

Report for: CABINET

Item number: 12

Title: Tottenham Housing Zone Phase 2- North Tottenham

Report

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Ward(s) affected: Northumberland Park Ward

Report for Key/

Non Key Decision: Key Decision NON EXEMPT

1. Describe the issue under consideration

- 1.1 This report sets out the key elements of the Housing Zone Phase 2 funding package which has been allocated by the Greater London Authority (“GLA”) to facilitate regeneration in North Tottenham and seeks approval to agree and enter into an Overarching Borough Agreement (“OBA”) (and all Borough Intervention Agreements (“BIA”) flowing from the OBA) with the GLA.
- 1.2 Once secured, this funding will facilitate the High Road West Regeneration Scheme, which will deliver a minimum of 1,400 new homes and 8,800sqm of commercial space, by providing the funding required to cash flow the costs of acquiring all of the land interests and providing grant to support the delivery of affordable homes. The funding will also facilitate the Northumberland Park Regeneration Scheme through the delivery of infrastructure, and specifically key public realm required to help unlock growth and create better connectivity and an improved environment across the area.

2. Cabinet Member Introduction

- 2.1 With £44.115m of Housing Zone investment in Tottenham Hale already securing the delivery of the new District Centre and thousands of new homes, focus is now being shifted to North Tottenham- Phase 2 of the Tottenham Housing Zone. Please see Appendix 1 for a map of the Tottenham Housing Zone. Housing Zone Phase 2 funding can secure the delivery of the High Road West Regeneration Scheme- a key enabling and place shaping development, which has the potential to unlock 4,800 new homes in North Tottenham. In 2014, following almost three years of extensive consultation with the community, a masterplan for the High Road West Scheme was agreed and the

rehousing process initiated. To date 60 residents have been successfully rehoused.

- 2.2 This additional funding demonstrates Tottenham's importance in London's growth story. Significant housing and economic growth is achievable in North Tottenham due to its locational advantages (transport connectivity and proximity to central London), substantial public sector land holdings in the area, embedded partnership arrangements between the GLA, TfL and the Council at all levels of the regeneration programme and an appetite for change amongst local communities.
- 2.3 The funding supports the delivery of the vision for North Tottenham, whilst maximising social and economic benefits for local people. These benefits include improved health and quality of life, through the delivery of enhanced social infrastructure such as high quality community, educational and health facilities and high quality open and play space – helping to ensure that the education and health outcomes are equal to the best in London.
- 2.4 The delivery of a range of high quality new homes will ensure that residents benefit from greater housing choice. The new Local Centre, workspace and the development itself, will provide substantial employment and training opportunities for local people. The Council will also ensure that the funding helps leverage additional support for community capacity building and social initiatives that meet the local community's needs and priorities.

3. Recommendations

3.1 It is recommended that Cabinet:

- I. Agree to the Funding from the Greater London Authority ("GLA") set out in paragraph 6.6 of this report and give delegated authority to the Chief Operating Officer and the Director of Regeneration, Planning and Development after consultation with the Cabinet Member for Regeneration and Housing to:
 - (1) Finalise and agree the Overarching Borough Agreement ("OBA") for Tottenham Housing Zone Phase 2 (North Tottenham) based on the core terms set out in paragraphs 6.7- 6.11 of this report and associated legal documents, including all Borough Intervention agreements ("BIA");
 - (2) bid for and agree any further funding from the GLA for the Housing Zones; and
 - (3) agree, and/or vary, and finalise any Housing Zone Overarching Borough Agreements and associated legal agreements, including BIAs, in respect of the core terms set out in this report and in respect of any further funding from the GLA for the Housing Zones.

4. Reasons for decision

- 4.1 The Phase 2 Housing Zone funding for North Tottenham is critical in ensuring the High Road West Regeneration Scheme and the wider North Tottenham regeneration objectives can be delivered. The High Road West Regeneration Scheme will provide the key place-making investment and infrastructure required to ensure that North Tottenham becomes a new residential and leisure destination, which will then secure the necessary up-lift in place and value to support the future regeneration of North Tottenham.
- 4.2 As set out in the December 2015 High Road West Cabinet report, GVA Bilfinger have completed a financial model for the High Road West Scheme. The financial model has shown that the scheme has a significant funding gap due to the substantial upfront costs associated with land assembly and infrastructure. The High Road West Scheme cannot be delivered unless this funding gap is reduced. The Housing Zone Phase 2 funding will reduce this gap by providing a mix of grant funding and borrowing to fund and cash flow the land assembly costs and infrastructure costs.
- 4.3 The Council is seeking to enter into an OBA with the GLA now, to ensure that the contractual framework for the funding is agreed. It is only once the contractual framework is agreed that the funding will be secured and can be released. The Council is aware that the Housing Zone Phase 2 funding allocation is oversubscribed, it is therefore imperative that the funding for High Road West and North Tottenham is secured as early as possible. It is also the case that the procurement process to select a development partner for the High Road West Scheme is underway and the Council will need to be able to demonstrate that it has the public sector funding required to support the delivery of the scheme.

5.0 Alternative options considered

- 5.1 It has been demonstrated via the financial model for the scheme that it has a significant funding gap. The Council's commercial consultants, GVA Bilfinger, have advised that the Council will not be able to deliver the regeneration scheme unless this funding gap is reduced. Officers have sought to reduce the funding gap, by reviewing the masterplan and testing the number of homes which can be delivered and revisiting the land use.
- 5.2 Officers have also explored other options to reduce the funding gap, including Council prudential borrowing and HM Treasury funding. In Autumn 2015, the Council commissioned GVA to produce a business case to support negotiations with HM Treasury to provide financial assistance to bridge the funding gap. However, both options have proved unviable. Consequently, seeking Housing Zone funding is the best feasible option for the Council.

6.0 Background and summary information

- 6.1 The Council has a major commitment to both housing and employment growth through the Council's Corporate Plan 'Building a Stronger Haringey together', and through its contribution to the London Plan's housing and jobs targets. The

nature and scale of these ambitions are further set out in the Council's Economic Development and Growth Strategy and in the draft Housing Strategy. More specifically for Tottenham, the Strategic Regeneration Framework (SRF) - a 20-year vision for the future - sets out the need to deliver at least 10,000 new homes and 5,000 new jobs in Tottenham over the next twenty years.

Housing Zone Phase 2 (North Tottenham) Bid - Vision and Policy Context

6.2 To support the Council's regeneration ambitions in North Tottenham, the Council developed and submitted a Housing Zone Phase 2 bid. A summary of the bid can be found at Appendix 2. The bid set out the Council's vision for North Tottenham and sought to secure additional funding to deliver this vision.

6.3 The Council's vision for North Tottenham is clearly set out in the Strategic Regeneration Framework, which was agreed in 2014 and the Tottenham Area Action Plan, which is due to be adopted in autumn 2016. The vision seeks to see North Tottenham:

“transformed into a vibrant, mixed and sustainable community and new leisure destination for London- a place where people want to live, work and visit.”

6.4 This vision will be achieved through the successful delivery of the three major regeneration and development schemes in the area. The three schemes are detailed below:

- **High Road West** - High Road West is a key place-shaping scheme extending 10 hectares across the Love Lane Estate and commercial land north of White Hart Lane. In addition to the opportunity to create a new residential neighbourhood with a minimum of 1,400 new homes, High Road West plays a critical role in supporting the delivery of a sports and leisure destination in North London. High Road West will be supported through the refurbishment of White Hart Lane Overground station and a new public square which will provide an expanded and improved Local Centre and new community facilities.
- **Northumberland Park**- Northumberland Park, a 32 hectare scheme where a Strategic Masterplan Framework has been developed in partnership with the local community, has a number of advantages (locational and land ownership arrangements) that can be maximised to fully realise the area's potential. Northumberland Park has the potential to deliver a large estate regeneration scheme providing between 2,300 – 2,800 net new homes, world class educational facilities and generous new public space. There is also the opportunity to ensure that Northumberland Park and the Lee Valley Park are better connected- ensuring that Northumberland Park residents have easy access to London's largest open space.
- **Northumberland Development Project** - The Northumberland Development Project (“NDP”) is a catalytic, multi-stage, mixed-use development led by Tottenham Hotspur Football Club (“THFC”), which centres on the delivery of a world class 61,000 seat stadium at White Hart Lane. With early stages and the delivery of a large new supermarket and a new college facility completed, focus has turned to the delivery of the next stage, which along with the stadium, will deliver 585 new homes and almost

20,000 sqm of commercial space, including a new hotel, club megastore and museum and café.

The NDP will also deliver a large new public square, which will provide a high quality public space for local people and visitors. The square will extend from the High Road right through to Worcester Avenue - providing vital east west connectivity. The square will provide a new multi-use games area and will be animated through events and community programmes managed by the Tottenham Hotspur Foundation.

- 6.5 As set out in the Tottenham Area Action Plan, which provides the policy framework for development across Tottenham, the three regeneration schemes will be connected by a new green public realm network which will, in an area of substantial open space deficiency, effectively link and connect the major physical assets in the area, namely: the new White Hart Lane Station, the High Road West Regeneration Scheme, the NDP scheme, the Northumberland Park Regeneration Scheme, Northumberland Park station and the Lee Valley Park.

Housing Zone Phase 2 (North Tottenham) – Focus of the Housing Zone funding

- 6.6 The Housing Zone Phase 2 bid focuses on the High Road West Regeneration Scheme. The total funding is £62,063,553.00. The funding consists of several key elements, these are detailed below:

- **Affordable Housing Grant-** The GLA have agreed to provide traditional affordable housing grant to support the delivery of affordable housing at High Road West. This includes funding towards new social, affordable and low cost home ownership homes.
- **Housing Zone Grant Funding-** The GLA have agreed to provide funding to ensure that the Council has the necessary funding to cover the significant infrastructure and land assembly costs associated with the High Road West Regeneration Scheme. Any associated fees and costs accrued during the land assembly exercise can be claimed from this funding.
- Some of the grant provided by the GLA will be repayable should the scheme make a profit in the future, beyond that already anticipated for in the financial model.
- **Repayable Grant Funding-** The GLA have agreed to provide repayable grant funding to facilitate the land assembly costs. This will only be drawn down if needed.
- **Mayoral Regeneration Funding (“MRF”)-** The GLA have agreed the existing “MRF” for Station Approach and the Decentralised Energy Network¹ to be incorporated within the Housing Zone Programme. This funding was secured in 2012 to support the delivery of a new public space linking an enhanced White Hart Lane Station with the High Road and the delivery of a Decentralised Energy Network in North Tottenham. Incorporating the MRF

into the Housing Zone Programme ensures that the Council has all funding required to support the High Road West Scheme and all reporting mechanisms within one overarching agreement. The remaining funding includes £2.5m for the Decentralised Energy Network and £3,863,553 for Station Approach.

OBA and Borough Intervention Agreements

6.7 Similarly to the Tottenham Hale Housing Zone, to secure the North Tottenham Housing Zone funding, the Council must enter into an OBA and in respect of each intervention (or funding) set out in the OBA the Council will also be required to enter into individual BIAs with the GLA. The OBA is an overarching agreement with the GLA which details:

- The amount of funding to be received
- The types of funding e.g. Affordable Housing Grant, Repayable Grant, Non-Repayable Grant
- The phasing of the funding
- The outputs which will be delivered (no of homes) and the timescales relating to these outputs, and;
- The conditions for release of this funding

6.8 The OBA will contain a number of obligations which the Council will need to adhere to, in order for the funding to be released. These are detailed below;

The Council will be obligated to deliver the following outputs:

- 2000 housing units in the North Tottenham Housing Zone area, of which 600 are affordable, to be completed in phases between 2020 and 2026.
- 2,000sqm improved public realm and 1,750sqm of new public realm
- A new District Energy Network in North Tottenham.

The Council is also obligated to:

- Comply with the commitment in achieving the of London Living Wage;
- Subscription to the Mayoral Concordat, which stipulates that new homes for sale will be available for sale to Londoners before or at the same time as they are available to buyers from other countries;
- Comply with the KPIs relating to planning efficiencies and effectiveness, as set out in Appendix 3;
- Be subject to regular performance and monitoring to GLA through the governance structure.

6.9 As the GLA will require comfort that the Council can secure all land required to deliver the outputs detailed above, the funding will be conditional on GLA approval of the land assembly strategy. Officers are currently working with legal and commercial advisors to finalise the High Road West land assembly strategy for submission to the GLA.

- 6.10 If the Council fails to meet the outputs and obligations above, the GLA will require the Council to submit a remedial plan to address the issues for GLA approval. Should the GLA not approve the plan, they will have the right to terminate the contract and recover funding.
- 6.11 The delivery of the High Road West Regeneration Scheme and the governance of the OBA will be subsumed by the officers within the Tottenham Regeneration Team. The funding will be governed through the existing governance structure. This includes a monthly Tottenham Housing Zone Operational Board where any strategic risk and issues will be highlighted and if necessary escalated to the monthly Tottenham Programme Delivery Board and/or the quarterly Joint Strategic Forum. All three boards are attended by relevant council and GLA officers.
- 6.12 Officers within the Tottenham Regeneration Team and at the GLA are currently finalising the OBA for approval.

7. Contribution to strategic outcomes

- 7.1 The recommendations outlined in this report are key to delivering the regeneration objectives for Tottenham as set out in the Strategic Regeneration Framework and the Tottenham Area Action Plan. The Housing Zone status for Tottenham will ensure that regeneration is delivered in a timely and effective way. The regeneration of Tottenham Hale and the North Tottenham and the hundreds of millions of pounds of private sector investment it will bring, supports the Council in the delivery of two of its corporate plan priorities: –
- Priority 4: Drive growth and employment from which everyone can benefit; and
 - Priority 5: Create homes and communities where people choose to live and are able to thrive.
- 7.2 In terms of growth and employment, the major new leisure and commercial quarter located around the proposed new public square along with new work spaces will deliver an increase in employment in the area and attract significant visitor spend. As importantly, c. 4000 homes will be delivered across North Tottenham aimed at a variety of income levels and supports our ambitions to deliver a truly mixed and sustainable community in north Tottenham.

8. Statutory Officers comments (Chief Finance Officer (including procurement), Assistant Director of Corporate Governance, Equalities)

Finance

- 8.1 This Housing Zone funding is in addition to funding already allocated to the Tottenham Hale area. The additional funding allocated for North Tottenham should allow the High Road West Scheme to be delivered by supporting the Councils significant acquisition costs. In turn this will help deliver improved public realm and community facilities.
- 8.2 In order to deliver the High Road West scheme the Council will be expected to provide vacant possession of the development site to the appointed

development partner. Therefore the Council will incur significant upfront costs in order to progress the scheme, with the expectation these would be reimbursed by a development partner via payments for land once the development is in progress.

8.3 The Council commissioned GVA Bilfinger to model the likely cost of delivering the scheme both from the Council point of view in terms of acquisition costs and required infrastructure and from the developer point of view in terms of construction and related costs. It then compared these costs with the expected revenues from the scheme and this showed that there was a funding gap based on the modelled position. For this reason a bid was made for further Housing Zone funding to eliminate this gap.

8.4 The funding package agreed is made up of;

- Affordable Housing Grant which will ultimately be paid to the developer to ensure Affordable Housing is delivered on the site.
- Housing Zone Grant to support the Council's acquisition and related borrowing costs
- Mayoral Regeneration Funding which is existing monies for the delivery of Energy and Transport infrastructure.

8.5 In June 2016, a maximum budget of £98m for the necessary acquisitions was recommended by Cabinet for Council approval. The budget is to be financed with external funding. This will be cashflowed using Housing Zone Grant and eventually financed using a combination of land receipts from developers and if necessary, the Housing Zone Grant.

8.6 The Council will ensure that grant is drawn down in advance of payments being made to avoid cashflow issues. An element of Housing Zone grant is repayable and modelling suggests that the scheme will generate sufficient value in the form of payments for land to enable this repayment. The Council will seek to maximise indemnity from developers on land values. However, there is a risk that sufficient receipts are not generated. The Council will need to review the position carefully during the procurement process to ensure that repayment is still likely before commencing on the build phase of the scheme.

8.7 The funding allocated is based on a modelled position and the actual cost of the High Road West Scheme will only be known once the scheme is underway and is dependent on factors such as infrastructure costs, construction costs and sales values and so an element of risk will remain until the project is complete. Negotiations with the GLA have confirmed that the repayable element of the grant will only apply if sufficient surplus is made from the scheme to allow repayment to take place. It is important that through the procurement process, already approved by Cabinet, the financial model is continually updated and the relevant risks monitored to ensure that the Council is aware of the risk profile at all times and thus only incurs expenditure when it is confident the whole scheme remains deliverable.

- 8.8 The funding package agreed with the GLA, assumes that the Council Treasury Management function will transfer to the GLA in the near future allowing the Council to take advantage of lower borrowing rates.

Procurement

- 8.9 The Construction and Procurement Group (CPG) note the contents of this report in relation to the Tottenham Housing Zone Phase 2 – North Tottenham and have no objection to the Cabinet approving these recommendations.

Legal

- 8.10 The GLA requires the Council to enter into a separate OBA for the funding for the Housing Zone Phase 2 and as already mentioned in this report, separate BIAs will need to be entered into before each funding can be drawn down. Each BIA will set out the details of how the funding can be drawn down and the conditions attached to them. Members should note that some of these grants are repayable and those grants that are deemed non refundable may also have to be repaid if the outputs (direct or indirect) are not met.
- 8.11 Under the Constitution only the full Council can determine the borrowing limits for each financial year and the proportions of borrowing that are to be set at variable rates. The borrowing must therefore fall within the limits set by the full Council.

Equality

- 8.12 The Council has a public sector equality duty under the Equalities Act (2010) to have due regard to:
- tackle discrimination and victimisation of persons that share the characteristics protected under S4 of the Act. These include the characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex (formerly gender) and sexual orientation;
 - advance equality of opportunity between people who share those protected characteristics and people who do not;
 - foster good relations between people who share those characteristics and people who do not.
- 8.13 High Road West is a key focus of Tottenham Housing Zone Phase 2. An EqIA was completed for the High Road West Masterplan, which was agreed at Cabinet in 2014. The EqIA describes the proposals; identifies the impacts on the “protected groups”, i.e. those with protected characteristics under the legislation (age, sex, ethnic origin, sexual orientation, disability, etc); and explains how those impacts which are negative (for example, the need for disabled and old people to move home) can be mitigated, where this is possible.
- 8.14 A further EqIA for the High Road West Regeneration Scheme was completed in December 2015, to assess the impact of the Council initiating the rehousing process for tenants living in Phase 2 of the Love Lane Estate.

- 8.15 A further EqIA will be completed for the High Road West Scheme once a development partner has been selected to deliver the regeneration scheme.
- 8.16 Going forward, as the details and delivery plans for the individual projects under Tottenham Hale’s strategic framework are further developed, decision makers need to ensure that the potential impact on different groups of residents is duly considered specific to each major project.

9 Use of Appendices

9.1 The table below details the appendices relevant to this report:

Appendix	Document
Appendix 1	Tottenham Housing Zone Map
Appendix 2	Summary of the Housing Zone Phase 2 Bid
Appendix 3	Key Performance Indicators within the OBA

10 Local Government (Access to Information) Act 1985

10.1 Background Papers:

- 15TH July 2014 Cabinet Report - Tottenham Hale Regeneration Programme
- 15th December 2015 Cabinet Report- High Road West Regeneration Scheme Update and Next Steps