

REQUEST FOR DIRECTOR DECISION – DD1151

Title: Cultural Industries Quarter Phase 2 amendment

Executive Summary:

Bouygues is seeking to convert commercial space at ground floor into residential units in Phase 2 of the Cultural Industries Quarter. The residential space will create a more attractive ground floor environment and help to increase the overall number of units in the scheme. In recognition of the changing demand in the town centre there is also a request to change the mix of the development to reduce the amount of family housing.

Decision:

1. That the Executive Director for Housing & Land approves GLAP giving consent to Bouygues for:
 - the change of use from commercial to residential at ground floor on Block D of Phase 2 of the Cultural Industries Quarter; and
 - the change of mix to reduce the number of larger family homes and increase the number of one and two bedroom homes;
2. The Director notes this approval is subject to obtaining a satisfactory independent assessment to verify the cost breakdown of the alterations which has been provided by Bouygues, which suggests that the additional cost of providing the residential units will cancel out any additional value that would be generated by an increase in the residential area.

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, Housing & Land

Signature:

Date:

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1.** The Cultural Industries Quarter (CIQ) site transferred on 16th April 2012 to the GLA under the London Thames Gateway Development Corporation (Transfer of Property, Rights and Liabilities) (Greater London Authority) Order 2012 (LTGDC Transfer Order). The site was transferred from GLA to GLAP in July 2013.
- 1.2.** The LTGDC commenced the creation of a Creative Industries Quarter (CIQ) along Abbey Road, in Barking in March 2006, involving seven titles, in two phases. Phase 1 incorporated the Malthouse, a derelict 2-storey Victorian warehouse; the Granary building, a derelict 5-storey Victorian warehouse; the Fishing Smack, a demolished public house; Barford Chemicals, a disused glue factory; and SBA, a single storey, 1960s, vacant warehouse. Phase 2 incorporated RS Foods, a 2-storey rice distribution warehouse; and Wigzell Engineering, a scrap metal merchant.
- 1.3.** To secure a development partner for the residential element of the permission, the LTGDC commenced a competitive dialogue OJEU procurement in January 2009. Bouygues UK was selected through this procurement and subsequently entered into a conditional Development Agreement with LTGDC in June 2011.
- 1.4.** Following the transfer from LTGDC, the GLA completed the sale of CIQ Phase 1 under the terms of the Development Agreement to Bouygues UK in August 2012. This secured the development of 134 affordable units and 7,000sqft of commercial accommodation. This phase of the development is now on site and expected to complete in summer 2014.
- 1.5.** The Phase 2 disposal to Bouygues represented the last stage in the project's delivery, with the lease completing on 29th August 2013. Following lease completion, Bouygues sold the 138 units to London Borough of Barking and Dagenham (LBBD), for inclusion within the borough's affordable homes programme. Ground works are currently underway on Phase 2 and the units are due for completion by March 2015.
- 1.6.** In reviewing the consented scheme, LBBD is concerned by the quantum of riverfront commercial space at the foot of Block D (totalling 425sqm) which has little opportunity to attract passing footfall. With the level of commercial space that has already been constructed within the development there is a concern that the commercial in Block D would be difficult to let and therefore given the level of housing demand in LBBD it would be of greater advantage to provide additional residential units at ground floor. Bouygues has undertaken design work that demonstrates that 4 units could be accommodated at ground floor in place of the commercial space. These units would be fully London Housing Design Guide compliant. It is LBBD's preference to reduce the commercial space within the overall development and convert the commercial space to residential to achieve the additional units and improve the streetscape of the development.
- 1.7.** In addition to converting the ground floor commercial into residential units LBBD has also requested an alteration to the mix of units, stating that there is little demand for the larger 3 and 4 bed flats. There is however strong demand for 2 bed units in this location and therefore LBBD is keen to address the mix and amend it to align with demand. To address this, an indicative redesign has taken place to accommodate a greater number of 2 bedroom units within Phase 2 which would replace some of the larger homes as set out in the table below. During the redesign process Bouygues has also been able to add an extra two units on the roof of the building taking the total

number of units within Blocks C and D to 144 from 138. It is worth noting that the units were designed to be fully LHDG compliant as part of a fully private scheme which LBBD has decided to purchase using Right To Buy receipts and convert to their Affordable Rent Programme. LBBD considers that the original mix was unsuitable in a town centre location with a limited amount of family amenity space and that the units would be better suited to people on low incomes who wish to access the excellent transport links from Barking station. The current housing register has over 5,000 cases registered for one and two bedroom homes and therefore LBBD are keen to maximise the provision in an accessible location recognising that family accommodation may be better provided in other parts of the borough.

- 1.8.** The change in tenure from private to affordable will result in the proposal being entirely affordable across the site. The intention is however to target a mix of rents including focusing provision closer to 80% of market rent to ensure there remains a balance in tenure.

The current and proposed accommodation schedule for Blocks C&D:

Flat type	Current	Proposed	Change
1 bedroom	58	50	-8
2 bedroom	63	90	+27
3 or 4 bedroom	17	4	-13
Total	138	144	+6

- 1.9.** In consultation with the GLA, Bouygues submitted a Section 73 application to vary the existing planning permission to change the use at the ground floor and include additional residential units within Block D. This application has been approved by LBBD Planning. However, although Bouygues have permission in planning terms to provide a scheme in line with the varied floor layouts to increase the unit numbers, GLAP have sole discretion to permit this alteration under Clause 8.1 of the Lease which states that:

- 8.1 *the Tenant is not to use the Premises other than for the following uses:*
- 8.1.1 *(as to the Lettable Parts not intended for residential use) use within Classes A1, A2, A3, A4, B1, D1 and D2 of the Use Classes Order;*
 - 8.1.2 *(as to the remainder of the Lettable Parts) for residential use and*
 - 8.1.3 *for ancillary car parking, landscaping and facilities*

Or (subject to the proviso to Clause 8.7) for such other use as the Landlord may approve (such approval not to be unreasonably withheld or delayed).

- 1.10.** The cost break down for the alterations has been provided by Bouygues and the additional costs associated with the required works to convert commercial units to residential cancel out any additional value that would be generated by an additional 6 units over and above that which would be generated by commercial space. This is largely due to the fact that the ground floor will be required to be raised to address the flood mitigation requirements of having habitable rooms on the ground floor. This is in addition to some greater security relating to homes opening onto the ground level.
- 1.11.** It is recommended that the GLA gives permission for the amendment, subject to an independent assessment of the added value and any increase in construction cost. The independent assessment will be at Bouygues' cost.

2. Objectives and expected outcomes

- 2.1. The objective of the change is to provide additional housing units that match the demand profile of Barking town centre and to reduce the likelihood of commercial units remaining vacant, creating an unsightly ground floor of the new development.
- 2.2. Under this approach the GLA will not financially benefit directly from the conversion but the amendment will improve the overall quality of the scheme by increasing the number of homes in LBBD's AHP and creating a more appropriate street level frontage. The homes on Phase 1 and 2 will be subject to a management regime which the additional units will be included within.

3. Other considerations

- 3.1. Key risks: the key risks associated with this project are planning and financial.
- 3.2. **Planning:** The planning risk has been mitigated by Bouygues seeking a Section 73 Amendments which has been granted. On this basis, Bouygues has a consented scheme which can include the amendment or can revert to the original permission which includes the commercial space if the GLA does not grant permission.
- 3.3. **Financial:** The risk of costs increasing on the building are held with Bouygues and therefore will not be a risk to the GLA. This amendment is recommended subject to an independent assessment of added value and construction cost increases. This could be captured at design stage or completion to enable to the GLA to be satisfied that it will share in any financial uplift.

4. Financial comments

- 4.1. There are no financial risks associated with changing the use of this asset from commercial to residential. Tax implications have also been considered and there are no tax risks resulting directly from such a transaction in this instance.
- 4.2. Any direct costs resulting from this change of use are to be met by Bouygues

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. Sections 1 and 2 of Part 1 of this report indicate that the decision requested of the director falls within the GLA's statutory powers as described in section 5.1.
- 5.2. It should be noted that as GLA Land and Property Limited will be a party to the legal documentation, GLAP will need to approve the proposed transaction in accordance with its constitution.

6. Planned delivery approach and next steps

Activity	Timeline
Issue letter of consent to Bouygues	January 2014
Complete detailed design of revised scheme	January 2014

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 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:

Philippa Bloomfield 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 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