

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD1285

Title: The Royal Docks – Royal Victoria Dock

Executive Summary:

The purpose of this report is to seek approval to a budget of £270,000 to negotiate a surrender of the lease by lessee RoDMA for Royal Victoria Dock and to procure a development partner to deliver the 'floating village' at Royal Victoria Dock.

Decision:

That the Mayor:

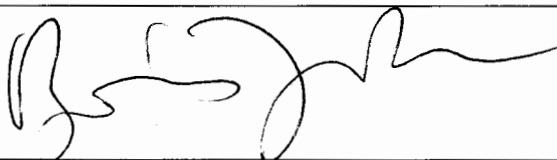
1. Delegates authority to the Executive Director of Housing and Land to enter into a Collaboration Agreement between GLA Land & Property Ltd (GLAP) and the Royal Docks Management Authority for the purpose of developing a 'floating village' in the Royal Victoria Dock after presenting detailed Heads of Terms to the Housing Investment Group for consideration.
2. Approves revenue expenditure to deliver the project of up to £270,000 (some of which being subject to the IPB conditions set out paragraph 4.2 in the Part 2 paper (confidential) being fulfilled).

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:

5-12-13

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

Decision required – supporting report

1 Introduction and background

- 1.1 Since the last HIG update on 28 January 2013, the following announcement was made on the 12 March 2013 at MIPIM (international property event in Cannes) by the Mayor of London, (attended also by RoDMA and GLA Housing and Land Team), as included within the GLA press release:

“The Mayor, Boris Johnson, has unveiled ambitious plans to create the UK’s largest ‘floating village’ as part of his on-going drive to transform London’s Royal Docks, bringing jobs, commercial space and homes back to the capital’s waterways.

Launching an international competition to find developers and London partners to design and deliver the scheme, the Mayor made the announcement as he travelled to MIPIM, the world’s premier property conference, where he will be promoting this unique site and other investment opportunities in London.”

- 1.2 The arrival of the Emirates Air Line and the Siemens Crystal has provided a focus to the Royal Victoria Dock and an opportunity to create a new destination for Londoners. The proposed opportunity builds on this momentum by creating a completely unique concept through the development of a floating community on the water in the western end of Royal Victoria Dock; encompassing a residential-led development and potentially bars, restaurants, a hotel and cultural and leisure activities - subject to market response, commercial appraisal and planning. This development can characterise the Royal Docks as a new and high quality living and leisure location for London. This concept retains the water in the docks and restores the original nature of the dock with a series of piers, jetties and floating islands.
- 1.3 Arising from the initial discussions, some developers and operators have emerged, including those with specialist technical expertise. GLA Land & Property Ltd (GLAP) and RoDMA continue to log current interest.
- 1.4 Since the announcement, GLAP has carried out some soft market testing with members of the London Development Panel and is preparing a technical information pack.

2 Issues for Consideration

- 2.1 The proposal is that GLAP and RoDMA will enter into a Collaboration Agreement, based on detailed Heads of Terms (to be agreed) in order to achieve the objectives of a comprehensive redevelopment of the Royal Victoria Dock in accordance with the partnership approach. The key Heads of Terms of the agreement will be:
- GLAP will have ultimate responsibility for the procurement of professional advisers and the developer.
 - Legitimate historical costs incurred by RoDMA on the RVD project will be reimbursed by GLAP – these are yet to be quantified.
 - A steering group will be established with GLAP, RoDMA and LB Newham.
 - GLAP to lead on PR, comms, etc. with support from RoDMA.

2.2 The budget required to bring forward the procurement of the Royal Victoria Dock, to include the appointment of a development partner, is estimated to be £270,000. Estimated costs include the following:

- Legal fees (Procurement and development agreement costs based on the project progressing under the LDP - this estimate is likely to increase significantly if an alternative procurement process is required) – £75,000;
- Commercial Property advice and technical due diligence - £90,000; and
- Historical and contractually committed costs incurred by RoDMA (includes legal, MIPIM costs, design costs, property advice and short term project management support) – £105,000. GLA officers are currently (and Legal will be, in relation to the legal fees incurred) reviewing these costs to confirm they have been expended in accordance with GLAP procurement procedures and demonstrate value for money in achieving the agreed outputs for the project.

3 Objectives and expected outcomes

- 3.1 The overall objective is to create an exemplar 'floating village' within Royal Victoria Dock as part of the on-going transformation of London's Royal Docks, bringing jobs, commercial space and homes.
- 3.2 The project has the potential to deliver a unique destination creating employment opportunities within the retail and leisure sector, residential units of mixed tenure and an increase in visitor numbers to Royal Docks.

4 Planned approach

- 4.1 The project will be resourced by GLA staff from the Strategic Projects and Property Team together with part-time secondee support from RoDMA with specialist consultancy advice as required. The intention is for the GLAP to utilise the London Development Panel (LDP) in order to procure a private sector development partner for the Royal Victoria Dock. This will lever in private sector investment to the project for the construction, marketing and disposal of the new homes and business space.

5 Other considerations

5.1 Links to strategies and Strategic Plan

The Mayor's Economic Development Strategy identifies the Royal Docks as a key part of his strategy to adopt a coordinated and targeted approach to regeneration.

The Mayor's Economic Development Strategy can be found at:

<http://www.london.gov.uk/sites/default/files/Economic-Development-Strategy.pdf>

A Steering Group for the project is to be established (facilitated by GLAP every six weeks) and will be comprised of GLA members: (Chair) Richard Blakeway, David Lunts, Simon Powell, Doug Wilson; RoDMA: Mike Luddy and RoDMA Board member Phil Dowson; HIG Board Member: Mike Youkee; and London Borough of Newham representative Jo Negrini.

5.2 Impact assessments and consultation

The development partner, as part of its planning submission, will be required to carry out a site-specific impact assessment and a public consultation for the proposed development.

The main stakeholders are the landowners, businesses and local authority who are also members of the RoDMA board. They are all supportive of the proposals as it will generate increase visitor numbers and attract new investment and regeneration to this part of London.

5.3 Risks

Top project risks

	Risk description	Mitigation / Risk response
1	There may be no interest in the site	If there is no interest through the LDP, carry out soft market testing before exploring other options to identify a development partner.
2	Development may not be viable	Carry out a financial appraisal on quantum options agreed with planning authority
3	Additional budget required	The costs have been Benchmarked against similar land disposal strategies to ensure they are sufficient for the tasks required.

Additional risks related to the commercial deal with RoDMA are included within the Part 2 paper (confidential) of this MD.

6 Financial comments

- 6.1 The asset known as Royal Docks Waterways (old reference 08/001) asset number 9900033 is currently let on a 225 year lease to RoDMA at a peppercorn rent. There is no current valuation of this asset. The freehold is owned by GLAP.
- 6.2 GLAP's future income is dependent on the developer selected. Receipts may be in the form of rental or a percentage of turnover should the developer be of a commercial nature. Alternatively the developer may grant GLAP an overage or lease premium. The timing and quantity of these receipts are not yet known
- 6.3 The £270,000 costs should be considered as a revenue budget in GLAP and monitored as part of the revenue budget monitoring process. These costs will not add value to the existing asset. The cost can be met from the budget available for bringing sites forward for development.
- 6.4 No reimbursement of RoDMA's costs will be made until a Collaboration Agreement has been signed.

6.5 Tax Implications

Surrender of part of the lease by RoDMA to GLAP

- 6.5.1 This is an acquisition of a land interest by GLAP, in return for which GLAP may pay part of the proceeds it receives from the eventual development of the land. GLAP will have an SDLT liability on what it pays to acquire the land. The SDLT liability can be deferred until the consideration paid by the developer is known.

Grant of lease to Developer

- 6.5.2 This is a disposal by GLAP. A liability to pay a premium to RoDMA may arise. For corporation tax purposes these are all trading transactions for GLAP and the profit or loss for corporation tax position will follow the accounting treatment.
- 6.5.3 Any VAT incurred by GLAP on expenses/costs it incurs will be recoverable by virtue of the option to tax previously made on the subject land.

7 Legal comments

- 7.1 Eversheds LLP have provided preliminary legal advice on this project and will be retained to give further advice and legal support going forwards.
- 7.2 Section 30 of the Greater London 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) which are:
- i. Promoting economic development and wealth creation in Greater London;
 - ii. Promoting social development in Greater London; and
 - iii. Promoting the improvement of the environment in Greater London.
- 7.3 The Mayor may, under section 38 of the GLA Act, delegate the exercise of the GLA's functions to the Executive Director of Housing and Land as proposed.
- 7.4 It should be noted that as GLAP will be a party to all necessary legal documentation, GLAP will also need to approve the proposed transactions in accordance with its constitution.

8 Investment & Performance Board

The Investment and Performance Board considered this matter on 16 May 2013. IPB endorsed the recommendations within the report.

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 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 – YES

ORIGINATING OFFICER DECLARATION:

Drafting officer to confirm the following (✓)

Drafting officer:

Paul Guest 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:

Simon Powell 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

M. D. Allen

Date

29.11.13

CHIEF OF STAFF:

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

Signature

Edmund M. ...

Date

02.12.2013