

MAYOR OF LONDON

Cllr Martin Seaton,
Chair of Planning Committee,
London Borough of Southwark,
160 Tooley Street,
London,
SE1 2QH

Our ref: MGLA/4021/02

Date: 4 May 2020

Dear Cllr Seaton,

Malt Street and Nyes Wharf redevelopments

We are writing to you in relation to the proposed developments at Malt Street and Nyes Wharf. This is further to Deputy Mayor Jules Pipe's consideration of the Malt Street development at Stage 2 on behalf of the Mayor on 16 December 2019 following the borough's resolution to grant consent 3rd June 2019, and the Mayor's consideration of the development at Nyes Wharf on 23rd March 2019 following the borough's resolution to grant consent on 3rd September 2018. The two sites are due to be developed together and the council has been negotiating a joint S106 agreement for both applications.

The Stage 2 reports confirmed that the Mayor supports the developments and was content for the borough to determine the applications itself. We also note that the redevelopment of these sites will help achieve the objectives of the Old Kent Road Opportunity Area with significant public benefits including c.581 affordable housing units, public open space, commercial space and wider public realm improvements. The GLA is also keen to work with the council to review Housing Zone funding and support the borough to bring forward deliverable sites. We are keen to invest our affordable housing grant funding in developments which have a Mortgagee in Possession (MiP) clause that follows the GLA's guidance as this provides greater certainty of the delivery of these affordable housing units.

Since issuing the reports, we understand that the council has been in discussions with the applicants for the sites regarding the approach to MiP clauses within the S106 agreement. This is the final outstanding matter due to be resolved before the agreement can be signed and Southwark's Planning Committee are due to consider this on Monday 4th May 2020.

It has been standard practice to include MiP clauses in S106 agreements in London for many years. This relates to the circumstance where a Registered Provider (RP) defaults

on loan payments and enables RPs to secure funding against affordable housing to fund the provision of additional affordable housing.

The GLA became aware that different approaches to MiP clauses were being applied across London which was causing delays to S106 negotiations and uncertainty for Local Planning Authorities (LPAs) and the sector. To help address this, the GLA issued standard MiP clauses in January 2019 to promote a consistent approach across London.

The clauses are supported by the National Housing Federation and help to increase the level of funding available for affordable housing delivery in London. They also ensure the role of LPAs in enabling the affordable units to be acquired, in the event of a funding default by an RP, which was not accounted for in some clauses promoted at the time.

The following factors were taken into account when determining the GLA's approach and remain relevant:

- The new London Plan sets a strategic target that 50% of new homes should be affordable (Policy H4), which is higher than previous levels of affordable housing delivery in London.
- There is known shortfall in funding available to meet the London Plan strategic target and deliver the level of affordable housing necessary to meet London's housing needs. The approach adopted in the standard clauses increases the finance that can be secured for affordable housing delivery in London.
- The Social Housing Regulator monitors the financial viability of RPs and has the ability to intervene in the management of a RP in financial distress.
- There are few examples of RPs falling into financial difficulties and where this has been the case such RPs have to date been taken over by another RP.
- There are no known cases of MiP clauses being triggered in relation to assets owned by RPs.

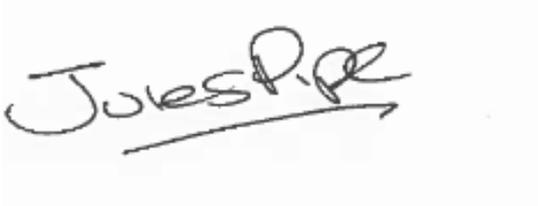
Taking these issues into account it is considered that any risk associated with a RP defaulting on a loan and affordable units not being secured by the LPA or another RP is limited and is outweighed by the factors referred to above.

Whilst Covid-19 presents additional uncertainty, further to discussions with the Social Housing Regulator, the GLA does not intend to review its approach to MiP at the current time. Of course, in the unlikely event that a MiP clause was ever triggered we would work with the Social Housing Regulator, LBS and other RPs to ensure that the affordable housing remained as such.

We would therefore like to confirm our support for the proposed MiP clauses for Malt Street and Nyes Wharf which are similar to those promoted by the GLA, as well as the Mayor's strong support for the developments from a strategic perspective. We hope that this matter can be resolved shortly so that planning permission can be granted and to enable delivery of this major regeneration scheme.

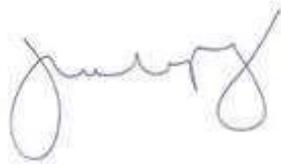
We look forward to continued collaborative working with the Council to deliver the regeneration of the Old Kent Road Opportunity Area and the shared goal of maximising affordable housing delivery.

Yours sincerely,

A handwritten signature in black ink that reads "Jules Pipe". The signature is written in a cursive style with a horizontal line underneath the name.

Jules Pipe CBE

Deputy Mayor for Planning, Regeneration and Skills

A handwritten signature in black ink that reads "Tom Copley". The signature is written in a cursive style.

Tom Copley

Deputy Mayor for Housing and Residential Development