

 <p>Brent</p>	<p>Cabinet 19 June 2017</p> <p>Report from the Strategic Director, Regeneration and Environment</p>
<p>Wards affected: Wembley Central and Alperton</p>	
<p>Wembley Housing Zone Partnership Structure and Housing Zones Funding Requirements</p>	

Appendices 1 - 6 are not for publication by virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972, namely:
Information relating to the financial or business affairs of any particular person (including the authority holding that information).

1.0 Summary

- 1.1 This report provides a further update on the Wembley Housing Zone and seeks endorsement to the ongoing negotiations with developer HUB to agree the Wembley partnership structure (a Joint Venture between the council and developer HUB or vehicle managed by HUB, such as Chesterfield House Partners LLP) and the preferred development option and funding structure to deliver the vision and objectives for the eastern 'fringe' of Wembley town centre.
- 1.2 The report also considers the financial implications of the proposals and seeks commitment to continued funding of the Housing Zones programme by the council in Wembley and Alperton.

2.0 Recommendations

Cabinet is asked to:

- 2.1 Endorse the preferred development option of identified sites (see Appendix 1a), including the council's surplus former Copland School land and Ujima House and car park, to be delivered through the Housing Zones programme;
- 2.2 Approve the preferred delivery option of forming a Joint Venture Vehicle with developer HUB or vehicle managed by HUB, such as Chesterfield House Partners LLP, as approved by the council;
- 2.3 Note that a future report to Cabinet will seek approval of the terms of:
 - i) a Collaboration Agreement

- ii) a Joint Venture Agreement to create and enter into a Joint Venture Vehicle with developer HUB or vehicle managed by HUB, such as Chesterfield House Partners LLP, as approved by the council;
- 2.4 Note that in entering into a Collaboration Agreement, Joint Venture Agreement and forming the Joint Venture Vehicle, the council's financial liability shall be negotiated to be no greater than the costs incurred in preparing a planning application and developing the business plan and related strategies;
- 2.5 Subject to approval of 2.2 and 2.3, note a further Cabinet report will seek:
- i) Endorsement of the final business plan and detailed financial appraisal
 - ii) Authority to transfer the council owned sites into the Joint Venture Vehicle
 - iii) Authority for up to 50% of the development financing to be provided to the Joint Venture Vehicle.
- 2.6 Agree seed-funding of £1.615m, subject to approval of 2.2, to continue the council's work in both Wembley Housing Zone and Alperton Housing Zone;
- 2.7 Endorse completion on the purchase of Ujima House by 29th June 2017 with the council taking any potential business rates liabilities and other holding costs until demolition and redevelopment, in order to retain the council's stake on the north of Wembley High Road and control of the Wembley Housing Zone programme;
- 2.8 Agree that, should the acquisition of Network Rail land not proceed, the council can continue with a smaller development programme including Ujima House, former Copland School land and other sites as agreed by the council.

3.0 Detail

- 3.1 The Housing Zones programme will deliver transformational change in Wembley town centre and along the Grand Union Canal in Alperton. They will:
- Deliver on the council's strategic objectives as set out in its Brent 2020 Vision, Regeneration Strategy, Brent Borough Plan, Wembley Area Action Plan and Alperton masterplan Supplementary Planning Document
 - Achieve a step-change in the image and profile of Wembley Town Centre and Alperton through significant place-making improvements
 - Unlock previously uneconomic sites in poor condition on outdated industrial land and to significantly accelerate and increase the supply of much needed housing, including affordable housing in the borough
 - Further economic benefits are included in Appendix Six.

Wembley Housing Zone Partnership Structure (Joint Venture Vehicle)

- 3.2 This comprehensive redevelopment approach in Wembley will:
- maximise land use efficiency and help to deliver 651 residential units, including 215 affordable homes
 - enable the council to secure £8m grant funding from the GLA to fund land acquisition, with Ujima House being the first transaction funded from this money

- regenerate this end of Wembley High Road and help better connect it to the new development at Wembley Park
- create new commercial floorspace and 200+ jobs in Wembley
- return a long term receipt to the council, from a 50% share in profits generated through the Joint Venture.

Further analysis is provided in Appendix Two of this report.

- 3.3 The proposed Wembley development programme includes sites identified from architectural capacity studies and viability assessments. All sites are allocated development sites within the Wembley Area Action Plan 2015. The updated analysis of development options is set out in Appendix Two. The analysis considers the housing, economic, financial and regeneration benefits of four options and confirms the current programme is the preferred option for promoting and delivering the vision and objectives for the 'fringe' of the town centre. It includes the council's surplus former Copland school land, subject to Secretary of State for Education's consent, and Ujima House.
- 3.4 The vision for the regeneration of the eastern end of Wembley High Road is to include all identified phases in the development programme (see Appendix 1a). Phase 4, however, is anticipated to be the most challenging. This is due to multiple freehold and leasehold interests, and the increased likelihood of having to use Compulsory Purchase Order powers to assemble the land for development.
- 3.5 The delivery structure options available to the council have all been considered and the analysis of these options is set out in Appendix Three of this report. The options that have been considered are:
- Option 1) Outright disposal of Copland, which will return a land value receipt.
 - Option 2) Develop Copland with a developer partner and share the profit, which will return the land value and a share of sales profit.
 - Option 3) Develop Copland with HUB / Chesterfield House Partners LLP along with the Network Rail lands (to be acquired by HUB/Joint Venture Vehicle) as part of a Joint Venture Vehicle. This will return a deferred land receipt along with a share of the profit from both sites.
 - Option 4) JVV with HUB / Chesterfield House Partners LLP for Copland and all the other identified sites (map is shown in Appendix 1a), which will return a deferred land receipt and a 50% share of the developer profit from all the sites. Copland is necessary if the council want to buy into the Joint Venture Vehicle and have access to the developer skills and profits.
- 3.6 Option 4, establishing a Joint Venture Vehicle with HUB / Chesterfield House Partners LLP is the recommended option as it gives the council:
- more comprehensive and coherent regeneration of Wembley High Road
 - more control over the place-making and regeneration
 - greater financial return through access to 50% developer profit
 - potential to increase the affordable housing numbers.

Further detail is contained within Appendix Three and a risk log for this option and associated mitigation measures is attached as Appendix Four.

- 3.7 Network Rail cannot sell their land directly to the council as current legislation prohibits housing outputs on land sold to a local authority to count towards housing targets that

Network Rail are obliged to deliver on the sale of their land. HUB are therefore leading on negotiations with Network Rail and their agents on the Heads of Terms for the acquisition of the Chiltern Line Cutting South lands.

- 3.8 Negotiations between the council and HUB representatives remain ongoing and a copy of the latest heads of terms of the potential partnership structure is attached to this report as Appendix Five. These negotiations include legal and financial due diligence of HUB and Chesterfield House Partners LLP to help determine the partnership structure. In summary, the structure of the partnership is proposed as follows on the advice from Counsel and the council's external legal advisers, Bevan Brittan:
- Collaboration Agreement: deals with Stage One of the partnership which will include land assembly, planning, grant funding arrangements and land transfer and,
 - JV Agreement: deals with Stage Two which will be the development phase but will need to be entered into at the same time as the Collaboration Agreement (or close to it) to ensure risk transfer and structure is settled at the same time. Key documents to be prepared and agreed between the parties are a draft Business Plan, Shareholders Agreement and a Development Management Services Agreement. The intention is to engage HUB as Development Manager to the Joint Venture, on terms to be agreed and approved by the JVV Board when established.
- 3.8 Prior to both parties land being transferred into the Joint Venture Vehicle, a further report will be brought to Cabinet to detail the financial model of the scheme and seek approval for up to 50% of the development finance (but likely to be significantly less than that).

Funding the Alperton and Wembley Housing Zones programme

- 3.9 To fund the full Housing Zones programme (Wembley and Alperton) commitment is required now to the level of resources needed to continue the development and delivery of the programme, including securing the Wembley partnership with HUB and their Special Purpose Vehicle Chesterfield House Partners LLP, the submission of a planning application and ultimately the regeneration of the town centre.
- 3.10 The additional funding requirement for Wembley adds to the financial resources required to deliver both Housing Zones. The Financial Implications section of this report sets out the anticipated project expenditure across both Housing Zones from 2017 until 2021. A financial forecast of project development expenditure across both Housing Zones is provided in Appendix Six. This results in a total funding requirement of £1.615m.
- 3.11 Significant capital investment will be required to acquire land and properties in Wembley and develop the identified sites. £8m of GLA Housing Zone grant funding has been secured in principle through an Overarching Borough Agreement, and the terms of the funding agreement are being negotiated currently. The council will only draw down on the GLA grant where it presents best value for the council within the Joint Venture framework. Officers are seeking to ensure the funding does not adversely affect the council's commercial interests. It is assumed the council will use this grant to fund the acquisition of Ujima House and fund or part fund further acquisitions in the programme (the balance to be funded out of the council's own capital resources).

- 3.12 In forming the Joint Venture, a business plan will be prepared and this will provide more up-to-date information of the projected costs of the scheme, the equity and debt funding required, and the council's role and financial commitment required to deliver the scheme through the Joint Venture Vehicle.

4.0 Financial Implications

- 4.1 This report commits the Council to spend up to £1.615m. This funding will be utilised towards 50% of the masterplanning and planning application costs in Wembley, and legal and programme management expenditure across both Housing Zones. A further breakdown is detailed in Appendix Six. Should a Joint Venture Vehicle not be formed, up to £1m of the £1.615m could be offset against the cost of a separate development of council-owned sites.
- 4.2 There is a risk attached to the funding agreed in principle between the GLA and Brent. However, both Alpertown and Wembley plans are well advanced and the GLA is heavily involved in decision-making, therefore this risk is fairly well mitigated.
- 4.3 Until planning permission has been granted and both parties transfer their land into the JVV, the risk is limited to points 4.1 and 4.2. It is at that point the council would be bound to 50% of the development risk. However, there will be a separate report to Cabinet prior to that point seeking approval for up to 50% of the development finance costs (but likely to be significantly less than that), as per 2.5 of this report.

5.0 Legal Implications

- 5.1 Legal firm Bevan Brittan, supported by expert opinion from Counsel, are the Housing Zones solicitors and have provided ongoing input into the development of the Wembley partnership structure with HUB / Chesterfield House Partners LLP, including the draft Heads of Terms. They have specifically advised on and ensured to date that the proposed structure complies with EU Procurement regulations, state aid rules and 'best consideration' requirements set out in the Local Government Act.
- 5.2 The proposed partnership structure with HUB / Chesterfield House Partners LLP is split into two stages comprising (i) the collaboration with HUB / Chesterfield House Partners LLP to work together as landowner and secure planning, and (ii) the Joint Venture Vehicle to deal with the development. This is to separate the tasks and responsibilities for each stage as well as the council's role as landowner and as developer.
- 5.3 The council has agreed to acquire Ujima House and its car park on the north side of the High Road from L&Q. The council will need to complete by 29th June 2017 and then take on any liability for business rates and other holding costs unless it could let the building on a temporary basis, and officers are currently exploring this option. It was always anticipated that officers would need to address these points, but they have arisen earlier than anticipated in the programme.
- 5.4 Once the council have worked with HUB / Chesterfield House Partners LLP to assemble land under a collaboration agreement it will be permitted to dispose of land in its ownership to the Joint Venture Vehicle provided it complies with "Section 123 of the Local Government Act 1972" (which provides that the council may dispose of land held by it in any manner it wishes but is under a statutory duty to ensure that the Council

does not dispose of land for a consideration less than the best that can reasonably be obtained).

6.0 Equality Implications

- 6.1 Under section 149 of the Equality Act 2010, the council has a duty when exercising its functions to have 'due regard' to the need to eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act and advance equality of opportunity and foster good relations between persons who share a protected characteristic and persons who do not. This is the public sector equality duty. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, and sexual orientation.
- 6.2 Due regard is the regard that is appropriate in all the circumstances. The weight to be attached to the effects is a matter for the council. As long as the council is properly aware of the effects and have taken them into account, the duty is discharged. Depending on the circumstances, regard should be had to the following.
- 6.3 The need to enquire into whether and how a proposed decision disproportionately affects people with a protected characteristic. In other words, the indirect discriminatory effects of a proposed decision.
- 6.4 The need to remove or minimise disadvantages suffered by persons who share a protected characteristic that are connected to that characteristic.
- 6.5 The need to take steps to meet the needs of persons who share a protected characteristic that are different from the needs of persons who do not share it. This includes taking account of disabled persons' disabilities. There can be a positive duty to take action to help a disabled person. What matters is how they are affected, whatever proportion of the relevant class of people they might be.
- 6.6 The need to encourage persons who share a protected characteristic to participate in public life (or in any other activity in which participation by such persons is disproportionately low).
- 6.7 The need to tackle prejudice and promote understanding.
- 6.8 The overall aim of the Housing Zones programme is to increase the supply of housing, including between 30% and 50% affordable housing. For the purpose of the current funding model for the Wembley 'fringe' scheme, it is assumed the affordable housing will amount to 30% of the overall housing mix. However, the aim is to increase this to a minimum of 35% through the Joint Venture Vehicle. The mix of affordable housing tenures will vary from one project to another across the programme(s) depending upon viability to maximize the social and economic cohesion of the sites and surrounding areas, as well as the equality and social value outcomes for Brent communities.
- 6.9 The programme will seek to anticipate and address the housing needs of local residents across all protected characteristics. Any social or affordable rented housing would be subject to the council's adopted Housing Allocations Scheme.
- 6.10 As with all other schemes that are part of the council's wider regeneration programme, full consideration must be given to individuals and groups with protected characteristics, particularly people with disabilities and / or other types of

vulnerabilities due to age (both older adults and young people), childcare and/or caring responsibilities and infrastructure, socio-economic status (lone parents and large families). Due regard must also be paid to black, Asian and minority ethnic and religious groups (e.g. community ties and wider community infrastructure, needs of large families, etc.).

7.0 Staffing/Accommodation Implications (if appropriate)

7.1 N/A

Background Papers

N/A

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