

Date: 15th August 2022

Item: Conditional Sale of Assets at Edgware Bus Station

1. Summary

1.1. This paper recommends the entry into a conditional joint venture agreement (CJVA) with Ballymore and to progress a planning application for the Edgware project.

There are six primary conditions to be satisfied in the CJVA (set out in paragraph 5.2 below), the most important of which ensures continuity of LBSL operations during construction (the “Bus Condition”). This requires that formal agreements are in place for (1) the delivery of new bus station and stands to LBSL; and (2) the delivery of a new bus garage to the two existing tenant Bus Operating Companies (BOCs). During the construction period, those agreements will provide for temporary operational assets. LBSL and Infrastructure Protection will be involved in the negotiations of these agreements to ensure operational alignment.

1.2. The decision being sought now is whether TTLP should enter into the CJVA and associated legal documentation. The key commitments of these agreements are:

- Disposal of the land if all conditions are satisfied;
- Working collaboratively with Ballymore to progress the development opportunity;
- Participation in design progression, planning engagement and stakeholder management; and
- Assisting in satisfaction of all conditions.

1.3. If all conditions are satisfied, TTLP will have a decision to make in the future: either (1) to dispose of the land in line with the approvals sought in this paper or (2) to enter into a JV with Ballymore, based on a [REDACTED] shareholding (assessed as TTLP’s proportion of the Existing Use Value of the development site).

2. Recommendations

2.1. The CFO is asked to:

- Note the paper and supplementary appended information;**
- approve a total Land Authority request of [REDACTED], comprising:**
 - **Land authority for the forecast disposal receipt of [REDACTED] and entry into a conditional joint venture agreement (CJVA) with Ballymore;**
 - **approval of an increase to TTLP’s share of planning costs by [REDACTED]; and**
 - **approval of an increase to legal budget authority of [REDACTED]**

- c) **approve the progression of an outline planning application for the combined site in conjunction with Ballymore.**

3. Background

- 3.1. TfL holds a number of assets at Edgware station that are proposed to be included as part of the disposal. The TfL assets relevant to the potential disposal include a bus station and stand facilities owned by LBSL; and a variety of assets owned by TTLP being a bus garage leased to RATP and Metroline; a mixture of residential, office and retail assets; and an outreach mental health facility leased and operated by a local health trust.
- 3.2. TTLP have been working with Ballymore since 2021 to prepare a planning application for a preferred scheme that targets up to [REDACTED] of mixed-use commercial space; and new bus assets, including a fully electrified bus garage and new bus standing area, accommodated within a partial basement as well as a new bus station in front of the existing LU station. The scheme intensifies the use of the site whilst delivering significant enhancements in public realm and facilities for the wider area.
- 3.3. The new bus station will seek to enhance the relationship with Station Road which abuts the site to the west. Currently the bus operations interaction with the primary town centre road is poor, impairing traffic flow due to the volume of turning buses and creating severance and Vision Zero risks for pedestrians.
- 3.4. The project team have engaged with statutory authority stakeholders such as LB Barnet, GLA and TfL spatial planning who are all broadly supportive of the principle of development, with further engagement required to secure all relevant permissions to commence development.
- 3.5. Extensive community engagement has been at forefront of the approach for the scheme. To date over 1,000 people have been met in person and over 7,800 people have visited the scheme's Commonplace website with over 1,000 contributions, all of which have been considered in shaping the scheme

4. Future Approvals

- 4.1. Further approvals will be required in the future as planning progresses and decision gates are reached, the approvals required in the future will include, but may not be limited to:
- to take a minority [REDACTED] share of the Joint Venture vehicle (using a nominated TTLP subsidiary) with associated requirements for equity contributions;
 - to exercise the negotiated pre-emption approval to acquire a new bus garage on the basis of [REDACTED]
 - [REDACTED]

4.2. These approvals will be brought back in due course at the appropriate juncture once further detail is available to inform decision making.

4.3. In addition to the above, design approvals from LBSL will be needed for works to be delivered for TfL by the JV, e.g. new bus station and stands.

5. Legal

5.1. Legal summaries for each document are attached to this paper at appendix 1. The legal negotiations were led by TTLP with strategic legal input from TfL Legal and support from our external lawyers.

5.2. Key legal points are summarised below:

a) **CJVA Conditions**

- Governs the period between exchange of contract during which the parties will seek to satisfy the conditions, with a view to either forming a JV or completing the disposal of TfL's land.
- Conditions include:
 - o Satisfactory planning permission;
 - o Land assembly strategy agreed;
 - o Red book valuation being equal to or greater than EUV;
 - o Business Plan agreement;
 - o Clearance of existing SPV debt; and
 - o Bus Agreement Condition.

b) **Identity of JV Vehicle**

- [REDACTED] Ballymore requested that an existing Ballymore company, Ballymore Edgware Limited (BEL) is used to form the JV rather than a newly created special purpose vehicle. This has been agreed provided that TTLP bears no increased risk either now or in future and a robust indemnity has been negotiated by our external lawyers.

- [REDACTED]

c) **Bus agreement**

- Heads of Terms for the bus agreement are appended to the CJVA and will be progressed during the conditional period. The purpose of the agreement is to provide certainty as to the future transport assets and will document:
 - o agreement of design of new bus facilities to be delivered to shell and core by the JV [REDACTED]
 - o approval of the design by LBSL;
 - o the provision of temporary facilities in advance of commencement of construction of the Development by the Joint Venture Vehicle [REDACTED]
 - o [REDACTED]
 - o [REDACTED]

d) **Election to participate in the JV**

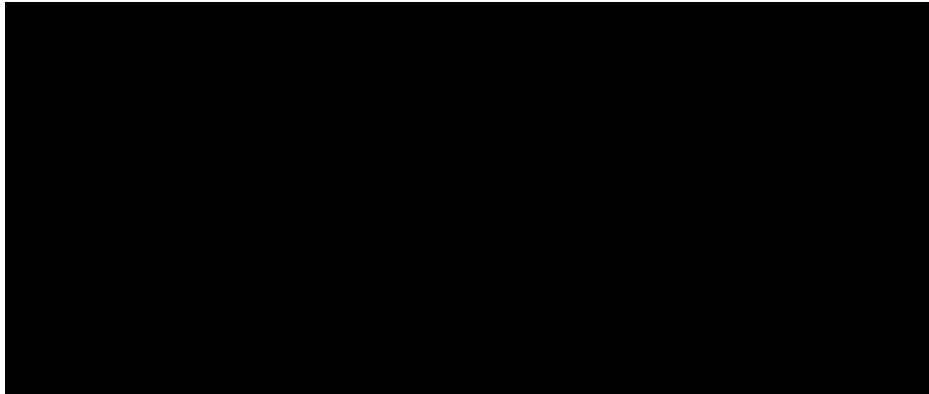
- In order to maintain flexibility for TTLP, the decision to participate in the JV is delayed until the events below have occurred, currently forecast to be Q1 2024:
 - o Planning committee approval;
 - o Agreement of the land assembly strategy;
 - o A red book valuation with a special assumption on agreement of the s106; and
 - o A compliant business plan for phase 1 issued by the DM.
- Following the issuance of the compliant phase 1 business plan, TTLP will have 3 months to choose whether it will either participate in the JV or dispose of the land. TTLP will have sight of and input into the draft business plan prior to issue.
- Once the s106 has been agreed but before it is signed, there will be a confirmatory period during which updates can be made to the business plan (if needed); a refreshed red book valuation can be undertaken (should any assumptions need to be updated due to the time that has lapsed since the previous valuation); and final due diligence can be undertaken on the Ballymore corporate vehicle, if needed. On confirmation that no material changes have occurred, TTLP and Ballymore will sign the s106.
- Following the last of the events set out above, TTLP will decide whether to participate in the JV.

6. Financial

6.1. A budget was approved in September 2021 for costs to take the project to grant of an outline planning permission. Following review of the budget with Ballymore and as a result of programme delay and additional report requests from LB Barnet, GLA and TfL Spatial planning an extension to the planning budget is required. The additional contribution required by TTLP amounts to [REDACTED] the revised project costs are set out below.

Cost Items Approved Sept 2021	Revised TTLP Share of Costs
Detailed Design & Planning Budget	[REDACTED]
TfL Staff Capitalisation	[REDACTED]
[REDACTED]	[REDACTED]
Business and Development Manager	[REDACTED]
Agency Services Costs	[REDACTED]
[REDACTED]	[REDACTED]
Total Costs	[REDACTED]

6.2. The basis of the cost sharing to date and the stakes in a prospective JV were calculated utilising Existing Use Valuations without hope value that were carried out by Cushman and Wakefield for the respective assets, a high-level summary is set out below with the resultant equity split:



6.3. The land receipt used for this paper is based on current appraisal assumptions and these will reviewed on an ongoing basis. The valuation condition of the CJVA requires that a valuation in accordance with RICS Red Book guidance is undertaken post committee approval which is subsequently updated pre signature of the s106. This is the same approach in either scenario of TTLP forming part of the JV or not. The valuation condition will not be satisfied if the proposed land value is below that of the current EUVs as set out at 6.2.

6.4. The conditional period business plan agreed with Ballymore is appended to the CDIG paper provided alongside this paper, it documents an outline appraisal produced on the basis of agreed assumptions that set indicative metrics for any prospective JV going forwards. The returns would only be relevant to TTLP should it be approved in due course that it participates in the JV. Key outputs from this appraisal are set out below:

[REDACTED]

6.5. [REDACTED]

6.6. The project is consistent with TTLP investment strategy to grow residential investment asset income should it participate in the JV and elect to acquire assets from the development JV. The analysis of the future investment decision is actively being considered as part of investment strategy and future capital plan.

6.7. [REDACTED]

6.8. The spend and receipt are budgeted.

7. Best Value

7.1. [REDACTED]

8. Key Benefits of this Proposal

8.1. The work to bring this project to this stage has been extensive and challenging, managing various stakeholders, including internally to align the scheme to respective parties' objectives in so far as possible. This is a significant opportunity for TTLP to be part of a transformational scheme with a well-respected developer, which has a proven track record of regeneration projects of this scale.

8.2. By entering into the CJVA the delivery of potential operational and financial benefits as well as contributing towards TfL Priorities such as future funding,
TfL Restricted

pandemic recovery and green future could be unlocked if all CJVA conditions are satisfied:

Benefits	Operational	Financial	TfL Priorities
Delivery of up to 4,000 homes contributing to FSP targets		✓	✓
New bus station and stands delivered and 999 year lease granted to TfL [REDACTED]	✓		✓
Facilitating acceleration of the electrification of the local bus fleet	✓		✓
Enabling capital receipt for TfL		✓	✓
Opportunity to enter into a Joint Venture [REDACTED]		✓	✓
[REDACTED]		✓	✓
Pre-emption to acquire new electrified bus garage	✓	✓	✓
Enable regeneration and post pandemic recovery for Edgware			✓

9. Operational Engagement, Implications and Opportunities

- 9.1. Endorsement as to the principle of development was granted in September 2021 at the Surface Executive Strategy Meeting. The concept of significant change to the bus assets had caused concerns at some levels but the meeting endorsed the principle of development subject to an acceptable approach being agreed upon through collaborative working in terms of the future bus assets.
- 9.2. Engagement continued with LBSL colleagues and an in principle preferred option has been endorsed by the Bus Change Portfolio Meeting which was attended by Louise Cheeseman. Detailed designs of the bus assets will be progressed through a LBSL / TTLP / Ballymore working group and managed through Pathway. As set out in this paper, the agreement of these plans will form part of one of the conditions of the disposal or JV formation.
- 9.3. The new operational assets will mitigate existing Vision Zero risks associated with the entrance to the bus station whilst providing an enhanced customer experience which will also reduce unnecessary bus movements. The new assets will also enable acceleration of the electrification of the bus fleet based at Edgware. Work is underway with the Bus Operating Companies based in Edgware garage alongside Operational Property and Bus Business Development colleagues.
- 9.4. TTLP have engaged with LUL over the same period but because the development has limited direct impact on LUL's assets, no concerns have been raised. A cycling/walking route will be delivered as part of the scheme using LUL land which is currently unused but will remain in LU ownership to provide safeguards for any future stabling expansion access requirements.

9.5. A consultation for Mayor's Opinion was issued on 1 April 2022 with no significant concerns raised by operational colleagues during the consultation period and the disposal was approved at CDIG on 3 May.

9.6. TTLP will continue to engage with relevant operational teams throughout the planning and development process to ensure alignment to operational requirements and will follow all required assurance processes such as Pathway.

10. Conclusion

10.1. Significant positive progress has been made with Ballymore, LB Barnet, operational colleagues and wider stakeholders to create an opportunity which combines TTLP and Ballymore landholdings to deliver significant benefits in terms of homes, enhanced transport assets, town centre regeneration, alongside a capital receipt for TTLP should it enter into the CJVA and all conditions are satisfied.

10.2. The new Labour administration have been engaged with and are supportive of the principles of the scheme and have requested that we engage on a frequent basis so they can assist progressing the scheme.

10.3.

10.4. There are of course risks associated with property development but TTLP is familiar with such risks. In addition, TTLP would be continuing in a partnership with a renowned developer that has demonstrated a pragmatic approach in working with TTLP to date and has considerable experience in projects of this scale.

10.5. The parties wish to exchange contracts by mid-August 2022 so that the planning programme is maintained. It is essential that RIBA stage 2 is commenced in August of this year, to ensure that the planning application is submitted in Q1 2023 so that it reaches committee in advance of the Mayoral elections in 2024.

10.6. Based on current agreements the project team is unable to commence RIBA stage 2 and subsequently preparation of the planning application is paused until exchange of the CJVA has taken place.

Appendix 1 – Legal Summaries

Appendix 2 – Best Consideration Report