

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD2979

Brunel Street Works – Acquisition of Commercial Property

Executive summary:

Brunel Street Works is a mixed-use development site in Canning Town in the London Borough of Newham (LBN). GLA Land & Property Limited (GLAP) is the freeholder of the land, and its development partner, Vistry, is close to completing 975 new homes, a hotel and commercial ground-floor space. The development is on a key site, adjacent to Canning Town station on a major route into the Royal Docks. It sits within a cluster of developments that include workspace and business accommodation. The Royal Docks Team (RDT) has negotiated an opportunity for GLAP to acquire the long leasehold of the commercial space on the ground floor. GLAP will take on the space as an investment and lease it to a workspace operator. Doing so will secure economic development outcomes and a revenue stream from the site.

Decision:

The Mayor is asked to approve:

- GLAP acquiring the long leasehold (250 years) for 21,560 square feet of commercial property at Brunel Street Works materially on terms set out in Parts 1 and 2 of this Mayoral Decision
- GLAP disposing of its leasehold interest in Brunel Street Works by way of a lease of 30 years to Projekt materially on the terms set out in Part 1 and 2 of 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:

30/6/22

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

Decision required – supporting report

1. Introduction and background

- 1.1. The Brunel Street Works site was previously referred to as Silvertown Way. Previous approvals relevant to this decision are:
 - MD1488 (June 2015) – the previous Mayor approved the appointment of Galliford Try Partnerships Limited and Linden Limited as the preferred tenderers for the Silvertown Way project, and entry by GLAP into a Development Agreement.
 - MD1660 (April 2016) – the previous Mayor approved variations to the Development Agreement to reflect the initial planning discussions with the LBN.
 - DD2087 (June 2017) – the then Executive Director for Housing and Land approved the signing of the section 106 Planning Agreement for the development.
- 1.2. The construction of the project has proceeded well, with the first homes having completed in late 2020. Following a corporate restructure, Galliford Try is now known as Vistry and is the counterparty to the Development Agreement.
- 1.3. The site is long and thin in shape, and presents a significant frontage to Silvertown Way, which is a key route between Canning Town and the Royal Docks. The development includes housing and a hotel in the upper floors and retail and commercial space on the ground floor.
- 1.4. The RDT and the LBN are working together on a major investment to transform Silvertown Way and North Woolwich Road (together, the Royal Docks corridor) to improve this key link through the southern half of the Royal Docks. This will bring the road into line with the Mayor's Transport Strategy and TfL's Healthy Streets standards, by improving cycling and walking provision; reducing speeds; narrowing carriageways; and improving air quality with more green landscaping.
- 1.5. The investment in Brunel Street Works and the Royal Docks Corridor, as well as redevelopment led by the LBN of the adjacent Hallsville Quarter, will significantly change the character of this key entrance to the Royal Docks and the approach to the new City Hall.
- 1.6. The western end of Royal Victoria Dock is already home to a cluster of small and medium-sized enterprise (SME) workspace and business centres that provide employment and opportunities for growth. There is an existing ecosystem of businesses operating, and a need for additional space of a mixed variety which Projekt caters for.
- 1.7. Taking these factors together presents GLAP with the opportunity to: invest now to acquire the commercial space on the ground floor of Brunel Street Works, and let to an office space provider who specialises in occupation by small businesses (which will support the principles of Good Growth); and reinforce the wider regeneration and place-making projects that are planned and ongoing.

2. Objectives and expected outcomes

- 2.1. The Royal Docks is London's only Enterprise Zone and is part-way through a multibillion-pound transformation and regeneration, bringing new jobs and homes to the area. The Royal Docks economic purpose sets out the key components needed to grow the Royal Docks economy, to create more jobs and to deliver the objectives of community wealth-building in the aftermath of COVID-19.
- 2.2. One of the key elements of the economic purpose for the Royal Docks is to support the provision of new and refurbished workspace to accommodate the new and growing businesses that are in the

Royal Docks and will relocate there. The key development sites in the Royal Docks (Silvertown Quays, Albert Island, Royal Albert Dock and Thameside West) will provide a substantial amount of new workspace as part of their agreed masterplans. There are also existing providers of space, such as the Silver Building and Expressway that are providing key SME accommodation.

- 2.3. The Royal Docks needs to provide a broad range of space of differing sizes, layouts, fit-outs and rental levels to support a diverse and thriving business sector. In most cases there is no need to directly intervene in the market, as the controls available through the Development Agreements on GLAP land and through the planning system enable the influencing of design and cost of space. In some cases, however, it is necessary to intervene to deliver broader place-making and economic outcomes. This has been seen already at the Silver Building (which received grant funding from GLA) and the Factory Project (which has received Royal Docks Good Growth funding).
- 2.4. The area at the western end of Royal Victoria Dock includes a series of existing GLAP land interests and projects that already, or have the potential to, make a significant economic impact. These are shown in the plan in Appendix Two and include:
- Brunel Street Works – the subject of this paper
 - Expressway – an existing workspace provider with proposals to expand
 - Thameside West Phase 1 – forecast to start on site in 2022
 - Thameside West Future Phase – construction possible after 2026
 - Triangle Site – LBN site adjacent to the new City Hall
 - Fly-under site – GLAP site under the Silvertown Way flyover.
- 2.5. Collectively these sites either currently or potentially represent 500,000 square feet of business accommodation to support a range of businesses and employment projects. There are a range of opportunities for GLAP to influence and intervene to guide the outcomes to deliver the optimum results for the Royal Docks and the LBN.
- 2.6. The case for acquisition and forward-lease of the commercial space in Brunel Street Works is to enable it to be directed to contribute to the wider economic development and growth of the Royal Docks. By GLAP purchasing the long leasehold and then leasing on to Projekt for 30 years to manage the space, it will have ensured the space is let at a permitted use of B1 workspace, A1 and café (with no more than 20 per cent of the premises to be used for A1 retail accommodation) with the intention to provide creative workspace that is curated to positively contribute to place-making.

Proposed approach

- 2.7. The detail of the commercial proposal between GLAP and Vistry (250-year lease purchase) and GLAP and Projekt (30-year disposal) is set out in Part 2 of this paper.
- 2.8. The principal approach is as follows:
- Acquire 21,560 square feet of commercial space (Blocks A1, A2, B1, B2, C2, D1, D2, D3, D4 and D5, as shown in the plan in Appendix Three) from Vistry on a long-leasehold basis. The cost of the space is supported by a valuation report appended to Part 2 of this decision.
 - Lease the commercial space at equivalent to market rent to Projekt, an office space provider with a proven track record of providing mixed office space, selected via a competitive process. Projekt will take a 30-year lease from GLAP and will manage, lease, maintain and promote the space in line with its permitted use (B1 workspace, A1 and café (with no more than 20 per cent of the premises to be used for A1 retail accommodation)), with agreed objectives via a letting strategy submitted by Projekt.

- Hold the asset in the long-term and receive rental income from it. This will allow GLAP to benefit from any potential capital value growth in the long term, as well as rental-value growth where that is appropriate.

2.9. The RDT has taken commercial advice from commercial agents Jones Lang LaSalle (JLL) in relation to the purchase and disposal. The conclusion is that both elements of the proposal represent good value to GLAP. JLL's report is attached to Part 2 of this decision.

3. Equality comments

- 3.1. Under section 149 of the Equality Act 2010 (the Equality Act), as a public authority, the GLA must have 'due regard' to the need to eliminate unlawful discrimination, harassment and victimisation; and to advance equality of opportunity, and foster good relations, between people who share a protected characteristic and those who do not. Protected characteristics under the Equality Act comprise age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation, and marriage or civil partnership status.
- 3.2. When considering the needs of the existing community and those that will be affected by the proposed transactions (both currently and in the future), any proposal will look to minimise disadvantages to all protected characteristic groups within society. This decision is therefore expected to have positive impacts on persons with a protected characteristic under the Equality Act.
- 3.3. The proposed transactions will help to deliver the objectives of the economic purpose; and to support the policy objective of creating a greater number of jobs in diverse employment sectors in the Enterprise Zone. These projects, in tandem with other projects in the Economy theme, will provide more opportunities for employment, including workspace for local people.
- 3.4. The proposed transactions will not, in themselves, have a direct impact on any protected characteristics. The operation of the proposed developments, the selection of partners and the management of the space has been subject to a competitive open process.

4. Other considerations

Key risks and issues

- 4.1. The typical risks associated with property acquisition are present. This includes any default by the onward operator. This is mitigated by selecting a preferred operator who has a track record of delivering similar-scale schemes in the Royal Docks.
- 4.2. Another risk is the potential decrease in value of the commercial space. As this acquisition is an investment primarily to deliver placemaking outcomes and the lease is for a long period, this risk is considered low.

Conflicts of interest

- 4.3. The Executive Director of Housing and Land, the Deputy Mayor for Housing and Residential Development, the Executive Director of Resources and the Chief of Staff are directors of GLAP. This conflict is not considered to be material to their review and clearance of this decision form.

5. Financial comments

- 5.1. The decision is seeking approval for GLAP to acquire the long leasehold of the commercial space on the ground floor of Brunel Street Works, which would contribute to the wider economic development and growth of the Royal Docks.

5.2. The decision is also seeking approval for GLAP to lease the commercial space at Brunel Street Works to an operator for a period of 30 years.

6. Legal comments

6.1. Section 30 of the Greater London Authority Act 1999 (as amended) (GLA Act) gives the Mayor a general power to do anything that 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
- promoting the improvement of the environment in Greater London.

6.2. 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
- consult with appropriate bodies.

6.3. Sections 1 to 3 of this report indicate that the decision requested of the Mayor falls within the GLA's statutory powers.

7. Planned delivery approach and next steps

7.1. The proposed delivery approach and next steps are outlined in the table below.

Activity	Timeline
Mayoral Decision	End of June 2022
Exchange of contracts with Vistry	4 July 2022
Agree lease with Projekt	4 July 2022
Handover of workspace from Vistry to GLAP to Projekt	4 July 2022

Appendices:

Appendix One – Map showing Brunel Street Works in the context of the Royal Docks

Appendix Two – Plans of the Brunel Street Works property

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? YES

Agreed confidentiality provisions with Vistry restrict release of this Part 1 until completion of the transaction, expected to be 4 July 2022.

Part 2 – Sensitive information

Only the facts or advice that would be exempt from disclosure under the 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:

Paul Creed 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 the 27 June 2022

✓

EXECUTIVE DIRECTOR, RESOURCES:

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

Signature

D. Bellamy

Date

29/6/22

CHIEF OF STAFF:

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

Signature

D. Gane

Date

29/6/22