

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD1139

Title: Greenwich Peninsula Variations

Executive Summary:

GLA Housing & Land Directorate requests the approval of the Executive Director of Housing and Land and the Executive Director of Resources to:

- Enter into Deeds of Variation to the 2002 Land Disposal Agreement and Land Assembly Agreement to facilitate development of eleven plots of residential provision on Greenwich Peninsula under the terms set out in the following paper;
- Enter into a lease with GPRL to permit the construction of a sales and marketing hub on plot N0202;
- The appointment by GLA Land and Property Limited (GLAP) of entities entirely owned by Greenwich Peninsula Regeneration Limited (GPRL), or any wholly-owned subsidiary company, to develop Plots M0114, M0115 and M0117 at Greenwich Peninsula. The plot developments will provide 506 residential units, incorporating a range of dwelling types and tenures; and
- The approval for Bellway Homes Ltd to develop Plot M0101 at Greenwich Peninsula. The development will provide 198 residential units incorporating a range of dwelling types and tenures.

This request for a delegated decision follows Mayoral Decision MD1111 which records the Mayor's decision to delegate his decision-making powers with relation to development decisions in respect of the GLAP land holdings at Greenwich Peninsula to the Executive Director of Housing and Land and the Executive Director of Resources, in order to provide a clear separation between the Mayor's planning decision-making powers and his ability to make decisions affecting development.

Decision:

That the Executive Director of Housing and Land and the Executive Director of Resources approve entry into:

- a Deed of Variation to the 2002 Land Disposal Agreement (which governs development on the Greenwich Peninsula);
- a Deed of Variation to the 2002 Land Assembly Agreement (an ancillary agreement to the Land Disposal Agreement relating primarily to GPRL's own land holding at Greenwich Peninsula);
- a Marketing Hub lease to permit development on Plot N0202;
- agreements pursuant to the 2002 Land Disposal Agreement resulting in the grant of leasehold interests of Plots M0114, M0115 and M0117 to Greenwich Peninsula Regeneration Ltd, or any wholly-owned subsidiary company, on the terms described in Part 2 and their development into 506 residential units and associated amenity provision; and
- agreements pursuant to the 2002 Land Disposal Agreement to grant a leasehold interest in Plot M0101 to Bellway Homes Ltd on the terms described in Part 2 to enable the development of 198 residential units and associated amenity provision.
- The Executive Director of Housing and Land and the Executive Director of Resources note that entry into the variations and agreements set out above has been reviewed and certified as commercially prudent by GLA's external property consultants, Jones Laing LaSalle, and the Directors authorise a budget of £12,000 to cover JLL's costs.

AUTHORISING DIRECTORS

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 & Land

Signature: 

Date: 27/01/14

Name: Martin Clarke

Position: Executive Director, Resources

Signature: 

Date: 24.1.14

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

The regeneration of Greenwich Peninsula is a key priority for the Mayor, and represents one of the largest development projects involving public land in London.

The Greenwich Peninsula site, which comprises circa 67 separate plots, was previously owned by English Partnerships (EP). Whilst in EP ownership, a Joint Venture (JV) was established to facilitate development of the site. The original JV partners were Quintain Estates and Development Plc and Lend Lease.

In the summer of 2012, the JV restructured and the 50% of the JV owned by Lend Lease, together with a further 10% of Quintain's share, was acquired by Knight Dragon, a Hong Kong based investment company. The JV is known as Greenwich Peninsula Regeneration Limited (GPRL).

All development on the Peninsula comes forward under the terms of the Land Disposal Agreement (LDA), a development agreement established in 2002 between GPRL and EP and the Land Assembly Agreement (LAA) (an ancillary agreement to the land Disposal Agreement relating primarily to GPRL's own land holding at Greenwich Peninsula). The LDA gives GPRL exclusive rights to develop the plots that form the Greenwich Peninsula area. Either of the JV partners may exercise those rights, acting independently or together, and GPRL also have the right to offer the development of a particular plot to a third party developer, provided that the terms of that arrangement meet minimum requirements contained in the LDA.

Due to the economic downturn affecting viability, the pace of development has slowed on the Peninsula since 2009. A deal was originally announced by the Mayor in January 2012 to bring forward 5 plots of development delivering approximately 1,350 homes over 4 years. Due to the change to the JV outlined above, this 5 plot deal has been superseded by a more ambitious 11 plot deal. This strategy is designed to maximise the quantum of short to medium term residential development and draw down as much of the strategically allocated National Affordable Housing Programme funding as possible.

The current strategy for the next phase of development on the Peninsula is set out in the '11 plot Memorandum of Understanding' (MOU) signed by GLAP in November 2012. The MOU sets out the terms by which residential development (circa 2,850 homes) will come forward over the next ten years in two principal areas of the Peninsula. Mixed tenure homes in the south east will be developed close to existing residential provision and adjacent to the established Greenwich Millennium Village; private dwellings will be delivered in the north-west, where the land is principally owned by GPRL.

The 11 plot deal includes plot M0101, which is subject to slightly different disposal terms. Plot M0101 will deliver 100% of Minimum Land Value (MLV) as opposed to an initial 70% on the other plots within the deal.

Given that some of the terms of the 2002 LDA and LAA will need to change to reflect the strategy set out in the MOU, Deeds of Variation to the 2002 LDA and LAA had been produced to formalise the position. The changes outlined in the Deeds of Variation are set out in Part 2 of this paper.

There is provision within the LDA for the master developer to call for land to be developed for a marketing hub to assist in sales and promotion of Greenwich Peninsula. GPRL have submitted a

planning application for a Marketing Hub to Royal Borough of Greenwich and intend to construct a facility on Plot N0202, the site of the original business centre. This paper seeks agreement for GLAP to enter into a Marketing Hub lease.

Existing permission

The consented masterplan for the whole of the Greenwich Peninsula, which received outline permission in February 2004, provides for mixed use redevelopment of the Greenwich Peninsula including, office, retail, food, beverage and residential uses (including student housing) throughout the Peninsula. Plots M0101, M0114, M0115 and M0117 are set within the wider Peninsula masterplan area.

Outline planning permission for the 80ha site was secured in 2004 for the following:

- Retention and change of use of Dome (127,000 sq m) for mixed use including up to 26,000 capacity Arena and creation of Dome Waterfront (62,000 sq m) including entertainment, retail, food & drink, and leisure
- 10,010 homes (38% affordable)
- 325,000 sq m business space
- 22,800 sq m retail
- 10,950 sq m food and drink
- 60,000 sq m hotel
- 13,310 sq m education
- associated community space

2. Objectives and expected outcomes

It is critical that development on the four southern plots progresses at pace. The Deeds of Variation will allow GPRL to enter into development agreements with GLAP, draw down the plot leases and begin construction in earnest. In order to preserve their development programme, and ensure that affordable homes are delivered by end of March 2015, GPRL have been proceeding at risk in establishing site construction compounds and letting construction contracts.

The Deed of Variation to the LDA sets the framework by which these plots will be treated in commercial terms and will also need to be in place to allow development agreements between GPRL and the preferred Registered Providers to be finalised.

In order to maintain development momentum on the Peninsula, this paper also seeks approval for the grant of a leasehold interest for plots M0114, M0115 and M0117 to wholly owned subsidiaries of GPRL, and in respect of Plot M0101, to a third party developer, Bellway Homes Ltd. All leases will be granted in accordance with the terms of the LDA and Deed of Variation to the LDA. GPRL will directly develop 506 units of residential accommodation; Bellway will deliver 198. The residential schemes will all include amenity space, disabled parking space, communal facilities and cycle storage and will be built to all current GLA design standards and Code for Sustainable Homes level 4. All schemes have planning permission.

Under the terms of the LDA, GLA Land and Property Limited is entitled to a Minimum Land Value (MLV) from each plot in its ownership that is granted a leasehold interest. The MLV is determined

by a formula set out in the LDA and is based on a value per square foot of Gross External Area. MLV is payable as the first priority to GLA Land and Property Limited by third party developers when they are granted a leasehold interest in plots on the Peninsula.

3. Planned approach

This project was given delegated authority to proceed by the Housing Investment Group on 14th August 2012, subject to a full 'Red Book' appraisal of the value of the site being conducted. This valuation confirms that the offer from GPRL for all the development plots exceeds that given in the formal valuation.

The proposal is that GLAP will enter into the Deed of Variation to the LDA following this Delegated Decision. This will then, in turn, allow conditional contracts between GPRL and the Registered Providers (Moat Homes Limited and London & Quadrant Housing Trust) to go unconditional. GPRL will then draw down site leases and proceed with construction.

Bellway already has a contract in place with London & Quadrant Housing Trust to deliver the affordable element of the M0101 scheme.

4. Other considerations

a) Links to strategies and Mayoral and corporate priorities

Greenwich Peninsula is a key development priority for the Mayor and it is imperative that development momentum is maintained on site. The Deed of Variation to the LDA provides development impetus on what has been a stalled site through restructuring the amount and period for repayment of the GLAP land receipt to improve viability for the developer. The Deed also reduces the level of affordable housing required on the 11 plots that form part of the deal, further improving development viability. It should be noted that the changes to these key commercial characteristics apply for the purposes of this deal only; any subsequent development on the Peninsula will be subject to the terms of the original LDA.

The development of M0101, M0114, M0115 AND M0117 will provide a significant number of new jobs - estimated at 1,408 through the construction of the dwellings - and will contribute to growth on a key brownfield site in London. In addition to the physical regeneration benefits, the developments will provide 325 affordable housing units, which will be delivered by March 2015. The provision of residential accommodation on the Peninsula is also a key priority for Royal Borough Greenwich.

The Marketing Hub will provide a designated sales facility for GPRL but will also provide high specification exhibition, office and meeting space, designed to promote the Peninsula as a regeneration destination. The Hub's proposed café and restaurant will also add to the food and beverage offer to provide more variety in the area around North Greenwich Interchange and the O2 arena.

b) Impact assessments and Consultation

The proposed approach outlined in the 11 plot MOU was given approval at Housing Investment Group on 14th August 2012. The Deed of Variation to the LDA has been reviewed by GLAP's external commercial advisors Jones Lang LaSalle (JLL) and has been signed off as a "commercially prudent" deal. GLAP have had the benefit of JLL's commercial input during negotiation of the Deed

of Variation and external Red Book valuations carried out for each of the development plots have indicated that the developers' land offers are in excess of market valuation.

Officers at the GLA have attended design meetings with GPRL and Bellway's architect and are comfortable with the evolution of the scheme proposals. All proposals have been assessed by GPRL's masterplanning team.

Formal consultations carried out by Bellway and GPRL and their planning consultants as part of the planning applications brought about some concerns in terms of design and masterplanning. These were addressed through detailed design and discussed during planning committee at Royal Borough Greenwich. All plots have planning permission.

c) **Risk**

Both Bellway and GPRL are proposing relatively short build periods for each plot and as such, there is a risk that the development will slip beyond the scheduled completion date of 31st March 2015. Officers at GLA have worked to provide information and approvals in a timely manner to allow the developer to proceed with certainty. Development has started on site under licence and the Registered Providers have drawn down the first tranche of National Affordable Housing Programme funding.

GLA officers will monitor site progress on a monthly basis. Any changes in proposed development programme will be flagged at the earliest juncture and measures put in place to secure minimisation of development slippage.

The vested interests of GPRL as custodians of third party development on the Peninsula should ensure that reputational impacts are minimised.

5. Financial comments

This paper seeks to approve an 11 plot strategy in place of the prior approved 5 plot approach. Under the revised approach the GLA would receive a 70% Minimum land value which is deferred until plot completion. The remaining 30% will only become payable if a surplus arises after the developer has taken his 22% priority return.

DCLG needs to be notified in writing when land transaction contracts are exchanged

Neither the GLA nor GLAP will incur any costs under this proposal, beyond GLAP's existing contractual commitments to share receipts with third parties.

Anticipated receipts from this proposal are in line with budget.

6. Legal Comments

The foregoing sections of this report indicate that the decision requested falls within the statutory powers of the Authority exercisable by the Executive Director of Housing and Land and the Executive Director of Resources (pursuant to their delegated authority granted under MD1111), to do such things as are considered facilitative of or conducive to the promotion of economic development, social development and the improvement of the environment in Greater London

Therefore the Executive Director of Housing and Land and the Executive Director of Resources (having delegated authority via MD1111 pursuant to section 38 of the Greater London Authority Act 1999) may approve the proposed entry into the agreement and other legal documents referred to in this report if satisfied with the content of this report.

As GLAP will be the party to the legal documentation GLAP will also need to approve the proposed documentation in accordance with its constitution.

Appendices and supporting papers:

None

Public access to information

Information in this form is subject to the Freedom of Information Act 2000 (FOI Act) and other legislation. Part 1 of this form will be made available on the GLA website within 1 working day of approval.

Part 1 deferral: any fact or information whose release before a specific date would compromise the implementation of the decision may be included in Part 1, with Part 1 being deferred until after that date. Deferral periods should be kept to the shortest length strictly necessary.

Is the publication of this approval to be deferred? Yes

If YES, for what reason:

Until what date: Contract award. Expected by 28 February 2014.

Part 2 confidentiality: any fact and advice that should not be automatically made public should be in the separate Part 2 form, together with the rationale for confidentiality.

Is there a part 2 form – YES

ORIGINATING OFFICER DECLARATION:

Tick indicates approval (✓)

Drafting officer:

William Stewart 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 Directors 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. J. Allen

Date

24. 1. 14