

REQUEST FOR MAYORAL DECISION – MD1473

Title: Olympicopolis – Disposal of Long Leasehold to University College London

Executive Summary:

At its Board meeting on 24 February 2015 the London Legacy Development Corporation (“Legacy Corporation”) agreed, subject to Mayoral consent, to enter into an Agreement for Lease (AfL) with University College London (UCL) for sites on Queen Elizabeth Olympic Park (QEOP), south of the London Aquatics Centre and of the ArcelorMittal Orbit and as part of the Olympicopolis initiative. By entering into the AfL, the Legacy Corporation and UCL are committing to enter into a 299 year lease once the three conditions of the AfL have been met. Mayoral consent is required to enable the Legacy Corporation to enter into the AfL, and this Mayoral Decision asks the Mayor’s Chief of Staff to give the necessary consents under delegated authority from the Mayor, given the Mayor’s prior involvement in this decision via his role as Chair of the Legacy Corporation.

Decision:

That the Chief of Staff under delegated authority from the Mayor:

- (i) Notes that the Agreement for Lease with University College London for three sites on Queen Elizabeth Olympic Park, as part of the Olympicopolis initiative, is a ‘land transaction’ as defined by clause 2 of the National Lottery Funding Repayment Agreement (NLFRA) and, under paragraph 4.5 of the GLA’s Corporate Governance Direction to the Legacy Corporation, such ‘land transactions’ can only be entered into by the Legacy Corporation with the Mayor’s prior consent;
- (ii) Notes that the Agreement for Lease will commit the Legacy Corporation to a disposal of land for less than best the consideration that can reasonably be obtained and that, under section 209(1) of the Localism Act 2011, the Legacy Corporation may not dispose of land for less than best the consideration that can reasonably be obtained unless the Mayor consents; and
- (iii) Consents, insofar as his consent is required by and for the purposes of paragraph 4.5 of the GLA’s Corporate Governance Direction to the Legacy Corporation and by section 209(1) of the Localism Act 2011, to the Legacy Corporation entering into the Agreement for Lease with University College London.

Chief of Staff under delegated authority from the 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:

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

Decision required – supporting report

1. Introduction and background

- 1.1 Since December 2013, the Legacy Corporation has been working closely with UCL, the Victoria and Albert Museum (V & A), the University of the Arts London (UAL), Sadler's Wells and other cultural partners to develop an Outline Business Case (OBC) for the Olympicopolis project, for submission to Government in October 2014. In November 2014 the OBC was approved, and in December 2014, the Chancellor of the Exchequer confirmed in his National Infrastructure Plan that he would provide up to £141m for the project.
- 1.2 Following a series of commercial discussions between the Legacy Corporation and UCL over summer 2014, and detailed discussion by the Legacy Corporation's Investment Committee at its meeting on 8 July 2014 on proposed Heads of Terms with UCL, the Investment Committee recommended to the Legacy Corporation's Board that the Heads of terms be agreed.
- 1.3 At its meeting on 22 July 2014, the Legacy Corporation's Board approved the principal terms of the negotiations between the Legacy Corporation and UCL on the proposed delivery model and land value. Since agreement of the Heads of Terms, enhanced overage provision has also been negotiated. At its meeting held on 24 February 2015 the Board approved the Legacy Corporation entering into an AfL with UCL, subject to Mayoral consent.
- 1.4 The UCL scheme comprises:
- Disposal by the Legacy Corporation to UCL of three sites, namely two sites within Planning Development Zones (PDZ) 1.2, and 2 on QEOP;
 - Phase 1 - 50,000 sqm. being 37,500 sqm. of academic facilities and 12,500 sqm. of student and staff accommodation;
 - The Legacy Corporation will undertake 33,500 sqm. of the academic facilities in Phase 1 to shell and core. The remainder of the Phase 1 works, including all the student and staff accommodation, is to be undertaken by UCL, including the fit out of the academic facilities and the development of Phase 2;
 - The budget (including land) for Phase 1 is to be funded primarily by UCL, and the balance by GLA supported by Government funding for the Olympicopolis project; and
 - Phase 2 - a further 75,000 sqm. of development.
- 1.5 The AfL contains a requirement for three conditions to be satisfied, namely: *Planning* - a satisfactory permission has been granted for the Phase 1 works; *Viability* - that the Phase 1 works can be delivered within the prescribed budget; and *Funding* - both parties being satisfied that the other party can comply with their obligations under the AfL. Funding conditions must also have been met, and the Legacy Corporation will have to produce its Final Project Approval.
- 1.6 Both parties have also agreed to work together through various processes and procedures contained in the AfL, relating to design, procurement of building contractors for the academic buildings, and the staff and student accommodation/academic buildings, submitting a hybrid planning application and delivery of works for the academic and accommodation buildings. The costs of appointing the masterplanner, designers and building contractors, working up the detailed design, and obtaining planning permission will be split on a 50/50 basis between the Legacy Corporation and UCL, as and when they are incurred.

- 1.7 Once all three conditions of the AfL are satisfied, UCL will be granted one Lease of the two parts of PDZ1.2 and PDZ2 (which comprises three pieces of land) for a term of 299 years at a peppercorn rent. UCL will pay a premium for the Lease. It is expected that the Lease will be granted in March 2017. Detailed information on the terms of the AfL, Lease and various ancillary documents is contained in confidential supporting documents to Part Two of this Form.

2. **Mayoral consent**

- 2.1 The Mayor's consent is required in respect of two matters relating to the proposal for the Legacy Corporation to enter into the AfL with UCL.

Paragraph 4.5 of the GLA Governance Direction to the London Legacy Development Corporation (LLDC) 2013

- 2.2 The Governance Direction 2013 sets out how the Legacy Corporation and the GLA have agreed where the consent of the Mayor is required and how this will be obtained. Paragraph 4.5 of the Governance Direction 2013 provides:

"Prior consent must be obtained to any decision by LLDC...to approve a 'Land Transaction' as defined in Clause 2 of the National Lottery Fund Repayment Agreement (NLFRA) regarding returns to the Lottery and LLDC shall in advance share with GLA the details of all such anticipated Land Transactions."

- 2.3 The sites for the UCL campus (PDZ 1.2 and 2) are included on land on QEOP that is subject to the NLFRA, and therefore the Legacy Corporation's decision to enter into an AfL, and subsequently, a long Lease with UCL, for these sites will be caught under the terms of the Agreement.

Section 209 of the Localism Act 2011 ("the Localism Act")

- 2.4 Section 209 of the Localism Act empowers the Legacy Corporation to dispose of land held by it in any way it considers appropriate but specifies that it must not dispose of land for less than the best consideration that can reasonably be obtained unless the Mayor consents.
- 2.5 Entering into the AfL with UCL will commit the Legacy Corporation to a disposal of land which, as explained in Part 2 of this paper, will be a disposal at less than the best the consideration that can reasonably be obtained. The Mayor's specific consent is therefore required under section 209(1) of the Localism Act.
- 2.6 Whilst not directly relevant to the issuing of such Mayoral consent, *"Circular 06/03: Local Government Act 1972 general disposal consent (England) 2003 disposal of land for less than the best consideration that can reasonably be obtained"* sets out what information local authorities should provide when applying to the Secretary of State for Specific Consent for Disposal at less than best consideration.
- 2.7 It is considered appropriate that a similar level of detail should be provided to and considered by the Mayor when deciding whether or not to give his consent to a disposal by the LLDC at less than best consideration.
- 2.8 Circular 06/03 provides:
- "10. Once an application for a specific consent is submitted, the Secretary of State is obliged to make a decision on the proposed disposal on its merits. However, if he is of the opinion that his consent is not required (i.e. the sale is not at an undervalue).....his statutory function to give specific consent will not arise

11. Applications for specific consent should be sent to the Secretary of State via the Director of Planning at the Government Office for the relevant Region. The Secretary of State will require the following information:

- i) a written description of the site and buildings, its physical characteristics, location and surroundings together with a plan which should be accurate enough to allow it to be used to identify the land in the Secretary of State's decision in cases where consent is given;
- ii) a written description of the authority's tenure and a summary of the details of any leases, encumbrances, such as easements etc, to which it is subject. Details should be given of the purpose(s) for which the authority holds the land. Normally land is held for the purposes of the power under which it was acquired, or taken on lease, unless it has since been formally appropriated to another purpose;
- iii) a written description of the existing use(s), current planning consents and alternative planning uses(s) that are likely to be permitted;
- iv) a summary of the proposed transaction, noting the reasons for disposing at an undervalue, the key terms and any restrictions to be imposed by the authority; and
- v) a detailed Valuation Report covering the matters listed in the Technical Appendix, and signed by a qualified valuer (a member of the RICS). The Department would normally expect the valuation to have been undertaken no earlier than six months before the submission."

- 2.9 A similar level of detail to that referred to at (i-v) in the paragraph above is contained in this Mayoral Decision (and Part 2 of this Mayoral Decision) in respect of the proposed disposal at less than best consideration further to the Legacy Corporation entering into the AfL with UCL.
- 2.10 In particular, Part 2 of this Mayoral Decision Form contains information as to why it is recommended that the Mayor consents to the disposal of land at less than best consideration that can reasonably be obtained. The reasons include the proposed change of use from residential to higher education, and the long-term benefits of the Olympicopolis project, which are expected to support a wide range of policy objectives, and are expected to significantly outweigh the cost to the public purse of creating the new urban quarter at QEOP. The Outline Business Case for Olympicopolis, of which this AfL is a part and which is supported by Government, also shows that the expected net benefits are greater than those that would be delivered by the alternative residential housing-led scheme, which delivers more housing. The Mayor will need to decide whether or not to give consent to the proposed disposal on its merits
- 2.11 Accordingly, for the reasons set out above and in Part 2, the Mayor is asked to consent (insofar as his consent is required by and for the purposes of 4.5 of the LLDC Corporate Governance Direction and by section 209(1) of the Localism Act 2011) to the Legacy Corporation entering into the AfL with University College London (UCL).

3. Objectives and expected outcomes

3.1 The strategic objectives of Olympicopolis are to:

Economy:

- Boost economic growth
- Enhance education and skills

Convergence:

- Raise aspirations and change perceptions
- Create sustainable jobs

Legacy:

- Redefine Stratford's place in London's economy as a new heart for east London
- Ensure a successful and accessible Park

3.2 As part of Olympicopolis, UCL intends to create a major new university campus at Stratford that is well-connected and fully integrated within QEOP, with its surrounding neighbourhoods, and links across east London, to provide a range of new academic and research facilities. Its academic vision is to bring together a very wide range of disciplines including – but not limited to – engineering, design, architecture, participatory urbanism, heritage conservation, materials science, creative arts, digital media, fashion, including research and development, to complement the other elements of Olympicopolis, and help establish London as the world leader for design, conservation, technology and innovation.

3.3 Outcomes: UCL East will provide new high-quality facilities which will house new academic and research activities in Phase 1, which will provide employment for over 500 people within UCL once they reach steady state, covering a broad range of academic, research and support employment opportunities within UCL, its partners and its supply chain. In the shorter term, the construction of the new facilities will also provide apprenticeship and employment opportunities that build on the success of the delivery of the 2012 Games, and transformation of the QEOP and the venues. In the medium and long-term, it will provide a wealth of educational opportunities, and opportunities for local people to increase their skills and gain employment. Links to schools around QEOP and the East London Growth Boroughs will also grow significantly as the new campus takes shape. UCL is already committed to this, through the delivery of socio-economic programmes during 2014 including:

- Legacy Careers – UCL has participated in this programme being led by LLDC, and has delivered a number of classroom-based workshops at schools and academies in the locality to help provide insight to young people into the world of work and some of the opportunities that are open to them;
- Coding schools – UCL has run a summer computer club at Stratford Library through weekly sessions with young people to help them undertake computer coding and how this can be applied to develop new applications to support a smart technology-enabled generation.

4. Equality comments

4.1 The Legacy Corporation is a public body with a responsibility to promote equality, tackle discrimination and promote good relations between different groups of people with protected characteristics. For this reason the Legacy Corporation is about to undertake a strategic equality impact assessment on its renewed priorities, including its emerging five year organisational strategy and the Olympicopolis plans. As part of this process the Legacy Corporation will be consulting with equality groups and testing whether our approach is helping to promote its equality priorities.

4.2 In addition to this, the need to meet the Legacy Corporation's Inclusive Design standards has been included within the specification for the masterplanner for the UCL development. Through the procurement process, the Legacy Corporation will also seek to encourage the works contractor to open up employment opportunities to local people. Through the Legacy Corporation's own projects and those of its partners, it will seek to ensure the development opens up new opportunities for diverse communities.

5. Other considerations

a) key risks and issues

Key risks are contained in the confidential Part 2 section of this Form.

b) links to Mayoral strategies and priorities

The Mayor's London Plan states that "The Mayor will work with partners to develop and implement a viable and sustainable legacy for the Olympic and Paralympic Games to deliver fundamental economic, social and environmental change within East London. This will be London's single most important regeneration project for the next 25 years". Entering into an Agreement for Lease with UCL will secure a key part of the Olympicopolis vision to deliver a major culture and higher education district on the Park that will boost skills, educational attainment, jobs and economic growth for East London, which is essential to the delivery of this objective.

c) impact assessments and consultations.

An economic impact assessment was undertaken as part of the Olympicopolis Outline Business Case submitted to Government. It showed that the Olympicopolis project will generate 3,000 jobs, 1.5 million additional visitors and £2.8 billion of economic value to Stratford and the surrounding area. Further information is provided in the confidential Part 2 of this Form as it contains commercially sensitive information.

It is not considered that the Mayor need undertake any further impact assessment in respect of this particular decision.

The Legacy Corporation's Board and Investment Committee, UCL, TfL Legal and external legal advisors were consulted during the development of the AfL. It is not considered that the Mayor need undertake any additional consultation in respect of this decision.

6. Financial comments

6.1 Financial comments are contained in the confidential Part 2 section of this Form.

7. Legal comments

7.1 Included in the above report and in Part 2.

7.2 The Mayor's Chief of Staff is asked to provide the consent of the Mayor under delegated authority. This is because the Mayor, as Chair of the Legacy Corporation, was involved in its Board's decision to agree enter into the AfL, subject to Mayoral consent – and, in these circumstances, is potentially not able to give the consent sought under this decision.

7.3 Under section 38(1) of the Greater London Authority Act 1999 (as amended) the Mayor may delegate this decision to Chief of Staff and Deputy Mayor, Policy and Planning.

8. Investment & Performance Board

- 8.1 The Olympicopolis project was considered by the Investment and Performance Board (IPB) as part of the Legacy Corporation's Ten-year Business Plan submission in November 2014. The revised Ten-year Business Plan was also approved by the Legacy Corporation's Board at its meeting on 18 November 2014 as the basis for its submission to the GLA as part of the 2015/16 budget setting process. The Legacy Corporation will present its updated Ten-year Business Plan, including Olympicopolis plans, to IPB on 19 March 2015 for final clearance for formal Mayoral approval of the Business Plan.

9. Planned delivery approach and next steps

- 9.1 This project is being led by the Real Estate team at the Legacy Corporation in partnership with the team in UCL.
- 9.2 A detailed programme is available for the University Quarter element of Olympicopolis. It is currently intended that UCL will open Phase 1 of their campus on QEOP during the academic year 2018/19 and Phase 2 will be complete by 2030.

Activity	Timeline
Legacy Corporation enter into Agreement for Lease with UCL	March 2015
Masterplanner appointed	End April 2015
Detailed Design Team for the Legacy Corporation works appointed	January 2016
Contractor for Stage 1 of 2 Stage Design & Build – the Legacy Corporation works appointed	August 2016
Planning Submission (masterplan and academic facilities)	October 2016
Contractor for Stage 2 (construction) appointed	January 2017
Planning Approval	March 2017
FBC Approval	March 2017
Lease Grant of 299 year	March 2017
Start on Site – the Legacy Corporation works	March 2017
Complete shell and core academic facilities	From Q4 2018

Appendices and supporting papers:

- None

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 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 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: Commercial confidentiality

Until what date: Publication should be deferred until the Agreement for Lease is signed expected 31 March 2015

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:

Michelle Reeves 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:

Tom Middleton has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

Sponsoring Director:

Martin Clarke has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

Mayoral Adviser:

Sir Edward Lister 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

CHIEF OF STAFF:

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

Signature

Date