



Subject: Estate Strategy for the Queen Elizabeth Olympic Park – April 2014 Update
Meeting date: 30 April 2014
Report to: Board
Report of: Rosanna Lawes, Director of Development

This report will be considered in private

Subject to the decision of the Board under Item 21 on the agenda for this meeting, this report is exempt and is therefore not for publication to the public or press by virtue of part 1, paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains 'Information relating to the financial or business affairs of any particular person (including the MDC holding that information)'.

1. SUMMARY

1.1. This paper provides an update on the ongoing work on the Estate Strategy for the Queen Elizabeth Olympic Park (QEOP). The previous Investment Committee paper set out the work undertaken on the Fixed Estates Charge (the 'Charge'), and the proposed entity to manage the Park in the longer term.

1.2. **Extracted - not relevant to the request**

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1.3. **Extracted - not relevant to the request**

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2. RECOMMENDATIONS

2.1 The Board is invited to:

2.2 Note and agree the updated analysis on benchmarking of the Charge with other schemes and the appropriate charges for various uses.

2.3 **Extracted - not relevant to the request**

3. TIMING

3.1. It is important to conclude work on the Charge now as the procurement of the next phase of development platforms is underway and it is essential that consistency is applied across the Park.

4. BACKGROUND

4.1. **Extracted - not relevant to the request**

4.2. **Extracted - not relevant to the request**

4.3. **Extracted - not relevant to the request**

4.4. **Extracted - not relevant to the request**

4.5. **Extracted - not relevant to the request**

5. FIXED ESTATE CHARGE

5.1. The principle is that residential and commercial occupiers alone should not pay the full costs of managing the accessible Parklands and venues but will be required to pay a contribution through the Charge. The Charge provides greater operational flexibility to the Legacy Corporation than a variable service charge arrangement and takes the Legacy Corporation outside the provisions of the Landlord and Tenant Act (Sections 18-22) and the

requirements of the RICS Service Charge Code for Commercial Property (3rd Edition, 2014). This model provides for the Legacy Corporation to ring fence income for the benefit and investment in the Park.

5.2. The basis upon which the Charge has been established is as follows:

Use	Charge
Commercial	£1.50 per sq foot (NIA)
Private residential (including PRS units)	£1.00 per sq foot (NIA)
Affordable housing	£0.50 per sq foot (NIA)

5.3. The QEOP is unique in scale and complexity and there is no true comparable scheme. However there are examples across London and the South East where similar charges have been implemented, fixed and variable, to cover estates management.

5.4. The table below summarises the key comparable schemes:

Scheme	Private (psf)	Affordable (psf)	Commercial (psf)	Notes
S43				

* Variable rates – cost of estate management is included in wider service charge and is variable dependent upon cost within the period

- 5.5. The research suggests that there are a range of different methods through which a charge for estate management can be levied. In the majority of schemes where there is a vast estate, in particular public realm, the estates charge is captured as a proportion of the overall variable service charge (e.g. s43 [REDACTED]). This model is more appropriate for these schemes given their scale and the ancillary nature of the public realm provided. The most comparable scheme in terms of scale and complexity is s43 [REDACTED] and the levels here and indexation provide a good comparable to those proposed on QEOP.
- 5.6. We have carried out research into the s43 [REDACTED] model. This model is the same as that proposed on the Park. s43 [REDACTED] has evolved over a circa 15 year period and maintained overall control. There were challenges which the Legacy Corporation will need to learn from:
- The inevitable short fall in early years, requiring high level of subsidy or cashflow challenges. The Legacy Corporation has identified £10m
 - Ensuring consistency to manage the exposure or risk of challenge
 - Challenges in relation to the charge on affordable
 - Community facilities – no estates charge on community facilities, including education, at s43 [REDACTED] as these are classified as part of the site offer
 - Increases in budget over RPI / CPI
- 5.7. A further challenge experienced at s43 [REDACTED] was implementing a charge on the ancillary retail and restaurants as it was considered to be unaffordable to most tenants of this nature. At s43 [REDACTED] it was argued that this type of retail was to provide a community amenity and was therefore not charged at the full commercial rate, instead a rate closer to that charged to affordable tenants was implemented.
- 5.8. In the draft 10 year Business Plan considered by the Chairman's Committee, it is estimated that s43 [REDACTED] will be raised through the Charge from Chobham Manor, Phase 2 of East Wick and Sweetwater, elements of the emerging E2020 vision and Here East. There is currently no assumed income from the commercial or community uses in the Business Plan (other than that included for Here East). This is considered to be a prudent approach to take as we have begun early dialogue, but we will work on the assumption that these institutions, retail and other amenities will pay an appropriate contribution.

6. COLLECTION OF THE CHARGE

- 6.1. The current structure places the obligation on the Estates Management Company for each of the neighborhoods or development platforms to collect the Charge on behalf of LLDC. The Estate Management Company will collect the Charge on behalf of the Legacy Corporation. This will simplify the process for the tenant, and reduce the administrative burden on the Legacy Corporation. This structure will be replicated on Phase 2.

6.2. The Corporation will collect the Charge from Here East starting in October 2014.

7. ESTATE MANAGEMENT ENTITY

7.1. Extracted - not relevant to the request

7.2. Extracted - not relevant to the request

7.3. Extracted - not relevant to the request

7.4. Extracted - not relevant to the request

7.5. Extracted - not relevant to the request

7.6. Extracted - not relevant to the request

8. NEXT STEPS

8.1. Extracted - not relevant to the request

Background papers

- Papers for the meeting of the Investment Committee on 22 October 2013

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