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Seizing the Opportunities
A new approach for transforming London

The London Urban Transformation Commission (LUTC)

January 2018

Contents

1: Context and Objectives **p.04**

London's housing crisis p.05

A problem for business p.08

Opportunity and Intensification Areas p.10

The task at hand p.12

2: Diagnosis of the situation **p.14**

A: Persistent shortfall in collective sense of urgency, vision and leadership p.16

Case Study: Southwark p.19

Case Study: Barking and Dagenham p.21

B: Flawed expectations of the respective roles of the private and public sectors p.22

Case Study: Kings Cross Central p.25

C: Inhibiting effect of planning complexity, upfront risk-taking and uncertainty p.26

Case Study: The experiences of London's Development Corporations p.28

Case Study: Greenwich Peninsula p.31

Case Study: London affordable housing and viability SPG 2017 p.32

D: Scarcity of skills and financial resource p.34

Case Study: Battersea Power Station p.35

3: Recommendations **p.38**

Recommendation 1: formation of an OA Delivery Board p.39

Recommendation 2: formation of a properly resourced Urban Transformation Team p.40

Recommendation 3: reforms to enable London government to invest p.42

Recommendation 4: investing in the OAs to meet London's needs p.44

Implementation p.45

Appendix A: List of Consultees **p.46**

Appendix B: Methodology **p.48**

LUTC Commissioners

Stephen Warrington

Non-Executive Director, London First (Chair)

Sue Brown

Executive Director, Planning and Development, London First

Martin Bellinger

Director of Essential Land

Nick Belsten

Director, Indigo Planning

Jeremy Castle

Director, Planning, Deloitte

Dr Nancy Holman

Director of Planning Studies, London School of Economics

Andrew Jones

Director and Practice Leader, AECOM

Lee Polisano

President, PLP

Simon Durkin

Director of Strategy, Research and Operations, Seaforth Land

Rob Tincknell

Chief Executive Officer, Battersea Power Station

Roberta Downey

Partner, Hogan Lovells

Paul Ward

Head of Regeneration, Barratt London

To sustain London's success, stepping up the delivery of new homes and jobs, the capital must get its act together to drive the transformation of large, underproductive areas.

London is pre-eminent as a global city. Its success has been sustained over the centuries through evolution around its distinctive underlying advantages. Over the last few decades London has experienced a marked period of growth, particularly in terms of its population and economic output.

As a consequence of this growth and success, combined with various factors that have constrained the boldness of London's housing and planning policies, the capital is facing a housing crisis and significant pressure on sustaining its attractiveness as a place to work. The long-term economic and social vitality of London is under threat, and although this is widely recognised, the city's collective progress in addressing these issues remains inadequate.

London's scarcest resource is land, but across the city there are large areas of derelict or significantly underutilised brownfield sites. Many of these sites have been designated in successive London Plans as Opportunity Areas (OAs), to focus attention and resources on bringing them back into active use. The OAs are really significant, representing around one fifth of London's land. However, with some notable exceptions, progress on their transformation into thriving communities to live and work has been patchy and, overall, slow. The consequent economic and social opportunity cost in terms of homes and employment forgone is huge.

The London Urban Transformation Commission (LUTC) has brought together practitioners and consulted widely to consider why London has struggled to transform many of its OAs and similar locations into productive places. It identifies what is needed to help accelerate progress to create great places to live and work, at pace, volume, quality and affordability for the long-term success of London.

It is striking, and encouraging, that the intentions of virtually all stakeholders in London are constructive and seeking positive outcomes. However, in the context of often challenging OAs that need significant investment into infrastructure and require expensive remediation works—in addition to navigating the usual obstacles to development—the city is failing to find processes and ways of doing things that are adequate to the task.

London must change the way it approaches delivery in Opportunity Areas and the way it finances and funds infrastructure investment and housing delivery in these areas. Determined leadership, within both the public and private sectors, is required to achieve this. The Mayor, with the largest direct democratic mandate in the UK, and the Greater London Authority and its functional bodies including Transport for London, all have a critical role to play.

The new draft London Plan, published in November 2017, outlines the Mayor's Good Growth Agenda, which includes a range of policies aimed at increasing house building, supporting economic growth and improving the quality of life of Londoners. The Plan also introduces a welcome new focus by the Mayor on delivering the potential of London's OAs. This is an encouraging first step, along with other moves being made by boroughs and across much of the development sector in London. The emphasis on delivery is the correct focus. The LUTC offers its findings, and in particular its perspectives on achieving the delivery of challenging goals, as a contribution to the London Plan consultation and as a platform for further discussion about how to maintain London's global competitiveness.

On behalf of London First, I would like to thank the LUTC's Commissioners for their enthusiastic work and our extensive group of consultees who have given generously of their time and insights. We also thank our partner, AECOM, for the support provided throughout this initiative.

Stephen Warrington

London First Board Member and Chair of LUTC

1: Context and Objectives

The UK is facing substantial political and economic change and uncertainty as it prepares to exit the EU. The impact of Brexit will be felt acutely in London, due to the capital's status as a global city open to international trade and as a magnet for talent from across the world. Yet the external global challenges that London must confront head-on are rivalled by particularly testing internal domestic challenges that the city must address if it is to continue to thrive and, in concert with other UK cities, drive the UK's economic growth.

An inadequate supply of housing sits at the very heart of London's domestic challenges, posing a threat to the capital's social and economic vitality. Without an increase in housing supply, many parts of London will also fail to benefit from the associated commercial development that is integral to creating vibrant places and flourishing communities. The capital's scarcest resource—land—is being underutilised to address this issue. This is even the case in large areas of London that have been identified and deemed as especially appropriate for development, and in which much of London's future housing supply is locked up—namely Opportunity Areas (OAs).

Beyond London's housing deficit, global trends in fields such as energy, infrastructure and digitalisation are combining with broader factors such as urbanisation and demographic change to present new challenges and opportunities for regeneration in the capital. In the same way that developers and built-environment professionals have previously devised compelling responses to London's challenges, there is strong evidence to suggest this is happening again through new forms of residential and workplace development that align with the city's ever-growing need for both more social and physical infrastructure.

During 2017, London First brought together built-environment practitioners to form the London Urban Transformation Commission (LUTC). The Commission consulted extensively with stakeholders from the public and private sectors to deliberate what can be done to accelerate development in OAs, and across other strategic sites that offer the potential to create great places to live and work. Before explaining how the LUTC approached this task, the broader backdrop against which its work sits is outlined below.

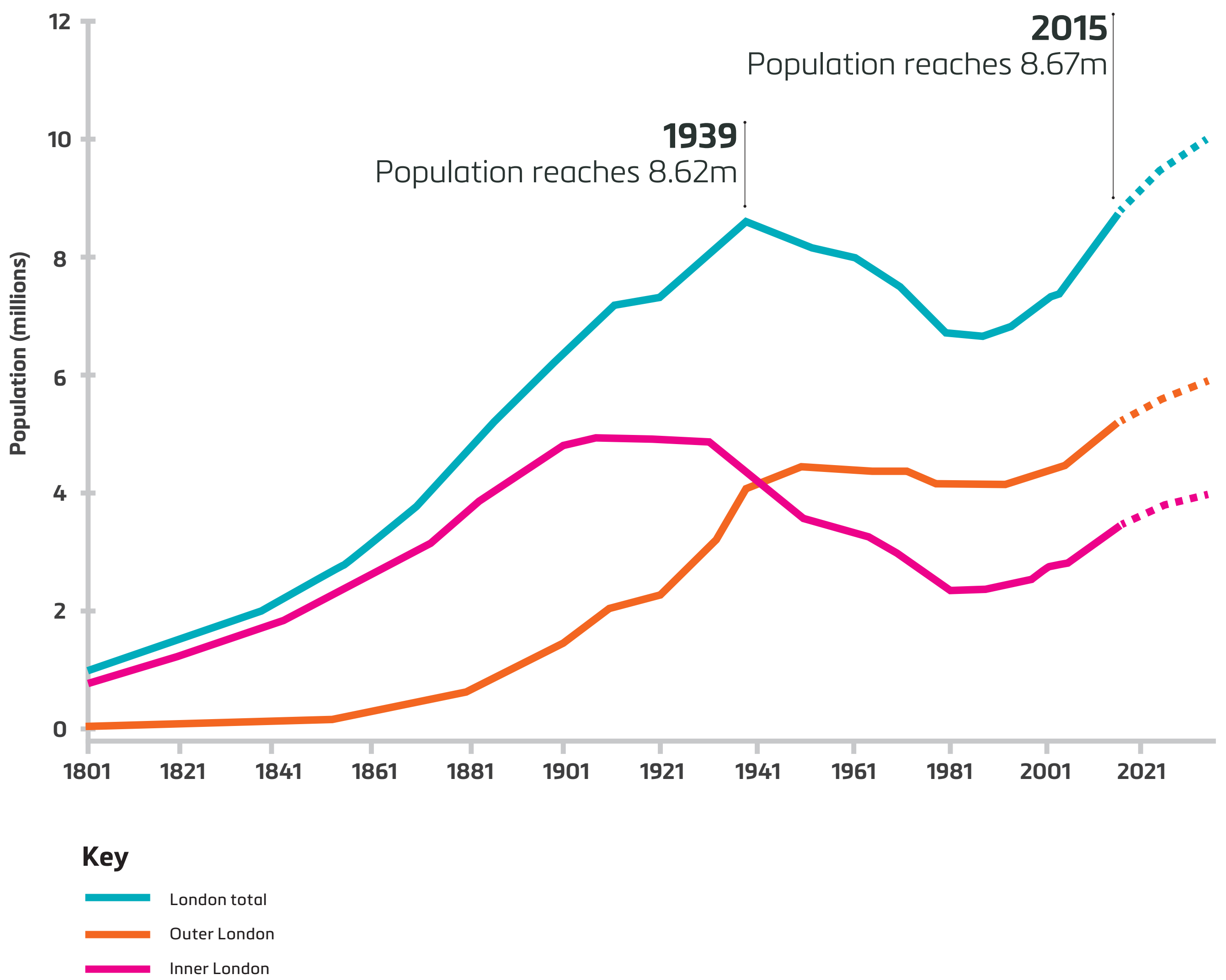
> "The capital's scarcest resource—land—is not being fully utilised."

London's housing crisis

In the post-war era, London's population was in decline (see Figure 1), yet significant numbers of new homes were being built (see Figure 2). Indeed, during the 1950s and 1960s General Elections were contested on which political party would build the most homes.

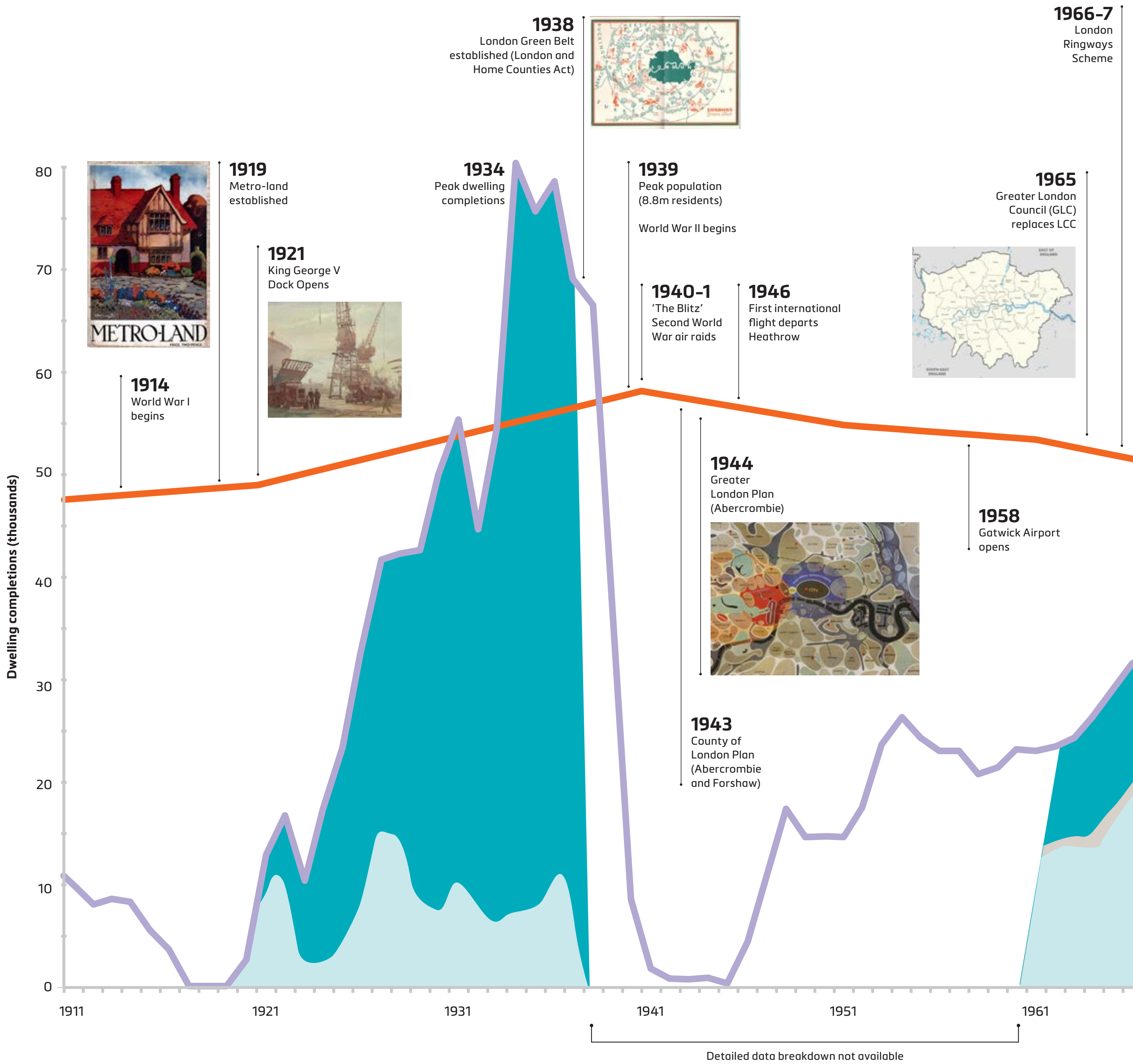
This was, of course, a very different era: one of post-war reconstruction, slum clearance and a lighter-touch planning regime, to name but three factors; this context helps to explain the comparatively high levels of housebuilding.

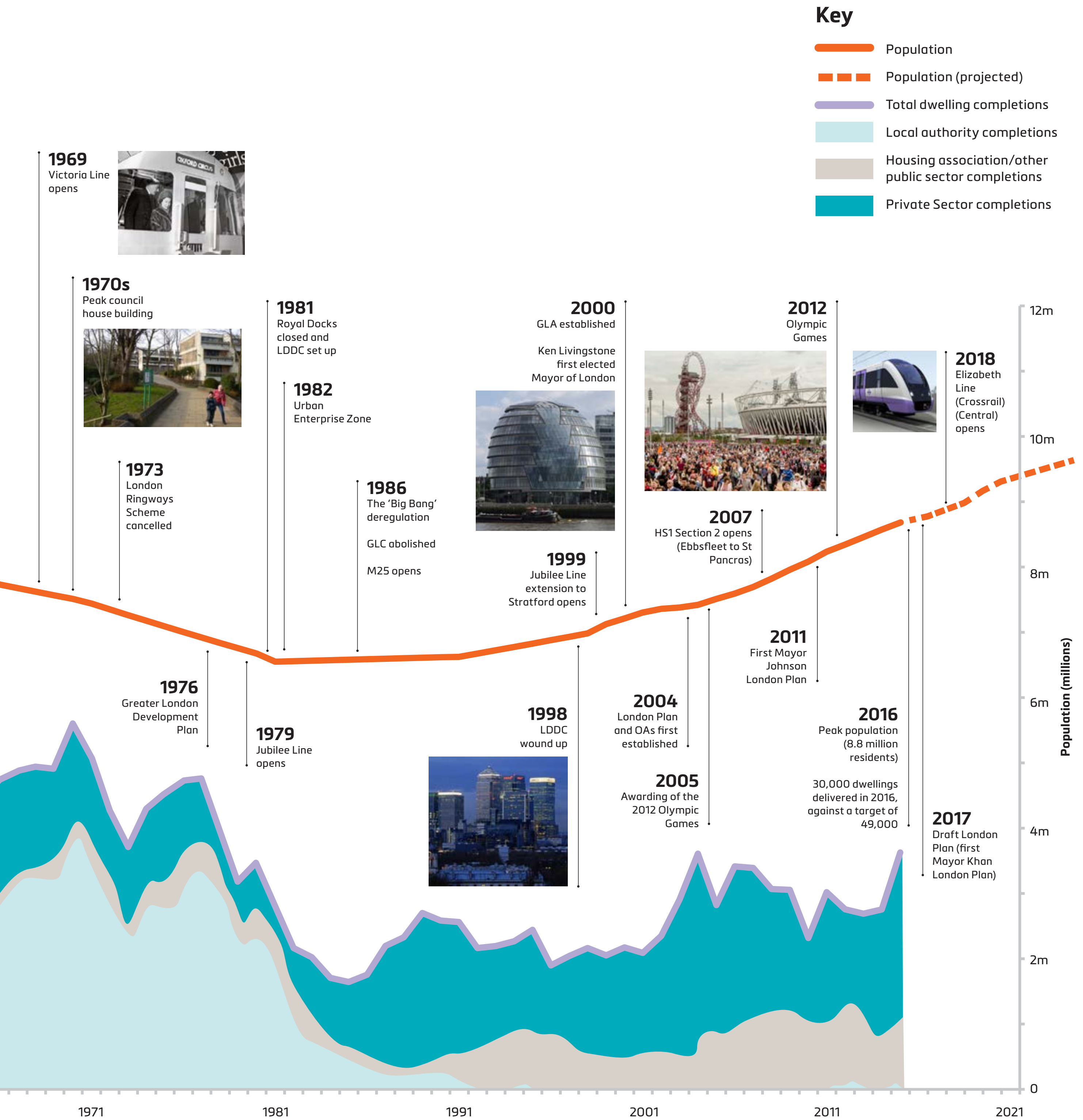
Figure 1: Historic and projected London population, 1801 to 2035



A century of London's Urban Transformation

Figure 2: New homes built in London 1871–2015 and milestones in the development of the city





Key
Population
Population (projected)
Total dwelling completions
Local authority completions
Housing association/other public sector completions
Private Sector completions
1969
Victoria Line opens
1970s
Peak council house building
1973
London Ringways Scheme cancelled
1976
Greater London Development Plan
1979
Jubilee Line opens
1981
Royal Docks closed and LDDC set up
1982
Urban Enterprise Zone
1986
The 'Big Bang' deregulation
GLC abolished
M25 opens
1998
LDDC wound up
1999
Jubilee Line extension to Stratford opens
2000
GLA established
Ken Livingstone first elected Mayor of London
2004
London Plan and OAs first established
2005
Awarding of the 2012 Olympic Games
2007
HS1 Section 2 opens (Ebbsfleet to St Pancras)
2011
First Mayor Johnson London Plan
2012
Olympic Games
2016
Peak population (8.8 million residents)
30,000 dwellings delivered in 2016, against a target of 49,000
2017
Draft London Plan (first Mayor Khan London Plan)
2018
Elizabeth Line (Crossrail) (Central) opens
12m
10m
8m
6m
4m
2m
0
Population (millions)
1971
1981
1991
2001
2011
2021

London's population growth only started to pick up in the mid-1980s, which happened to coincide with significant changes to government housing policy, such as: reducing capital expenditure to subsidise council building and, over time, increasing the subsidy in individual housing needs through the benefit system; the introduction of a reinvigorated Right to Buy (a council home) policy; and the decline in councils building social housing (largely on account of the two foregoing points).

The consequences for London of a rising population and an undersupply of homes were—to some extent—a slow-burn. For a period, it was perhaps felt that the market would step in to fill the void left by councils, both in terms of the volume of supply and the provision of affordable housing—the latter delivered through Section 106 agreements. As time has passed, however, this has proved not to be the case, and while in recent years London's housing associations have ramped up their development activity[1], they are increasingly and necessarily becoming reliant on building homes for sale in order to cross-subsidise the delivery of affordable housing.

What may once have been regarded as a slow-burn problem is now becoming faster and hotter. The average house price in London is approximately £483,500 compared to the UK average of £244,000[2]. Combine this with a growing population and a London-wide housebuilding target that is perennially missed—a target just recently increased from 49,000 new homes a year to 66,000—and the scale of the challenge is clear to see.

A problem for business

Failure to increase housebuilding is not just a social issue: it poses a threat to the capital's economic competitiveness. Businesses in London are increasingly concerned that a growing number of talented people across many levels of income will be driven away, or put off London in the first place, because the city cannot build the homes it needs, and housing costs continue to rise.

More than two-thirds of businesses list housing costs and availability as having a negative impact on recruitment of entry-level staff, with half listing it as an issue for the recruitment of mid-level managerial staff and just under a quarter for senior-level staff. One-third of London firms believe that the lack of affordable housing to rent or own local to their place of work is affecting both employee productivity and punctuality[3]. There is a very real risk that London is pricing itself out of the race to attract talent from across all sectors of the economy, and that furthermore, parts of the capital risk losing a mixed and balanced feel to their housing market, a policy which threatens the social fabric of London as a city open to all.

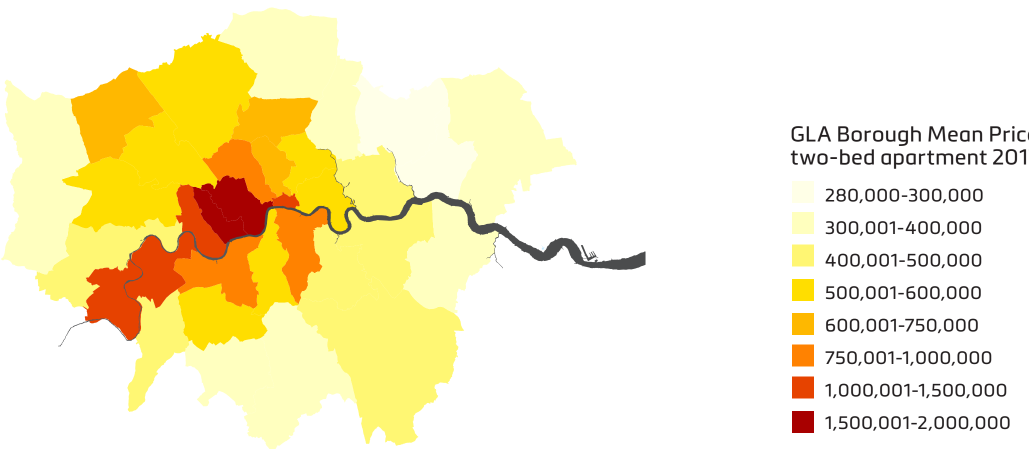
[1] The g15 has been awarded £1.4bn to deliver 42,000 affordable homes in the capital by 2021 through the Mayor's 2016-21 Affordable Homes Programme. See http://g15london.org.uk/g15-secures-funding-for-42000-affordable-homes/

[2] The price is for September 2017. See https://data.london.gov.uk/

[3] London employers and assistance to employees with housing, Fifty Thousand Homes and Grant Thornton: May 2016

73% of businesses think London's housing supply and costs are a significant risk to the capital's economic growth.

For 70% of Londoners aged 25-39 the cost of rent or mortgage makes it difficult to work in London.



The average house price in London is approximately £483,500 compared to the UK average of £244,000[2]

Opportunity and Intensification Areas

The first London Plan—the spatial development strategy for the capital—was published in 2004. The Plan designated 28 Opportunity Areas (OAs) and 14 Intensification Areas (IAs). A key factor for designating an OA was that it was 'capable of accommodating substantial new jobs or homes'. The designation for IAs was based on such areas having 'significant potential for increases in residential, employment and other uses through development of available sites, through higher densities and more mixed and intensive use'[4].

There have been substantial revisions to the London Plan in 2008 and 2011, and a new draft Plan, the first under Sadiq Khan's mayoralty, was published in November 2017. The Intensification Area designation has been dropped in the draft new London Plan, however, two of these—Haringey Heartlands and South Wimbledon—now have OA status. In addition, a number of new OAs feature in the draft plan, including Clapham Junction, Sutton, Kingston and Romford—the number of OAs rises from 38 to 47. OAs therefore cover approximately 19,000 hectares, approaching 20% of Greater London's total land area.

The significant attention paid to OAs is because they are generally large, underutilised areas possessing significant development potential. However, this common attribute belies the considerable variability and complexity in terms of the characteristics of individual sites—meaning that although OAs may indeed share potential, actualising the particular potential of each demands multiple, granular, tailored responses. With some notable exceptions, progress on their transformation into thriving parts of London has been patchy and, in aggregate, slow. The consequent economic and social opportunity cost in terms of homes and employment foregone is huge.

Figure 3: OAPF process diagram

	Nascent	Ready to grow	Underway	Maturing	Mature
Development potential:	Identified	Approved	Early phases	All phases underway	Fulfilled
Infrastructure:	Options appraisal	Planned	Planned and funded	Completed or under construction	Operational
Timing (years):	15+	10–15	5–10	1–5	

[4] The London Plan, Greater London Authority: February 2004

The draft Plan has a clear focus on delivery of OAs, acknowledging that it will require all stakeholders to 'unlock sites and drive the right sort of development'. This will need to align with major investment in transport, social infrastructure and utilities before development can start.

The Mayor pledges:

> *support and leadership to ensure Opportunity Areas deliver their growth potential. He will promote and champion the areas as key locations for investment, and will intervene where required so that an ambitious, imaginative and inclusive approach is taken to accelerate and realise their growth and development. (para 2.1.3)*

Aside from a mention of the Good Growth Fund—the Mayor's £70 million regeneration programme—the Plan does not provide much further detail on the vehicles and processes for monitoring delivery and assisting boroughs.

OAs are of course not the only source of brownfield land that has development potential. There is a whole range of other sources: from public land (both existing surplus sites and those that could become surplus through a pro-active approach to asset management) to densifying existing sites (adding additional storeys to a building, for example) to Housing Zones (some of which are in OAs or IAs)—the latter a £600 million funding programme designed to deliver 75,000 new homes[5].

[5] See https://www.london.gov.uk/what-we-do/housing-and-land/increasing-housing-supply/housing-zones

The task in hand

The LUTC set itself the task of exploring why London's largest brownfield sites, primarily OAs, are not meeting their development potential and how this can be addressed. It focused on these areas in aggregate, as there is a good degree of agreement that development ought to happen there and that if their potential is realised it could have a significant material impact on housing supply in London.

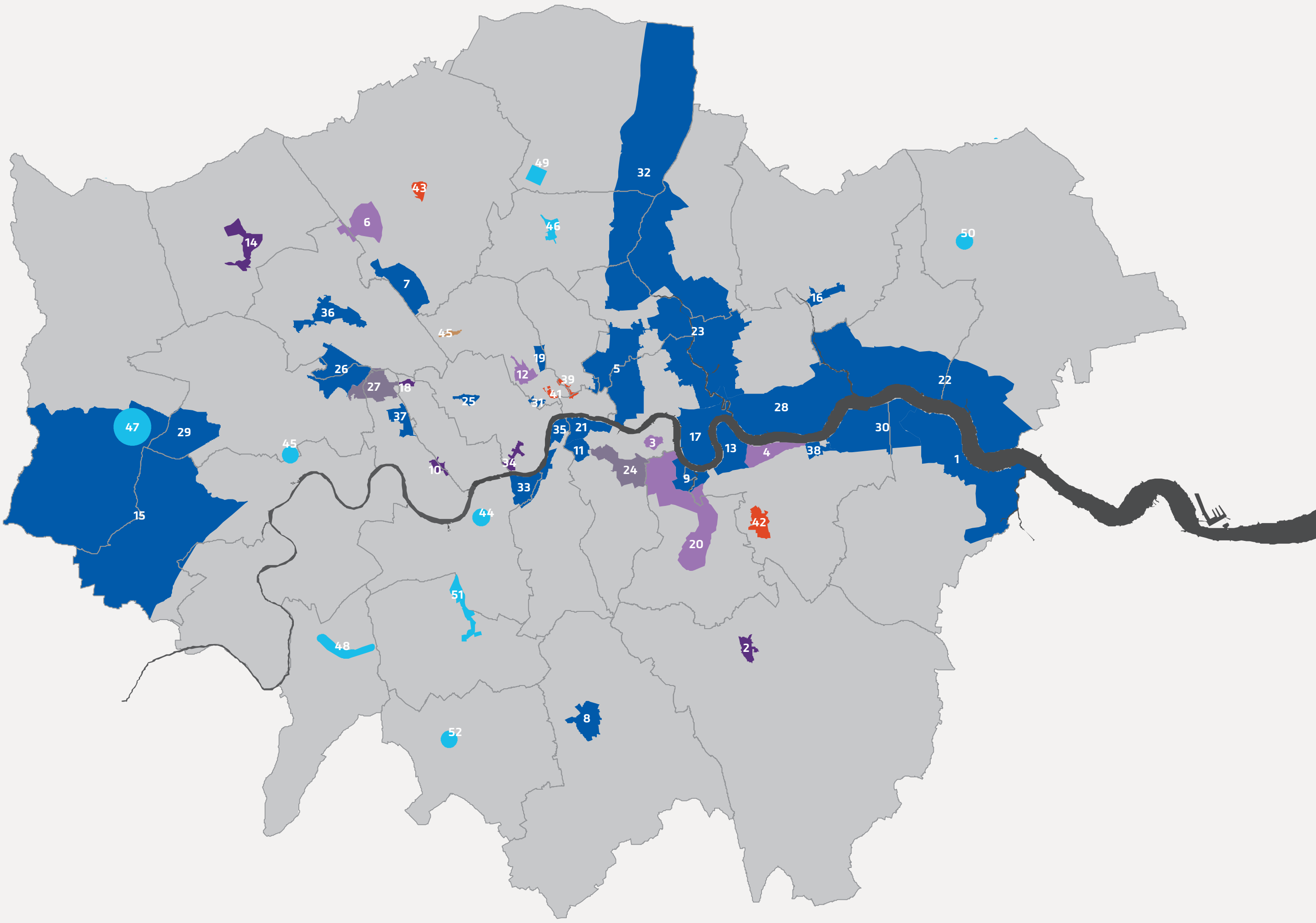
London First has been following the fortunes of OAs for some time, having published a review of their progress, *Opportunity Knocks*, in 2015[6]. The LUTC has continued this focus and has therefore not considered issues associated with smaller sites or the regeneration of existing housing estates[7], although some of the Commission's findings may indeed have broader applicability. And of course, while the LUTC's scrutiny has focused on London, the recommendations presented here may prove applicable to large regeneration opportunities across the UK.

The LUTC comprised experienced built-environment practitioners who are active in London. The Commission engaged with a wide range of consultees through interviews and a call for evidence (see Appendix 1 for a list of those interviewed and Appendix 2 for a brief explanation of the Commission's methodology). The recommendations that have emerged are based on the experience and insights of practitioners across the public and private sectors. The next chapter provides an analysis of the OAs and outlines a diagnosis of why their development potential has not been universally met. Chapter 3 sets out the Commission's recommendations with a prescription for how improvement can be achieved.

[6] Opportunity Knocks: Piecing together London's Opportunity Areas, London First and Terence O'Rourke: July 2015.

[7] London First has looked at this topic separately in Estate Regeneration, More and better homes for London, London First, Terence O'Rourke and Winckworth Sherwood: January 2017.

London's Opportunity and Intensification Areas



Opportunity Areas

1. Bexley Riverside
2. Bromley
3. Canada Water
4. Charlton Riverside
5. City Fringe/ Tech City
6. Colindale/ Burnt Oak
7. Cricklewood/ Brent Cross
8. Croydon
9. Deptford Creek/ Greenwich Riverside
10. Earls Court and West Kensington
11. Elephant and Castle
12. Euston
13. Greenwich Peninsula
14. Harrow and Wealdstone
15. Heathrow
16. Ilford
17. Isle of Dogs
18. Kensal Canalside
19. King's Cross – St Pancras
20. Lewisham, Catford and New Cross
21. London Bridge, Borough and Bankside
22. London Riverside
23. Lower Lee Valley (including Stratford)
24. Old Kent Road
25. Paddington
26. Park Royal
27. Old Oak Common
28. Royal Docks and Beckton Waterfront
29. Southall
30. Thamesmead and Abbey Wood
31. Tottenham Court Road
32. Upper Lee Valley
33. Vauxhall, Nine Elms and Battersea
34. Victoria
35. Waterloo
36. Wembley
37. White City
38. Woolwich

Areas for Intensification

39. Farringdon/ Smithfield
40. Holborn
41. Kidbrooke
42. Mill Hill East
43. West Hampstead Interchange

2017 Opportunity Areas (draft)

44. Clapham Junction
45. Great West Corridor
46. Haringey Heartlands/ Wood Green (formerly an IA)
47. Hayes
48. Kingston
49. New Southgate
50. Romford
51. South Wimbledon/ Colliers Wood (formerly an IA)
52. Sutton

First designated: IAs

- 2004
- 2008
- 2011
- 2015

First designated: OAs

- 2004
- 2008
- 2011
- 2015
- 2017

Figure 4: London's Opportunity and Intensification Areas, including new designations in the 2017 Draft London Plan

2: Diagnosis of the situation

Through discussions with regeneration practitioners from across the public and private sectors, the LUTC identified a series of themes that underlie why London is struggling to achieve the scale, pace and cohesiveness of development outcomes that the city needs.

Many of the issues identified are familiar to those immersed in the regeneration sector, but in drawing them together the Commission is highlighting the extent of the challenges London faces. Generally, the shortcomings are systemic and persist despite the positive intentions of a range of stakeholders; they lie in the current models of development and delivery, which are not always aligned to action, or to the bespoke conditions of a site. In some instances, a focus on process rather than outcome has caused delay and uncertainty, ultimately constraining delivery.

Outlined below are the most significant issues that emerged during the Commission's work. They are grouped under four themes:

A. **Persistent shortfall in sense of urgency, vision and leadership**

B. **Flawed expectations of the respective roles of the private and public sectors**

C. **Inhibiting effect of planning complexity, upfront risk-taking and uncertainty**

D. **Scarcity of skills and financial resource.**

Under each theme, key sub-points are highlighted to provide further detail. Against this general background, there are nonetheless several beacons of success that could be pointers to achieving better outcomes in more places in the future. We present a few of the encouraging stories our consultation discussions have highlighted in the boxes alongside this diagnostic narrative.

> "A focus on process rather than outcome has caused delay and uncertainty."

Development activity in Canary Wharf

A: Persistent shortfall in collective sense of urgency, vision and leadership

1. **Prioritisation:** The huge potential of Opportunity Areas (OAs) as a priority has become obscured with the passage of time and, in some cases, inactivity. These areas are challenging, but, as defined, they are the biggest sources of agreed development land in London, and many are not close to being fully utilised.

   Delivery rates in the OAs designated in 2004 (Fig. 8) illustrate an inconsistency in delivery and generally low levels of completions against planned outputs. Of those OAs with the greatest potential to deliver new homes, only the Lower Lea Valley and Isle of Dogs OAs exceeded expectation. Both of these areas have received significant public investment in infrastructure and site preparation, as well as a focus on delivery from public sector and private sector leaders.

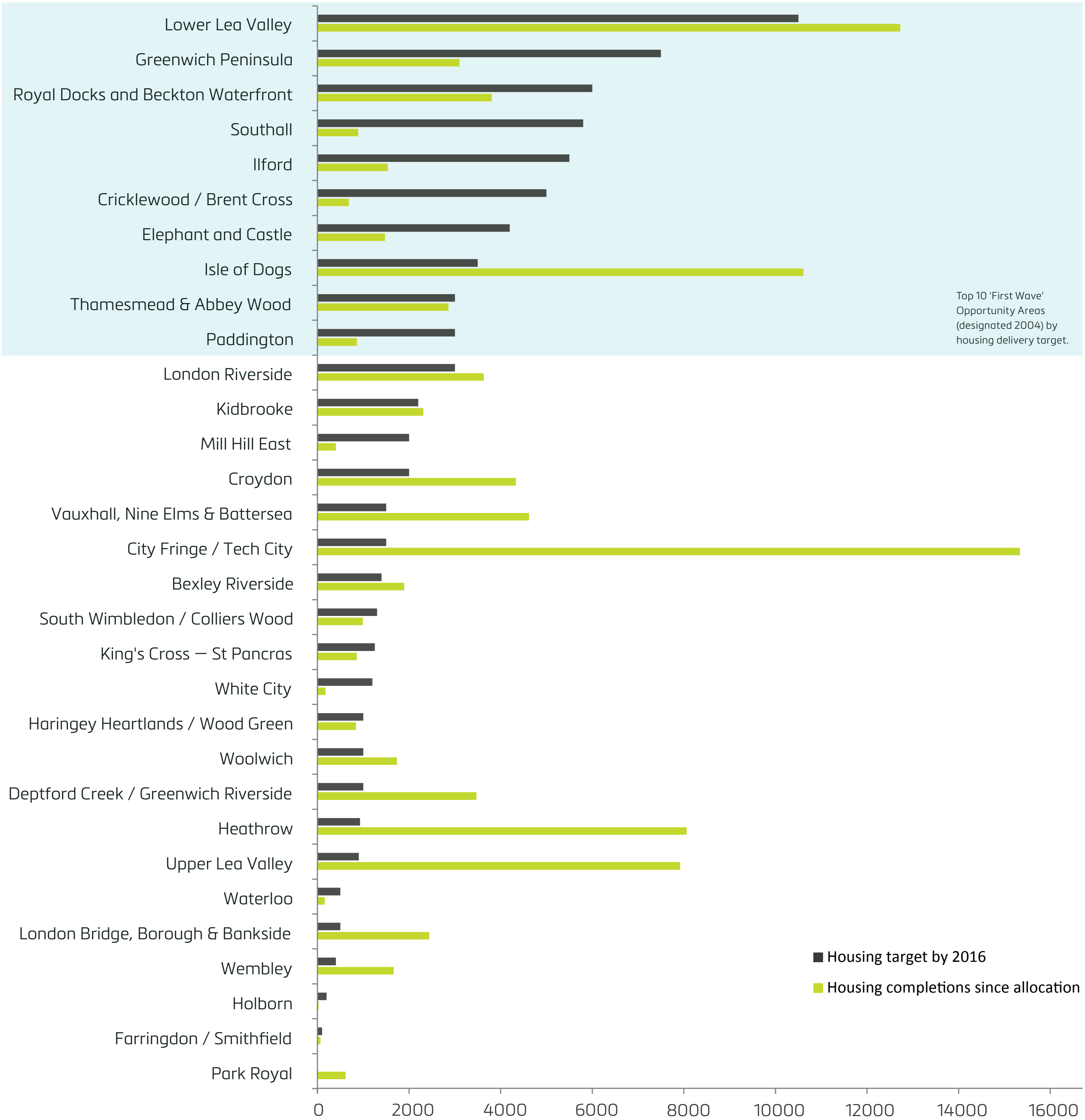
   In many cases, stakeholders of all types are too tolerant of the status quo and, with few notable exceptions, are failing to give the challenges the priority they warrant. The key issues are:

   - sometimes land spanning the boundary of boroughs fails to achieve focus;
   - significant infrastructure barriers often exist, particularly the need for substantial utility upgrades or transport investment that require public sector investment and co-ordination;
   - an inability, for a variety of reasons, of local government to innovate as freely as it may want to in order to prioritise infrastructure and housing delivery.

   The draft London Plan's recognition of the need to prioritise delivery of OAs and the Mayor's commitment to accelerate this, working with the boroughs, intervening where necessary to use land assembly and CPO powers, is a welcome step in the right direction.

> "True leadership for development is generally thin on the ground."
>
> **Local Authority Officer**

Figure 5: Housing Capacity and Completion Rates of 'First Wave' Opportunity Areas Designated in 2004[8]



[8] AECOM analysis of completion rates

2. **Leadership:** The Mayor's commitment in the draft London Plan to provide support and leadership to ensure Opportunity Areas deliver their growth potential is welcome. However, across London there is variable public leadership to drive progress. There are many good examples to highlight, but overall, at all levels, political leaders often lack courage to press forward with regeneration and can be deterred from making difficult but necessary decisions due to electoral cycles. The key issues are:

   - successful urban transformation corresponds to strong leadership from politicians, local government officers and visionary developers working in close partnership;
   - where there is no clear political control, regeneration is often seen as being too hard to achieve; and
   - agencies are typically disposed to tinker in the consideration of potential schemes, with few having the authority and determination to ensure progress.

> "We need brave politicians who can make things happen."
>
> **Developer**

Case Study: Southwark - sustained leadership creating real impact

The Shard and Southwark Bridge

The completion in 2012 of the Shard, Europe's tallest residential tower, was a significant symbol of two decades of development activity in and around Bankside, London Bridge and Borough. The challenge now continues to deliver successful regeneration across the boroughs OAs.

With the opening of the Jubilee Line Extension, London Eye, Shakespeare's Globe, Tate Modern and Millennium Bridge in or around 2000, the area's transformation was well under way even before the designation of the London Bridge, Borough and Bankside Opportunity Area in 2004.

The borough's tenacious pursuit of a regeneration vision had transformed the area from an underperforming 'shatter zone'—separated symbolically as well as physically from the core of London by the River Thames—into a fully functioning part of the Central Activities Zone. Critics, however, argue that the new flats created, particularly in and around the Shard, are outside the financial reach of the area's local residents; it has become London's most expensive Opportunity Area for flats.

The borough also pursued the deal with Lendlease for redevelopment of Elephant and Castle and the Heygate Estate. Whilst criticised by some for the level of affordable housing at c. 25%, the project has, after many years of urban decay, finally got transformation underway with the ambition of delivering mixed and balanced communities.

The challenge now is to extend the momentum to new residential areas—being created in the west of the area in and around Blackfriars Bridge Road—and to capture the benefits of the Bakerloo Line Extension along Old Kent Road OA, which is being led by the borough, and with the new Surrey Quays scheme at Canada Water OA, led by British Land.

Whilst a long-standing priority, much of the recent progress across Southwark has come from the consistent leadership of Southwark Council under Leader Peter John and the regeneration team. This is a borough juggling many Opportunity Area priorities, with significant homes and employment dividends for successful delivery. The focus has been on successfully arguing for infrastructure improvements to unlock changed perceptions and in negotiating land and planning solutions that have involved risks and tough choices, but have progressively delivered results.

3. **Articulation:** Regeneration initiatives often fail to make the compelling case that wins hearts and minds. An absence of a commonly agreed guiding vision for an area makes it harder to define clear objectives and to unlock support from financial backers and the community, or create the confidence to encourage land assembly. The key issues are:

    - sometimes the sector does not present itself well to the public, when typically, regeneration has been a big success;
    - more needs to be done to define and explain the strong social and economic benefits that flow from development; and
    - greater emphasis needs to be placed upon engaging with local communities to collaborate in pursuit of the best outcome.

> "So-called 'visions' are typically disappointing and often non-existent."
>
> Local Authority Officer

Case Study: Barking & Dagenham – articulating and acting on a refreshed vision

When planners, developers and political decision-makers across London are asked to name a good example of leadership, a name that crops up frequently is Darren Rodwell, Leader of Barking and Dagenham Council since 2014. Locally born and bred, with a talent for inspiring enthusiasm and loyalty, his core mission is to make Barking and Dagenham—a borough that has been hit by long-term industrial decline—open for new businesses, new housing, and generally more outward-facing and future-oriented. The potential of the borough, and particularly of its Opportunity Areas, has been reimagined—focusing on new ideas to get the borough seen as being firmly part of London, with a drive to make change happen.

After decades of delay, the Barking and Dagenham team has successfully secured the new rail service needed to unlock thousands of new homes at Barking Riverside.

With a key focus on community cohesion and aspiration, the borough recognises the need for a dramatic transformation and diverse opportunities: Rodwell has encouraged Coventry University to set up its London campus in Dagenham Civic Centre and is aiming for the borough to become a location of choice for the film and TV industry. More widely, planning policy encourages small ground-floor units, which are being created for small businesses, and some of London's largest and most underused employment zones are being converted to a much wider mix of uses, including tenure-blind residential units with smaller workplaces scattered amongst them.

In an innovative move, Barking and Dagenham has led the creation of a new development venture, Be First, and a housing vehicle, Reside. These establish the borough as a designer, builder, operator and landlord. The focus is on providing a wider range of tenures, including graduated discounted rents, as a way to ensure a diverse community and to reinvest.

Rodwell and his team have brought a new openness to the borough, keen to engage with those wanting to invest (or just those wanting to know more about the potential). This is backed up with a keen sense of community values in the approach. There is also a steady stream of transforming initiatives to unlock regeneration and to keep the attention of London clearly focused on the borough. On the ever ambitious to-do list is the initiative for a mile-long stretch of the A13 to be tunnelled, paid for through devolved stamp duty, and enabling the creation of new homes and open space, as well as vastly improving the local air quality and environment.

Barking Riverside Housing

The Dagenham Campus of Coventry University (Borough of Barking and Dagenham)

B: Flawed expectations of the respective roles of the private and public sectors

1. **Dependency:** Large-scale regeneration frequently requires upfront, enabling investment in infrastructure, which, alongside social housing, is providing a public good. In recent decades a large part of the burden of meeting regeneration and subsidised housing needs has been placed on private sector development. The key issues are:

    - Section 106 agreements and the Community Infrastructure Levy (CIL) are mechanisms through which investment in affordable housing, infrastructure and amenity is sought through planning gain; it is right that developers make a fair contribution to these areas. However, these mechanisms alone will never be sufficient to deliver what is needed;

    - the rationale of these mechanisms—a contribution towards affordable housing and wider infrastructure needs—has got lost; and

    - there has been an inability to fully capture land value uplifts following significant infrastructure investment by the public sector.

> "The government needs to spend some money as a catalyst."
>
> Developer

> "As UK plc we need to invest in infrastructure to bring forward high-quality development."
>
> Transport Agency

2. **Delivery:** While there have been numerous successes, the aggregate volume and pace of output from the dependency approach (as outlined above) has fallen far short of what is needed. Private sector developers—making commercial risk/return judgements—have not filled the gap. At the same time, local authorities and the wider public sector have retreated from their former role as proactive providers of housing and infrastructure, in accordance with national policy. The key issues are:

    - there is now an overreliance on the private sector to deliver regeneration, particularly housebuilding projects, but market forces restrict the ability to accelerate the pace of delivery where this is not justified;
    - there is a strong desire for the public sector to once again facilitate delivery; and
    - there is a need to join up departments and channel funding in both national and local government, but also for greater partnership working between national and local government.

> “People think private development is just an easy win, but that’s a misapprehension.”
>
> Local Authority Officer

3. **Partnership:** There are perceptions in some quarters that private and public sector players are somehow opposing parties to a zero sum game. In practice, partnership demonstrates itself as the promising way forward, growing delivery for all. The key issues are:

    - forming partnership on a shared vision and with clear objectives is key to successful delivery;
    - understanding that trade-offs and compromises are critical factors to maintain delivery, particularly when dealing with long-term projects; and
    - even when no formal partnership is required with the public sector, its support is vital.

> "Developers must see the longer-term benefit against the short-term cost."
>
> **Consultant**

Case Study: King's Cross Central – focus on placemaking

With its focus on placemaking and quality, King's Cross Central is recognised as one of London's most successful mixed-use regeneration projects. The site is part of the transformation of the King's Cross area, stimulated by re-routing of the international rail service to St Pancras as the terminal for continental Eurostar services and the refurbishment of King's Cross station. The site is served by six London Underground lines, two national rail stations, and high-speed railway connecting to Paris.

King's Cross Central is transforming rail and industrial land and creating a new urban street pattern, 26 acres of open space for a new public realm area, and restoration of historic buildings. The new mixed-use quarter includes office space, residential units, retail and leisure, hotel and educational facilities. Art and culture play an important part in the development and are seen as a catalyst for change, with a quarter of the scheme dedicated to cultural and leisure uses. Overall, it is the largest area of city centre redevelopment in Europe to date.

Today all land is owned by King's Cross Central Limited Partnership (KCCLP), comprising: property developer Argent (50% ownership), London and Continental Railways Limited (36.5% ownership), and DHL Supply Chain (13.5% ownership). One of the challenges was to organise complicated landownership information across the site, which was resolved by lawyers Hogan Lovells drawing up a legal matrix for reference. The importance of infrastructure investment was highlighted by the 1996 rail infrastructure upgrades and decision to move the Channel Tunnel Rail Link terminus to St. Pancras. The KX Central site was one of the real estate packages transferred to the government-owned company London and Continental Railways. KCCLP has invested over £250 million investment in infrastructure since 2009, unlocking six million sq. ft. of development.

One of the keys to success has been the setting out of a holistic long-term vision by Argent, 'best practice for sustainable development', and the company taking the long-view to create a scheme of quality and with the support of local authorities and communities. It was also important for developers to adopt an organic process, allowing a variety of tenants to lease space on site, including Google and the University of the Arts London, which creates the character of place. The early arrival of the University was felt to be central in establishing the creative, lively and eccentric tone to the area. The developers worked particularly closely with stakeholders and the local community, including through the King's Cross Development Forum, a website, public interviews, and pop-up events. An events programme has been underway from early on in the process; catering for a variety of groups and generating an interest in the area even during construction.


King's Cross Station Forecourt

C: Inhibiting effect of planning complexity, upfront risk-taking and uncertainty

1. **Policy:** All policy, but particularly planning policy, is complex, with different spatial levels of policy interacting with 33 local authorities in London who all have their own priorities. It is a complex system and one that is seemingly getting more rather than less complicated to navigate. The key issues are:

    - standards for development in London are rightly high, but in the context of any individual development the summation of individual policy requirements may not yield a commercially viable scheme;
    - agreeing a mechanism for making constructive trade-offs can be challenging; and
    - developers are deterred by requirements for high levels of detail at very early stages.

> "Standards are very important, but requirements can be too stringent and are blocking the ability to deliver affordable homes."
>
> **Consultant**

2. **Process and structure:** Decision-making can be too slow, and easily derailed. The strained capacity of local authorities is often a constraint on progress, and the smooth running of processes is susceptible to local politics. The key issues are:

   - in OAs, the production of Opportunity Area Planning Frameworks (OAPFs) has worked well in some instances, but can lack a true delivery focus;
   - the potential of the GLA to help drive progress is underexploited, as are streamlined processes such as Local Development Orders;
   - the introduction of Mayoral Development Corporations has the potential to improve the speed of process, but requires time, land, resource and political support to succeed; and
   - public procurement is slow and expensive, with politicians fearing they will be criticised for their decisions on the grounds that they have not achieved 'best value'—due to a misapprehension that this means the highest price.

Case Study: The Experiences of London's Development Corporations

London has been pioneering in the use of urban development corporations to tackle large-scale regeneration, socio-economic and infrastructure challenges. This started with the London Docklands Development Corporation established in 1981, a model successfully used in a number of different cities and countries around the world. At present London has a revised 'Mayoral Development Corporation' model that has currently been established around the Queen Elizabeth Olympic Park and at Old Oak Common/ Park Royal.

London Docklands Development Corporation

The London Docklands lay derelict for years after containerisation of the Port of London moved activities to Tilbury. To spur regeneration, an Enterprise Zone was designated by the then PM Margaret Thatcher for new employment and, latterly, for housing. It is clear that the decision to also establish a 'new generation' Urban Development Corporation (UDC) and to grant it significant planning and financial freedoms within its designated area drove larger-scale, more ambitious and faster development than would have happened otherwise.

The resulting development after three decades is Canary Wharf, new transport infrastructure in the shape of the DLR, London City Airport and ExCel, as well as other world-city services and functions. Its impact has been global, stimulating urban regeneration along similar lines in cities as far away as Sydney. It may also be the case that the LDDC was wound up too early. As the earlier new town corporations showed, large-scale urban growth and transformation projects are often 30- to 50-year projects that benefit from consistent political and investment support. When it ceased operation in 1998, the development was far from complete and the ongoing need for the area's strategic planning was picked up again in 2004 through the designation of the GLA's Isle of Dogs Opportunity Area—but with far fewer resources or investment support to be a catalyst for private investment.

Were it to be progressed today, it is likely that there would be some differences: for example, there would likely be a stronger focus on 'place', with the result that the commercial space would have been balanced with a more sustainable mix of uses—housing, retail and community facilities for local people from the start. It is also likely that there would need to be a greater emphasis on inclusivity and access, especially in terms of open space, cycling, and walking. After the corporation was wound up, much of this richness and activity has been successfully retrofitted through close working between investors and public agencies.

Nevertheless, the London Docklands stands as a prime example of the scale and ambition of transformation achievable with a properly resourced and place-focused delivery agency and plan.

London Legacy Development Corporation

North of London Docklands, the Lea Valley had seen a progressive de-industrialisation, leaving a fractured townscape, poor connections, contamination and informal uses. Only three miles from the City of London, the opportunity was significant for urban transformation, employment and community growth—yet this needed focus and investment to prepare the area for the market. The four London boroughs had worked together for many years to prepare for change, but it was the arrival of High Speed 1, the redevelopment of the Stratford Rail yards as Stratford City and the International Quarter and, in 2003, the designation of this site to host the 2012 London Olympic and Paralympic Games that were the catalytic developments to spur transformation.

The Olympic masterplan was focused on the legacy of the games—and how the Olympic investment would drive long-lasting transformation. The park, new communities, venues and new connections across the Lea Valley would underpin that transformation for existing and new residents.

After the 2012 Olympic Games, the London Legacy Development Corporation (LLDC) was established by the Mayor of London to continue the transformation of the Queen Elizabeth Olympic Park and the surrounding area, as the successor to the Olympic Delivery Authority. Established as a Mayoral Development Corporation (MDC), created under the Localism Act 2011, the Mayor was able to assume UDC powers. The LLDC's role is to oversee the transformation of the Lower Lea Valley for the long-term benefit of local communities, through the provision of new housing, employment space, community facilities (including London Stadium) and parklands.

LLDC benefits from extensive land ownership and resources, buoyed by the site-wide land assembly and Olympic Games infrastructure investment. It also brought planning and CPO powers and is well staffed to affect significant change. The LLDC's area extends across the boundaries of four boroughs (Hackney, Tower Hamlets, Newham and Waltham Forest) and offers the opportunity to align and support the delivery ambitions of all four authorities in a way that may not have been possible without centralised planning at the level of a development corporation.

LLDC has pioneered innovative solutions, for example accelerating housing delivery through upfront provision of the affordable housing element of some of its developments—a strategy that provides certainty for the market housing element and would not be possible for a private sector developer working alone. It has also been able to adapt the masterplan to accommodate new developments of a London-wide importance, including the expansion of UCL and significant cultural expansion.

Old Oak Common and Park Royal Development Corporation

Like LLDC, the Old Oak Common and Park Royal Development Corporation (OPDC) is an MDC, established in 2015. However, unlike the LLDC, it is not a significant landowner, has no direct CPO powers, a comparatively smaller staff, and fewer resources to improve infrastructure. These factors limit the transformation it can achieve across this large, diverse area in multiple private ownerships. In this environment, innovative mechanisms, such as land value capture, may be required if the OPDC is to have an impact on the same scale as the LDDC and the LLDC.

Of the three development corporation models deployed in London it is clear that for urban transformation to be effective and sustainable, some key ingredients are needed. Corporations need to have real control over land and infrastructure (including through CPO powers and the willingness to use these powers), be properly resourced in terms of staff and money, and given the power to impose appropriate levies or charges so that land value can be captured and reinvested.

London 2012 Olympic site from the air

3. **Viability:** Within planning policy and process, the so-called viability assessment approach—assessing if a scheme will generate a sufficient profit for a developer to build when taking into consideration the financial obligations that the local authority wants the scheme to meet, such as delivering affordable housing and providing social and physical infrastructure—is a major impediment to swift progress. In addition to the aggregate available private contribution being insufficient to meet actual public requirements (as explored above in B), the detailed negotiations between local authorities and developers about development value create significant delay and uncertainty. The key issues are:

   - the approach to assessing viability for an average development with no abnormal costs is also being applied to large regeneration schemes that have significant abnormal costs and infrastructure requirements;
   - the new threshold approach for affordable housing is a helpful clarification that seeks to fix one of the variables, though achievability at any scale is uncertain in the otherwise unchanged policy framework;
   - the differing cycles for establishing and finalising developer contributions, such as affordable housing and CIL, make it challenging for a wider and joined-up perspective on viability to be achieved; and
   - where there are exceptions to this approach, bespoke arrangements have been made in a tangible demonstration of working in partnership, with a focus on securing delivery.

> "Too much time is wasted on viability assessments—a science and industry in itself."
>
> **Borough Planning Director**

> "Viability assessments ... are a symptom of the broken housing economy."
>
> **Council Leader**

Case Study: Greenwich Peninsula – investment to unlock viability

The marshland of Greenwich Peninsula was developed as a gas works and associated heavy industry. With the southern approach to the Blackwall Tunnel also cutting through the area, it was underused, isolated, neglected and contaminated after the gasworks closed.

The level of land contamination and poor accessibility of the peninsula meant that there was little value in the land or incentive for the private sector to develop the site.

As part of central government's regeneration focus in the early 1990s (at a time when there was no London-wide strategic government) the site was selected as the national festival site to celebrate the Millennium. Connecting that event to the extension of the Jubilee Line from the West End to Stratford, the attractiveness of the peninsula began to shift. The scale of remediation required (120 tonnes of hydrocarbons were removed from the soil) could only have been achieved with government backing across multiple departments, and no private investor would have taken the risk.

While the development of the Dome itself met the millennial deadline on time, the redevelopment of the wider area has taken a lot longer. Though the Greenwich Millennium Village (GMV) was an early win, for too many years it sat isolated, and its later phases are only now being constructed. Belatedly, the wider regeneration of the area is taking place based on a 2002 deal between the then government regeneration agency, English Partnerships (EP), and a private sector developer, but

Greenwich Peninsula and Canary Wharf

delays in growth occurred, with the National Audit Office criticising the EP management arrangements for being too costly in terms of taxpayer return on investment.

It is only now, more than twenty years after the Dome's inception, that the area is starting to become a fully-fledged new urban quarter, but concerns remain that the area has become unaffordable for local residents despite a quantum of affordable housing within the development.

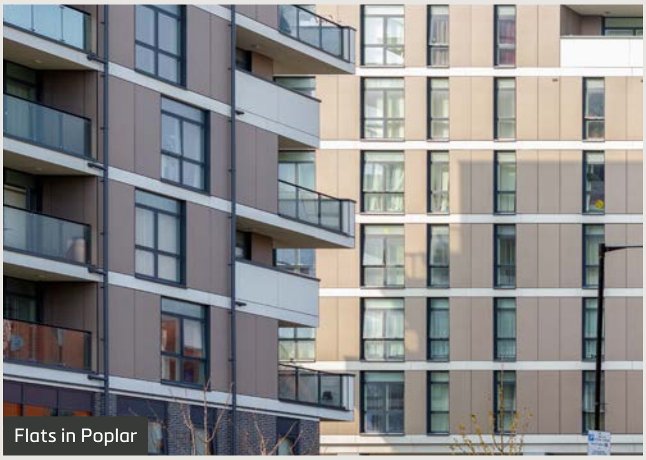
Case Study: London Affordable Housing and Viability SPG 2017 – starting to give clarity to a value capture approach

The London Affordable Housing and Viability Supplementary Planning Guidance (SPG), published in 2017, accompanies and assists the implementation of the emerging London Plan. The aim of the SPG is to provide much-needed clarity on the contentious topics of viability and affordable housing, which have, in recent years, become a significant barrier to securing new development.

The Mayor's SPG seeks to make the process of determining development viability more consistent and transparent providing greater certainty for developers, thus accelerating both market and affordable housing provision.

The SPG aims to achieve this goal by embedding the requirement for affordable housing into land values from the outset, giving clarity on the bottom-line expectation in each scheme. It establishes a 'fast-track route' for viability testing for applications that meet or exceed 35% affordable housing provision. Where affordable housing provision does not reach this target, developers must instead consent to an 'open-book' appraisal of development viability and potential delays in achieving planning consent.

The SPG represents a radical break from the past and has been welcomed as an important first step in clearing the opacity that has grown around this issue. If it can be successfully enforced, it could have the long-term effect of suppressing development hope value by enabling landowners to assess the value of land more accurately—and therefore drive additional resources to fund affordable housing and other infrastructure provision.


Flats in Poplar

However, there are fears that in its very simplicity, the SPG risks being overly prescriptive and insufficiently flexible or pragmatic. Ultimately, the SPG's success or otherwise in stimulating new market and affordable housing can only be judged at implementation stage.

4. **Incentives:** There are often relatively few incentives or appropriate mechanisms for public sector agencies to take a leading role in driving regeneration. They may lack the powers to act, fiscal freedoms, or be far from sure of benefitting directly from future economic and social growth stemming from the initiatives and risks they take. The key issues are:

    - some local authorities are addressing these constraints through creating special purpose vehicles, but they are, in effect, progressing despite the system;
    - greater fiscal autonomy at a local level or, at the very least, for London as a whole could incentivise the public sector to financially support and drive forward large-scale regeneration; and
    - the private sector has traditionally responded positively to incentives aimed at de-risking sites and stimulating development.

"There's little incentive to take risks and do things to develop your local economy."

Council Leader

D: Scarcity of skills and financial resource

1. **Planning and regeneration:** Large-scale regeneration requires particular skills and experience—from placemaking through to financing infrastructure delivery. These skills are not readily available in many boroughs, meaning that experienced planning and regeneration officers are highly regarded, but their capacity is constrained. The key issues are:

    - the public sector struggles to retain talent, as they receive lucrative offers from the private sector due to the fierce competition for skilled and experienced workers;
    - planning departments are often seen as a resource that can be cut when budgets need to be tightened; and
    - there are good examples of the private sector funding additional resource, but this is papering over the cracks of the system, and concerns remain about the guarantee of the level of service being provided.

> "The ability of local authorities to carry out planning has been compromised by a cutback on resources."
>
> Consultant

Case Study: Battersea Power Station – experimenting in tax increment financing to unlock delivery

The long-term derelict Battersea Power Station and its surrounding land forms the key anchor for the Vauxhall-Nine Elms-Battersea (VNEB) Opportunity Area. The Opportunity Area aims to introduce residential-led mixed use to a large, underused zone of 227 hectares directly adjoining London's Central Activities Zone (CAZ), with the intention of creating an entirely new urban quarter. The Opportunity Area Planning Framework (OAPF) was adopted March 2012.

The Power Station, which ceased operation in 1983, lay derelict for decades because neither the private nor the public sector was able to access the significant upfront funding required for redevelopment on this scale, despite many failed attempts. Eventually, the VNEB OAPF and its accompanying Development Infrastructure Funding Study (DIFS) provided the evidence base needed to underpin massive private sector investment into a new Northern Line extension to the Power Station, which is now nearing completion. A bold, innovative delivery and funding model was required; Tax Increment Financing (TIF) was the method chosen.

TIF allows for large-scale forward funding of infrastructure because that money may be offset against expected future tax uplift once the area is fully developed. It therefore requires robust modelling of development cashflow over decades into the future, which, though it has to rely on assumptions and forecasting, can be a great advantage in focusing minds on the longer term, where a development is being proposed or delivered in a period of short- or medium-term economic uncertainty.

TIF has been used extensively in the USA, where its ability to fund public-private partnership development at the largest scale of urban place-making has been long recognised; for example, the 37,000 home Mesa del Sol development in New Mexico has been funded entirely through TIF. TIF has been used to a lesser extent in the UK; its use at Battersea has set an exciting new precedent in the sense that if it can be deployed to unlock such a notoriously difficult site, there is potential for it to be used in many other strategic-scale locations across London.

Battersea Power Station

At VNEB, it is generally acknowledged that the application of this financing model has been a success. It has been instrumental in unlocking the area for development, with completion rates some of the highest ever seen in London and indeed in UK history (approximately 2,000 dwellings per year since adoption) despite the complexities of planning a brownfield site in multiple ownerships.

However, it must be acknowledged that this success has been underpinned to a significant extent by the strong local development market; land and property values are very high due to the proximity to central London, and the scheme is being developed in the context of relatively strong global economic growth. This means a key challenge for the GLA will be to replicate the TIF funding model in less central locations, as well as to address the ongoing concerns that many of the dwellings that the model relies upon are unaffordable for many Londoners.

2. **Finance:** The need for significant remediation and/or infrastructure investment is common to many regeneration areas, as is the struggle to find the right financial mechanisms to achieve this. A key component of delivery is combining public sector finance with the leveraging of private funding.
The key issues are:

    - mechanisms such as Tax Increment Financing and business rate retention are starting to prove successful in the limited areas where they have been applied;

    - there is a paucity of other innovative financing options in London at the moment, particularly when it comes to public sector involvement, as the city does not have sufficient fiscal devolution; and

    - London has been successful at attracting overseas inward investment to support the delivery of large-scale regeneration scheme.

“Work on land value capture is slow, fiscal devolution is brushed away.”

Local Authority Officer

3. **Construction:** The potential shortage in construction skills goes beyond the LUTC's specific focus, but its potential importance for future delivery is very real and should be noted. The prospective costs and risks of building out a scheme play a considerable role in the development equation. The key issues are:

   - trades skills are in short supply and set to be worsened by the impact of Brexit on migrant labour;
   - productivity improvements in UK construction are elusive, and exposure to accelerating input prices is high;
   - there needs to be much greater innovation in design and construction to drive an improvement in cost, time and quality that could unlock more development[9].

This chapter has outlined the factors defining the current lack of progress with transforming large brownfield areas in London. The next chapter sets out the LUTC's recommendations about how this situation can be changed.

> "We need incentives for innovative design, which would speed up delivery."
>
> **Consultant**

[9] For more details see, The Farmer Review of the UK Construction Labour Model, Construction Leadership Council: October 2016.

3: Recommendations

A new approach is required to accelerate regeneration in London and derive the greatest benefit from designated Opportunity Areas. The current efforts of many public and private sector organisations and communities require better co-ordination, resourcing and a new focus in order to meet the severe housing shortage and provide thriving new commercial districts.

There is no simple solution to the complex challenges identified in Chapter 2, but London must do better. The Commission's recommendations are designed to: galvanise leadership and accountability for delivering in Opportunity Areas; secure better partnership working between the public and private sector; and outline a pathway for London to access greater financial resources and better incentives to help unlock delivery. While the recommendations are focused on OAs, they may prove applicable to large regeneration opportunities across London and the UK in general.

We have four recommendations, with supporting actions points, under two themes:

- **Changing the way we approach delivery in the Opportunity Areas**, first through the formation of an Opportunity Area Delivery Board by the GLA, with the obligation, authority and profile to drive progress in selected OAs; complemented, secondly, by the creation of an Urban Transformation Team within the GLA to implement the actions of the Delivery Board; and

- **Changing the way we approach the financing and funding of the Opportunity Areas**, first through financing and funding reforms to better provide the upfront infrastructure investment that is often needed to support development in OAs, and second, increased public investment in OAs to enable them to meet London's social as well as economic needs.

Recommendation 1: formation of an Opportunity Area Delivery Board by the GLA

Why is this needed?

In general, OAs are too valuable a resource to let drift or for the delivery of homes and jobs to get held up by isolating factors; they require constant attention to drive forward the change that London needs. Success is invariably a partnership of public and private sector initiative, and this tone and combination of expertise should be built into the structure of how the GLA and boroughs progress the delivery of OAs.

Many of the current barriers to achieving progress, for example a complex planning process or uncertain delivery of facilitating infrastructure, can be reduced for selected OAs without lessening scrutiny or democratic governance. Catalytic investment in OAs, such as in new infrastructure, requires public sector leadership and advocacy in collaboration with the private sector.

The recommendation in detail

The GLA should create a Delivery Board tasked with facilitating targeted action in some carefully selected OAs. The Board should monitor progress of all OAs against a set of clear delivery action plans. Based on clear and transparent criteria upon which they are being assessed, some OAs that could make better progress in terms of speed of delivery, quality of place or the provision of enabling infrastructure are made the responsibility of the Delivery Board in order to realise their potential.

The Board should be chaired by the Mayor and comprised of non-executives from the public and private sectors, drawing in the breadth of world-class experience in regeneration from across and beyond London. It would:

- bring a focus to challenged sites and areas, with an emphasis equivalent to that of a Mayoral Development Corporation, but without the need to establish a new agency, although it could recommend one be created if it thought this were required;
- share experiences, deploy expertise and learning of what works between sites;
- recommend significantly reformed process, agreed in an action plan, to secure the desired level of progress. Such a plan could include, for example, a reformed planning process and new approach to infrastructure delivery; and
- have the ability to propose public sector investment in the selected OAs, including accelerated intervention in land assembly or in making the case for investment in enabling infrastructure.

In each of the selected OAs, there would need to be a formal role for borough representation so that the power of local knowledge and community engagement is partnered with strategic support to successfully implement the opportunities identified. Overall, being designated an OA, and subsequently that OA becoming the subject of focus of the Delivery Board, should help to reinforce the status of OAs as areas of action where additional resource will be committed to support delivery.

Supporting action points:

- Maintain an evolving masterplan and business case for each OA
- Introduce visioning events and external catapult panels to stimulate thinking for an OA
- Reinvigorate the holistic London Infrastructure Plan
- Over time, designate new areas of potential opportunity, looking closely at unutilised public land
- Introduce a preliminary outline planning approach for large schemes to test ideas prior to detailed submissions
- Publish an annual OA progress report; with each borough providing an update
- Deploy a formal MDC agency if considered the best course to achieve progress in a specific OA

Recommendation 2: formation of a properly resourced Urban Transformation Team within the GLA to implement the actions of the Delivery Board in OAs

Why is this needed?

The opportunity and challenge in London demands the best capability and a new way of working. In contrast to other priorities that London faces, the application of sufficient and extensive resource has been neglected. For example, London has looked far and wide for the best talents to deliver an efficient transport system; the same focus is now needed to accelerate regeneration. Components of the skills that are needed already exist within the GLA, the boroughs, and externally. These can be brought together and harnessed, which can only be achieved with the establishment of a special-purpose Urban Transformation Team.

The recommendation in detail

The operational arm of the Delivery Board (see Recommendation 1) would be an Urban Transformation Team. This would be an in-house team within the GLA, leveraging access to skills across the Mayor's agencies, particularly Transport for London and the MDCs, as well as other urban initiatives including the Mayor's Design Advocates. It would be an extension of the existing capabilities the GLA is developing around viability, public land and compulsory purchase powers.

London's experiences of urban regeneration are deep and world-leading in many of the schemes that have been delivered, but London does not sufficiently leverage this technical and design talent or experience to tackle the significant challenges of the future. The Urban Transformation Team would help to address this problem by being an additional resource to work in partnership with boroughs and agencies. Importantly, it should also draw on the substantial private sector expertise of regeneration available in London and have access to national government capabilities. The expertise should span areas such as placemaking, design, construction, transport and infrastructure, development finance, property management as well as planning.

The Team must be fully empowered by the Delivery Board and publicly accountable to it. Its leadership team must have relationships across the sector and a deep understanding of the challenges facing urban regeneration in London. To secure a team that can effectively address the scale of the challenge—which is considerable—staff must be paid appropriately, with the GLA seed-funding this initiative as a critical investment for London.

Supporting action points:

- Harmonise planning policies across OAs to create greater simplicity and consistency
- Establish guiding principles, standard planning process steps and timelines for OAs to sit above detailed policy checklists, and use to assist trade-offs in pursuit of what works in a specific situation
- Implement standard planning process steps and timelines for OAs
- Establish a London-wide body to coordinate with private utility companies and establish collaborative performance targets
- Streamline compulsory purchase order processes, retaining scrutiny and consultation, but with tighter decision-making timeframes to reduce uncertainty, and proactively apply this reformed power to OAs to speed up land assembly
- Develop and apply a bold approach to innovative construction technologies in OAs to help accelerate construction
- Complete early-stage infrastructure plans covering transport, utilities and services

Modern flats at Caspian Wharf

Recommendation 3: reforms to enable London government to invest in the infrastructure that the OAs need

Why is this needed?

One of the biggest challenges facing OAs is that they generally lack the infrastructure necessary to enable development. This falls into two categories: the infrastructure provided by the private sector utilities (principally water, energy and telecommunications); and that provided by the public sector (principally transport).

In the case of the private infrastructure, there is often a mismatch between the way the utilities are regulated and the way development comes forward, which can create a chicken and egg problem: the utilities will not invest without firm commitments from developers; developers will not invest without the infrastructure being in place. This is less of a problem when there is one landowner/developer who can make firm commitments but, where ownership is fragmented, co-ordination can lead to substantial delays.

A greater problem is the funding of transport infrastructure. Bodies like Transport for London and Network Rail incur most of the costs of constructing new transport infrastructure or providing new services, while the benefits are widely spread across society. Difficulties in unlocking funding for transport infrastructure often delay regeneration or compromise the quality of place created once developed.

The recommendation in detail

To support future growth, London government should be given greater powers to fund and finance the new infrastructure needed to unlock OAs. Similar powers should be given to cities outside the capital.

The best solution is to give London government greater control over locally generated taxes, particularly property taxes, as recommended by the London Finance Commission[10]. Such a move would increase the certainty as well as range of funding streams and would strengthen the financial incentives for London government to take what can be locally difficult decisions over housing and infrastructure investment as they would see a greater share of the rewards. The London Finance Commission also recommended giving London government greater powers to vary existing taxes, such as council tax, and to levy new taxes to pay for vital new infrastructure—for example, around capturing the value that new transport infrastructure can create in land prices as it enables new development.

Recognising that progress on full fiscal devolution is unlikely to be rapid, London government should pursue a twin-track strategy of seeking greater control of revenue uplifts generated as a result of new infrastructure investment, for example business rates and stamp duty. This would build on recent successful experience in constructing funding deals for projects such as the Northern Line Extension and in the Royal Docks, and the forthcoming devolution of business rates. To minimise the costs and time spent negotiating bespoke deals of this sort on a case-by-case basis, London government should be granted permission to create additional Enterprise Zones covering London OAs.

[10] The latest report from the Commission is Devolution: a capital idea, The report of the London Finance Commission: January 2017.

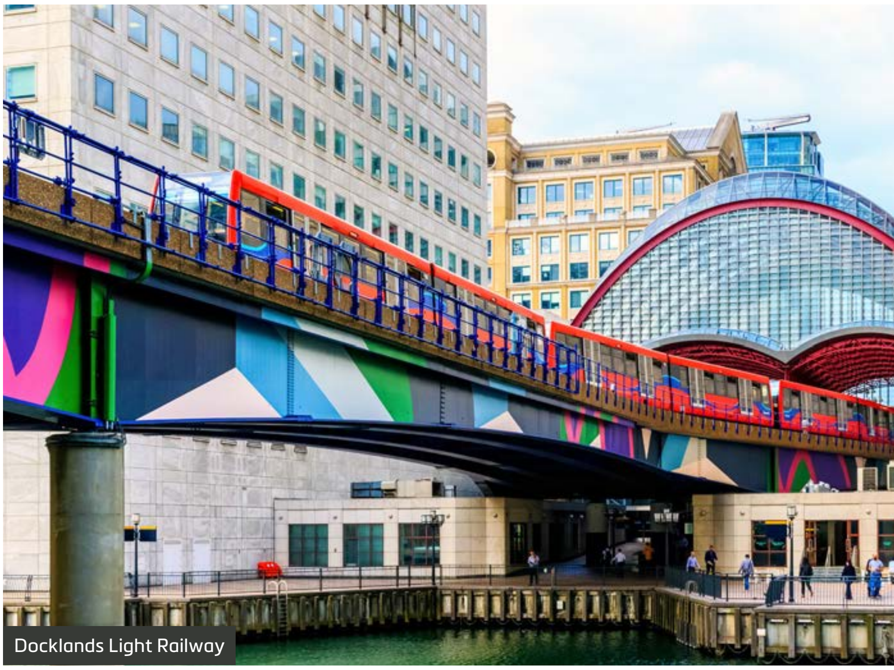
Adopting our proposed approach could stimulate significant new housing development in London's OAs, by enabling new transport infrastructure, such as the proposed DLR extension to Thamesmead, the Bakerloo Line Extension along the Old Kent Road, and Crossrail 2 through the Upper Lee Valley. These three examples alone could support 85,000 new homes.

In parallel, the GLA should continue to develop new options for value capture, for example by identifying which other OAs might be suitable for trialling new land value capture mechanisms, agreed between the Mayor and the Chancellor in the March 2017 Spring Budget. Such models are likely to be most relevant in areas with high potential for housing development and with multiple landowners. The proposed development rights auction model (DRAM) is one example, although others exist, and all models will need to demonstrate that they help bring forward new development rather than unintentionally constrain it.

Supporting action points:

- Actively develop Tax Increment Financing
- Expand role of public sector funding and guarantees to underpin development
- Redefine the objectives of public landowning bodies' to maximise sale prices in land disposal to allow value transfer to a public regeneration scheme

Turning to the private utilities, London government should also continue to press central government and economic regulators to be more responsive to the likely demand for additional utility infrastructure. Economic regulators do not currently need to take proper account of the city's forecast growth, which results in ad hoc investments being made in the network to address specific—as opposed to strategic—needs. London government also has a role to play in acting as a client for complex, fragmented sites: for example, setting up a development company to contract for new energy infrastructure and then selling the capacity over time to individual developers. The GLA's recently established Infrastructure High-Level Group has an important role to play in improving co-ordination and delivery, particularly in the OAs.



Docklands Light Railway

Recommendation 4: investing in the OAs to meet London's social, as well as economic, needs.

Why is this needed?

As noted in Chapter 2, much—sometimes all—of the burden of providing public goods in OAs falls on the private sector. The value created by planning permissions in OAs can be captured—whether by CIL, s106 agreements, or by some new mechanism to support infrastructure as suggested above—but it is insufficient to meet the aspirations of Londoners who seek high-quality public realm, new social infrastructure (such as schools, GP practices and hospitals) as well as high levels of affordable housing, on top of the new transport and other infrastructure the development requires.

One of the barriers to OA redevelopment is a sense from existing local communities that this redevelopment is not for them; indeed, that it might put further pressures on strained existing social infrastructure and further inflate local house prices. This in turn acts as a hurdle to progressing development at the pace London needs.

The recommendation in detail

The state needs to play a bigger role in funding the delivery of social goods for Londoners' legitimate aspirations to be met. Greater fiscal devolution, as set out in Recommendation 3 above, would give London government much greater flexibility over funding public goods in OAs—outside of utility and transport infrastructure—as they are redeveloped. Failing this, central government needs to give adequate resources to the GLA/London boroughs to provide the quality and mix of development that is needed.

Supporting action points:

- Define a comprehensive set of housing tenure/types (e.g. build to rent, micro units, discounted rent, private for sale, student housing, sheltered accommodation) and articulate their potential role in the vision for an area
- Develop social infrastructure strategies for OAs
- Shape an explicit 'benefits to bricks' business case for additional public investment in affordable housing
- Promote the development of highly competent neighbourhood management organisations
- Share and adopt best practices in public-realm creation and stewardship

Implementation

Rapid progress can be made to implement some of the recommendations through fresh resolve and revised working practices. Others require formal changes to structure and process between boroughs and the GLA, which will take time. And some require significant change at a national level, which will only be achieved in the long term. As the politician with the largest direct democratic mandate in the country, we think the Mayor must use the full weight of his powers and influence to seize the initiative and drive forward these recommendations. To some extent, progress is already being made with the publication of the draft London Plan and its renewed focus on OAs. This report is, in part, an initial response to the Plan, setting out a pathway to how the Mayor could practically realise some of the changes he wishes to see in London.

The overriding conclusion of the LUTC is that to accelerate development in London's OAs the collective ambition about what the capital needs from these areas must be raised. Greater drive, vision and focus are required, which must be delivered through a genuine partnership between the public and private sectors. The LUTC's work is offered as a constructive platform for getting this transformation going.


London Docklands

Appendix 1: List of Consultees

Councillor Daniel Astaire, Cabinet Member for Planning and Public Realm, Westminster City Council

Mark Blundell OBE, Partnership Development & Community Engagement Manager, OnSide Youth Zones

Gareth Bradford, former Deputy Director—Cities and Local Growth Unit, Department for Communities and Local Government

Andrew Carter, Chief Executive, Centre for Cities

Peter Cole, Chief Investment Officer, Hammerson

Barrie Cottam, Business Development Manager, Hitachi Rail Europe

Graeme Craig, Commercial Development Director, TfL

Kate Davies, Chief Executive, Notting Hill Housing Association

Councillor Kevin Davis, Leader, Kingston Council

Howard Dawber, Managing Director—Strategy, Canary Wharf Group

David Donoghue, Chairman, Spitalfields Neighbourhood Planning Forum

John East, Strategic Director for Growth and Homes, LB Barking and Dagenham

Michael Edwards, Teaching Fellow, The Bartlett School of Planning, UCL

Robert Evans, Executive Director and Partner, Argent

Fiona Fletcher-Smith, Executive Director of Development, Enterprise and Environment, GLA

Jerome Geoghegan, Group Director of Development and Sales, L&Q

John Hughes, Group Development Director, Notting Hill Housing Association

Neil Impiazzi, Partnership Development Director, SEGRO

Councillor Peter John OBE, Leader, Southwark Council

Annalise Johns, Consultant, David Ubaka Placemakers

Stephanie Joslin, Consultant, Nichols

David Joy, Chief Executive, LCR

Paul King, Managing Director—Sustainability and External Affairs Europe, Lendlease

Seema Kotecha, Head of Corporate Affairs, Lendlease

Annelie Kvick Thompson, Principal, Grimshaw

Rosanna Lawes, Executive Director of Development, London Legacy Development Corporation

John Lewis, Executive Director Thamesmead, Peabody

Sir Stuart Lipton, Partner, Lipton Rogers

Jeremy Long, Chief Executive—European Business, MTR

Ralph Luck OBE, Real Estate Development Director, KCL

David Lunts, Executive Director of Housing and Land, GLA

Roger Madelin CBE, Head of Canada Water Development, British Land

Professor Claudio de Magalhães, The Bartlett School of Planning

Jamie Masraff, Project Director, OnSide Youth Zones

Laura Mazzeo, Managing Partner, Farrells

Mark Middleton, Managing Partner, Grimshaw

Bruno Moore, Head of Town Planning, Sainsbury's

James Murray, Deputy Mayor, Housing and Residential Development, GLA

Stewart Murray, Head of the Development Group, GL Hearn

Jo Negrini, Chief Executive and Executive Director, Place, Croydon Council

Robert Neill, Business Development Manager, Sir Robert McAlpine Ltd

Michael O'Callaghan, Director, Kier

Terry O'Neill, Business Development Account Director, Temple Group

David Partridge, Managing Partner, Argent

Adrian Penfold OBE, Head of Planning, British Land

Stephen Platts, Director of Regeneration, LB Southwark

Professor Peter Rees, Professor of Places and City Planning, UCL

Councillor Darren Rodwell, Leader, LB Barking and Dagenham

Sandra Roebuck, Director Strategic and Neighbourhood Investment, LB Lambeth

Lucinda Rogers, Just Space

Patria Roman, Chair of Trustees, Latin Elephant

Anette Simpson, Head of Planning, Capco

David Slater, Director of International Trade & Investment, L&P

Paul Spooner, Interim Chief Executive, Ebbsfleet Development Corporation

Geoffrey Springer, UK Development Director London & Regional

Thomas Stevenson, Director—Residential Land and Development, JLL

Professor Tony Travers, LSE

Lucinda Turner, Acting Director of Borough Planning, TfL

Peter Vernon, Executive Director, Grosvenor

John Walker, Operational Director Development Planning, Westminster City Council

Rupert Walker, HS2 Integration Director, Network Rail

Brendon Walsh, Director of Regeneration, Economic Development and Environment, LB Hounslow

Chris Williamson, Founding Partner, Weston Williamson

Emma Williamson, Assistant Director—Planning, LB Haringey

Colin Wilson, Strategic Planning Manager, GLA

Kathryn S. Wylde, President and CEO, Partnership for New York City

Gary Yardley, Managing Director and Chief Investment Officer, Capco

Appendix 2: Methodology

Initial desk-based research was undertaken by AECOM in order to understand the background development levels within the Opportunity and Intensification Areas identified within the various iterations of the London Plan. A summary of the outcomes of this research underpins Chapter 1 of this report, and this first step informed the Commission's evidence-gathering phase.

The LUTC evidence-gathering phase commenced in March 2017 and concluded November 2017. Principal interviewers were Chair of the Commission and London First Non-Executive Director, Stephen Warrington, and Executive Director of Planning and Development, Sue Brown. Secretaries to the Commission were Nadine Tewfik-Saad and Kathryn Gray.

The qualitative process comprised 55 semi-structured one-hour interviews with 58 interview consultees selected from across the public and private sectors. All consultees were provided with a briefing note in advance, outlining the focus of the Commission and detailing the core questions that formed the basis of the interview. Those core questions were:

- What factors have encouraged and facilitated regeneration?
- What factors have impeded the progress of regeneration?
- What suggestions might you have for ways in which urban transformation in London could be accelerated?

In order to encourage candour on the part of interviewees, anonymity was considered a key component of the qualitative process; interviewees were therefore informed beforehand that that their views would be unattributed. Where quotes from interviewees appear in this report, they are identified by function only.

Interviews were supplemented by a small number of evidence panels that took place in October 2017.

Interviews and panel findings were subsequently synthesised and analysed by the Commissioners to identify the fundamental inhibitors and enablers of transformation and to provide the foundation for the Commission's recommendations for unlocking progress in London.

Sunset over Elephant and Castle

About London First

London First is a business membership organisation with the mission to make London the best city in the world for business. We've galvanised the business community to bring pragmatic solutions to London's challenges over the years. Today, we are working on solutions to what business leaders see as the top priorities for our capital: these are Talent, Housing and Crossrail 2. We also scan the horizon, link with other cities, and support our members on the issues that keep our capital globally competitive.

About AECOM

AECOM is built to deliver a better world. We design, build, finance and operate infrastructure assets for governments, businesses and organizations in more than 150 countries. As a fully integrated firm, we connect knowledge and experience across our global network of experts to help clients solve their most complex challenges. From high-performance buildings and infrastructure, to resilient communities and environments, to stable and secure nations, our work is transformative, differentiated and vital. See how we deliver what others can only imagine at aecom.com and @AECOM.

Contact us:

London First

Middlesex House,
34–42 Cleveland Street,
London W1T 4JE
020 7665 1500
kgray@londonfirst.co.uk
@London_First

AECOM

Aldgate Tower
2 Leman Street
London, E1 8FA, United Kingdom
cities.europe@aecom.com
@AECOM

londonfirst.co.uk/initiatives/lutc

aecom.com/cities