

**Date: 13 March 2017**

**Item: Disposal of Land at Kidbrooke**

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**This paper will be considered in public**

**1 Summary**

- 1.1 This paper describes the proposed disposal and redevelopment of surplus land at Kidbrooke following a competitive tender process through the Property Partnerships Framework.
- 1.2 The paper seeks the approval of the Committee to dispose of the land and enter into a joint venture with the preferred bidder referred to in the paper on Part 2 of the agenda. Kidbrooke is in south east London in the Royal Borough of Greenwich.
- 1.3 A paper is included on Part 2 of the agenda, which contains exempt supplemental information and documentation. The information is exempt by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the financial affairs of TfL. Any discussion of that exempt information must take place after the press and public have been excluded from the meeting.

**2 Recommendation**

- 2.1 **The Committee is asked to note the paper and the related paper on Part 2 of the agenda:**
  - (a) **approve the preferred bidder as set out in the paper on part 2 of the agenda;**
  - (b) **grant Land Authority for:**
    - (i) **the acquisition by TfL or a Subsidiary of a 299 year lease of land from Network Rail for the purposes of the Kidbrooke development for the maximum sum set out in the paper on Part 2 of the agenda;**
    - (ii) **the grant by TfL or a Subsidiary of a 299 year leasehold interest in the land at Kidbrooke and Network Rail land described above to the joint venture vehicle to be established for the sum set out in the paper on Part 2 of the agenda;**



site to the preferred bidder as described in this paper and the paper on Part 2 of the agenda.

## **4 Operational issues**

- 4.1 Within the site is an operational bus station known as Henley Cross. Bidders have been asked to incorporate a new bus station forecourt layout as part of their scheme design. The preferred bidder's solution is acceptable to TfL.
- 4.2 The site is clear of any further operational constraints.

## **5 Best Value and State aid**

- 5.1 An assessment of Best Value needs to be undertaken at the different stages of the procurement process for each site to ensure that TfL can be confident that it has secured the best value for the site. Best Value is tested independently by our property and financial advisors. That advice also considers State aid issues and, specifically, whether the transaction (including the disposal) is State aid compliant; the relevant tests are slightly different from the Best Value test and consider whether our actions are consistent with those of a prudent private sector operator known as the "Market Economy Operator Principle" test, taking into account the EU Commission's Communication known as the "Sale of Land Guidelines".
- 5.2 Prior to commencing the mini competition, independent property advisors Deloitte Real Estate confirmed that for Kidbrooke proceeding with a joint venture and procuring a partner through the Property Partnerships Framework was consistent with an organisation looking to maximise value, over and above the other potential disposal options for the site. Analysis included a review of proposed commercial terms for the transaction including the proposal to take an equity stake in the Joint Venture. This analysis took the Mayoral Direction into account.
- 5.3 Subsequently Deloitte Real Estate has undertaken an assessment of the bidders' financial submissions focussing on the deliverability the assumptions made and supporting evidence provided in order to test that the price being offered is consistent with market price and that the proposed development management fee to be charged by the preferred bidder is at a market rate. Deloitte Real Estate has confirmed that the evidence provided meets the Market Economy Operator principle test, subject to allowing for an appropriate contingency being included in our internal financial planning (as we have done in our risk adjusted appraisal).

## **6 Due Diligence**

- 6.1 Financial due diligence has been undertaken on the preferred bidder at a number of stages in the Property Partnerships Framework process. At the Pre-Qualification Questionnaire (PQQ) stage, in order to be eligible to be appointed to the Framework, all potential framework partners were required to show that their net asset value exceeded a minimum threshold of £100m and that their turnover exceeded a minimum threshold of £200m.

- 6.2 Prior to recommending the preferred bidder for Kidbrooke, this financial due diligence was carried out again, based upon the previous three years' financial statements of the consortium members.
- 6.3 The analysis concluded that the combined financial standing of the preferred bidder's consortium guarantors exceeded the required threshold by some margin. This provides us with the required level of comfort on the preferred bidder's financial standing as a joint venture partner.

## **7 Views of CDAG**

- 7.1 On 18 January 2017, the Commercial Development Advisory Group (CDAG) considered the evaluation outcome for Kidbrooke and the financial implications of selecting the preferred bidder. CDAG endorsed the recommendation to proceed and select the preferred bidder.

### **List of Appendices:**

Exempt supplemental information is included in a paper on Part 2 of the agenda.

### **List of Background Papers:**

None

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