

<b>MAYOR &amp; CABINET</b>		
<b>Report Title</b>	New Bermondsey Housing Zone Bid	
<b>Key Decision</b>	Yes	Item No.
<b>Ward</b>	New Cross	
<b>Contributors</b>	Executive Director for Resources & Regeneration Head of Law	
<b>Class</b>	Part 1	Date: 25 March 2015

## URGENCY

This matter has not been included in the key decision plan. In accordance with Rule 18 (General Exception – Urgency):

- (a) the proper officer has informed the Chair of the Business Panel in writing, by notice, of the matter in respect of which the decision is to be made; and
- (b) the proper officer has made copies of that notice available to the public at the offices of the Council and published it on the Council’s website; and
- (c) at least 5 clear days have elapsed since the proper officer complied with (a) and (b) above.

The London Mayor is due to grant Mayoral approval to the New Bermondsey Housing Zone on the 31 March 2015. Therefore the report needs to be considered by Mayor & Cabinet on the 25 March 2015 ahead of the Mayoral decision. This report was reported to Overview and Scrutiny Business Panel on 17 March 2015 and any comments of the Business Panel will be reported to Mayor & Cabinet at the meeting.

### **1.0 Purpose of report**

- 1.1 To provide Mayor & Cabinet with information on the New Bermondsey (formerly Surrey Canal Triangle) Housing Zone Bid.

### **2.0 Recommendations**

Mayor & Cabinet is recommended to:

- 2.1 note the details and submission of the New Bermondsey Housing Zone bid; and

- 2.2 require the Memorandum of Understanding with the GLA, in connection with the New Bermondsey Housing Zone bid, to be reported back to Mayor & Cabinet for approval.

### **3.0 Policy context**

- 3.1 'People, prosperity, place', Lewisham's regeneration strategy 2008-2020, sets out the Council's aspiration for a vibrant, dynamic Lewisham focussed around the themes of people - investing in the individuals and communities which are Lewisham's greatest asset - prosperity - fostering the skills and economic opportunities for Lewisham to flourish and thrive - and place - developing high quality public spaces, sustainable buildings and protecting the areas which are sensitive to change. The strategy identifies the area as a strategic site with the Borough. The strategy is also placed within the framework of the key national and regional policies which affect the Council's work around regeneration of the borough, including the London Plan.
- 3.2 'Shaping our future', Lewisham's Sustainable Community Strategy 2008 - 2020, includes the 'Dynamic and Prosperous' theme, where people are part of vibrant communities and town centres, well connected to London and beyond. It details the Local Strategic Partnership's commitment to 'improving the quality and vitality of Lewisham's town centres and localities', and aspirations to 'support the growth and development of our town centres by working with commercial partners and developers', and 'maximise the use of our town centres as places to engage the local community'.
- 3.3 'Shaping our future' identifies 'Active healthy citizens as a key priority – where the Council are committed to ensuring that people can actively participate in maintaining and improving their health and well-being, supported by high quality health and care services, leisure, culture and recreational activities'.
- 3.4 Strengthening the local economy is a corporate priority, emphasising the importance of 'gaining resources to regenerate key localities, strengthen employment skills and promote public transport.
- 3.5 The Council's Local Development Framework (LDF) sets the vision, objectives, strategy and policies that will guide development and regeneration in the borough up to 2025 and together with the Mayor of London's 'London Plan' will form the statutory development plan for the borough.
- 3.6 Lewisham's Housing Strategy – 'Homes for the future: raising aspirations, creating choice and meeting need' 2009 -2014 sets out five key areas for action:
- Widening housing choice and managing demand so that a comprehensive range of housing types and tenures are available but are flexible to adapt to changing circumstances.

- Increasing housing availability is a key commitment of the Housing Strategy. Lewisham, despite current market conditions, is determined to provide enough of the right housing in the right places.
- Developing a quality private rented sector which is more affordable and offers more security so it provides an attractive tenure of choice for residents.
- Expanding the housing offer to enable residents to link up with wider services such as employment, health and education so we can truly maximise life opportunities and aspirations.
- Greening our homes and neighbourhoods to ensure that new homes are delivered in an environmentally sustainable fashion, preserve green spaces and contribute towards meeting the carbon challenge, and existing homes are transformed to meet the energy efficiency agenda.

## **4.0 Background**

- 4.1 In August 2014 the Department for Communities & Local Government (DCLG) and the GLA announced their plans to create twenty 'Housing Zones' across the capital. The aim of Housing Zone designation is to boost the housing supply in London by unlocking and accelerating housing delivery through a range of planning and financial measures. Local authorities were offered the opportunity to submit bids, either independently or in collaboration with private sector partners.
- 4.2 The Government and the GLA have jointly committed a total of £400m of funding for the twenty zones. Central government have made £200m available in the form of loan funding which is accessible to private sector organisations only. The remainder of the funding is available in flexible funding forms, including grant funding. The Housing Zone process seeks to encourage co-operation between local authorities, central government and developers. The process provides that, regardless of the source of funding, applications for designation should be put forward by Local Authorities.
- 4.3 New homes developed in Housing Zones are expected to be geared towards meeting a range of housing need and address the affordability challenge currently facing many Londoners. This requires a mix of open market homes that are affordable for Londoners with an obligation, where possible, to prioritise the sale of individual homes to Londoners purchasing for owner-occupation. It also includes new long term market rent homes, as well as affordable homes for rent and low cost home ownership.
- 4.4 The GLA identified Opportunity Areas as 'ideal candidates' for Housing Zone designation. Opportunity areas are often (but not always) places with relatively low land values, sometimes with an historic industrial use, and are usually characterised by some form of market failure that requires substantial intervention. Whilst identified as challenging they can provide opportunities for the public and private sector working collaboratively to regenerate areas and create new neighbourhoods

and places. It is envisaged that through Housing Zone designation some of the challenges identified could be addressed unlocking schemes and accelerating the delivery of the planned housing.

- 4.5 The GLA raised the opportunity to bid for Housing Zone designation with Council's Strategic Housing team following the announcement in August 2014 and identified the potential of the New Bermondsey regeneration scheme as a possible candidate for designation.
- 4.6 Following further consultation with the GLA , the developer (Renewal) and officers in Strategic Housing, Planning and Regeneration it was agreed that the New Bermondsey site met the criteria for Housing Zone and could benefit from designation to bring forward the delivery of housing and infrastructure on the site.
- 4.7 A bid was submitted to the GLA on the 30<sup>th</sup> September 2014. Lewisham Officers and Renewal have subsequently worked with the GLA to refine the bid over recent months and ensure that the loan funding allocated is used to the maximum potential to accelerate the delivery of housing on the site.
- 4.8 On the 20<sup>th</sup> February 2015 the Mayor of London announced that the Lewisham Council led bid for the New Bermondsey Housing Zone had been shortlisted for approval along with a further eight local authorities. The bid is scheduled to be approved by the Mayor of London on the 31<sup>st</sup> March 2015.
- 4.9 The transfer of the Housing Zone loan funding will enable Renewal to progress plans for the delivery of phase 1A and phase 2. These works will be progressed in parallel with the Compulsory Purchase Order process which is required to complete the site assembly for the remaining phases of the site.

## **5. New Bermondsey Housing Zone Bid**

### **Meeting the Housing Zone criteria**

- 5.1 The New Bermondsey regeneration scheme led by Renewal meets several of the criteria for Housing Zone designation.
- 5.2 The site is located in the Lewisham, Catford & New Cross Opportunity Area and experiences several of the challenges associated with Opportunity Areas including:
  - a degraded low quality environment
  - overwhelmingly industrial in character with industrial estates established in the 1970's and 1980's
  - a wider area severed by wide viaducts with an environment which discourages pedestrian access and connectivityLewisham's Core Strategy identifies the site as representing an opportunity to transform the environment and infrastructure and create a new destination. These site characteristics closely align with those identified as suitable for Housing Zone designation.

- 5.3 Good transport accessibility was also a key consideration in the potential location of a Housing Zones. The GLA prospectus identifies that Housing Zones may require investment beyond housing and cited transport as a potential area. Investment in improving the transport infrastructure on the New Bermondsey site represents a significant resource commitment from Renewal in the early phases of the scheme. It can be clearly demonstrated that use of Housing Zone loan funding to contribute to the delivery of the infrastructure requirements could directly unlock and accelerate housing supply in the initial phases of the scheme.
- 5.4 A further criteria for Housing Zone designation is that the development needs to be 'already underway or ready to start and be able to be rapidly increased or accelerated'. Having already secured outline planning consent for the scheme and assembled 95% of the site the New Bermondsey scheme is moving towards the delivery phase. The advanced position of the scheme means it should be well placed to meet the GLA delivery target of 2018 for the first new homes.

#### **Details of Housing Zone bid – funding & delivery**

- 5.5 The New Bermondsey Housing Zone Bid is for £20m of loan funding to the developer. The funding will accelerate delivery of the first 532 homes in phases 1A and 2 of the scheme by at least 2 years. Overall the scheme will deliver 2,400 homes.
- 5.6 The £20m loan funding will enable the developer to bring forward the delivery of the new Overground station at Surrey Canal Road and the transport infrastructure works which include new walking, cycling and bus routes. The acceleration of phase 1A and 2 will also deliver a large indoor sports complex for community use ahead of schedule.
- 5.7 The first £10,000,000 of loan funding will be used to bring forward the delivery of the consented New Bermondsey station at Surrey Canal Road on the East London Line phase 2. The loan will be provided directly to Renewal for the station. Renewal will then contract TfL to deliver the station.
- 5.8 The second £10,000,000 of loan funding will be used to bring forward delivery of the transport interchange. It will deliver the following:
- two new bus routes
  - improvements to surrounding railway arches and underpasses
  - a link between the two rail stations on site
  - connections to the wider area with new walking and cycling routes
- 5.9 Transport for London (TfL) have been engaged during the Housing Zone and provided a letter of support for the bid confirming that should

New Bermondsey be designated as a Housing Zone it would be possible to commence design works for the Overground station in summer 2015 with a view to starting work on site towards the end of 2015.

- 5.10 As well as accelerating phases 1A and 2 considerably Housing Zone designation will speed up the entire Surrey Canal/ New Bermondsey development by at least 2 years from over 11 years to 9 years.
- 5.11 As part of the Housing Zone process discussions have been held between Renewal, GLA and the Council on the percentage of affordable housing to be delivered on the site. The Section 106 agreement for the scheme provides for a minimum of 10% affordable housing (by unit). These discussions are ongoing however Renewal have confirmed their commitment to exploring opportunities to deliver additional affordable units in the scheme.

## **6. Funding Agreement – GLA & Developer**

- 6.1 As detailed above, the funding will be in the form of a repayable loan transferred directly from the GLA to Renewal. A funding agreement, including a schedule of milestone payments linked to the delivery of the Overground station and transport interchange works, will be entered into between the GLA and Renewal. The authority will not be party to this agreement and will hold no liability for any claw back of funding should the infrastructure works not be completed as agreed.
- 6.2 Following formal approval from the Mayor of London (scheduled for the 31<sup>st</sup> March 2015) to grant the £20m loan funding, a financial due diligence process will be undertaken by the GLA and their appointed consultants to confirm the financial standing of Renewal and their ability to repay the loan. The due diligence process will inform the provisions of the funding agreement entered into by the developer and the GLA.
- 6.3 The Council will not be party to the funding agreement and will have no obligations in respect of ensuring repayment of the loan by Renewal. However, the Housing Zone process is predicated on a collaborative approach between local authorities, central government and the private sector. To this end, the Council will agree a Memorandum of Understanding with the GLA to formalise its continued commitment to the delivery of the New Bermondsey regeneration scheme.
- 6.4 The detail of the Memorandum of Understanding is yet to be finalised with the GLA. However, based on discussions to date it is anticipated that it will include the following assurances:
- continued collaborative approach with public and private sector partners (GLA, TFL, developer) to facilitate the delivery of the wider New Bermondsey regeneration scheme.

- participation in Housing Zone governance structure (i.e. representation on New Bermondsey Housing Zone delivery board)
- continued assistance in completion of site land assembly and agreement to consider use of Compulsory Purchase Powers should this be required

6.5 Council officers will work with counterparts at the GLA to agree the Memorandum of Understanding. The final terms the Memorandum of Understanding will be reported back to Mayor & Cabinet for approval.

## **7.0 Financial implications**

7.1 There are no specific financial implications for the Council directly arising from this report. It should be noted that the Council's Memorandum of Understanding with the GLA does not impose any financial responsibility on either party, except that each party remains responsible for the funding cost it incurs in its own interest related to the support of the Memorandum of Understanding.

7.2 At Mayor & Cabinet on 25th June 2014, in the absence of the Mayor, the Deputy Mayor and Cabinet agreed that £500k of funding be pledged to the Surrey Canal Sports Foundation by way of a grant allocation from the Council. This pledge remains and was put in place to help unlock contributions from other contributors. The grant will contribute towards the overall total cost to plan, design and construct sports facilities.

7.3 A due diligence process will be undertaken to ensure that Council has reasonable security for its funding and that all necessary match funding has been obtained by the Trust before the Council's funding is paid to the Trust. The final terms of the funding agreement will be reported back to Mayor & Cabinet for approval prior to the funding agreement being entered into.

7.4 The Council's only resource commitment to the project to date is in the form of officer time and the procurement of independent expert advice. Both are required on a scheme of this scale to ensure that the Council has sufficient oversight and follows due process. Renewal Group Limited (Renewal) have entered into a CPO Indemnity Agreement in relation to the compulsory acquisition process. This means that any costs incurred by the Council in making the CPO or acquiring land required for the scheme on Renewal's behalf is fully reimbursed.

7.5 A recommendation for the CPO resolution will not be brought forward until such time as full financial due diligence has been completed by the Council and officers are satisfied that Renewal Group Limited has a viable business plan and funding strategy to deliver the scheme.

## **8.0 Legal implications**

- 8.1 The Council has a wide general power of competence under Section 1 of the Localism Act 2011 to do anything that individuals generally may do. The existence of the general power is not limited by the existence of any other power of the Council which (to any extent) overlaps the general power. The Council can therefore rely on this power to participate in the New Bermondsey Housing Zone bid.
- 8.2 The proposed Memorandum of Understanding between the GLA and the Council will not be legally binding but will contain commitments between the public sector partners. The final terms of the Memorandum of Understanding will be reported back to Mayor & Cabinet for approval.

## **9.0 Risk Assessment**

- 9.1 It is important to note that the Council is not party to the funding agreement for the Housing Zone loan funding and, in particular, has no obligations in respect of repayment. The level of risk associated with the recommendations in this report is low. A risk register for this project is being monitored by the Council's Capital Programme Delivery Board.

## **10.0 Equality Implications**

- 10.1 There are no immediate equality implications associated with the recommendations of this report.

## **11.0 Environmental Implications**

- 11.1 There are no immediate environmental implications associated with the recommendations of this report. The planning report referred to in the background papers has the environmental implications concerning the scheme.

## **12.0 Crime and disorder implications**

- 12.1 There are no immediate implications associated with the recommendations of this report. The planning report referred to in the background papers has the implications concerning the scheme.

## **13.0 Conclusion**

- 13.1 Mayor & Cabinet are recommended to note details of the New Bermondsey Housing Zone bid provided and note that the Memorandum of Understanding with the GLA, to formalise the Council's ongoing commitment to the regeneration of the New Bermondsey site, will be reported back to Mayor & Cabinet.



## Background Papers

Copies of all background papers have been made available in the members' room prior to the meeting at which this report is due for consideration. The papers are listed in the table below.

Short title of document	Date	File Location	Contact Officer
Strategic Planning Committee Report:  Land to the North and South of Surrey Canal Road	13.10.11	Council website as Shown below	Chris Brodie

[http://planning.lewisham.gov.uk/online-applications/applicationDetails.do?activeTab=summary&keyVal= LEWIS\\_DC APR\\_62168](http://planning.lewisham.gov.uk/online-applications/applicationDetails.do?activeTab=summary&keyVal= LEWIS_DC APR_62168)

**If there are any queries on this report please contact Rob Holmans, Director for Regeneration & Asset Management on 020 8314 7908.**