

REQUEST FOR MAYORAL DECISION – MD1435

Title: Blackwall Reach- Block Lease of Phase 1A Substation and Agreement to Surrender

Executive Summary:

The Blackwall Reach development site (and parcels of land therein) and the related Principal Development Agreement (PDA) transferred from HCA to GLA Land and Property Limited (GLAP) in April 2012 under the Localism Act 2011.

To facilitate the implementation of the development pursuant to the PDA, there is a pressing need for power on at the substation within Phase 1A of the site and accordingly , this report requests approval for GLA Land and Property (GLAP) to enter into;

- (1) an accelerated Lease in respect of a substation within Phase 1A of the Blackwall Reach development site only in the form of the Block Lease anticipated by the Principal Development Agreement with appropriate modifications and
- (2) an Agreement to Surrender to provide for the surrender of the Lease of the substation on completion of the full Block Lease or Phase Lease.

Decision:

The Mayor:

1. Approves entry into an accelerated Lease in respect of the substation within Phase 1A of the Blackwall Reach development site only in the form of the Block Lease anticipated by the Principal Development Agreement with appropriate modifications; and
2. Approves entry into an Agreement to Surrender providing for the surrender of the Lease of the Phase 1A substation on completion of the full Block Lease or Phase Lease.

Mayor of London

I confirm that I do not have any disclosable pecuniary interests in the proposed decision, and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature:

Date:

PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR

Decision required – supporting report

1. Introduction and background

- 1.1 The site is located in London Borough of Tower Hamlets (LBTH) adjacent to the northern entry and exit points of the Blackwall Tunnel and forms part of the wider Blackwall Reach regeneration scheme.
- 1.2 Previously the Homes and Communities Agency (HCA) have taken a controlling interest in a number of sites within the Blackwall area in order to facilitate the comprehensive regeneration and redevelopment of the Robin Hood Gardens housing estate and surrounding sites.
- 1.3 In partnership with LBTH, following an extensive procurement exercise Swan Housing Association (Swan) were appointed to deliver the phased regeneration of this area, with the initial Phase 1A and Phase 1B sites being delivered on an unconditional basis.
- 1.4 The arrangements in respect of the proposed development are set out within the Principal Development Agreement (PDA) which was entered in to by the HCA and LBTH together with Swan and Countryside Properties on 19 April 2011. The Blackwall Reach project, including the PDA and all associated landholdings transferred from HCA to GLAP on 1 April 2012. The PDA was amended and restated in 2013.
- 1.5 The PDA provides for Swan carrying out the relevant phase of development under licence using the agreed scheme designs, and on reaching wind and watertight stage, Swan is entitled to draw down a “Block Lease” for a term of 250 years allowing Swan to complete that individual block of development. Once all blocks within a phase are completed, Swan is entitled to draw down a “Phase Lease” which will incorporate the intermediate spaces and landscaping allowing Swan to finalise each stage of the development and allow occupation.
- 1.6 Construction has commenced on Phase 1A of the site with completion due in early 2015 with wind and watertight stage anticipated to be reached towards the end of January on the current build programme.
- 1.7 However Phase 1A includes an area of land adjacent to Bulivant Street that is the site of an electricity substation. GTC, the energy supply company, require the grant of a substation lease before they will agree to energise the substation which is needed to supply power to the buildings within Phase 1A and to enable the construction of those buildings to be completed. This eventuality was not contemplated under the PDA. To avoid delay to the programme, it is therefore proposed to grant Swan a Lease of the substation only (the Substation Lease) early, in advance of the full Block Lease or Phase Lease provided for under the PDA, so as to enable Swan in turn to grant the required substation lease to the electricity company.
- 1.8 Options have been explored for GLAP to grant a lease to GTC direct instead on the basis that the obligations would transfer to Swan on grant of the Block/Phase Lease under the PDA. However, following extensive negotiation GLAP and GTC were not able to agree terms as it became apparent that GTC required various indemnities and concessions that GLAP were unable to offer.
- 1.9 Although most of the land on which the substation has been built is owned by GLAP (being the freehold land acquired by GLAP as part of the Mosque land swap referred to in MD 1171) a small sliver of land on which the substation sits is owned by LBTH. In addition Swan and GTC require cable and access and other easements and rights over the remainder of the Phase 1A site which is held by GLAP on a long lease from LBTH.

- 1.10 The proposal is therefore for LBTH also to be party to the Substation Lease to Swan with the result that GLAP and LBTH will be landlord as to their respective ownerships. The Substation Lease will follow the form of Block Lease appended to the PDA and Phase 1A Building Agreement with modifications to reflect that it is a substation. Once the Substation Lease has been granted, Swan can in turn grant the substation underlease to GTC.
- 1.11 However, as it is not desirable for there to be joint landlords long term and in order to reflect that the accelerated Substation Lease grant is only an interim arrangement to facilitate the grant of the substation underlease to GTC and power on, it is intended that the parties enter into an agreement to surrender simultaneously with the Substation Lease providing for the surrender of the Substation Lease once the full Block Lease or Phase lease is drawn down under the PDA (which draw down will be made subject to and with the benefit of the subsisting substation underlease to GTC). It is anticipated that by that time, GLAP's interest in Phase 1A will have been transferred to LBTH as provided for under the PDA so that there will only be one landlord. Although alternative options were considered for structuring the arrangements, the proposed approach as outlined above has been agreed between the parties as the preferred route to follow.

2. Objectives and expected outcomes

- 2.1 That the grant of the Substation Lease will allow power on to be achieved to enable Phase 1A of the development to complete in early 2015, delivering much needed affordable housing within this area.

3. Equality comments

- 3.1 The use of GLAP assets and ownerships in order to deliver new affordable housing, in this case through the delivery of the Blackwall Reach development, is aimed at implementing the Mayor's policies set out in the Mayor's London Housing Strategy. In January 2014 the GLA published an integrated impact assessment ("IIA"), including an equalities impact assessment, of that strategy. The policies related to increasing housing supply, of which this paper relates, were covered by the Integrated Impact Assessment (IIA) for the Further Alterations to the London Plan.
- 3.2 The IIA concluded that updating housing projections and targets would support the delivery of sufficient housing and may help stabilise housing prices, supporting equal opportunities throughout communities. Furthermore, the provision of housing, including maximising the delivery of affordable housing would be in line with other policies of the Plan (e.g. Policy 3.5), ensuring that the needs of different groups are taken into account in the housing design.

4. Other considerations

- 4.1 The overall scheme will provide up to 1,575 new homes with 50% affordable housing, calculated on a habitable room basis, providing a mix of rented, intermediate and private tenures. The site will provide a high proportion of large affordable family homes with 303 of the rented units having three bedrooms or more in line with Policy 3.5 of the London Plan.
- 4.2 The completion of Phase 1A will constitute the completion of the first phase of development which will provide replacement homes for those displaced by the future required demolition. If the proposed Substation Lease were not granted to Swan to allow Swan in turn to grant the substation underlease to GTC to enable power on, this phase could not be delivered in accordance with its current programme and granted planning permission.

5. Financial comments

- 5.1 This MD requests approval for GLAP to enter into a 250 year lease at peppercorn rental for the substation site at phase 1a, to enable the development agreement to progress.

- 5.2 GLAP will also enter into an agreement to surrender this lease once the development has reached 'Full Block' stage.
- 5.3 For corporation tax purposes any taxable trading profit should equate to the accounting profit on these lease grants. It is unlikely that GLAP will need to pay tax on these transactions.

6. Legal comments

6.1 Under the PDA and Phase 1A Building Agreement GLAP is committed to grant Block Lease (s) and Phase Lease in accordance with the provisions of those agreements. The present proposal involves the grant of a Lease of the Phase 1A substation only (as opposed to the full Block Lease or Phase Lease contemplated under the PDA) and earlier than anticipated under the PDA in order to facilitate the delivery programme. Berwin Leighton Paisner LLP (BLP) has been appointed by Legal under the TfL/GLA legal panel to provide advice to GLAP as to the arrangements, including preparing the necessary documents, and to ensure GLAP's interests are protected. As noted above although alternative options were considered for structuring the arrangements, the proposed approach as outlined in this paper has been agreed between the parties as the preferred route to follow.

7. Investment & Performance Board

7.1 Following discussion and advice from the Head of Governance and Resilience and agreement from the Executive Director of Housing and Land and the Deputy Mayor for Housing and Land it has been agreed that, given that the decision is one that implements the existing contractual obligations under the Principal Development Agreement (PDA) that the decision required under this Mayoral Decision is not one that requires to be referred to either the Housing Investment Group or the Investment & Performance Board.

8. Planned delivery approach and next steps

Activity	Timeline
Sign and complete Substation Lease and Agreement to Surrender	ASAP
Substation testing	February 2015
Unit completion	March 2015
Phase 1A Block/Phase Lease granted	March 2015
Substation Lease surrendered	March 2015

Appendices and supporting papers:

Appendix 1 – Blackwall Reach Site Plan

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:

Neil Hook has drafted this report in accordance with GLA procedures and confirms the following have been consulted on the final decision.

✓

Assistant Director/Head of Service:

Fiona Duncan has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

Sponsoring Director:

David Lunts has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

Mayoral Adviser:

Richard Blakeway has been consulted about the proposal and agrees the recommendations.

✓

Advice:

The Finance and Legal teams have commented on this proposal.

✓

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

Date

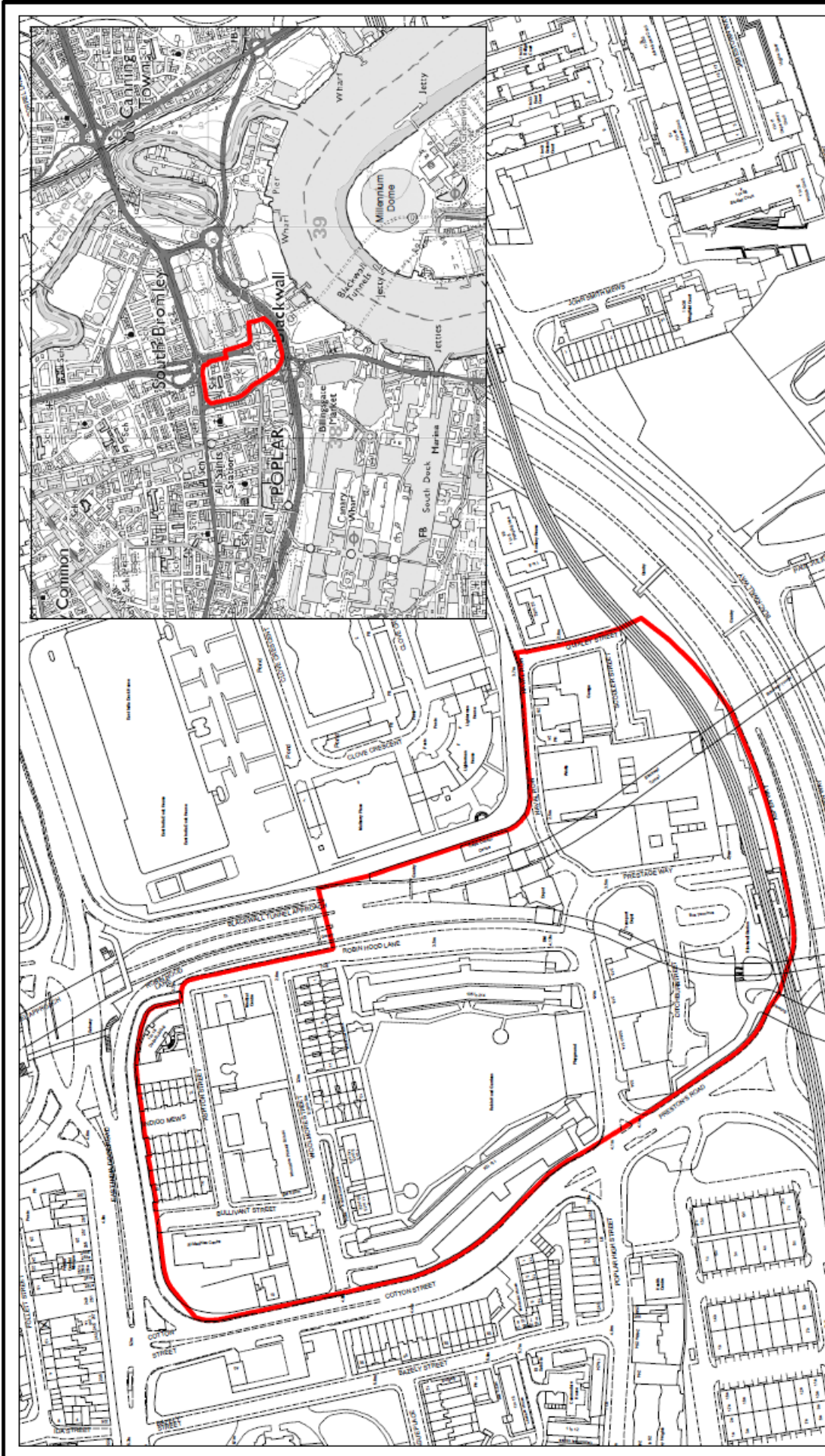
CHIEF OF STAFF:

I am satisfied that this is an appropriate request to be submitted to the Mayor

Signature

Date

Appendix 1 – Blackwall Reach Site Plan



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Scale 1:3000 at A4
Date:29-08-2006

Blackwall Reach Regeneration Area Location and site plan



GIS File:TAM25 JC version4