

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD1487

Title: Completion of legal agreements for the development of land at Pontoon Dock, Royal Docks

Executive Summary:

The Housing and Land Directorate, using the GLA's London Development Panel (LDP) has selected a preferred partner to develop 0.69Ha of land within the Royal Docks, London Borough of Newham. Approval is sought to appoint the selected partner to deliver 211 homes and create a high quality residential-led development at Pontoon Dock, (see plan at Appendix 1).

Pontoon Dock will lead the way in delivery of 137 homes for the Private Rented Sector (PRS) led by Bouygues Development-Leadbitter Limited, which has attracted an institutional investment partner, proposed as a Joint Venture between the London Pensions Fund Authority and Grainger PLC meeting the required minimum 10-year hold period.

Decision:

That the Mayor:

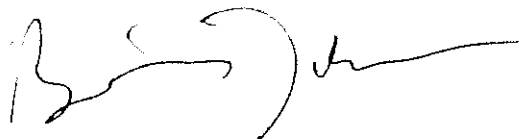
- Approves the recommendation to select Bouygues Development-Leadbitter Limited as the preferred bidder for the Pontoon Dock project;
- Approves GLA Land and Property Ltd's entry into the development agreement with Bouygues Development-Leadbitter Limited on the terms outlined in this paper;
- Delegates to the Executive Director of Housing & Land the authority to execute the development agreement with Bouygues Development-Leadbitter Limited and all ancillary documents necessary to facilitate the Pontoon Dock project.

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:

31.3.2015

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

Decision required – supporting report

1. Introduction and background

- 1.1 The Mayor has publically expressed a desire to encourage institutional investment in the private rented sector as a way to increase the supply and choice of housing in the capital. The Mayor's Housing Strategy sets out that, where appropriate, the Mayor of London shall seek to use land assets to encourage institutional investment in the private rented sector and improvements in the design and management of this tenure.
- 1.2 In September 2013 the GLA's Housing Investment Group (HIG), supported the option to dispose of sites, including Pontoon Dock, with a key requirement to deliver a significant proportion of Private Rented Sector (PRS) homes.
- 1.3 The developer selection for Pontoon Dock from the LDP framework was endorsed by GLA's Housing Investment Group (HIG) and a Mayoral announcement was made on 16th September with a supporting Press Release: "Mayor announces developers for ground-breaking private rent homes scheme"
- 1.4 The purpose of this decision paper is to set out the competitive procurement process undertaken to date, to identify the preferred bidder and to gain a Mayoral Decision to approve the preferred bidder and to approve the entering into the requisite agreements to proceed with the development.

The Site

- 1.5 The GLA Land and Property Ltd (GLAP) site is 0.69ha of land within the Royal Docks, London Borough of Newham, (please refer to red line boundary plan - Appendix 1).
- 1.6 The site is located directly adjacent to the Pontoon Dock DLR station in close proximity to West Silvertown, forming part of a new local centre and an emerging high street, which together form part of a wider opportunity to attract extensive investment and deliver economic regeneration objectives across the Royal Docks.
- 1.7 Currently no active planning consent is in place for the redevelopment of the site. The Local Planning Authority supports the principle of residential-led development and the Newham Core Strategy identifies the surrounding area as a new local centre (Policy S3). The development proposed is expected to fit with the emerging urban character of adjoining strategic sites within West Silvertown and is likely to be accepted as a residential-led development providing it addresses the North Woolwich Road with active frontage and is accessible to the DLR station, providing local pedestrian and cycle links.
- 1.8 The site provides for an existing car park for Thames Barrier Park. Future public parking requirements will be determined by the planning authority as part of any planning application. The current planning status of the car park is determined under the original planning application for the Thames Barrier Park, consented in 1997, prior to subsequent housing development and transport investment, specifically the London City Airport DLR branch extension and the DLR Pontoon Dock station.

Disposal Strategy

- 1.9 In September 2013 a report which recommended the disposal of the site via the London Development Panel (LDP) for residential led development was endorsed by Housing Investment Group (HIG).

- 1.10 The developer selection from the LDP framework was based on a three-stage process incorporating Expression of Interest (EOI), Sifting Brief and Invitation to Tender (ITT). The process was supported by Legal and Procurement Teams at different stages. The EOI was issued to all 25 members of the LDP in March 2014 and following receipt of EOIs the Sifting Brief was issued to all interested LDP members in April 2014. The ITT was issued in May 2014 to the bidders shortlisted through the sifting brief evaluation and received by the prescribed deadline of 30th June 2014.
- 1.11 The preferred bidder was endorsed by HIG in September 2014 on the basis that its bid represents the most economically advantageous tender using the evaluation criteria published in the ITT documentation. This paper seeks approval of the selection of the preferred bidder.
- 1.12 A summary of commercially sensitive aspects of this tender bid and approval are set out in the confidential part 2 of this MD.

2. Objectives and expected outcomes

- 2.1 The project aims and objectives are to create a unique high quality residential-led development, which achieves the following:
 - *Delivery of New Housing*
In accordance with London Plan Policy 3.3 – Increasing Housing Supply; the key objective of this project is to deliver much-needed private rented and affordable homes meeting the requirements of Londoners.
 - *Tenure Split and Housing Mix*
Tenure split for the affordable residential homes – 60 Affordable Rent: 40 Shared-Ownership, (to allow for a minimum requirement of 35% affordable housing overall based on total number of residential homes).
 - *Housing Quality*
All homes on the development should comply with the Mayor's London Housing Design Guide and meet Code for Sustainable Homes Level 4;
 - *Private-Rented-Sector (PRS) Homes*
The site will deliver a significant proportion of private rented sector homes and for these to be retained as PRS for a minimum period of 10 years.
 - *Long Term Management Proposal*
Provision of high-quality and efficient long-term management for the development and improved overall experience for tenants by introducing management standards benchmarked in the London Rental Standard (LRS).
 - *Exceptional Urban Design*
A development that addresses the sites unique attributes and enhances the character of the local area through use of appropriate design quality, materials and landscaping to deliver an active street frontage, an enhanced pedestrian environment and public space within the development.
 - *Understanding of the Local Context and Proposed Connections*
Delivery and management of high-quality public realm incorporating an overall enhanced and inclusive public access to the Thames Barrier Park and Pontoon Dock DLR station, working with key stakeholders to deliver;

As required, the provision of public car parking facilities, set-down and pick-up points in association to requirements for the park public transport and access, (subject to further consultation and agreement with the Strategic and Local Planning Authorities).

- *Delivery of Non-Residential Floorspace*
Approx. 10,000 sq ft non-residential floor space will be provided at ground floor within the development maintaining the same standards of exceptional urban design in particular providing active frontage along North Woolwich Road, whilst generating employment opportunities.

2.2 The expected outcome of this disposal is residential-led scheme of a high quality with a minimum development of 211 residential units incorporating 35% affordable housing provision and 10,000 sq ft of non-residential ground floor space. Under the key terms and conditions of this appointment the developer shall:

- Enter into a Development Agreement (DA), based on a standard form of Building and Head Lease. The DA is conditional on the delivery partner securing a detailed planning permission (which is subject to the approval of GLAP) and will need to provide evidence of funding delivery.
- Submit a detailed planning application within nine months of the date of award.
- A target of six months from receiving detailed planning permission to start on site date and target to complete the development within two years and two months (twenty six months) of start on site.
- Pay a guaranteed minimum land value (net of all costs) on the basis of the financial offer (submitted as part of the ITT) for the transfer of long-term leasehold interest in the site;
- Provide a payment of 20% of the land value to GLAP when the delivery partner satisfies the conditions within the DA with the remainder due at Practical Completion.
- Assume control of the site and be responsible for all estate management requirements, including health and safety and security following the signature of a building lease.

3. **Equality comments**

3.1 The objective of this land disposal is to accelerate the development and supply of new homes with the direct use of public sector landholdings within the Mayor's ownership. In accordance with the Mayor's Housing Strategy this Mayoral Decision will help deliver:

- Improvements in the private rented sector with an increase supply of new purpose-built, well managed and private rented housing which will provide a greater diverse and improved quality in the supply of much needed homes in London;
- Access to decent low cost affordable housing including a policy compliant affordable housing provision within a satisfactory planning application, including compliance with London Housing Design Guidance and Lifetime Homes minimum space standards to ensure new homes are designed to be accessible and adaptable;
- New dwellings that are fully functional and accessible for residents, including those with disabilities, at all stages of life. The scheme will be required to meet the objectives of the London Plan which stipulates that all new homes should be built to Lifetime Homes standards and that at least ten per cent should be wheelchair adapted or easily adaptable.
- The wider development will also seek to achieve London Plan Policy 7.2 for an inclusive environment, delivering enhancements to pedestrian and cycle access incorporating access to Pontoon Dock DLR and the publicly accessible Thames Barrier Park.

The proposals will meet be considered for planning requirements along with access design officer consultants and planning officers to address key issues in more detail as the detailed design stages progress.

4. Other considerations

4.1 Key risks and issues:

Key Risks	Mitigation Strategy
The developer fails to gain a suitable planning permission	A requirement of the Development Agreement is the development partner will enter into a Planning Performance Agreement (PPA) with LBN, which will specify milestones for submission of planning application and timescales for borough response.
The developer defaults on the offer, which would delay delivery of the project	The purchase price within the Development Agreement is a guaranteed minimum sum. Consider re-tendering the project.
Unforeseen ground conditions impacting on the design and construction of the scheme.	The developer was provided with all technical site reports and ground condition assessments that were available to GLAP at the time the ITT was issued. In addition, the developer has instructed a ground condition and site investigation survey and the outcome is a condition of completing the Development Agreement.
Withdrawal or lack of interest from occupiers, in particular in relation to the non-residential floor-space	Support the developer in preparation of the sales and marketing strategy. Current market discussion with potential occupiers is positive and created confidence in relation to securing users. Flexibility built into proposal regarding non-residential floor space.
Withdrawal or unable to secure long-term institutional investment or PRS investor funding package	The competitive LDP launch and site disposal for PRS development has encouraged and engaged with a range of long-term institutional investors attracting potential funding sources. The GLA and the preferred development partner have worked closely to ensure the suitability of the development agreement for a long-term partner and the developer will proceed to enter into Heads of Terms with the selected investor.
The procurement process is challenged	As set out in previous HIG reports a transparent, fair and equal procurement process has been undertaken, supported by a procurement agent.

5. Financial comments

Comments are included in the part two confidential paper.

6. Legal comments

- 6.1 GLAP have and are being advised by Eversheds throughout this project including in relation to the fine tuning of the Development Agreement.
- 6.2 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) which are:
- Promoting economic development and wealth creation in Greater London;
 - Promoting social development in Greater London; and
 - Promoting the improvement of the environment in Greater London

and, in formulating the proposals in respect of which a decision is sought, officers confirm they have complied with the GLA's related statutory duties to:

- pay due regard to the principle that there should be equality of opportunity for all people;
 - consider how the proposals will promote the improvement of health of persons in Greater London, promote the reduction of health inequalities between persons living in Greater London, contribute towards the achievement of sustainable development in the United Kingdom and contribute towards the mitigation of or adaptation to climate change in the United Kingdom; and consult with appropriate bodies.
- 6.3 Sections 1 and 2 of this report indicate that the Mayor has the power to proceed to make the decisions as requested within this report.

7. Investment & Performance Board

- 7.1 On 10 September 2014 Housing Investment Group received a report outlining the results of a competitive tender exercise to develop the land at Pontoon Dock. The Group endorsed the preferred development partner and noted the receipt for the sale of the site.

8. Planned delivery approach and next steps

- 8.1 The next steps are summarised below:

Activity	Timeline (Target Dates)
Mayoral Decision	March 2015
Enter into the Development Agreement	March 2015
Submission of Planning Application	September 2015
Planning Approval/ Signed Sec 106 Agreement	February 2016
Start on Site	September 2016
Completion	November 2018

Appendices and supporting papers:

Appendix 1 – Red line boundary plan of the site

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

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 D Clarke 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. J. Bille

Date

30.3.15

CHIEF OF STAFF:

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

Signature

Edmund H. —

Date

30.03.2015

