme comprises £13.1m from the MRF, £9.6m Government Funding from the LEF and £6.1m match funding from London Borough of Croydon. There are currently seven funding agreements in place.
- 1.4. The 'Meanwhile East Croydon' project is a new project that will form part of that investment. The aim of this particular project is to address the fact that Croydon's highest profile development site Ruskin Square—the area of land next to East Croydon station—has stood empty and derelict for more than 30 years.
- 1.5. Ruskin Square is Croydon's primary commercial development opportunity. Situated in a prime location next to East Croydon station. When developed this scheme will deliver 1.07m sq.ft new Grade A commercial space and up to 10,000 new jobs. It is the highest commercial profile site within Croydon's Opportunity Area and its success, or otherwise, in both the short and long term is critical to the long term viability of Croydon as a major commercial destination, their ability to attract high value jobs to the borough and Croydon's identity as a destination.
- 1.6. The site acts as a gateway location and effective 'billboard' for passengers travelling through East Croydon, the inactivity here has been a major blight on the perception of Croydon and its attractiveness as both an investment and occupier location. The current owners have held the site for over 13 years, and despite recent positive discussions, there is still no defined development plan for the commercial buildings on the southern section of the site.
- 1.7. Croydon also needs to be able to attract much more significant footfall, both internally and from outside the Borough. In discussions with both existing commercial tenants and agents, the view remains that despite strong fundamentals (price, access to talent, connectivity) the overriding perception is that Croydon is not an exciting place to locate and particularly does not have the after work nightlife facilities/quality of experience on street and at arrival to attract new tenants.
- 1.8. Since August 2013, the London Borough of Croydon has progressed an initiative to attract a major meanwhile use project to Croydon. London Borough of Croydon has been discussing this idea with landowners of a site in the town centre, and has agreed heads of terms on a lease to bring forward the project.

- 1.9. In December 2014, the London Borough of Croydon began discussions with Boxpark, a temporary pop up mall based in Shoreditch, London that is constructed from shipping containers refurbished into retail/leisure units and stacked to arrange walkways and public open spaces/drinking/dining spaces, about developing a new site in Croydon. Boxpark were chosen as a partner due to the success of Shoreditch and the experience gained in the process.
- 1.10. The funding contribution requested by London Borough of Croydon (£250,000) is to be used during the predevelopment phase of the project to take forward the design and marketing of the new meanwhile use facility. Boxpark Limited require £500,000 in predevelopment funding to develop the proposals (detailed architectural plans, planning etc.) and attract tenants to agree Heads of Terms. The activities required during the predevelopment phase are set out in a loan agreement between London Borough of Croydon and Boxpark Limited.
- 1.11. Once Boxpark secures sufficient pre-let interest (50% units with Heads of Terms agreed), they will require a further £3m investment to build. An additional £1m is required to clear the site and install servicing which would allow construction of the meanwhile project in the first instance, and the comprehensive redevelopment of the site in the future. This will be met by Croydon Gateway Limited Partnership, developers of Ruskin Square, and Boxpark Limited.
- 1.12. The £250,000 LEF funding will be used to bring forward the predevelopment works as part of a consortium of funders including the London Borough of Croydon and Boxpark Limited. This offers a significant opportunity to help deliver both the short and long term aspirations for Ruskin Square by providing a high quality meanwhile use whilst also accelerating tenant and occupier demand and interest in the scheme and wider Croydon market.
- 1.13. The Stage 1 Strategic Case and Stage 2 Investment Decision for the East Croydon Meanwhile Use Project was approved in principle at the Investment and Performance Board meeting on 20 November 2014. It was agreed there that the project will be developed with subsequent reporting to IPB as part of wider MRF / LEF reporting.

2. Objectives and outcomes

- 2.1. The project objective is to begin the process of reactivating a previously long term vacant derelict development site at a key gateway location in Croydon and to deliver a retail and leisure destination to improve perception of Croydon as a place to live, work and visit. It will catalyse significant ongoing investment in the site and from Stanhope Schrodgers, London Borough of Croydon and Boxpark Limited. Stanhope Schrodgers are contributing £850,000 to the enabling works. Croydon Council are proposing to underwrite a 5 year loan to Boxpark Croydon in order to facilitate the scheme. The programme will continue to be funded through ongoing revenues generated by the programmes.
- 2.2. This project is also designed to cover a perceived weakness in the Croydon commercial offer as a result of the redevelopment of the Whitgift shopping centre. The project will provide a new retail/leisure focus to retain footfall and market share during the redevelopment of the Whitgift Centre and will make new premises available for traders displaced during this process.
- 2.3. The GLA funding will be a one-off revenue grant and will provide critical top up funding to enable the meanwhile use. The GLA funding will contribute towards a £500,000 fund, which is required to deliver the predevelopment programme. If the predevelopment phase is successful (50% pre-lets achieved), London Borough of Croydon will provide a £3m development loan to Boxpark Limited to bring forward the meanwhile use on Ruskin Square.

- 2.4. Should 50% pre-lets be achieved by the completion of the predevelopment phase, it is proposed to construct the meanwhile use facility and open for business by March 2016. The meanwhile use would operate for a minimum of two years or longer depending on the plans to build out the site. On delivery of the meanwhile use, the project will deliver 240 FTE jobs generating increased GVA to Croydon of between £7,334,528 and £10,378,560 per annum. Of these 240 FTE jobs it is estimated, based on current commuting trends, that 56% will be filled by Croydon residents, a total of 134 FTE jobs. These jobs are expected to deliver £5,645,760 in employee income of which £3,161,626 will be income to Croydon residents.
- 2.5. GLA funding is dependent on the eventual delivery of the wider project; outputs and outcomes will be measured against the objectives of the wider project, not simply the predevelopment stage.
- 2.6. Boxpark Croydon will provide Up to 45 new temporary retail/leisure/food and beverage businesses located in up to 80 shipping containers and a major new events space in a covered arena.
- 2.7. The specific project outputs will be:
- Agreed heads of terms on 50% of the units with commercial occupiers
 - Detailed architectural designs of Boxpark Croydon
 - Completed pre-planning process
 - Planning permission granted.
- 2.8. The wider project will deliver the following over a two year period:

| Outputs | Outcomes |
|---|---|
| <ul style="list-style-type: none"> • Up to 80 new temporary retail/leisure businesses • 240 new FTE jobs, 50% of which to come from Croydon, based on existing employment patterns • A pop up programme to enable local retailers and businesses to showcase their businesses • A new performance space and year-long events programme: 100 major/local events staged • A dedicated marketing resource and programme to promote the scheme • A new, high value digital presence • Up to £10million AVE delivered through media coverage and promotional activity, including digital/social media • Site clearance and remediation at Ruskin Square. | <ul style="list-style-type: none"> • Change business perception of Croydon as a tech centre • Attract new businesses to the borough • Develop new local enterprises • Developments brought forward as a direct/indirect consequence of activity on this site. |

3. Equality comments

- 3.1. Through their existing public sector duties and via the requirements which will be set out in the funding agreement, the Council must ensure that they give due regard to the requirements of the Public Sector Equality Duty: eliminate discrimination, advance equality of opportunity and foster good relations between different people when carrying out this project.
- 3.2. The above outlined project activities will take place in a location that is accessible and can be used by a diverse representation of Londoners. Access requirements will be incorporated in the detailed proposals for the refurbishment and fit-out of Boxpark Croydon. The Council will be required to monitor the project against the equality duty.

4. Other considerations

- 4.1. This project is for the predevelopment of Boxpark Croydon including the marketing and promotion of the scheme to potential tenants. If the predevelopment phase is successful, the scheme will then progress to the development phase, which would bring forward substantial benefits.
- 4.2. In the event that the scheme is not brought forward for whatever reason following the predevelopment phase the GLA will have the right to recall it's funding from the London Borough of Croydon.. Early interest in the units has resulted in Boxpark Croydon being 250% oversubscribed. Heads of Terms agreements are being drawn up for 75% of the units (25% are being deliberately held back pending discussions with certain operators) so there is a strong degree of certainty the predevelopment phase will be a success.
- 4.3. The GLA may at its absolute discretion suspend or delay payment of or require all or part of the GLA funding to be repaid if the delivery of the project objectives is reasonably adjudged by the GLA to be unsatisfactory. The project will be closed down once all milestones have been achieved and an evaluation has been completed.
- 4.4. The main risks to the project are:
- The Croydon Boxpark concept is not attractive to potential tenants and the required target of 50% pre lets prior to agreed date for site clearance is not achieved
 - Construction costs rise ahead of award of contract in May 2015
 - Site clearance held up by unforeseen issues such as utilities
 - Stanhope Shroders bring forward their construction plans and close the meanwhile use earlier than planned
 - Boxpark Croydon goes out of business.

| | Risk description | Mitigation / Risk response | Current probability (1-4) | Current impact (1-4) | RAG rating |
|---|--|--|---------------------------|----------------------|------------|
| 1 | The Croydon Boxpark concept is not attractive to potential tenants and the required target of 50% pre lets prior to agreed date for site clearance is not achieved | A detailed and extensive marketing budget is included within the project to attract businesses | 4 | 3 | 12 |
| 2 | Construction costs rise ahead of award of contract. | Ensure that contingency allows for cost inflation. | 2 | 2 | 4 |
| 3 | Site clearance held up by unforeseen issues such as utilities | Site clearance to be carried out by Stanhope in accordance with the long term development plan. Initial site work has been completed with regard to their first building development, and they have used this information to prepare the cost outline and delivery timetable. Carry out site surveys ahead of clearance. | 2 | 2 | 4 |

- 4.5. The London Borough of Croydon's legal team have been working with external advisors to consider any potential State aid implications, and are content that the proposed pre-development funding falls within the remit of the General Block Exemption Regulations 2014 exempting certain categories of State aid from notification. In any event the funding agreement to be put in place between and

executed by the GLA and London Borough of Croydon will contain provisions requiring the recipient to use the GLA funding in a State aid compliant matter

- 4.6. The scheme will need to be progressed through the standard planning and licensing process, which is contained within the current timetable.
- 4.7. This programme is designed as a meanwhile use, so Boxpark will seek to vacate the site once its objectives are achieved; i.e. it has stimulated enough demand in the markets to enable the landowners to bring forward a major new commercial scheme.
- 4.8. The project will support the Mayor's manifesto commitment to regenerate town centres and drive investment. The project will also support the objectives set out in the Mayor's 2020 Vision and the Mayor's Economic Development Strategy to create new jobs in the Southall Opportunity Area.

5. Financial comments

- 5.1 Approval is being sought to grant fund up to £250,000 in 2015/16 to London Borough of Croydon as a contribution to its costs of delivering a predevelopment programme relating to the Meanwhile East Croydon project (to be governed by funding agreement).
- 5.2 The expenditure of up to £250,000 revenue will be funded from the London Enterprise Fund (LEF).
- 5.3 At its meeting of 20 November 2014 IPB approved an East Croydon Meanwhile Use project costing £250,000 revenue funds from the London Enterprise Fund (LEF), partly funded from reduced revenue spend on other LEF revenue projects (Business Rate Relief and West Croydon Investment Programme). The shortfall identified has been accommodated within the additional New Homes Bonus funding received.
- 5.4 All requisite budget adjustments will be made.
- 5.5 As the proposed funding above is to be governed via funding agreement, officers are reminded to ensure that they liaise with both the Legal and Finance Teams in the preparation and execution of the funding agreements. In addition, the monitoring of the funding and associated payments must be line with the GLA's Funding Agreement Toolkit.
- 5.6 Officers will be responsible for assessing London Borough of Croydon's grant claims against the funding agreement and taking any remedial action should output and costs vary from the agreement. The funding agreements should clearly state milestones to be met in order to claim funding.
- 5.7 Officers should also ensure that the requirements relating to the GLA's Contracts and Funding Code are met.
- 5.8 Any changes to this proposal must be subject to further approval via the GLA's decision-making process.
- 5.9 The Regeneration Team within the Development, Enterprise & Environment Directorate will be responsible for managing this project and associated funding agreement.

6 Legal comments

6.1 The foregoing sections of this report indicate that:

6.1.1 the decisions requested of the Director fall within the statutory powers, acting on behalf of the GLA, to do anything which is facilitative of or conducive or incidental to the promotion of economic development and wealth creation in Greater London; and

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

- (a) pay due regard to the principle that there should be equality of opportunity for all people;
- (b) consider how the proposals will promote the improvement of health of persons, health inequalities between persons and to contribute towards the achievement of sustainable development in the United Kingdom; and
- (c) consult with appropriate bodies.

6.2 In taking the decisions requested, the director must have due regard to the Public Sector Equality Duty; namely the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Equality Act 2010, and to advance equality of opportunity between persons who share a relevant protected characteristic (race, disability, gender, age, sexual orientation, religion or belief, pregnancy and maternity and gender reassignment) and persons who do not share it and foster good relations between persons who share a relevant protected characteristic and persons who do not share it (section 149 of the Equality Act 2010). To this end, the director should have particular regard to section 3 (above) of this report.

6.3 Officers have indicated that report that the contribution of funding to the London Borough of Croydon will amount to the provision of funding and not a payment for services to be provided and must ensure that the proposed funding is disbursed in a fair and transparent manner in accordance with the GLA's Contracts and Funding Code and a grant funding agreement is put in place between and executed by the GLA and London Borough of Croydon before any commitment to the funding is made.

6.4 The GLA's standard form grant funding agreement contains provisions requiring recipients to ensure that GLA funding is sued and managed in a State aid compliant manner. As the London Borough of Croydon are relying however, upon the application of the General Block Exemption Regulations 2014, officers should also ensure that London Borough of Croydon (liaising with BIS as necessary) send the Commission a summary information sheet about the aid measure via the State aid Notification Interactive (SANI) system within 20 working days following implementation of the measure.

7 Planned delivery approach and next steps

7.1 The project will be managed by the South Area Team within the GLA's Regeneration Team, and it will be delivered by the London Borough of Croydon.

7.2 London Borough of Croydon will enter into a grant funding agreement with the GLA for the full amount and will be responsible for ensuring compliance with the terms of the agreement. Responsibility and risk will be passed on to the operator of Boxpark Limited through the lease and appendices thereof; additional agreements between London Borough of Croydon and the operator may be required subject to legal advice.

- 7.3 It is intended that the project is managed through the Development team at London Borough of Croydon and monitored through existing reporting and governance arrangements reporting into the MRF Programme Board. The MRF programme is also subject to rigorous programme assurance and additional management oversight.
- 7.4 London Borough of Croydon's Development Team has provided a cost schedule for key activities including construction, refurbishment and fit out, marketing and evaluation. Funds will be transferred on the basis of delivery against key milestones, to be agreed in the grant agreement drawn up with the London Borough of Croydon. The London Borough of Croydon will be responsible for any project overspend and for identifying any necessary project contingency within the overall agreed funding amount. Any unspent grant, or project under spend will be retained by the GLA.
- 7.5 The grant funding agreement will define clear, measurable and unambiguous project objectives in relation to the creation of economic outputs. As the delivery of job and business creation targets will take place after completion of the capital works, the requirement to regularly review these outputs over a period of two years from the opening of the Boxpark Croydon will need to be agreed with the London Borough of Croydon. The project will be closed down once all milestones have been achieved and an evaluation has been completed.
- 7.6 The primary role of the London Borough of Croydon and its funding partners will be oversight and project support.
- 7.7 The funding for the predevelopment costs will enable Boxpark Limited. to deliver the predevelopment process, including procurement of professional services team to bring forward the development, including through the planning process.
- 7.8 The project will require a small internal London Borough of Croydon staff resource to support the Boxpark team bring the scheme forward and oversee the delivery of the predevelopment process. In addition, the implementation of the project will be monitored by an internal advisory project group, reporting into the newly formed MRF Programme Board that will meet on a bi-monthly basis. This approach will ensure a co-ordinated response across the projects.
- 7.9 The project will be required to provide monthly updates on performance and delivery which will be monitored by the Regeneration Team. Project progress will be reported to IPB through the completed dashboard and project progress, issues and risks will be reviewed by the Regeneration Programme Board on a quarterly basis.
- 7.10 In addition, the project will be subject to review by members of the Mayor's Design Advisory Group (MDAG) at a key milestone in the design and delivery of the programme of works.
- 7.11 There will be an obligation on London Borough of Croydon to undertake a self-evaluation at project closure. In addition, the project will be evaluated as part of the Regeneration Team's on-going programme for evaluation, for which modest provision has been made within the MRF Programme Budget.

7.12 Key milestones:

| | Milestones, deliverables and activity | Planned date |
|-----------|--|---------------------|
| 1 | Commence project | May 2015 |
| 2 | Commission Architects and Development consultants | May 2015 |
| 3 | Develop planning application | May 2015 |
| 4 | Commence Pre Marketing | May 2015 |
| 5 | Submit full planning application | Oct 2015 |
| 6 | Contractor Tender application | Nov 2015 |
| 7 | Complete predevelopment programme achieving >50% prelets; if successful, the next stages will commence as a result of this programme | TBA |
| 8 | Appoint contractor | Dec 2015 |
| 9 | Finalise planning and all construction costs | Jan 2016 |
| 10 | Construction starts | Jan 2016 |
| 11 | Construction completes | May 2016 |
| 12 | Boxpark Opening | May 2016 |
| 13 | Monitoring of outputs complete | May 2017 |

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? NO

If YES, for what reason:

Until what date: (a date is required if deferring)

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:

Adam Towle has drafted this report in accordance with GLA procedures and confirms that:

✓

Assistant Director/Head of Service:

Debbie Jackson 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

M. D. Allen

Date

2.3.16