

<b>MAYOR &amp; CABINET</b>		
<b>Report Title</b>	New Bermondsey Housing Zone - Memorandum of Understanding	
<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: 11 January 2017

### **1.0 Purpose of report:**

- 1.1 To provide Mayor & Cabinet with an update on the New Bermondsey (formerly Surrey Canal Triangle) Housing Zone and to seek approval to the terms of the Memorandum of Understanding between London Borough of Lewisham and Greater London Authority (GLA) for the Zone.

### **2.0 Recommendations:**

Mayor & Cabinet is recommended to:

- 2.1 note the update on the New Bermondsey Housing Zone.
- 2.2 approve the attached Memorandum of Understanding with the Greater London Authority for the Housing Zone designation for the scheme.
- 2.3 note that further reports will be brought to Mayor and Cabinet in due course on the terms of the specific Borough Intervention Agreement for the new Overground Station at Surrey Canal Road that will be entered into with the GLA as set out in this report and any subsequent Borough Intervention Agreement.

### **3.0 Policy context**

- 3.1 A number of strategies and plans are relevant to the New Bermondsey regeneration scheme.
- 3.2 Lewisham's overarching Sustainable Communities Strategy sets out a vision for the future of the borough. One of the priorities laid out in the strategy is to develop, build and grow communities that are dynamic and prosperous – where people are part of vibrant communities and town centres, well connected to London and beyond.

- 3.3 'Shaping our future' identifies 'Active healthy citizens as a key priority – where the Council is 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 'People, prosperity, place', Lewisham's regeneration strategy 2008-2020, (refreshed in 2015) also 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 within 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.
- 3.6 Lewisham's new Housing Strategy for 2015-2020 identifies four priorities: helping residents at times of housing need; security and quality for private renters; improving our residents' homes; building the homes our residents need. The Council's assets can play a role in this, creating opportunities to develop new housing supply of all tenures, making land available for the construction of new homes and by using an understanding of the borough to improve the way service delivery connects with communities at a local level.
- 3.7 The Council's Local Development Framework sets the vision, objectives, strategy and policies that will guide development and regeneration in the Borough up to 2025. The Lewisham Core Strategy, the Lewisham Development Management Local Plan, the Lewisham Site Allocations Local Plan and the Lewisham Town Centre Local Plan, together with the London Plan form the statutory development plan for the Borough.

#### 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 for an area is to boost the housing supply in London by unlocking and accelerating housing delivery through a range of planning and financial measures/interventions.
- 4.2 The Government and the GLA jointly committed a total of £400m of funding for the initial twenty zones. Half of the funding (£200m), was

made available in the form of loan funding which is accessible to private sector organisations only. The remainder of the funding was available in flexible funding forms, including grant funding. The Housing Zone process seeks to encourage co-operation between local authorities, central government and developers.

- 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 In addition to investment, Housing Zones are designed to offer focused, planning, place-making and intensive engagement with a wide range of delivery partners important to delivery of housing such as utility companies, Network Rail and Transport for London etc.
- 4.6 The initial aim was to create twenty Housing Zones in London and build 50,000 new homes by 2025. Due to the success of the first phase in securing commitments for approximately 53,000 new homes in London (with approximately a third being affordable housing), a second phase of the programme was launched in 2015 taking the total number of Housing Zones to 31 and a target housing provision of 75,000 new homes. The programme is also designed to provide 150,000 associated jobs in the course of the 10 year delivery programme.
- 4.7 The GLA raised the opportunity to bid for Housing Zone designation with the 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.
- 4.8 Following further consultation with the GLA, the developer (Renewal) and officers in Strategic Housing, Planning and Regeneration departments, 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.

- 4.9 A bid was submitted by Renewal to the GLA on 30<sup>th</sup> September 2014. On 20 February 2015, the Mayor of London and the Chancellor of the Exchequer announced that the New Bermondsey regeneration scheme had been designated as one of the first of the Mayor of London's Housing Zones. As one of the first Housing Zones, the site was recognised as a key development in London and as one of the few regeneration projects that has the capacity to deliver homes for Londoners faster by accelerating the development programme.
- 4.10 Following the Housing Zone designation, the GLA allocated in principle funding of £20 million towards delivery of key infrastructure associated with the scheme, including the new Overground Station at Surrey Canal Road.
- 4.11 The GLA initially proposed that the allocated sum would be advanced to Renewal as loan funding. In a revised approach, however, the GLA now proposes that a grant agreement (known as a Borough Intervention Agreement) is entered into between the Council and the GLA whereby the GLA will provide grant funding of approximately £12 million which will be passed by the Council to TfL with a requirement that TfL deliver the new Overground Station at Surrey Canal Road and open it within a set period. The GLA has proposed this route because it is unable to directly transfer the grant to TfL under their current governance structure. The balance of the £20 million allocation will remain available for Renewal to take up through a second intervention, following due diligence and subject to contract.
- 4.12 A clear benefit of this approach is that as the new station will now be grant funded, this enables the sum which would otherwise be paid by Renewal towards the new station to be applied to the provision of additional affordable housing within the scheme. Thus, not only will the GLA's current funding approach allow early delivery of the station and development of the first two phases of the scheme (Phases 1A and 2) to proceed ahead of schedule delivering 532 new homes, it will also secure delivery of more additional affordable homes than were originally to be provided within the scheme.
- 4.13 The revised arrangements in relation to the Housing Zone funding which mean the new station works will be grant funded by the GLA, mean that the benefit received by Renewal will be applied to the delivery of additional affordable housing. The funding could directly deliver between approximately 40 (10 social rent or affordable rent and 30 shared ownership based on the current 75:25 tenure split) and 75 (based on 100% shared ownership) additional affordable units in the early phases depending on the tenure of those homes. The Council would also be seeking to ensure that any income from those affordable units would go back into the scheme to deliver additional affordable housing. Discussions with the GLA regarding tenure are continuing, but it is understood that they wish to ensure that best endeavours are made to maximise the number of affordable units, which will then influence the final tenure mix.

- 4.14 Accepting the Housing Zone status requires the Council to enter into an agreement with the GLA on the funding arrangement. The first agreement that the Council must enter into is the Memorandum of Understanding (MoU). This sets out the general principles upon which it has been agreed that Housing Zone funding is to be made available by the GLA and is followed in due course by the individual Borough Intervention Agreement that will subsequently be entered into between the parties to enable the funding to be paid to the Council. The terms of this Borough Intervention Agreement will be reported back to Mayor and Cabinet for approval.
- 4.15 In agreeing to officers supporting the Housing Zone bid for New Bermondsey on 25 March 2015, Mayor and Cabinet also required that the Memorandum of Understanding with the GLA, in connection with the New Bermondsey Housing Zone bid, be reported back to Mayor and Cabinet for approval.
- 4.16 Council officers have worked with counterparts at the GLA to agree a draft form of the MoU, attached as **Appendix 1** of this report. Officers are therefore seeking Mayor and Cabinet approval to the draft MoU in order to secure the £20M Housing Zone allocation.

## **5.0 Financial implications**

- 5.1 There are no specific financial implications for the Council directly arising from this report. The Memorandum of Understanding sets out the overarching principles upon which Housing Zone Funding may be made available to the scheme and the council's role in supporting delivery of the Housing Zone outputs. The Memorandum does not impose any financial responsibility on the Council.
- 5.2 Following the Housing Zone designation, the GLA has allocated in principal funding of £20m towards delivery of key infrastructure associated with the scheme. The GLA proposes that in due course a grant agreement (known as a Borough Intervention Agreement) is entered into between the Council and the GLA whereby the GLA will provide grant funding of approximately £12m which will be passed by the Council to TfL with a requirement that TfL deliver the new Overground Station at Surrey Canal Road and open it within a set period. The balance of the £20m allocation will remain available for Renewal to take up through a second intervention.

## **6.0 Legal implications**

- 6.1 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.

- 6.2 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 terms of the specific Borough Intervention Agreements will be reported back to Mayor & Cabinet for approval.

## **7.0 Equality Implications**

- 7.1 There are direct equality implications associated with the recommendations of this report.

## **8.0 Environmental Implications**

- 8.1 There are no immediate environmental implications associated with the recommendations of this report.

## **9.0 Crime and disorder implications**

- 9.1 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.

<b>Short title of document</b>	<b>Date</b>	<b>File Location</b>	<b>Contact Officer</b>
New Bermondsey Housing Zone	25 <sup>th</sup> March 2015	Laurence House	Kplom Lotsu

## **Appendices:**

Appendix 1: Memorandum of Understanding

If there are any queries on this report please contact Kplom Lotsu, SGM Capital Programme Delivery on 020 8314 9283.