

PART 2 – CONFIDENTIAL FACTS AND ADVICE

DD1350

Title: **Greenwich Peninsula Plot Drawdown – N0205, N0206 and N0207**

Information may have to be disclosed in the event of a request under the Freedom of Information Act 2000. In the event of a request for confidential facts and advice, please consult the Information Governance team for advice.

The information below is not for publication until the stated date, because:

It contains commercially sensitive information. The information is therefore covered by section 43(2) (commercial interests) of the Freedom of Information Act.

Date at which Part 2 will cease to be confidential or when confidentiality should be reviewed: **To be reviewed in 12 months - 30 June 2020**

Legal recommendation on the grounds of keeping the information confidential:

The information in Part 2 below contains information that relates to the commercial and business interests of Knight Dragon and GLAP, the disclosure of which could prejudice those interests. For these reasons it is considered that the information below is exempt from publication in reliance upon the exclusion contained in section 43(2) (commercial interests) of the Freedom of Information Act 2000.

The section 43 exemption is a qualified exemption and its use is therefore subject to a public interest assessment. At present, on balance, it is considered that the public interest is best served if the information is not disclosed at this point. Disclosure by GLAP would be likely to have a detrimental effect on the commercial interests of Knight Dragon and GLAP. It is considered that this outweighs the general public interest in disclosure for reasons of transparency of decision making.

The eligibility of these exemptions should be reassessed in the event of an FOI request for this information as the level of sensitivity will change over time and different circumstances may alter the arguments in favour of non-disclosure..

Legal Adviser - I make the above recommendations that this information should be considered confidential at this time

Name Edward Limbrey

Date 19 May 2015

Once this form is fully authorised, this should be circulated with the Part 1 form.

1. Structure of the deal

Disposal terms – plots N0205, N0206 and N0207

Key elements of the individual plot disposal terms are as follows:

- Knight Dragon shall, under the Conditional Site Option Agreement, call for a Plot Lease from GLAP for a term of 250 years commencing 17 June 2004 (date of original option agreement) (“Term Commencement Date”).
- The Plot Lease shall be granted on exercise of the Option to draw down the Plot under the Conditional Site Option Agreement, subject to the defined Conditions Precedent in the Conditional Site Option Agreement being satisfied. Knight Dragon also enters into the Development Agreement. The Plot Lease shall make provision for payment of Ground Rents.
- The Developer shall agree with proposed Registered Providers, London & Quadrant Housing Trust (L&Q), to procure construction of and grant a lease of affordable housing units on practical completion.
- Step-in provisions will be agreed through the development agreement and will include funder step-in as a first provision.

The forms of documentation have been agreed and GLAP’s external lawyers for this matter have advised on them.

The obligation to develop in accordance with planning and to reach practical completion, by a transfer date shall be contained in each of the Development Agreements. Build contracts have been approved by GLAP due to need for step-in rights, subject to addressing the Developer’s obligations to the Registered Provider. The Developer shall carry out the development works in accordance with the Agreed Scheme, the Planning Consent and all other necessary statutory approvals/consents.

The Developer’s Guarantor will enter into the Conditional Plot Option Agreement and Development Agreement to guarantee the Developer’s performance of their obligations under those documents.

The affordable housing for the scheme will be provided across two of the five towers, with the first affordable units (140) delivered in the first phase of development.

Step-in provisions will be contained in the Development Agreement and will allow the developers’ funder to step in. GLAP will have its own step-in rights sitting behind those of the developer funder.

TfL legal agreements

Part of the proposed development footprint of building 2 encroaches onto TfL land above the North Greenwich Interchange station box. This use of this land is subject to various legal agreements to protect the underground and those agreements include indemnities from GLAP to TfL in respect of any breaches. GLAP will be required to enter into a further agreement with TfL and Knight Dragon to alter the rights and reservations around the station box, the user provisions in the lease of building 2 at N0205 and potentially the buildover agreement that will govern construction over the station box to facilitate development. GLAP has agreed a Deed of Covenant with Knight Dragon that will back-off the indemnity in the event that Knight Dragon causes GLAP to be in breach of the existing agreements with TfL. This will be entered into at the same time as the lease and development agreement for building 2 at N0205. GLAP is also seeking a side letter of agreement from TfL that will outline liability in the event of a breach and have TfL agree to take action against Knight Dragon before it takes action against GLAP.

Land drawdown

Knight Dragon is permitted to amend the configuration of plots on the Peninsula under the terms of the LDA. To this end, plots N0205 and N0206 have been subdivided into separate parcels, configured to accommodate each of the five towers proposed. The developer will pay 70% of MLV on the first parcel (that land identified for building 2) upon completion of the plot, with land needed for building 1 drawn down later in 2015. Land needed for buildings 3, 4 and 5 will be drawn down later in the development programme.

2. Minimum Land Value

Under the terms of the LDA, GLAP is entitled to a Minimum Land Value (MLV) from each plot in its ownership following grant of a leasehold interest to GPRL/a developer. The MLV is determined by a formula set out in Clause 26 of the LDA and is based on a value per square foot of Gross External Area. This value is subject to inflation and is fixed at the point of drawdown (the current prevailing rate is £29.33psqft).

MLV due to GLAP is set out in the table below.

Plot	Minimum Land Value
N0205 (building 2)	230,884 sqft GEA @ £29.33 = £6,771,828
N0205 (building 1) *this figure will be adjusted at point of drawdown	296,729 sqft GEA @ £29.33 = £8,703,062
Remaining land	TBC based on verified GEA at time of drawdown

It should be noted that MLV due to GLAP on land drawdown for the phase two development will be certified at the time of drawdown.

GLAP historical overage liabilities

There are two further overage conditions for which GLAP is liable in relation to development agreed on the Peninsula:

- British Gas is entitled to 7.5% of 70% of returns to all landowners (GLAP, LUL, Knight Dragon) based on an overall financial model.
- The Big Lottery is entitled to 13% of disposal proceeds after a deduction of £30m (to cover allowable costs).

As part of the London Settlement the net proceeds from the Greenwich Peninsula development are shared 50/50 with between GLAP and DCLG.

3. Financial Comments

Whilst the development of these plots satisfies the requirement to identify an alternative site for development under the terms of the 11 plot deal, the plot drawdowns are not subject to the same financial terms of that deal. GLA will take 100% of its Minimum Land Value on drawdown of each plot as set out in the Land Disposal Agreement.