

REQUEST FOR MAYORAL DECISION – MD1117

Title: Lewisham Gateway Update

Executive Summary:

To update on the progress with the Lewisham Gateway scheme including potentially securing Get Britain Building funding allocation of £14.2m.

This paper also outlines the emerging changes to the scheme documentation that are required as a consequence of the additional funding being injected into the project, proposed changes in the developer structure and guarantee arrangements and certain requirements of Transport for London/London Bus Services Limited (TfL) and seeks approval to such changes.

Decision:

The Mayor is requested to:

- approve entry into a deed of variation to the development agreement and other relevant scheme documentation to reflect changes required by present circumstances including as a result of the potential new funding to the project;
- approve the variations to the development agreement and the revised guarantee documentation required as a result of proposed changes in the developer structure and guarantee arrangements (as set out in part 2);
- approve certain variations to the development agreement and other relevant scheme documentation to reflect requirements of TfL, in particular regarding the timing for, and works to be done prior to, TfL's relocation to the new bus stand site;
- approve entry into any necessary consequential variations to the Landowners' Agreement between the public sector partners to reflect the variations being made to the Development Agreement.
- authorise the Executive Director of Housing and Land to agree on behalf of GLA Land and Property Limited the final forms of documents required to give effect to the variations outlined above and any ancillary changes and to do all things necessary or desirable to give effect to the matters referred to in this Mayoral Decision.

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

20/12/12

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

Decision required – supporting report

1. Introduction and background

- 1.1 The Lewisham Gateway project was a public sector led initiative by the London Development Agency (LDA), TfL, LB Lewisham (LBL) and the local SRB partnership in the early 2000's. The aim was to improve the current highway layout to better integrate the town centre with the transport interchange. At the outset the public sector parties took the view that the scheme was unlikely to generate significant financial returns due to the complex highway alterations and the need to relocate the existing bus stand. The developer Lewisham Gateway Developments Limited (LGDL) was secured using a Regulated procurement process.
- 1.2 A conditional Development Agreement was exchanged in December 2006 between LDA, LBL, TfL (including TfL Buses) and LGDL (a special purpose vehicle whose parent company is jointly owned by Muse Developments and the Taylor Wimpey group). The LDA (now GLA) acts as lead public sector party with the developer and is obliged to assemble the third party land interests in the development site.
- 1.3 In accordance with Section 191 of the Localism Act, a transfer scheme made on 31 March 2012 transferred property rights and liabilities of the LDA to GLA or GLA Land and Property ("GLAP"), a subsidiary company of the GLA. The Lewisham Scheme was transferred to GLAP.
- 1.4 The progress made to date includes:
 - LBL secured possession of the travellers' site in Thurston Road, for the bus stand relocation.
 - LDA confirmed CPO to acquire third party interests April 2009.
 - LBL Planning approval in 2007, with Consent granted in May 2009.
 - Demolition of derelict properties within the scheme April 2010.
 - 2 Major Road Closure approvals 2011.
 - LBL loan funding to assist the scheme development summer 2012.
 - The successful application for Homes and Communities Agency (HCA) Get Britain Building funding (GBB) in October 2012.
 - The scheme could generate approximately 1900 jobs in both construction and permanent employment.
- 1.5 The Lewisham project involves the wholesale re-alignment of the existing 'A' road network creating a development platform to better link the transport hub to the town centre. The scheme obtained outline masterplan consent in 2009 for a residential- led mixed-use scheme of up to approximately 100,000m² including approximately:
 - 800 residential units (up to 57,000m²);
 - Retail space (up to 12,000m²);
 - Office and educational space (up to 17,500m²);

- Leisure including cinema, bars, restaurant uses (up to 10,500m²);
 - New public realm including open space by the Ravensbourne and Quaggy Rivers; and
 - Re-aligned public highways and relocation of the existing bus stand.
- 1.6 Attached in Appendix 1 are before and after images of the site together with an indicative image of the scheme submitted in 2007 to LBL.
- 1.7 **HCA-**The HCA has approved in principle funding of up to £14.2m for the scheme, in October 2012. However, HCA requires the developer to have entered into a conditional legal funding agreement for provision of the funding, before Christmas 2012. Therefore, there is a real urgency to ensure all existing agreements between the public sector parties and developer can facilitate the GBB funding requirements. All parties have been working to ensure the scheme can be 'oven ready' in terms of infrastructure and delivery of first phase of 193 housing units by March 2015 to meet with the HCA funding requirements. The developer has entered into detailed legal negotiations with the HCA with a view to exchanging a conditional funding agreement before Christmas.
- 1.8 **LBL-** The Council has provided funding to facilitate progress with securing a start on site for March 2012. LBL also require amendments to the development agreement to recognise their input to the scheme.
- 1.9 **LGDL.** The developers are wish to make changes to the structure of the SPV as detailed in the part 2 paper.
- 1.10 **TfL-** TfL also require variations to the Development Agreement, in particular to ensure that TfL do not need to relocate until relevant highways agreements are entered into and any necessary highway and other works carried out/agreed to be carried out, and relevant surveys and other necessary actions are undertaken. It is also envisaged that the existing section 106 agreement will need to be varied to reflect the changes to the scheme.
- 1.11 **Deed of Variation.** In order to update the development agreement to account for current circumstances, it is proposed that the parties enter into a Deed of Variation to amend the Development Agreement and a Deed of Variation to the existing section 106 planning agreement or a new planning agreement to take account of the new circumstances following receipt of the additional funding and need to start on site early next year.

2. Issues for consideration

- a) Links to strategies and Mayoral and corporate priorities:
The Lewisham Gateway scheme is supported by the London plan which encourages intensive development around transport interchanges, development of town centres, is within an Opportunity area and could enhance transport services (particularly buses). The scheme also seeks to deliver residential units by 2015 which will assist with the Mayor's Housing targets.
- b) Impact assessments and Consultation
The scheme has seen local consultations with the SPG document agreed by LBL in 2000, the original planning application in 2006, and the reserved matters application (in November/December 2012). There was also public consultation with the LDA's CPO in 2008 which was approved in 2009. The Road Closure applications were subject to public consultation in 2011.
- c) Risk
Key risks include

- Securing reserved matters planning approval in March 2012. The application is being prepared with full involvement with public sector parties and the recent local consultation in the town centre in November/December 2012. Target for determination in March 2012.
- Securing relevant Highway approvals to get a start on site for March 2012. Discussions are ongoing with TfL/LBL to secure relevant consents.
- HCA funding requires a start on site for March 2012. Packages of works are being prepared in early January to be ready for a start on site by March 2012.
- Developer Funding. Developer is seeking senior debt funding which is expected to be in place early in the new year.
- Securing vacant possession of the site. The LDA (now GLA) has secured the necessary agreements with assistance from the 2009 CPO to enable a start on site.

3. Financial Comments

- 3.1.1 There is currently no capital budget for this project however some revenue budget has been set aside for variations to the development agreement from within the estates management budget.
- 3.1.2 As part of the development agreement the GLA is committed to contributing two land plots at Lewisham (asset register reference 006/002 & 006/004) of 0.09 hectares and 0.12 ha in size respectively, which had nil book values at 31 March 2012. The valuation assumptions state that, because of the Master plan for the Lewisham Gateway scheme and the Development Agreement, these assets could not be disposed on the open market, are mainly subsoil and, therefore, realistically have nil value.
- 3.1.3 The developer has agreed to meet the GLA's legal costs in dealing with the required documentation to facilitate this transaction.

4. Housing Investment Group

HIG endorsed the seeking of a MD for the project to include Development Agreement and S.106 variations with a view to securing additional HCA funding to facilitate a start on site for March 2013.

HIG also noted the delegation to the Director of Housing and Land the final terms for any variations required to the existing agreements to facilitate a start on site.

5. Background/supporting papers

None.

Public access to information

Information in this form is subject to the Freedom of Information Act 2000 (FOI Act) and other legislation. Part 1 of this form will be made available on the GLA website within 1 working day of approval. Any facts and advice that should not be made automatically available on request should not be included in Part 1 but instead on the separate Part 2 form. Deferment is only applicable where release before that date would compromise the implementation of the decision being approved.

Is the publication of this approval to be deferred? YES

If yes, for what reason: In order to ensure no confidentiality issue arise with the existing agreements and HCA funding, it is suggested the release of this paper should be considered at the end of March 2013.

Until what date: 31/3/13

Is there a part 2 form – YES

ORIGINATING OFFICER DECLARATION:

Tick to indicate
approval (✓)

Drafting officer:

Tom Keady 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:

Stephen Kennard 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.

✓

OFFICER APPROVAL**Executive Director, Resources**

I have been consulted about the proposal and confirm that financial and legal advice have been taken into account in the preparation of this report.

Signature

Date

Chief of Staff

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

Signature

Date