Land and Property Committee

Date: **10 December 2025**

Item: **Platinum Portfolio - Paddington Joint Venture Debt Finance**

This paper will be considered in public

1 Summary

1.1 This paper seeks approval of Land Authority to enable Places for London Limited to provide a cost overrun guarantee associated with the joint venture debt-finance facility agreement for the Paddington over station development (OSD) (the Transaction) being developed through a joint venture with Helical plc, approval of Authorities for which was given by the Committee on 8 March 2023.

1.2 A paper is included on Part 2 of the agenda which contains supplementary information that is exempt from publication by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the financial or business 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 exempt supplementary information on Part 2 of the agenda and approve Land Authority for the sum set out in the paper on Part 2 of the agenda in support of the Transaction described in this paper.**

3 Background

3.1 On 9 March 2023, following consultation with available Committee Members, the Chair of the Committee approved unbudgeted Financial Authority and Land Authority to enable TTL Properties Limited (now Places for London Limited), to invest in a joint venture to create a growing long-term income stream from a portfolio of high-quality, commercial assets with best-in-class environmental and wellbeing credentials located near central London transport interchanges. This joint venture, called Platinum, is a core element of Places for London's Investment Strategy.

3.2 The Platinum portfolio now comprises Paddington OSD, the 10 King William Street development, Southwark OSD, and the 63 Charterhouse Street development.

3.3 The joint venture will acquire the long leasehold interest in the Paddington OSD site in January 2026. Construction works at Paddington OSD commenced in July 2025 and practical completion of the building is expected in 2028.

3.4 The investment performance of Paddington OSD remains consistent with the requirements outlined in the paper to the Committee in March 2023. The non-financial benefits also remain consistent, and these include measures enhancing the adoption of walking and cycling, employment and skills training, and improvements to public spaces.

3.5 As previously assumed, the joint venture plans to use debt finance alongside equity to fund the Paddington OSD development. At the time of the decision on 9 March 2023, potential debt-funders' guarantee requirements were unknown. As a condition of providing debt finance, the lender requires guarantees from each joint venture parent organisation. Additional Land Authority to enable the Places for London guarantees is therefore sought for the debt facility. Helical plc will provide an equivalent guarantee for its share of the joint venture project. The content of the proposed guarantee is described in more detail in the paper on Part 2 of the agenda.

3.6 Provision of the guarantees will allow Places for London to secure the desired debt and achieve the timetable.

4 Risks

4.1 Risks relevant to the guarantee summarised in the paper seeking approval from the Committee on 9 March 2023 remain relevant though some risks have been mitigated through design, planning and procurement activities since undertaken by the joint venture. The table below summarises some of the key risks identified and their associated mitigations for Paddington OSD.

Potential Risk	**Mitigation**
Operational Interface There are complex operational interfaces associated with this scheme. These constraints may lead to design and construction complexity that can increase costs.	TfL infrastructure protection engineers have been and continue to be involved throughout the project. Platinum's project design team and its early works contractor are designing and constructing in collaboration with TfL infrastructure protection engineers to mitigate risks associated with the operational interface. Design solutions have been identified for all interface matters.

Potential Risk	Mitigation
Market downturn An occupational market downturn could harm the letting of the sites and hence Places for London's cashflow (and hence the target rate of return). A weaker capital market at the time the joint venture looks to dispose of the asset or when Places for London looks to dispose of its interest in the joint venture could reduce Places for London's capital receipts.	The joint venture will consider pre-letting space in the building during construction to limit market risk. Active asset management will be required in the investment phase to further limit this risk. The joint venture and Places for London will be strategic in deciding to retain the asset and in potentially choosing when to recycle capital out of the portfolio to best exploit capital market cycles.
Cost overrun The financial modelling is based on cost reports and market-tenders and builds in an allowance for inflation, however, there is a risk associated with an inflationary shock driving up construction cost or unforeseen project factors leading to increased cost. This would have the effect of increasing Places for London's required equity investment in the development phase.	A proactive procurement strategy, including the use of early contracts with the selected main contractor and key subcontractors and suppliers to limit inflation and cost overrun risk is in effect. Ongoing due diligence is required at later design stages to limit the scope for potential cost overruns, and where possible identify efficiencies and savings.
Leveraging Places for London's and Platinum's strategy calls for project level debt in both the development and investment phases. While the use of debt increases returns, it does present risks for the portfolio. Examples include equity call risk and increased downside risk in a downturn.	The loan to cost ratio in the development period and loan to value ratio in the investment period will be managed to ensure they remain at reasonable levels as agreed with the joint venture to limit the effects of leverage in a downturn. Following the approach taken by the joint venture at 10 King William Street, the debt funding will be raised on an individual-site basis providing an opportunity to assess risk exposure before commencement of main works.

Potential Risk	Mitigation
Project obsolescence and depreciation There is a risk posed by changing occupier demand and associated rental depreciation and obsolescence. This could reduce rental values of the buildings or require capital intensive refurbishments.	The sites are being designed with industry-leading environmental, social and governance credentials in order to align with occupier demand and to mitigate this risk in the short to medium term. In the longer term, this risk will be mitigated through active maintenance and asset management, and possibly disposal of the asset.

5 Financial Implications

5.1 Details of the financial implications of the debt finance agreement are provided in the paper on Part 2 of the agenda.

5.2 In addition to securing relevant insurances for each project, the works agreements require the joint venture to put in place any mitigations required by London Underground's (LU) engineers and to indemnify LU against any damage caused or losses suffered by LU. The paper on Part 2 of the agenda summarises the anticipated guarantees required to support this indemnity as well as guarantees that have been or may need to be provided to third parties.

6 Assurance

6.1 Project Assurance and the Independent Investment Programme Advisory Group Places for London sub-group (IIPAG-Places) have been briefed on the joint venture debt-finance facility agreement for the Paddington OSD and the associated guarantee requirements. IIPAG-Places are supportive of the outline proposals.

List of appendices to this report:

A paper containing exempt supplementary information is included on Part 2 of the agenda

List of Background Papers:

Commercial Office Investment Portfolio Joint Venture Chair's Action paper, issued 9 March 2023

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