

# GREATERLONDONAUTHORITY

REQUEST FOR MAYORAL DECISION – MD2956

**Title: OPDC Land Fund loan facility**

## **Executive Summary:**

MD2396 approved the receipt of £486m of funding from government's Small Sites, Accelerated Construction and Land Assembly Fund programme to help unlock and accelerate housing delivery in London through land assembly, infrastructure investment and provision of gap funding. It is referred to as the DLUHC (Department for Levelling Up, Housing and Communities) Land Fund.

MD2396 also approved a delegation to the Executive Director of Housing and Land in consultation with the Deputy Mayor for Housing and Residential Development, to approve the allocation of funding, in accordance with the terms associated with the programme and in pursuit of the Mayor's housing ambitions. Due to the scale of investment and the fact that this decision represents a first capital investment to OPDC, the proposal is considered repercussive and novel. This proposal is, therefore, progressing as a Mayoral Decision.

Following endorsement by the Land Fund Investment Committee (LFIC), this Mayoral Decision requests approval for the provision of an interest free loan facility of £50m to Old Oak and Park Royal Development Corporation (OPDC), from the Land Assembly Fund, which is expected to enable the delivery of 1,100 homes within OPDC's development area by March 2029 through the funding of land acquisitions, infrastructure and enabling works and associated due diligence costs.

## **Decision:**

That the Mayor:

Approves the allocation of a £50m interest free loan facility from the DLUHC Land Fund from the GLA to Old Oak and Park Royal Development Corporation (OPDC) to finance land acquisition, infrastructure and enabling works, and associated due diligence costs for the purpose of accelerating OPDC's target of 1,100 homes within its development area by 31 March 2029.

## **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:**

31/3/22

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

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

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

- 1.1 MD2396 approved, on 27 November 2018, receipt of £486m of funding from government to help unlock and accelerate housing delivery in London through land assembly, infrastructure investment and the provision of gap funding.
- 1.2 MD2396 delegated authority to the Executive Director of Housing and Land to approve, via a director decision form, Land Fund investments – unless the investment is novel, contentious, or repercussive – at which point it should be approved through a Mayoral Decision. Due to the scale of investment and the fact that this decision represents a first capital investment to OPDC, the proposal is considered repercussive and novel. Therefore, approval of this proposal is being progressed via Mayoral Decision.
- 1.3 MD2207 established the governance arrangements for the £250 million commercial strand of the Land Fund including an Investment Committee. Where funding under MD2396 is to be deployed, the Land Fund Investment Committee governance structure is also used to provide oversight and consistency. The Land Fund Investment Committee currently applies an integrated Land Fund Investment Strategy covering both funding under MD2207 and MD2396 (see MD2615).
- 1.4 In the Land Fund Investment Strategy, funding under MD2396 is available to inject financial support towards the cost of land and infrastructure for schemes where additional affordable housing may be possible or where acceleration of delivery of that affordable housing may be achieved. The allocation of the funding seeks to prioritise investments that are recoverable, to support the principle of a revolving fund.
- 1.5 The evaluation methodology for the use of the funding in accordance with the Land Fund Investment Strategy is based on Benefit Cost Ratio (BCR) metrics (see 4.7 below).
- 1.6 The Land Fund Investment Committee has been consulted and endorses the proposals in this Mayoral Decision form.

#### About the OPDC

- 1.7 The Old Oak and Park Royal Development Corporation (OPDC) is a Mayoral Development Corporation created under the Localism Act of 2011, to oversee, control and drive regeneration within its area. OPDC was specifically established to capture the regeneration benefit of the new High Speed Two (HS2), Great Western Railway (GWR) and Elizabeth Line station at Old Oak Common. The area sits across three borough boundaries (Ealing, Brent, and Hammersmith & Fulham) and includes Park Royal, the UK's largest industrial estate.
- 1.8 The OPDC was established in 2015 and has to date facilitated through its planning powers the start-on-site of 3,022 homes with 988 affordable homes to be delivered.
- 1.9 OPDC's draft Local Plan sets a target to deliver 20,100 new homes and around 65,000 jobs (by 2042). It also highlights that Old Oak and the surrounding Park Royal regeneration area in North West London will make a significant contribution towards the deficit in London's housing supply and provide a much-needed investment to the local and regional economy estimated at £7.6bn in gross value added to the UK economy.

- 1.10 The £1.3bn investment in HS2's Old Oak Common station will bring significant change to Old Oak within the next decade, making it one of the best-connected areas in London. As the terminus for HS2 for some time, Old Oak will be ten minutes from central London, 10 minutes from Heathrow, 20 minutes from Canary Wharf and 35 minutes from Birmingham.
- 1.11 The OPDC area is also home to Wormwood Scrubs, and nearly 5 kilometres of the Grand Union Canal. A network of new parks and public spaces as well as infrastructure to overcome the extreme road and rail severance in the area are included in the draft Local Plan to improve walkability and liveability within the area.
- 1.12 OPDC's draft Local Plan Vision is that "Old Oak and Park Royal will be a highly connected part of London, playing an important role in shaping west London's future and driving national economic growth. It will comprise a network of places including an innovative industrial area and a high-density new vibrant part of London. It will be home to a diverse and intense mix of uses, places and people. Development will pioneer international excellence in sustainability, health and wellbeing and design quality to deliver tangible benefits for local communities and London."
- 1.13 OPDC is working to bring forward and unlock a range of early sites – in both public and private ownership – where substantial numbers of new homes and jobs can be accelerated. This includes a focus on the large public sector land holdings within the OPDC area. Taken together, these sites offer major opportunities for strategic scaled growth and regeneration.

#### The proposal

- 1.14 Significant landholdings within the OPDC area are in the direct ownership of government via the Department for Transport (DfT) and is controlled by its arms-length bodies Network Rail and HS2. With this loan investment, OPDC has an opportunity to accelerate housing delivery across these sites and others, through land acquisitions, land assembly, enabling and infrastructure works. The capacity for housing delivery by March 2029 is estimated at 1,100 homes, which forms the housing delivery output requirement for OPDC under the loan terms. Without GLA funding and investment the housing and regeneration potential of the OPDC area would be delayed, or potentially reduced, should sites come forward in a piecemeal and fragmented manner.
- 1.15 The site identification work which supports the basis of this investment has progressed in tandem with modifications to the draft Local Plan for which public consultation has now concluded.

#### Strategic Outline Business Case (SOBC)

- 1.16 In parallel with seeking funding from the DLUHC Land Fund, OPDC has been working with Homes England (HE) to jointly develop a Strategic Outline Business Case (SOBC) to government, which was submitted in February 2022. The business case sets out OPDC's delivery strategy and requests approval for the consolidation of land owned by DfT, and controlled by Network Rail and HS2, into a single entity. As part of the development of the business case, OPDC and HE are also working very closely with senior officials from the Department for Levelling Up, Housing and Communities (DLUHC), Infrastructure and Projects Authority (IPA), local government and DfT on options for delivery. The SOBC is focused on ensuring key early decisions on land and funding in the region of £250m to OPDC to leverage private sector interest and investment within its operational area.
- 1.17 OPDC recommends that the approach most likely to achieve success is one that assembles key land under one ownership, and that responsibility for delivery should sit with a single body which is also able to bring together the necessary funding and regeneration powers. Discussions are

ongoing with regards to the make-up of the single entity, for example, a special purpose vehicle with the ability to consolidate the public sector's interests, carry out a procurement and become the partner to a private sector master developer.

- 1.18 Whilst the sites identified as part of the investment proposal in this decision form are complementary to the strategy OPDC is developing with government for the longer-term regeneration of the area, this loan proposal is not dependent on government funding for delivery. Rather, the loan investment demonstrates existing funds and programmes are being used to support OPDC and the Mayor's housing delivery priorities.

## 2. Objectives and expected outcomes

### Addressing site constraints

- 2.1 A key objective of public investment is to overcome the multiple constraints that currently hinder the opportunity for highly connected large-scale regeneration, including:
- fragmented land ownership
  - lack of permeability with railway lines and the canal traversing the area
  - restricted uses such as freight or waste sites.
- 2.2 The only through-routes are the north-south movement corridors (Victoria Road and Old Oak Common Lane), which are constrained by heavy vehicle traffic and narrow pinch points created when roads frequently cross canals and railways. These existing roads fail to provide a safe environment for pedestrians and cyclists and are not suitable for users with reduced mobility.
- 2.3 In addition, the east-west routes are severely limited due to the busy roads and lack of crossings over the multiple railway lines that thread through the area. The Grand Union Canal is a potentially highly valuable amenity but is currently under-utilised due to limited accessibility. Significant traffic from the area's industrial users has a negative impact on safety, pedestrian environments and air quality.
- 2.4 The land uses in the area are predominantly industrial or rail-related, which brings a range of challenges for delivering high quality residential development with associated public space and social infrastructure.
- 2.5 Addressing these issues comes with its own challenges, such as:
- the provision of expensive public infrastructure (station upgrades, roads, bridges, walkways etc) and difficulty in securing funding and delivery across multiple sites and ownerships
  - the fragmented land ownerships impeding site capacities for housing and infrastructure needs
  - the need to relocate some existing restrictive occupational uses
  - coordination of public sector agencies to ensure housing and regeneration outcomes are optimised.
- 2.6 There is a risk that without direct intervention and public sector investment, development within the OPDC development area will occur on a piece-meal basis and result in developments of subpar quality and scale. The £50m loan investment would provide OPDC with the financial

means to address these issues through acquisition of sites and undertaking enabling and infrastructure works, to support the realisation of this regeneration opportunity.

### Housing delivery

- 2.7 The GLA loan would support the acquisition, enabling works and infrastructure works required to deliver 1,100 homes by 31<sup>st</sup> March 2029 across multiple sites and phases. GLA funding is expected to help unlock and bring forward a range of early sites in both public and private ownership where substantial numbers of new homes and jobs can be developed quickly and coincide with the arrival of HS2.

### Other expected outcomes

- 2.8 At this early stage, the high-level capacity studies which have informed the housing capacity potential arising from the loan investment do not detail social infrastructure allocations, however sufficient non-residential space has been allocated to cover replacement and new community uses. Alongside social infrastructure, the sites will be expected to contribute to the delivery of high quality and inclusive publicly accessible open spaces and public realm reflecting existing and emerging local character.
- 2.9 If government approves the SOBC, the loan investment will contribute to a first phase of development directly enabled by OPDC intervention, which could deliver the following outcomes within the next twenty years:
- circa. 9,200 high quality new homes will be developed over phases, of which 46 per cent or more will be genuinely affordable
  - a state-of-the-art new primary school promoting learning & education
  - sustainable and equitably designed new parks and enhanced public realm meeting and where possible exceeding OPDC's draft Local Plan targets for providing 30 per cent publicly accessible open space across developments. This will include a new 2ha local park within Channel Gate, a range of pocket parks and the creation of several new green spaces along the Grand Union Canal to create a healthy and green community. Approximately 2.5ha of open space is expected to be provided across this phase of regeneration
  - improved transport facilities including fully accessible and modernised stations at Willesden Junction and North Acton alongside new and improved bus services and support for future transport innovation
  - Healthy Streets throughout the area, with cycle and pedestrian routes providing enhanced connectivity and access for local residents, people in work and visitors
  - a new health hub, leisure centre, three super-nurseries, neighbourhood police facilities and two community centres comprising libraries, community rooms and places of worship
  - 56,000 new jobs promoting opportunities for local people
  - 2.35 million square feet of commercial, retail and leisure space supporting good growth and enterprise
  - streetscape improvements.



2.10 In the immediate term, the GLA's investment will be complemented by targeted expenditure of OPDC's Section 106 and CIL funding collected to date in community driven enhancements to the public realm. Investment in these sites will help to unlock a tenfold investment from government to deliver the comprehensive regeneration of the area.

### 3. Equality comments

- 3.1 Section 149(1) of the Equality Act 2010 provides that, in the exercise of their functions, public authorities must have due regard to the need to: eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010; advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 3.2 The protected characteristics under section 149 of the Equality Act are age, disability, gender re-assignment, pregnancy and maternity, race, gender, religion or belief, sex, sexual orientation, and marriage or civil partnership status.
- 3.3 When considering the needs of the existing community and those that will be affected by the proposed development (both currently and in the future development schemes), any development activity will look to minimise disadvantages to all protected characteristic groups within society. This decision is expected to have a positive impact on persons with a protected characteristic under the Equality Act, as increasing the supply of housing in London will help to address problems such as overcrowding and homelessness, which evidence indicates disproportionately affect specific groups, including Black and Minority Ethnic groups and women.
- 3.4 The delivery of new and additional homes will help to implement the objectives of the Mayor's Equality Diversity and Inclusion Strategy "Inclusive London" (May 2018). This includes working with housing associations, councils, developers, investors and government to help increase the supply of homes that are genuinely affordable to buy or rent. This will help to tackle the inequalities experienced by certain groups of Londoners most affected by the city's shortage of affordable homes.
- 3.5 The delivery of high-quality housing will also promote improved health and wellbeing, given evidence of an association between poor housing conditions and poor health. The health and wellbeing of residents will be a priority within the vision for the developments to address this.
- 3.6 OPDC is planning for a welcoming place that is fully accessible and inclusive, providing opportunities for all and reflecting local needs – as a live example, the OPDC Planning team has prepared an emerging equality, diversity and inclusion (EDI) matrix which looks at issues for each of the protected characteristics for the Supplementary Planning Documents as well as policy and guidance mechanisms to address issues and meet needs. The idea is that this is further shaped by:
- additional EDI research
  - input from local people with protected characteristics
  - input from EDI experts in the built environment (for example, OPDC has met with ARUP and the University of Westminster authors of 'Queering Public Space').

- 3.7 The GLA Group Responsible Procurement Policy sets out the GLA Group's plans, ambitions and commitments for ensuring socially, environmentally and economically sustainable procurement to deliver improved quality of life and better value for money for Londoners. This objective can only be fully met through the success of the GLA Group's responsible procurement policy in securing diverse supply chains that collectively promote EDI.
- 3.8 As part of its procurement strategy OPDC will ensure that bidders set out how they will embed EDI and enhance the social value outcomes in their delivery by submitting an EDI statement and action plan. Compliance and performance against the EDI Action Plan will then be monitored as part of OPDC's monitoring and reporting process.

#### 4. Other considerations

##### Key risks and issues

- 4.1 Key risks to the success of this proposal include planning risk, delivery capacity, issues around land assembly and potential cost inflation. Consideration of planning issues is outlined in Section 4.2 to 4.5 below. Delivery capacity risks will be mitigated through procurement of commercial and professional advice where additional support is needed. Further information, including mitigation measures for commercial risks, are included in part 2 of this decision.

##### Planning and capacity studies

- 4.2 Public Hearings on the Local Plan modifications took place on 11 to 12 January 2022. OPDC undertook a series of thorough evidence studies to support and justify the modifications and secured the support from key landowners affected by the modifications through Statements of Common Ground. GLA Planning has confirmed in their response to OPDC's main modifications consultation that it considers the draft Local Plan to be in general conformity with the London Plan.
- 4.3 If the inspector finds the draft Local Plan sound, it is expected that they will issue their report in Spring 2022 with adoption by Summer 2022. If further modifications are required, then adoption could be delayed to Autumn 2022.
- 4.4 Throughout the development of the capacity studies undertaken by Gort Scott Architects for the shortlisted sites, OPDC's planning policy team were consulted for feedback on key planning risks and considerations. This feedback, along with commercial input from Savills, helped to inform the site scoping work and capacity outputs used in the project appraisals. GLA Planning has also confirmed support in principle for mixed-use development on the priority sites.
- 4.5 The work conducted by Savills and Gort Scott Architects has supported the overall loan envelope of £50m and substantiates the ability for OPDC to repay the loan amount.

##### Links to Mayoral strategies and priorities

- 4.6 The proposal links to various Mayoral strategies and priorities as outlined in Table 1:

**Table 1. Strategic alignment with Mayoral priorities**

Document	Strategic fit
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London Housing Strategy	<ul style="list-style-type: none"> <li>• Identifying and bringing forward more land for housing</li> <li>• Ensuring homes are genuinely affordable</li> <li>• Working towards half of new homes being affordable</li> </ul>
London Plan	<ul style="list-style-type: none"> <li>• Old Oak and Park Royal Opportunity Area</li> <li>• Optimising density in sustainable locations</li> <li>• Development on brownfield public land</li> </ul>
Affordable Housing & Viability Supplementary Planning Guidance (SPG)	<ul style="list-style-type: none"> <li>• 50 per cent affordable housing on public land</li> <li>• 35 per cent affordable housing on private land</li> <li>• Potential for Build to Rent</li> <li>• An interventionist approach to the land market and housing delivery</li> </ul>
COVID-19 Recovery Programme	<ul style="list-style-type: none"> <li>• Economic recovery</li> <li>• Improved health outcomes through quality housing</li> </ul>
Equality and Diversity	<ul style="list-style-type: none"> <li>• Promoting diversity in the supply chain via contractual terms.</li> </ul>

4.7 In addition to the strategies cited in Table 1, the proposal offers good strategic fit with the £260m land assembly strand of the DLUHC Land Fund as set out in the memorandum of understanding (MoU) agreed between the Ministry for Housing Communities and Local Government (now DLUHC) and the GLA in November 2018, and it provides a compliant Benefit Cost Ratio of 2.3.

4.8 The overarching objective of the land assembly strand of the DLUHC Land Fund is to acquire, assemble and de-risk private and public sector sites to support the delivery of up to 3,300 new homes by 2030, making this strand a good fit for OPDC's proposal.

#### Consultations and impact assessments

4.9 Regarding this Mayoral Decision, the GLA has not considered it necessary or appropriate to consult any persons or bodies including those specified in section 32(2) of the Greater London Authority Act 1999, OPDC has consulted extensively as part of the local plan making process.

#### Declarations of interest

4.10 The officers involved in the drafting and clearance of this form have no interests to declare in accordance with the GLA's policy on registering interests which might, or might be seen to, conflict with this decision.

### **5. Financial comments**

5.1 The decision is seeking approval for a loan facility of £50m to OPDC. The loan would be used for land acquisition, land assembly and enable infrastructure works, which would unlock sites and accelerate housing delivery. There are efficiencies to be achieved from the sites being acquired and the development being managed by one entity, which is OPDC.



5.2 The loan would be an interest free, unsecured loan. However, while the loan would be issued without security, the GLA has security in the form of control over OPDC. The loan will be funded from the DLUHC Land Fund and is expected to be repaid in 2029. Conditions for utilisation of the loan are outlined in part 2 of the decision. Potential risks identified are also included in part 2 of the decision.

## 6. Legal comments

6.1 Under section 30(1) of the Greater London Authority Act 1999 (as amended) ("GLA Act"), the GLA has the power to provide the loan funding proposed above, provided that doing so will further one or more of the GLA's principal purposes of: promoting economic development and wealth creation, social development, and the improvement of the environment in Greater London. The funding will help deliver new housing, including affordable housing, and it is open to the GLA to take the view that this will promote both social and economic development, and is therefore within its power contained in section 30(1) of the GLA Act.

6.2 In exercising the power in section 30(1), the GLA must have regard to the matters set out in section 30(4-6A) of the GLA Act, and also the Public Sector Equality Duty in section 149 of the Equality Act 2010. Reference should be made to section 3 above in this respect.

6.3 In addition to the above, where the GLA is proposing to use the power conferred in section 30(1) of the GLA Act, the GLA must consider consulting in accordance with section 32 of the GLA Act. This is considered at paragraph 4.9 above.

6.4 External lawyers have advised the GLA in relation to subsidy control compliance.

6.5 Officers must ensure that all necessary and appropriate steps are taken and a suitable funding agreement entered into with OPDC to formalise the provision of the loan before committing to the same.

6.6 Further legal comments are set out in part 2.

## 7. Planned delivery approach and next steps

7.1 The timetable for completion of the facility agreement is set out in the table below. A high-level work programme for land assembly, starts on site and completions is appended to part 2.

Activity	Timeline
Contract drafting (based on agreed Heads of Terms)	February - March 2022
Loan Facility contract Completion Date	March - April 2022

## Appendices and supporting papers

None

**Public access to information**

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FoIA) 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 it has been approved or on the defer date.

**Part 1 - Deferral**

Is the publication of Part 1 of this approval to be deferred? **NO**

**Part 2 – Sensitive information**

Only the facts or advice that would be exempt from disclosure under FoIA should be included 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:**

Kuheli Mookerjee has drafted this report in accordance with GLA procedures and confirms the following:

✓

**Sponsoring Director:**

Rickardo Hyatt has reviewed the request and is satisfied it is correct and consistent with the Mayor’s plans and priorities.

✓

**Mayoral Adviser:**

Tom Copley has been consulted about the proposal and agrees the recommendations.

✓

**Advice:**

The Finance and Legal teams have commented on this proposal.

**Corporate Investment Board**

This decision was agreed by the Corporate Investment Board on 21 February 2022

**EXECUTIVE DIRECTOR, RESOURCES:**

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature

Date

*D. Gane*

22/2/22

**CHIEF OF STAFF:**

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

Signature

Date

*D. Bellamy*

21/2/22