

Date: 30 June 2022

Item: Evolution of TfL Property

This paper will be considered in public

1 Summary

- 1.1 This paper sets out the evolution of Transport for London's (TfL's) approach to property since 2012, when activity was first brought together from across the organisation. A huge amount has been done since then and, in TTL Properties Limited (TTLP), TfL now has the opportunity to create a commercially focused property company that can build tens of thousands of homes and generate billions of pounds of additional asset value, alongside delivering a growing annual dividend that can be reinvested in the transport network.
- 1.2 This paper summarises the work done to date and acknowledges that more will be required to maximise the benefits of TTLP.

2 Recommendation

- 2.1 **The Committee is asked to note the paper.**

3 Commercial Development

- 3.1 The initial basis for what became TTLP was the decision in 2012 to bring all TfL's commercial activity, including its property portfolio, together in a new directorate called Commercial Development. The property portfolio had been considered non-core and hence had lacked investment and intensive management. There was limited data and no coherent plan for property assets in TfL, and the consequence was a history of sub-optimal decisions leading to leakage of value.
- 3.2 The first key property-related decision in Commercial Development was the choice to not dispose of TfL's interest in Earls Court. Instead, Commercial Development converted TfL's land interest into a 37 per cent stake in the Earls Court Partnership Limited (ECPL) joint venture developing the land occupied by the former Earls Court Conference Centres.
- 3.3 TTLP was established in 2014 to hold TfL's shareholding in TTL Earls Court Properties Limited which was the shareholder in ECPL, the joint venture then between TfL and Capital & Counties Properties PLC (Capco).
- 3.4 It was by then clear that complex partnering arrangements would be more common in TfL and so the Commercial Development Advisory Group (CDAG) was established later in 2014. CDAG was set up to provide scrutiny, assurance and expert advice on property strategies and plans, both in formulation and

during implementation. Since 2014, CDAG has been the main senior-level assurance forum on property matters in TfL.

- 3.5 Throughout its existence, the chair of CDAG has been Francis Salway, the former Chief Executive of Land Securities, one of the UK's largest listed property companies. Other current members are Richard Cotton (former Head of UK Real Estate at J.P. Morgan Cazenove), Stephen Howlett CBE (former Chief Executive of Peabody), Mike Jones (former Chairman of Drivers Jonas) and Richard Jones (former Managing Director, Aviva Global Asset Management).
- 3.6 Working closely with CDAG, in February 2016, TfL approved the appointment of 13 major property development companies and consortiums to a development framework, the Property Partnership Framework (PPF). The 13 organisations were selected following a competitive procurement process that saw over 50 companies register an interest in becoming a property partner with TfL.
- 3.7 In May 2016, Sadiq Khan became Mayor of London, following which, Commercial Development committed to delivering 50 per cent affordable housing on all its new development sites, in line with the Mayor's strategy for public sector land.
- 3.8 In March 2017, TfL announced the first of the sites brought forward using PPF. Triangle London Developments, led by Notting Hill Genesis, was confirmed as the preferred bidder for the joint venture to develop TfL's site in Kidbrooke. In line with the Mayor's commitment, Kidbrooke was brought forward at 50 per cent affordable housing. At that stage, Kidbrooke was expected to accommodate 400 homes, though 651 homes are now under construction.
- 3.9 In October 2017, TfL announced Barratt London and L&Q as the preferred bidder in a PPF joint venture to develop 350 homes (also 50 per cent affordable) on a 1.8-acre car park site opposite Blackhorse Road station in northeast London.
- 3.10 The next major step forward of TfL's approach to property saw it announce in April 2019 that Grainger plc was the preferred bidder to be TfL's Build to Rent partner. The first five sites are currently scheduled to come forward for development in the Build to Rent joint venture, now called Connected Living London.
- 3.11 The following month, the Finance Committee approved the consolidation of TfL's commercial property from across the TfL group into TTLP. This created a new balance sheet that could be used to attract new streams of funding. It also allowed greater commercial focus to help deliver improved management and financial returns.
- 3.12 In November 2020, TfL agreed to fund TTLP with £2.1bn of ordinary share capital to create the initial asset base and reflect the asset transfer transactions, with TTLP distributing, in due course, earnings to TfL in the form of dividends. This agreement cemented the utilisation of TTLP as TfL's property vehicle.

4 TTL Properties Limited

- 4.1 The main obstacle to delivering housing in TfL has been access to capital. Prior to the coronavirus pandemic, property activity was effectively competing for funding with transport. The pandemic and associated reduction in ridership and revenue then removed TfL's ability to invest in commercial property.
- 4.2 In January 2021, in response to the financial pressures created by the pandemic, TfL raised with HM Government the option of utilising a commercial property subsidiary to deliver both new housing and increased long-term revenue for TfL. Initial discussions with Government officials were positive, and all parties subsequently agreed on the benefits of TfL operating a dedicated commercial property company. The 1 June 2021 Settlement Letter included a condition for TfL to agree a plan for housing delivery through the dedicated commercial property company. This and subsequent conditions on the commercial property company have all been met.
- 4.3 Substantial progress has been made since, such that as of 1 April 2022, TfL has established TTLP as a financially separate commercial property company. The initial cash balance of TTLP derived from retained proceeds from three recent property disposals. TTLP remains 100 per cent owned by TfL.
- 4.4 Subject to approvals, a £200m debt facility that is non-recourse to TfL is agreed. In addition to recycled receipts from the disposal of surplus property, this debt facility will ensure that TTLP has all the funding it requires for the next three years to embark on a major programme of investment in housing and commercial assets. This investment will unlock jobs and growth across the capital – and provide a growing annuity for TfL to invest in transport.
- 4.5 The other main recent challenge has been planning. Of the 35 schemes (equating to almost 9,000 homes) that have reached the recommendation stage of the planning process, only one (at Stanmore) was not recommended for approval by planning officers. Despite being recommended for approval, four further housing schemes (at Arnos Grove, Canons Park, Sudbury Town and Wembley Park) were refused at planning committee or have been called in, although two were subsequently approved on appeal (Arnos Gove and Wembley Park).
- 4.6 An important milestone in this regard was achieved in January 2021 when the London Borough of Ealing's Planning Committee approved TfL's application for 852 new homes at Bollo Lane in Acton. TfL had taken forward this planning application itself. This suggests that on least some sites, by de-risking the development and crystallising value before going to market, TTLP can accelerate activity and generate a higher land value. This approach will be considered on appropriate future development sites.
- 4.7 TTLP is continuing to accelerate its activity, including announcing in May 2022 that it is launching a search for a new joint venture partner for its commercial office portfolio. The new joint venture partner will be working with TTLP to bring forward three new commercial office developments at Bank, Paddington and Southwark. Together these sites comprise over 600,000 sq. ft. All three sites

have received planning consent or resolution to grant planning consent and meet the highest sustainability benchmarks.

- 4.8 Looking ahead, TTLP's transition from being a department in TfL to becoming a financially independent commercial property company should not be underestimated. Alongside a focus on asset management projects and property development schemes, the TTLP Executive will look forward to working with the Committee on the enabling activities that will allow TTLP to realise its ambitions.
- 4.9 As well as Risk & Assurance, Purpose & Branding and the People Plan covered later in this agenda, we will schedule future sessions to cover, amongst others, the work currently underway on Health & Safety, the Net Zero Carbon Pathway, Data & Technology, and Modern Methods of Construction and construction skills.
- 4.10 Alongside performance updates, the development projects and the enabling activities will form the basis of future Committee meetings.

List of appendices to this report:

Appendix 1: Property Timeline

List of Background Papers:

None

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Appendix – Property Timeline

Year	Key Events
2012	<ul style="list-style-type: none"> Commercial Development set up to consolidate commercial activity in TfL
2013	<ul style="list-style-type: none"> TfL and Capco announce they are in discussions to set up a joint venture to develop Earls Court
2014	<ul style="list-style-type: none"> TfL and Capco announce they have established Earls Court Partnership Limited TTL Properties established to hold TfL's shareholding in TTL Earls Court Properties Limited, TfL's shareholder in ECPL Commercial Development Advisory Group (CDAG) established to provide scrutiny, assurance and advice on property Working with Appear Here, TfL creates a pop-up destination in Old Street station
2015	<ul style="list-style-type: none"> TfL announces its Property Partnerships Framework (PPF)
2016	<ul style="list-style-type: none"> TfL secures planning permission for residential development above Nine Elms Tube station TfL approved the appointment of 13 major property development companies and consortiums on the PPF Sadiq Khan elected Mayor of London and TfL adopts portfolio target of 50 per cent affordable housing TfL unveils plans to open 31 railway arches near Wood Lane Tube station
2017	<ul style="list-style-type: none"> Notting Hill Genesis announced as preferred bidder for the joint venture to develop Kidbrooke Barratt London and L&Q announced as the preferred bidder to develop Blackhorse Road U+I announced as preferred bidder for the joint venture to develop Landmark Court near Borough Market TfL granted planning permission to transform East London Line railway arches in Shoreditch
2018	<ul style="list-style-type: none"> Native Land announced as preferred bidder for the joint venture to develop South Kensington station Crossrail over station developments announced at Bond Street Station West (with Grosvenor), Hanover Square (with The GHS Limited Partnership), Farringdon East (with Helical Plc) and Farringdon West (with HB Reavis) London Community Land Trust announced as delivering community-led housing on two sites at Cable Street and Christchurch Road TfL releases a 'Statement of Support' for small businesses, including commitments around transparency

Year	Key Events
2019	<ul style="list-style-type: none"> • Grainger announced as preferred bidder to be TfL's Build to Rent partner • Finance Committee approves the consolidation of TfL's commercial property from across the TfL group into TTLP • TfL announces retail innovation competition
2020	<ul style="list-style-type: none"> • Barratt London announced as preferred bidder for the joint venture to develop Wembley Park • A2Dominion announced as preferred bidder for the development at Hounslow West • TfL became the first major landlord to announce 100 per cent rent relief for all small businesses at the outbreak of the pandemic • TfL agreed to fund TTLP with £2.1bn of ordinary share capital to create the initial asset base
2021	<ul style="list-style-type: none"> • TfL secures planning for 852 new homes at Bollo Lane, Acton • TfL raises to HM government the potential of creating a commercial property vehicle to deliver new housing and create a growing dividend for transport • Government agrees to the commercial property vehicle • Discussions begin with potential lenders
2022	<ul style="list-style-type: none"> • TTLP becomes finally independent of TfL • Establishment of Land and Property Committee • New debt facility agreed (subject to approvals) • TfL launches a search for a new commercial office portfolio joint venture partner