

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD2139

Title: Heart of Harrow and Barking Riverside Gateways Housing Zones – variation of boundaries and additional funding

Executive Summary:

This Mayoral Decision approves the variation of the boundary of the Heart of Harrow Housing Zone to include the Northolt Road scheme. It allocates an additional £25.3m to fund two interest-bearing loans which will accelerate the delivery of 116 homes on that scheme, 40 per cent of which will be affordable. This funding is in addition to the indicative allocation of £31.4m of funding made available to this Housing Zone under MD1457.

This decision also varies the Barking Riverside Gateways Housing Zone boundary to include the Beam Park scheme. It increases the indicative allocation for that scheme by £5m in addition to the £30m made to this Housing Zone under MD1632. The funding will unlock 907 homes in the zone, 35 per cent of which are affordable, by March 2026.

Decision:

That the Mayor approves:

- the addition of the Northolt Road scheme to the Heart of Harrow Housing Zone boundary as per the map at Appendix 1;
- allocating a further £25.3m to the Heart of Harrow Housing Zone as interest-bearing loans, subject to due diligence;
- the addition of the Beam Park scheme to the Barking Riverside Gateways Housing Zone boundary as per the map at Appendix 2; and
- allocating a further £5m loan funding to Barking Riverside Gateways Housing Zone, subject to due diligence.

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:

11/7/17

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

Decision required – supporting report

1. Introduction and background

Heart of Harrow

- 1.1. Heart of Harrow was designated a Housing Zone by Mayoral Decision 1457, which approved an indicative allocation of £31.4m (subject to the outcome of legal and financial due diligence) to unlock and/or accelerate housing and regenerate the area.
- 1.2. It is proposed that an additional £25.3m in the form of interest-bearing loans be allocated in order to accelerate the delivery of 116 homes, enabling the completion of the Northolt Road scheme. This in turn is expected to lead to increased confidence in relation to the delivery of surrounding interventions and housing delivery in the Heart of Harrow Housing Zone.
- 1.3. The new intervention would bring the total funding for the Heart of Harrow Housing Zone to £56.7m and the total number of homes to be delivered 5,411 homes in total, of which 1,531 would be directly contracted with the GLA.
- 1.4. Origin Housing Limited (OHL) and Hill Residential Limited (HRL) have purchased the Northolt Road site and approached the GLA to explore options around development finance to deliver the scheme. GLA Land and Property Limited (GLAP) will enter into two loan agreements. The counterparty for Loan 1 will be a Joint Venture (JV) set up by OHL and HRL, and will fund the homes for market sale in the development. The counterparty for Loan 2 will be Origin Housing Association (OHA), a Registered Provider and the parent of OHL. Loan 2 will fund the purchase of the affordable housing in the development from the JV. The loan amounts are as follows:
 - **Loan 1** to JV: £15,250,000; and
 - **Loan 2** to OHA: £10,086,956.
- 1.5. The Northolt Road site is currently located outside the Heart of Harrow Housing Zone, but represents the prospect of early housing delivery. LB Harrow agreed to the red line of the Housing Zone boundary being extended to include this site at its Housing Zone Board on 9 September 2016.
- 1.6. London Borough of Harrow retains oversight of delivery across the Housing Zone through governance arrangements set out in the Overarching Borough Agreement (OBA) with the GLA, dated 30 September 2015.

Proposition

- 1.7. The proposed Northolt Road scheme received planning permission on the 6th July 2016 to deliver 116 new homes. The tenure mix for the development 40% affordable (47 units) and 60% market sale (69 units). The affordable contribution is proposed to be made up of both London Affordable Rent and Shared Ownership. The affordable rents for this development are on average 65% of market rents. The overall development is in conformity with the vision for Heart of Harrow Housing Zone to increase the housing supply in the Zone.
- 1.8. The funding by GLA is expected to accelerate and/or unlock the construction of the 116 homes. Without GLA funding the development would be at risk of not proceeding at the same speed due to potential constraints finding a lender.

Funding

- 1.9. As the full amount of funding within the Heart of Harrow Housing Zone is indicatively committed to deliver other interventions, this report seeks the Mayor's endorsement to indicatively allocate a further £25,336,956 of Financial Transaction funding to the Harrow Housing Zone.

Stakeholders / Contractual Arrangements

- 1.10. The counterparty in respect of Loan 1 is Harrow South LLP, which is a Joint Venture between Origin Housing Limited (a non-asset owning development company of Origin Housing Association) and Hill Residential Limited. Loan 2 is to Origin Housing Association. GLAP will enter into a separate Housing Zone Acquisition and Development Facility Agreement for each of the two loans. It is further proposed that GLAP enters into various additional agreements to ensure that it has adequate security in respect of this funding.

Appraisal

- 1.11. Indicative allocation is subject to detailed financial, legal and property due diligence and subject to contract. A further Directors' Decision will approve the completion of the requisite due diligence. In addition, an assessment of creditworthiness (including 'Know Your Customer' checks) will be undertaken by GLA Housing and Land and Group Finance respectively.

Project Milestones

- 1.12. A planning application was submitted on 12 May 2015 for demolition of existing buildings and redevelopment of the site to provide 116 residential flats including affordable housing within a building ranging from 6 to 9 storeys in height. Early works on site were completed in March 2017 with main contract works having commenced in April 2017.
- 1.13. The funding agreement will contain a number of key performance milestones with dates in order to ensure the timely progression of the works. The milestones dates will be closely monitored by the appointed monitoring surveyor to ensure the milestones are completed before drawing down funding.

Governance

- 1.14. GLA Land and Property (GLAP) will enter into two contracts, the first with the JV (Loan 1) and the second with OHA (Loan 2) and these relationships will be managed through quarterly meetings in order to ensure transparency. The relationships will be managed by a designated officer from GLA's Housing and Land Directorate with oversight from the Housing and Land Senior Management Team. The funding agreements will also place reporting obligations on the counterparties linked to project milestones.
- 1.15. In accordance with the Housing Zones Change Management Process (DD1485) the proposed changes to the Housing Zone boundary and level of indicative funding have been recommended for approval by the Housing Zones Steering Group. Given the increase in the indicative allocation in the Housing Zone, it was agreed the changes fell within a 'Tier 3' pre-contract variation, and would therefore require approval via a Mayoral Decision.

Conclusion

- 1.16. The Northolt Road scheme is an important project for the Borough of Harrow and will assist with continuing development in the area in order to provide much needed housing assistance in the Borough. A Housing Zone loan will provide development finance to accelerate and/or unlock the delivery of the project.

Barking Riverside Gateways

Summary

- 1.17. It is proposed that the Barking Riverside Gateways Housing Zone boundary is extended to include the part of the Beam Park Development site that falls within the London Borough of Barking and Dagenham (LBBB), noting that the part of the site that falls within the London Borough of Havering is already included within the Rainham and Beam Park Housing Zone boundary. It is also proposed that the indicative allocation in the Barking Riverside Gateways Housing Zone is increased by £5m for the purposes of accelerating and/or unlocking the delivery of housing in the zone.

Background

- 1.18. Following a competitive procurement using the London Development Panel to appoint a development partner, MD1664 gave approval for GLA Land and Property Ltd (GLAP) to enter into a Development Agreement with Countryside Properties (UK) Ltd to bring forward the Beam Park Development site. The site spans two London boroughs: Havering and LBBB.
- 1.19. The Rainham and Beam Park proposal was designated a Housing Zone in MD1545. In December 2015, the GLA and the London Borough of Havering entered into an Overarching Borough Agreement (OBA) to record the indicative allocation of funding for the Rainham and Beam Park Housing Zone. The OBA also defined a boundary for the zone that included the part of the Beam Park Development that falls within the London Borough of Havering.
- 1.20. The Beam Park Development site extends into LBBB. This part of the site does not currently fall within a Housing Zone. In June 2016, the GLA and LBBB entered into an Overarching Borough Agreement (OBA) to record the indicative allocation of funding for the Barking Riverside Gateways Housing Zone and define a boundary for the zone. It is proposed that the Barking Riverside Gateways Housing Zone boundary is extended, as shown in Appendix 2, to include the part of the Beam Park Development site that falls within LBBB¹. This will enable the whole of the site to be included within the Housing Zones programme.
- 1.21. In addition, it is also proposed that £5m is vired from the Affordable Housing Programme 2016-21 to the Housing Zones programme and indicatively allocated to the Barking Riverside Gateways Housing Zone. Subject to the satisfactory completion of legal and financial due diligence, a separate Directors' Decision will be required to provide approval to enter into a loan agreement with Countryside Properties (UK) Limited for this funding. The funding will be linked to unlocking 907 homes, of which 309 are affordable, by March 2026.
- 1.22. In accordance with the Housing Zones Change Management Process (DD1485) the proposed changes to the Housing Zone boundary and level of indicative funding have been recommended for approval by the Housing Zones Steering Group. Given the increase in the indicative allocation in the Housing Zone, it was agreed the changes fell within a 'Tier 3' pre-contract variation, and would therefore require approval via a Mayoral Decision.

2. Objectives and expected outcomes

Heart of Harrow

¹ The additional boundary to be added to the zone is the area shaded in red in the east of Appendix 2, directly below the A1306

- 2.1 Housing Zone investment ensures that housing can be accelerated earlier than if other sources of funding had to be secured. It also gives the GLA control on the amount of affordable units that are completed on the project. The delivery of the site will ensure the completion of Northolt Road, delivering an expected 116 homes and is expected to lead to enhanced values and increased confidence in relation to the delivery of surrounding schemes in the Heart of Harrow Housing Zone.

Barking Riverside Gateways

- 2.2 The amendment of the Housing Zone boundary ensures that the entirety of the Beam Park site is within the Housing Zone programme and the additional indicative allocation of £5m of funding will assist in the unlocking of 907 homes of which 309 are affordable.

3. Equality comments

- 3.1. The Heart of Harrow and Barking Riverside Gateways Housing Zones are 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, to which the Harrow Town School scheme will contribute, 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.
- 3.3. The delivery of new and additional homes will help to implement Objectives 1, 2, 3 and 4 of the Mayor's Equalities Framework "Equal Life Chances for All" (June 2014) through the creation of new homes, housing products and well-designed housing schemes.
- 3.4. The designation of a Housing Zone within an area is designed to identify a site or sites as an area for housing growth and delivery within London, often partnered with a series of funding streams and non-financial assistance to deliver these new homes, and therefore this decision will facilitate these goals and ultimately ensure that the needs of different groups are taken into account in the design and development of housing.
- 3.5. In order to, access funding counterparties are required to enter into agreements with the GLA/GLAP to deliver the interventions. With regard to, project delivery the agreements will place the following obligations on the parties in respect of the Equality Act 2010:
- They shall comply in all material respects with all relevant Legislation relating to health and safety, welfare at work and equality and diversity.
 - They have, and are in full compliance with, a policy covering equal opportunities designed to ensure that discrimination prohibited by the Equality Act 2010 is avoided at all times and will provide a copy of that policy and evidence of the actual implementation of that policy upon request by GLA.

4. Other considerations

a) Key risk and issues

- 4.1. In line with appropriate due diligence processes for Housing Zone funding, payment of loan funding in respect of the Harrow Northolt Road and Beam Park sites will be subject to conditions set out in the contracts. The schemes will be subject to monitoring to ensure agreed delivery milestones are achieved. In the event of serious default the GLA shall be entitled to terminate the Development Finance Agreements and recover loan funding paid.
- 4.2. Officers have worked very closely with the London Boroughs in the development of the Housing Zone proposals to look at how the GLA, the Boroughs and their partners can work together to deliver homes which would not otherwise be built in the next 10 years. They have also consulted and worked with the other parties to the relevant interventions and DCLG. It is not considered necessary or appropriate to consult any other persons or bodies specified in section 32(2) of the Greater London Authority Act 1999 for the purposes of this Mayoral Decision.
- 4.3. The GLA will engage with the parties to these proposed interventions, as it has considered appropriate. It is not considered necessary or appropriate to consult any other persons or bodies including those specified in section 32(1) of the Greater London Authority Act 1999 for the purposes of this Mayoral Decision.

b) Links to Mayoral strategies and priorities

- 4.4. The purposes of the Housing Zone programme is to increase housing supply by accelerating and unlocking development to deliver over 75,000 homes by 2026. The Northolt Road and Beam Park sites will contribute towards this and support the aim to deliver at least 42,000 homes per annum prescribed by the Further Alterations to the London Plan March 2015.
- 4.5. It is proposed that, in relation to both Zones, the Executive Director of Housing and Land and the Executive Director of Resources, in consultation with the Deputy Mayor of Housing and Residential Development be delegated authority to determine whether the necessary due diligence has been satisfactorily completed in the form of separate Director's Decisions.

5. Financial comments

- 5.1 This decision requests approval for the indicative allocation of a further £25.3m to fund an intervention to accelerate and/or unlock the delivery of additional homes within the Heart of Harrow Housing Zone. In addition, approval is also sought for a variation to the Barking Riverside Gateways Housing Zone boundary and increase to the indicative allocation for that Housing Zone by £5m
- 5.2 Housing Zone programme is funded by £200m of loan funding from DCLG, known as 'Financial Transaction' funding as well as £200m from the Mayor's Housing Covenant 2015-18 programme. The funding available is Capital in nature and no Revenue funding is available to be granted to applicants.
- 5.3 The indicative allocation of funds for the Heart of Harrow Housing Zone will be split into two Loan Agreements between Joint Venture of Origin Housing Limited (OHL) and Hill Residential Limited receiving £15m as well as Origin Housing Association (OHA), a Registered Provider and the parent of OHL, receiving £10m. As a result, the total indicative allocation for Heart of Harrow Housing Zone will be £56m (£31m MD1457 + £25m this MD).
- 5.4 Financial Transaction funding is currently over forecast by £33m against the £200m budget. The indicative allocation of £25m for the Heart of Harrow will bring the total over forecast to £258m. It should be noted, however, that only £160m has actually been committed, on four interventions.
- 5.5 Additionally, the proposal for an indicative allocation of £5m to the Barking Riverside Gateways Housing Zone will be for interest free Loan Agreement with Countryside Properties (UK) Limited to accelerate and/or unlock the delivery of housing in the zone. This funding will be transferred from

Affordable Housing Programme budget to be distributed through Housing Zones. As a result, the total indicative allocation for Barking Riverside Housing Zone will be £35m (£30m MD1632 + £5m this MD).

- 5.6 The indicative allocation of funds is not an agreement to enter into funding agreements with partner organisations, which will be subject to further approval under the delegations following financial and legal due diligence. Interest rates, for any Interest bearing loans, will be set based on this work.

6. Legal comments

- 6.1 Under section 30(1) of the Greater London Authority Act 1999 (as amended) ("GLA Act"), the GLA has the power to provide the funding for the proposed interventions provided that doing so will further one or more of its principal purposes of: promoting economic development and wealth creation, social development, and the improvement of the environment in Greater London. The interventions will unlock the delivery of housing and affordable housing, and it is open to the GLA to take the view that funding it will promote both social and economic development, and is therefore within its power, contained in section 30(1) of the GLA Act.
- 6.2 In exercising the power contained in section 30(1) of the GLA Act, the GLA must have regard to the matters set out in sections 30(3-5) and 33 of the GLA Act, and also the Public Sector Equality Duty in section 149 of the Equality Act 2010, which are explained in paragraph 7.3 of the legal comments of MD1457. As is noted in paragraph 7.4 of MD1457, the London housing strategy, which included a policy for Housing Zones, has been subject to an Integrated Impact Assessment, and GLA officers consider that the delivery of new and additional homes within the Housing Zones programme will help to implement Objectives in the Mayor's Equalities Framework "Equal Life Changes for All." (See also sections 4 and 5 of MD1457).
- 6.3 The GLA has engaged with LBH & LBBB in relation to the interventions which are the subject of this Mayoral Decision. GLA officers have confirmed it is not considered necessary or appropriate for the GLA to consult with any other persons or bodies including those specified in section 32(2) of the GLA Act for the purposes of this Mayoral Decision.
- 6.4 The provision of the proposed loans on market terms is likely to constitute a specified activity, as defined under section 34A of the GLA Act and the Greater London Authority (Specified Activities) Order 2013/973. Accordingly, it will need to be provided by a subsidiary company of the GLA, as is proposed. GLA Land and Property Limited (GLAP) is a subsidiary of the GLA.
- 6.5 Under Part D paragraph 7.10 of the Mayoral Decision-Making Framework GLA staff are authorised to do anything on behalf of the GLA that facilitates or is conducive or incidental to implementing this Mayoral decision. Accordingly, no further decision form is strictly required before these interventions can be finalised and the contracts entered into. However, the Director Decision form provides a useful and practical template to record the outcome of the due diligence process and approve the completion of the relevant contracts. It is therefore advised that the Director Decision procedure is followed to ensure good record keeping, transparency and accountability in respect of the GLA's decision making.

7. Planned delivery approach and next steps for the Northolt Road Scheme

Activity	Timeline
Mayoral Decision	July 2017
Completion of Due Diligence by Lambert Smith Hampton	July 2017
Completion of Development Finance Agreement	August 2017
Practical Completion	Quarter 1 2019/2020
Final Repayment of Housing Zone Funding	Quarter 1 2019/2020

Planned delivery approach and next steps for the Beam Park Development

Activity	Timeline
Mayoral Decision	July 2017
Enter loan agreement with Countryside Properties (UK) Limited	August 2017

Appendices and supporting papers:

Appendix 1 - Revised Harrow Housing Zone Boundary

Appendix 2 - Revised Barking Riverside Gateways Housing Zone Boundary

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:

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

✓

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:

James Murray has been consulted about the proposal and agrees the recommendations.

✓

Advice:

The Finance and Legal teams have commented on this proposal.

✓

Corporate Investment Board

This decision was agreed by the Corporate Investment Board on 10 July 2017.

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

Date

10-07-17

TOM MIDDLETON ON BEHALF OF MARTIN CLARKE

CHIEF OF STAFF:

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

Signature

Date

10/7/2017

