

REQUEST FOR DIRECTOR DECISION – DD1238

Title: **Build Your Own Home the London Way: New Project Approvals**

Executive Summary:

To provide the Director the opportunity to review and approve new funding proposals under the Build Your Own Home – the London Way Programme. The proposals represent a significant increase in activity in the two funding streams; Custom Build Development Finance and Community Right to Build Grant Funding.

Decision:

That the Director approves (subject to satisfactory due diligence being carried out, as outlined in the body of this paper and the appropriate legal agreements being in place) the following proposals to :

- **Custom Build Development Finance:**

Loan to **East Thames Housing Association** £1,900,000 development loan finance to deliver 10 Custom Built Homes at Custom House, Newham.

- **Community Right to Build Grant funding:**

Grant to **Nest Housing** £147,890 grant funding to develop proposals for a potential 13 unit development on LLDC land.

Grant to **Mount Pleasant** £150,000 grant funding to develop a proposal for the Mount Pleasant Neighbourhood Area.

Grant to **St Johns Community Development Project** £150,000 grant funding to develop a proposal for residential accommodation and space for church and community groups.

Grant to **Leathermarket JMB** £323,500 grant funding to develop a proposal to build 36 units.

Grant to **Rooms of Our Own** of £165,515 grant funding to develop proposals for a mixed use development focused on housing and spaces for women's businesses, charities and voluntary groups.

Grant to **Mitcham Rugby Club** of £25,000 grant funding to development proposals for a new clubhouse with community facilities.

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 of Housing and Land

Signature: PP Jamie Ratcliff

Date: 28 July 2014

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1 Introduction and Background

- 1.1 GLA has received a number of bids under the Build Your Own Home the London Way. This paper outlines each proposal, the process of assessment undertaken and highlights key considerations including finance and legal comments.

2 Proposal Summaries

Custom Build: **Custom House**

- 2.1 Identified in the original Custom Build Prospectus, the London Borough of Newham owned Custom House site was won by East Thames HA after a competitive tendering process. It is proposed that this ex-garage site will deliver 10 Custom Built homes. East Thames' proposed scheme includes 8 units for private sale and 2 units for affordable rent. It is proposed that all 10 units will be let/sold as completed homes, following input on the design from the prospective renters/purchasers.
- 2.2 East Thames have applied for a £1,900,000 Custom Build Development Loan. They have successfully passed the assessment methodology and it is recommended that the loan be approved subject to detailed due diligence regarding end user involvement and loan repayment structure.

Community Right to Build Order: **Nest Housing**

- 2.3 The Nest Housing (<http://www.thenest.house/>) initiative is a community led project that enables homebuyers, particularly first time buyers, to be actively involved in the design process of their future home. Although the structural framework and overall appearance is defined by planning conditions, by utilising a 'custom build' design code, homebuyers are given the freedom to customise their home design in a number of exciting ways including architectural appearance, internal layout and environmental standards.
- 2.4 The Nest Housing are proposing to deliver custom build housing, including a percentage of affordable homes. A site has been identified and Nest are currently in talks with London Legacy Development Corporation (The landowner). If successful this application will help fund legal support to secure the site, develop detailed design proposals and submission of a planning application. The site is expected to offer around 13 homes delivered with the help of an enabling developer.
- 2.5 The Area Team has assessed the application in terms of value-for-money and confirms that costs are reasonable and clearly associated with the process of obtaining a Planning Permission.

Community Right to Build Order: **Mount Pleasant**

- 2.6 The Mount Pleasant Association (<http://mountpleasantforum.wordpress.com/>) is a community group of local residents and stakeholders living and working around the proposed development at the Royal Mail Group's Mount Pleasant sorting office in Clerkenwell, London. The Royal Mail Site is currently subject to a live planning application called in by the Mayor, however as agreed with planning colleagues and the applicant this is an independent project.
- 2.7 The Mount Pleasant Association is in the process of formulating a Neighbourhood Development Plan, which is an area large than the Royal Mail site. Their objective is to ensure the local community has an active and meaningful role in the planning process by engaging in constructive dialogue with all stakeholders and embracing localism. Over the last two years, they have been active in raising the profile of the Mount Pleasant area.

- 2.8 The Mount Pleasant Association are requesting £150,000 to develop a planning application to create the Mount Pleasant Neighbourhood, including Mount Pleasant Circus and Fleet Valley Gardens. The proposed development would be sufficient to deliver 682 homes, of which at least 20% would be affordable, 2,200m² of retail space and 4,300m² of commercial space. The proposed plans could also create new civic spaces, green areas, improved connectivity to the surrounding areas, workspaces, workshops for local artisans and designers, as well as public amenities and housing.
- 2.9 The Area Team has assessed the application in terms of value-for-money and confirms that costs are reasonable and clearly associated with the process of obtaining a Planning Permission.

Community Right to Build Order: **St Johns Community Development Project**

- 2.10 St Johns Community Development Project (<http://www.stjohnscdp.co.uk/>) is based in the heart of Clapham and aims to improve the lives of senior citizens through a range of activities and events. They provide weekly events and a programme of outings. They have realised through the support of Habit for Humanity they have development capacity within their premise.
- 2.11 St Johns were originally requesting £180,000 in funding analysis their development capacity and prepare an application for planning permission for a mixture of market and affordable residential accommodation, and a space for use by the parish church and local community groups.
- 2.12 The Area Team has assessed the application in terms of value-for-money and confirms that costs are reasonable and clearly associated with the process of obtaining a Planning Permission. However the funding sought was above the De Minis level of €200,000. Through moderation and negotiation with the applicant the recommended funding is now £150,000.

Community Right to Build Order: **Leathermarket JMB**

- 2.13 Leathermarket JMB (<http://www.leathermarketjmb.org.uk/>) is a resident-run organisation managing 1,500 homes in Borough and Bermondsey between London Bridge and Tower Bridge. They have gained approval for CRtB funding for a site at Ex-Joseph Lancaster, Nursery School, Deverell Street, SE1 4ET. JMB are in contract and drawn down funding for the first two of four milestones. Their proposal is to develop a Community Right to Build Order for 36 units, for 9 sale and 27 for affordable rent.
- 2.14 The JMB has used the funding to date to procure advice (legal and planning in particular) and site surveys. The advice they received has enabled the JMB to gain a clear understanding of the development costs and programme. This has resulted in a revised application that reflects this advice and quotation from the professional team. The JMB wishes to increase their grant to £367,234.61 for Milestone three and £6,250 for milestone four. It is providing £29,700 from its own resources and has raised a further £9,050 from other sources, totalling the 10% of finance required by the prospectus.
- 2.15 Furthermore, the JMB has made significant progress refining their development output and future funding. London Borough of Southwark has been hugely supportive and has indicated it would be willing to provide some development funding to enable the development to become 100% affordable (socially rented) housing. This means that this project is exempt from the State aid de-minimis limit.
- 2.16 This is a community-led project as originally conceived by the prospectus and the JMB is intending to progress to a Community Right to Build Order. As a result this project has the potential to become a unique model for delivering new affordable homes and unlock the potential of existing estates.
- 2.17 The Area Team has assessed the application in terms of value-for-money. There are some costs that are not reasonable and clearly associated with the process of obtaining a Community Right to Build Order. These costs have been removed from their proposal and it is recommended £323,500 funding is approved.

Community Right to Build Order: **Rooms of Our Own**

- 2.18 Rooms of Our Own (<http://roomsofourown.wordpress.com/>) is a social enterprise working to build a unique women's community space in Walthamstow. Rooms of our Own aspire to construct housing and spaces for businesses which would provide an income stream to subsidise spaces for charities and voluntary groups. Areas such as a café, meeting rooms and hot-desking will be open to all. Some, such as those offering services to women who have experienced rape or domestic violence, will be women only. The over-arching ethos is to provide a new space which is available and welcome to all, founded on feminist principles. Jennette Arnold, London Assembly Member, sits on their Advisory Group.
- 2.19 The group has made good process to date in identifying a site owned by London Borough of Waltham Forest. They have now received Heads of Terms from the Borough and would like to start negotiations. Rooms of Our Own are seeking £165,515 grant funding to develop proposals and a planning permission for a mixed use development focused on housing and spaces for businesses, charities and voluntary groups. Part of the funding will be used to procure professional assistance with the land agreement.
- 2.20 The Area Team has assessed the application in terms of value-for-money and confirms that costs are reasonable and clearly associated with the process of obtaining a Community Right to Build Order.

Community Right to Build Order: **Mitcham Rugby Club**

- 2.21 Mitcham Rugby Club (<http://www.pitchero.com/clubs/mitchamrugbyclub/>) is a proactive organisation offering multi sports facilities to the local community, focusing on children from deprived backgrounds. The club organises coaching in several local schools, including two special needs units for excluded children. Their mission statement is to transform children's, youngsters and adults lives through sport and education and maintain discipline, teamwork, respect, enjoyment and sportsmanship. The club is well respected and was voted RBS Rugby Force Community Club of the Year 2012. They have received support from a wide range of parties, including Steve O'Connell Assembly Member of Croydon and Sutton.
- 2.22 The Club is seeking to demolish an 1880's old stables currently used as a community rugby club and transform the site into a multi-sport education and development centre with the principles of rugby at its core. The club has produced initial designs and is seeking funding of £25,000 to further develop their plans and submit a planning application.
- 2.23 The Area Team has assessed the application in terms of value-for-money and confirms that costs are reasonable and clearly associated with the process of obtaining a Planning Permission.

3 Other considerations

Links to Mayoral strategies and priorities

- 3.1 Mayoral Decision no.1018 delegated the approval of the guidance for assessment and the approval of individual bids and funding agreements to each of the Deputy Mayor for Housing, Land and Property, the Executive Director of Housing and Land and (in relation to the funding agreements only) the Executive Director of Resources.
- 3.2 The assessment has followed the procedure agreed at HIG and develop with dialogue with GLA Finance and follows the structure approved in the Funding Prospectus.
- 3.3 In order to avoid the risk of challenge from any unsuccessful organisations it is important that the clear process outlined for the assessment of both these funding streams is clearly articulated and adhered to.

3.4 As with any funding programme there is a risk of insolvency, fraud or misappropriation. This is mitigated in different ways for the two funding streams.

- For Custom Build Housing detailed due diligence will be carried out on the organisation, the project cash-flow and the level of security offered to the GLA. This is in addition to the organisation being granted the loan having to become a GLA Investment Partner. The funding will be released in mutually agreed tranches to ensure payment is not in advance of need.
- For Community Right to Build the funding will be paid in arrears following the achievement of each relevant milestones and evidence of appropriate expenditure.

Summary of Assessment Process: Custom Build

3.5 For Custom Build there is a three-stage process:

- Firstly, an initial check of eligibility, to ensure that the applying organisation is an appropriately constituted body, complies with the spirit of the fund and that the funding requested is within the financial limits.
- This will be followed by an assessed of scheme deliverability and involvement of prospective occupiers. In order to pass the sift all applications must achieve a minimum score of 12 (out of 40) for scheme deliverability and 4 (out of 11) for involvement of prospective occupiers.
- Finally detailed due diligence ensures that the funding is necessary and the project risks are at an acceptable level and GLA Finance to ensure that the organisation is financially viable and capable of handling the required funding.

Summary of Assessment Process: Community Right to Build guidance

3.6 As the funding is paid at each milestone in arrears and the individual amounts of funding are expected to be small detailed financial due diligence on CRtB applications is not necessary.

3.7 All grant payments will be in arrears and based on evidence that the costs have been incurred.

3.8 For Community Right to Build the process is lighter touch, recognising the aim of the programme to enable community organisations and the likely smaller levels of funding involved. All bids are assessed against eight eligibility criteria, which assess the applicant meets or will meet within appropriate time requirements:

- To be an incorporated body,
- community engagement,
- identified land, interest in land,
- within a designated Neighbourhood Area,
- appropriate expertise,
- community group meeting Localism Act 2011 requirements and
- the funding is no more than 90% of the required costs of obtaining a Community Right to Build Order.

3.9 Originally proposals had to pass all requirements above, however since it was agreed that groups had the option of submitting a planning application or a community right to build order, the requirement to be part of a Neighbourhood Area was relaxed.

3.10 In addition Housing and Land will assess the application in terms of value-for-money to ensure that the estimated costs are reasonable and clearly associated with the process of obtaining a Community Right to Build Order.

4 Financial comments

- 4.1 With regard to the Custom House Custom Build project the agreed loan amount is £1.9 million to be repaid, with interest, to GLAP. This can be funded from within the £5 million Custom Build budget (0.87million previously approved).
- 4.2 There are no charges against the borrower and the director has no history of involvement with businesses that closed unfavourably. The credit limit recommended by Dun & Bradstreet is £11.8 million.
- 4.3 GLAP should agree step-in rights if milestones are not met by specified dates or if the contractor is not paid within 30 days of the loan instalment being made.
- 4.4 The interest rate offered will depend on the collateral offered to support the loan, upon which GLAP must have first charge.
- 4.5 East Thames Housing have confirmed that they will not pursue this project without a Custom Build loan, although it is likely that other sources of funding would be available to them.
- 4.6 A total of £976,905 Community Right to Build grants are advanced for approval, including £69,750 that has already been approved and paid. These payments can all be met within the existing budget for this project (£2.82 million for 14/15)
- 4.7 These grants will be paid in arrears upon receipt of evidence of expenditure, subject to basic financial due diligence.

5 Legal comments

- 5.1 Section 30 of the Greater London Authority 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 Previously the GLA was prohibited from using these general powers to incur expenditure in providing any housing. This prohibition was removed by section 186 of the Localism Act 2011 which came into effect on 1 April 2012.
- 5.3 By the Mayoral Decision MD1018 the Mayor delegated authority to the Deputy Mayor for Housing, Land and Property, the Executive Director of Housing and Land and the Executive Director of Resources to authorise GLAP to enter into loan agreements for Custom Build Housing and grant agreements for Community Right to Build which are consistent with the principles of the scheme with organisations that are approved as successful applicants for such funding in accordance with the Bidding Guidance and the relevant corporate governance arrangements. As stated in paragraph 1.11 of MD1018 the role of GLAP is to be limited to entering into and operating the loan or grant agreement. It is intended that the GLA will retain control of the manner, basis and terms on which GLAP enters into the loan or grant agreement.
- 5.4 The Community Right to Build orders allow developments to proceed without the need for conventional planning applications. Schedule 4C of the Town and Country Planning Act 1990 (as amended by section 116 (3) and Schedule 11 of the Localism Act 2011) sets out the provisions relating to Community Right to Build Orders, the Authority will need to ensure that its Building

Guidance and operation and administration of the funding for this programme, complies with those provisions where required.

- 5.5 Paragraphs 1 – 3 above indicate that the proposed contributions amount to the provision of grant funding and not payment of works/supplies/services. Officers must ensure that the funding is distributed fairly, transparently in accordance with GLA's equalities policies and in a manner which affords value for money in accordance with the Contracts and Funding Code.
- 5.6 Officers must ensure that the appropriate funding agreement is put in place and executed by the GLA before any commitment to fund is made. The grant agreements will need to be established in a way that is compliant with State aid.

6 Planned delivery approach and next steps

- 6.1 Upon approval, the Area Team will progress these projects via entering into contract and ensuring delivery within agreed timescales. The cost of entering into legal contract will be met from within the programme budgets.

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

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:

Owain Roberts has drafted this report in accordance with GLA procedures and confirms that:

✓

Assistant Director/Head of Service:

Nick Taylor 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 28 July 2014