

# GREATER LONDON AUTHORITY

## REQUEST FOR MAYORAL DECISION – MD2035

### Title: Siemens Crystal Acquisition

#### Executive Summary:

An opportunity has arisen for GLA Land and Property (GLAP) to work with London Borough of Newham to acquire Siemens' leasehold interest in the building known as the Crystal which occupies a key strategic location at the western end of the Royal Docks. The acquisition will include a seven year leaseback to Siemens, securing the building and the Crystal Exhibition on Sustainable Cities and providing an income to GLAP until at least 2023. It also provides for a rationalisation of the land interests in and adjacent to the building and facilitating the comprehensive redevelopment of the site in the future.

#### Decision:

That the Mayor:

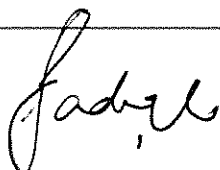
1. Approves the acquisition of the London Borough of Newham's interest in the Siemens Crystal.
2. Approves the acquisition of a number of small parcels of land adjacent to the Crystal from London Borough of Newham.
3. Approves the purchase of the long leasehold interest in the Crystal from Siemens PLC.
4. Approves the project budget for the acquisition costs.
5. Approves the transfer of plot E from GLA Land and Property to London Borough of Newham.

#### 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:

5/10/16

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

### **Decision required – supporting report**

#### **1. Introduction and background**

- 1.1. In 2011 the former London Development Agency (LDA) and London Borough of Newham (LBN) each let their separate land holdings at the western end of Royal Victoria Dock, known as the Landmark Site to Siemens to allow the construction of Siemens Crystal building, occupying one of the most important sites in the Docks. The Royal Docks is GLA Land and Property (GLAP's) largest land holding and is the location of both London's first Enterprise Zone and one of the UK's most significant regeneration initiatives.
- 1.2. On 11 May 2011 the LDA and LBN entered into separate 125 year lease agreements for the building footprint only (53.73% owned by the LDA and 46.27% owned by LBN) with Siemens PLC (Siemens) in return for the construction of the Siemens Crystal. The LDA and LBN retained their land surrounding the building which became subject to restrictions, under the lease to Siemens, only to be used for landscaping, public open space and for access. The building, which was completed in 2012 prior to the start of the London Olympic & Paralympic Games, was designed to the highest global standards of sustainable building.
- 1.3. In April 2016 LBN advised GLAP that they had been approached by Siemens who were considering selling their leases on the Siemens Crystal site following a comprehensive review of their overall property portfolio. Both the leases with GLAP and LBN include buy back provisions for the first 12 years from the commencement date – through to 11 May 2023 - following the issuing of Dealing Notices – which offered a pre-emption right allowing LBN and GLA to buy back their interests.
- 1.4. Dealing Notices were served on GLAP and LBN by Siemens on 14th June 2016 which evidenced an unconditional offer from a private residential developer to purchase the Crystal. The Dealing Notice remains open for 3 months, by when GLAP and LBN would need to decide if they wish to purchase the site back at the market value offered by a third party, in this case a private residential developer.
- 1.5. Siemens have agreed to a Deed of Extension until 14<sup>th</sup> October 2016 to take account of this change in legal structure, to facilitate GLAP taking full ownership rather than joint ownership with LBN, going forward.
- 1.6. Under the terms of the offer made by the private residential developer, Siemens would remain in occupation under a leaseback and paying full rent for a further 7 years until May 2023. The same terms are being taken up by GLAP, and during the lease-back period GLAP will assess the longer term prospects for the site. The full terms of the offer are included in the confidential part 2 of this paper. The 3 month term of the Dealing Notice requires GLAP to decide whether to exercise the option to purchase or allow Siemens to take up the offer from the private developer. This was due to expire on 14 September 2016 but has now been extended until the 14 October by agreement with Siemens. A decision is therefore required in order to meet these timeframes.
- 1.7. We have explored a joint purchase – with LBN - of the Siemens site and for a number of reasons, including consolidating and simplifying land ownerships and estate management responsibilities, LBN and GLAP agree that it would be advantageous to have the building in one ownership. Further reasons are included in part 2 of this paper.
- 1.8. In view of these concerns and the risks involved in a joint management agreement for dual ownership of the building it is recommended that GLAP acquires LBN's share of the freehold interest in the site and purchases the leasehold interest in the Crystal from Siemens. LBN will also transfer their various land strips (A, B, C, F, G and NE shown on the plan at Appendix 1) to GLAP to

assemble the larger Crystal site, and in return GLAP will transfer a small strip of land (plot E shown on the plan at Appendix 1) to LBN to be incorporated into their triangle site and lift the development restrictions that are contained in Siemens' current lease on their Triangle site which will enable independent development of that site.

1.9. Detailed valuation advice has been sought analysing both the re-letting potential of the asset and the redevelopment value of the site and we are confident that risks have been mitigated in this regard. The considerations being exchanged between GLAP and LBN are also considered to be broadly equal in value. Further detail is provided in part 2.

1.10. Siemens have been informed of the proposed structure with GLAP acting as a single purchaser and are happy with this approach, given the existence of the pre-emption agreement.

1.11. Heads of terms have been agreed between GLAP and LBN for the land transfers, and GLAP and Siemens for the sale and leaseback. They are attached at confidential appendices 2 and 3 respectively.

1.12. There are a number of costs associated with both the acquisition and carrying out due diligence; these are outlined further in part 2.

1.13. GLAP and LBN will need to enter into a number of legal agreements outlined below:

- Agreement between GLAP/LBN dealing with registration obligations etc;
- Land Transfer to GLAP;
- Land Transfer to Newham;
- Siemens leasehold transfers;
- Deed of release and regularisation of mutual rights;
- Overage deed; and
- Potential direct deed with Siemens for duration of Siemens lease to give comfort re potential construction works and not to use triangle site as conference/exhibition space.

1.14. Full details of commercial terms can also be found in part 2.

## **2. Objectives and expected outcomes**

GLAP's key objective is to ensure the Crystal and the wider site remains in the full control of the public sector, securing its current use until at least 2023 and maintaining GLAP's ability to comprehensively redevelop the asset and its adjacent land interests if necessary thereafter. The building is located at a key strategic location at the gateway to the Royal Docks, and as such, retaining an interest in the building and adjacent land should be a priority for GLAP in order to control its future use and regeneration potential.

## **3. Equality comments**

Equalities considerations will be taken into account in that all work will be procured in accordance with GLA duty.

## **4. Other considerations**

- a) This acquisition carries a number of risks, predominantly financial. These have been mitigated as far as possible and are covered in more detail in confidential part 2.

- b) The continued success of the Royal Docks, an area in which GLAP is the predominant landowner, is a key priority for the Mayor, as well as safeguarding jobs.
- c) This action is considered low impact given the existing use would continue for seven years. Following the expiry of this term the appropriate impact assessments and consultations will be carried out for the intended use.

**5. Financial comments**

Please see part 2 for Finance comments.

**6. Legal comments**

6.1. GLAP have and are being advised by Herbert Smith Freehills on the negotiation of terms for the transactions with Siemens and LBN.

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 GLAP 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

and, in formulating the proposals in respect of which a decision is sought, officers confirm they have complied with GLAP’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 to 4 of Part 1 and sections 1 and 2 of Part 2 of this report indicate that the Mayor has the power to proceed to make the decisions as requested within this report.

**7. Planned delivery approach and next steps**

<b>Activity</b>	<b>Timeline</b>
Extended deadline for exercising pre-emption	14 <sup>th</sup> October 2016
Completion of legal transfers	Mid November

**Appendices and supporting papers:**

**Appendix 1 – Plan of Plots**

**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 GLAP 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? YES**

If YES, for what reason:

Until after November 10<sup>th</sup> when the acquisition is complete, given third party interests.

Until what date: 10.11.16

**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:**

Caroline Cameron 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:**

James Murray 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

Date

04.10.16

TOM MIDDLETON ON BEHALF OF MARTIN CLARKE

**CHIEF OF STAFF:**

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

Signature

Date

4/10/2016

