GOING LARGE – MAKING THE MOST OF LONDON'S BIG SITES

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FOREWORD

How do we meet the challenge of housing London's growing population? This is the single most important issue facing London's policymakers, and it is no surprise that it has become the defining topic of the forthcoming mayoral elections. There is a strong consensus across all political parties about the need to dramatically increase the number of homes being built in London. Boosting housing supply is now recognised as essential to the future success of this great city.

This timely report sets out the multiple challenges in achieving this. There is no silver bullet or magic policy lever to pull. However, there are very clear things that all tiers of government can do to significantly boost housing supply.

The report provides some insight for government and developers into new models of partnership and financing which would help transform long-term potential into actual delivery. It seeks to identify the most effective types of delivery structure, and in doing so brings some innovative thinking to the debate – as well as discussing new ways and approaches to meet the challenge.

Peabody is well placed to contribute to this important debate. We have been a part of London's history for 154 years, meeting the city's housing needs throughout many previous periods of profound change, and are now a major regeneration agency tackling 21st-century issues.

In addition to providing a good home to over 80,000 Londoners, we are now one of the largest developers of new homes in the capital. In Thamesmead, straddling the border of the Royal Borough of Greenwich and the London Borough of Bexley, there is potential to build 20,000 new homes if the right infrastructure is in place. This makes the town one of London's biggest Opportunity Areas.

Peabody has a long history of successful partnership working, and we continue to work closely with government, the GLA, local authorities and other developers to meet the shared goals of building more homes and creating great places to live across London.

We are therefore delighted to sponsor this report. I should like to thank the authors, Richard Brown and Brell Wilson, for the diligence and intellectual rigour they have brought to bear on the subject. They have made an important contribution towards resolving the biggest issue facing our city.

I commend the report and its recommendations to the next Mayor of London and all those interested in meeting London's future housing needs.

Stephen Howlett
Chief Executive, Peabody

SUMMARY

London needs to make good use of its larger sites to meet its urgent need for new housing. Big sites are not the only solution to London's housing crisis, but with permission for 100,000 homes, they represent a significant contribution. Development on these sites, many of which are isolated post-industrial land in less popular areas, has been inhibited by three factors.

Constraint

As London grows, large sites are a potentially valuable resource, but many have been constrained not only by a lack of infrastructure – in particular transport infrastructure, which determines the levels of density that are permissible in London – but also by their perceived remoteness and lack of quality of place. Early investment in infrastructure and placemaking creates value, but only in the long-term.

Government funding for upfront infrastructure is limited. Greater London Authority funding for housing zones meets some of the need, but a significant gap remains. More use is also being made of tax increment financing schemes, which use long-term tax receipts (or revenues from rent where the land is publicly owned) to repay loans taken out for upfront infrastructure. However, these only work in some circumstances, and sometimes miss the strategic value of major transport investment by only focusing on one particular site.

Capacity

Most developers in London operate on the basis of gradual build-out, building about 100 units every year on a single site. But large sites tie up a lot of capital for a long time, and slow release of units means that some sites will take decades to build out – decades that London's housing crisis can ill afford – with delivery over multiple economic cycles increasing the risk. Construction capacity is still recovering from the last recession, and modular building is still in its infancy as a construction method.

Institutional investors such as pension funds are increasingly taking a long-term interest in London housing and mixed-use development, but many are still cautious about taking on planning and development risk, preferring to invest in assets that are already established and generating a steady revenue stream.

Local authorities are equally pressed, and development and planning budgets have been heavily hit by the last five years of spending reductions. Furthermore, housing associations' ability to borrow is being squeezed by uncertainty arising from rent reductions and loss of properties through Right to Buy.

Governance

Given the complexity of large sites, local authorities, housing associations and private partners have pioneered a range of delivery strategies, partnership structures and special-purpose vehicles. To deliver large sites, these structures and partnerships need to enable a clear vision, unlock investment capacity, take a patient approach to returns and be resilient to economic and political change.

Joint ventures enable the assets and capacity of developers to be complemented by those of public landowners – particularly where public landowners are able to defer taking a receipt for their contribution of land – and unlock long-term risk and reward-sharing. Public bodies who take a long-term approach can build better places faster, and achieve better value in the long term. Master developer models that bring in a long-term investment partner and enable a mixed economy of delivery across a large site may be most suited to London's largest opportunity locations.

Structurally, many partnerships are delivered through companies, and this is the route that local authorities have been encouraged to take (though limited liability partnerships offer scope for better tax treatment). Among statutory and quasi-statutory bodies, urban development corporations have tended to be preferred to urban regeneration companies in London, perhaps reflecting the complex multi-agency governance of London's large sites. Mayoral development corporations, like urban development corporations, can help tackle these multi-agency problems, but work best when they have a clear scope, time and resources to develop and implement their plans, and an active approach to community involvement.

Given the success of housing zones to date, and the need to secure world-class leadership, a new housing and regeneration agency in London should focus on supporting and enabling local partners to establish string visions and the right delivery structure, while holding mayoral powers in reserve.

Effective partnership working between public, private and third sectors will not only help tackle the capacity constraints facing each sector – to build more homes faster on London's big sites – but will also help public authorities achieve best value from their landholdings in the long run.

We recommend that:

Local authorities and other public landowners should:

- Take a lead in developing a clear vision for priority sites, and use this as the basis for planning and the establishment of partnerships and delivery structures.

- Actively explore joint-venture arrangements for developing underused land, in order to build more homes and realise value in the long term.

- Take a long-term approach to achieving best value from the sale or development of assets in order to reduce risk for other partners, e.g. institutional investors who may prefer to invest after construction.

- Work with partners to explore ways to build faster, including through use of modular construction and mixing tenures to increase absorption rates.

- Base planning on masterplans that set out the character and spatial structure of new places and how these will integrate into surrounding neighbourhoods, as well as use types and quantities.

- Choose development and investment partners who can share risk, secure upfront investment and establish a resilient partnership for the long term.

The Mayor of London should:

- Seek integration between transport and major development opportunities, by actively planning the best possible transport infrastructure for existing opportunity areas, and identifying new opportunity areas along new transport corridors.

- Consider establishing a new arm's-length agency with world-class leadership to help local authorities and other partners with major development opportunities.

- Establish joint ventures with local partners for priority sites, using mayoral development corporation or other powers to intervene where progress is slow or delivery structures seem insufficient for the task.

- Explore whether new models of development corporation might enable accelerated planning processes without displacing existing partnership arrangements.

The Government should:

- Enable local authorities to make the most of their assets by encouraging more use of limited liability partnerships, and a less cautious approach to ‘best value’.

- Consider exempting local authorities’ purchase of land for development from stamp duty land tax.

- Accelerate and extend fiscal devolution to allow local authorities to explore more ways of forward-funding infrastructure by borrowing against future tax revenues.

1

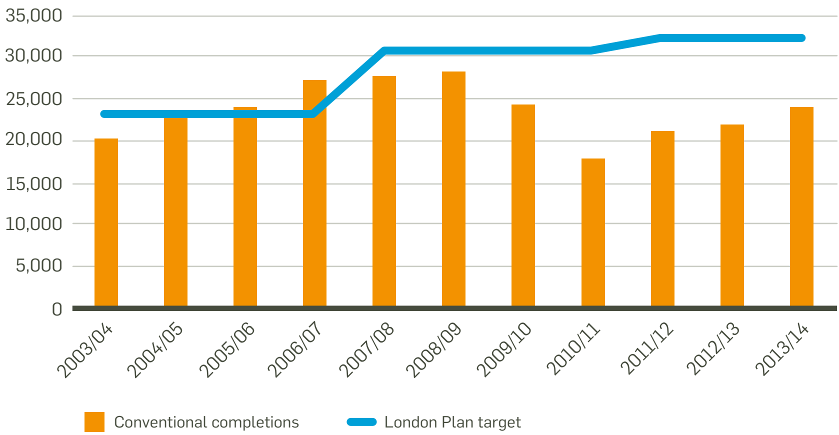
INTRODUCTION – FINDING SPACE FOR LONDON'S GROWTH

London is growing. Between 1991 and 2011, the capital's population grew by 1.7 million people and in 2015 it passed 8.6 million.[1] This growth shows little sign of slowing, and by 2036 the capital is expected to be home to over 10 million people, with corresponding rises in job numbers.[2]

Housebuilding has not kept pace with this rapid population growth. In only two of the past eleven years have housing completions met London Plan housing targets, and since 2010 they have fallen significantly short. Indeed many, including Savills and the GLA itself, are now saying that London Plan targets, raised to 42,000 homes per annum in 2015, are too low, and that up to 62,000 units could be needed per year.[3] But London is consistently undershooting even the most modest targets.

The failure of housebuilding to keep pace has contributed to house prices quadrupling since 1996,[4] while real wages for most Londoners have been through a decade of stagnation. This rise in prices has propelled housing to the forefront of London's policy agenda; it is the top priority for London's citizens,[5] its businesses,[6]

Figure 1. Number of conventional completions against London Plan targets



Source: figures taken from London Plan Annual Monitoring Reports, AMRs 1-11. Figures for 2014/15 are due to be published in spring 2016.

and a key battleground in the 2016 Mayoral Election. Finally, the difficulty getting on the housing ladder, and the automatic accumulation of wealth through rising house prices once on it, is also an important driver of London's rising levels of inequality.[7]

The potential of London's large sites

London was once a city pockmarked by slum clearance and bombing, a city with a vacant site at every street corner. Although there is still significant capacity remaining in these small and medium-sized sites, there is also an important role for large sites in delivering housing at the scale the city needs.[8] In 2013, there were 766 schemes with planning permission for more than 20 units. 66 of these had permissions for more than 501 units. With an average of 1500 units each, this totalled almost 100,000 homes,[9] an important contribution to London's housing needs.

The London Plan's Opportunity Areas provide another framework through which to consider the potential of such sites. They may not include every large site, but the 38 Opportunity Areas that have been designated have a combined housing capacity of 301,800.[10] London's Opportunity Areas vary. Many are found in East London, along the Rivers Thames and Lea, but there are also designated areas for intensification in outer London's metropolitan town centres (e.g. Bromley and Croydon), and half a dozen in outer west London. Some have been designated to accommodate employment growth: for example, the City Fringe/Tech City and the Isle of Dogs, which together have the potential for 180,000 new jobs. Others, such as Euston, will concentrate on intensification in parts of inner London with strong employment growth and good transport links, with housing intensification potential in the low-middle thousands and largely concentrated in one or two sites.

In many outer London Opportunity Areas, housing potential increases substantially, with several high-capacity sites being linked together. London

Riverside, for example, combines five sites (with potential for intensification at a further three) that involve the managed release of industrial land and could hold at least 26,500 homes.[11] The Lower Lea Valley could accommodate 32,000 new homes, some on ex-industrial land and some around the new city district at Stratford, which could itself accommodate at least 30,000 of the OA's estimated 50,000 potential jobs.[12] The Thamesmead and Abbey Wood Opportunity Area (on the border of the Royal Borough of Greenwich and the London Borough of Bexley) is earmarked for at least 3,000 homes, but this capacity could increase more than fivefold with the right infrastructure in place.[13]

As London has grown, however, the obvious opportunities have been seized, so the challenge now is to make the most of what remains. While the potential of large sites is clear, there are reasons why they have not been developed to date. This report identifies three interlinked problems of constraint, capacity, and governance:

1—The physical and perceptual *constraints* on development, and the consequent need for upfront investment in infrastructure and placemaking.

2—The problems of *capacity* that large sites pose to most developers, to public authorities and to investors.

3—The *governance* problems inherent in bringing together the partners needed to tackle the first two challenges.

The rest of this report will discuss these three challenges and how London has tried to address them in the past. We will make recommendations as to the potential shape of delivery vehicles and partnerships that could successfully meet them. Chapter Two discusses the constraints placed on value at large sites by the need for heavy initial investments in infrastructure and placemaking. Chapter Three discusses the capacity challenges that make it hard for such sites to be delivered by standard models. Chapter Four discusses the principles for partnership arrangements, together with the strengths and weaknesses of different configurations, and Chapter Five discusses different ways of structuring partnerships. Chapter Six then closes with our recommendations.

This report is based on desk research as well as interviews and roundtables with experts in housing delivery from across the public, private and third sectors. Our thanks go to all those who have shared their expertise through interviews and roundtable discussions: Jacqueline Backhaus and colleagues at Trowers and Hamlins LLP; Ian Birch, Transport for London; Michael Cassidy, Ebbsfleet Development Corporation; Sue Cocking, Savills; Martin Crookston; Chris Hall, Bilfinger GVA; Dan Hawthorn, LB Haringey; Stephen Howlett, Peabody; Dame Judith Mayhew Jonas; Lord Kerslake, Peabody; Rosanna Lawes, London Legacy Development Corporation; David Lunts, Greater London Authority; Roger Madelin, British Land; Michael Mulhern, Old Oak Park Royal Development Corporation; Simon Powell, Greater London Authority; Francis Salway, Transport for London's Property Advisory Group; Martin Tedder, Transport for London; Tony Travers, LSE London; Ralph Ward, formerly of London Docklands Development Corporation; Julian Ware, Transport for London; Eleanor Warwick, Affinity Sutton; and Kevin Whittle, formerly of London Thames Gateway Development Corporation. The views in this report are nevertheless solely those of the authors, and all errors and omissions remain our own.

Finally we would like to thank our sponsor, Peabody, for their generous support of this work.

2
CONSTRAINT, INVESTMENT AND PLACE-MAKING

This chapter discusses the constraints and investment needs of large sites, the challenges of meeting these needs, and the potential role that value-capture mechanisms could play in meeting them.

Infrastructure and values

In a city growing as fast as London, sites are not overlooked through lack of potential: but this potential is often heavily constrained. Most large sites require significant upfront investment in infrastructure to enable optimal development, and to build their value as successful places to live and work within London. Such upfront and early-years investment will build value, but only over the long term.

Infrastructure investment

Many of London's remaining sites with large housing capacity occupy ex-industrial, brownfield land that calls for intensive infrastructure investment before to transform their potential into places where people want to live. Investment could be needed for remediation of contaminated land as well for infrastructure such as water, power, broadband provision and transport.

Transport is a particular challenge in London, as transport accessibility is the key determinant of the density of development permitted. London's larger remaining sites are generally not well served by public transport. Historically, industrial sites would locate near river transport or freight railway paths and their workers would live nearby. As such, many of the ex-industrial sites now earmarked for housing have good links for transporting goods, but poor links for transporting people.

Transport links have been the key to unlocking large brownfield sites in the city's recent past,[14] not just through enabling access, but also in signalling government commitment to an area. In the 1980s, the London Docklands Development Corporation identified transport links as a key catalyst to beginning regeneration in the Docklands, which led to the Docklands Light Railway (DLR) and the city's most expensive road, the Limehouse Link, ending the isolation of the Isle of Dogs and the start of employment growth at Canary Wharf.[15] The Jubilee Line extension, which opened in 1999, unlocked the full employment potential of Canary Wharf. Rail has also been a growth catalyst in outer London, with the proposed extension of the Gospel Oak to Barking line intended to bring forward housing development at Barking Riverside, plans for new rail extensions to Thamesmead opening up new potential (see Box 1), and London Overground fuelling a housebuilding boom across east London in the 2000s.[16]

Box 1. Thamesmead

Thamesmead lies south of the Thames, on the border of Royal Borough of Greenwich and London Borough of Bexley. Part of the Royal Arsenal from the 16th to 20th century,[17] the area became derelict as munitions factories were slowly relocated after World War One. In the 1960s, the Greater London Council (GLC) began to rebuild and repopulate 1000 acres of the abandoned site.

The grand aspirations of the GLC planners are embodied in Thamesmead's lakes and waterways, raised pedestrian footpaths and huge concrete towers. Early plans estimated that it could house between 60,000 and 100,000 residents, but half a century later, its population stands around 40,000.[18] In recent years London's housing needs have renewed the focus on Thamesmead. Peabody took over Thamesmead's principal housing associations and landowners in 2014. Two Housing Zones have been established and earmarked for over £80m of GLA funding[19] to subsidise affordable housing, community infrastructure, and improved pedestrian and cycling accessibility. Yet these plans for renewal and the minimum 3,000 new homes set out in the London Plan[20] pale in comparison to the area's potential, which will only be realised with heavy transport investment.

Thamesmead is tantalisingly close to economic growth in Woolwich and the Docklands, and to new transport infrastructure, but poor connectivity magnifies this distance. With one mainline rail service to the south, seven miles of river before its nearest crossing in the east and another ten to the west, Thamesmead, particularly in the centre and to the north, is very isolated.

It is estimated that, with the right infrastructure in place, ambitions for Thamesmead could rise, from 3,000 new homes to between 15,000 and 20,000.[21] From 2018, Crossrail will terminate at Abbey Wood. Together with a connection to the DLR on the north bank of the river, this offers a chance to make Thamesmead a thriving district in London.

Looking at London's Opportunity Areas – particularly those in outer London – the need for transport investment is clear. There are ten riverside Opportunity Areas east of Tower Bridge, but with no crossings for 20 miles until Dartford, they are cut off. To unlock the development potential of the East Thames, a package of four crossings could be needed.[22] Overall, the Mayor's infrastructure plan estimates that connecting London's growth and Opportunity Areas could cost around £50bn.[23]

Land assembly can also be an important feature of upfront investment in sites, creating the potential for comprehensive masterplanning and redevelopment, rather than fragmented and opportunistic planning. Local authorities are well equipped for this, with enhanced compulsory purchase powers in place since 2004, but the process remains a complex one. In many cases, it is complicated by the fact that local authorities may find themselves liable for Stamp Duty Land Tax, which represents an additional cost to a scheme, without generating any net additional revenue for the public purse.[24]

Investment in placemaking

It is not just physical infrastructure that is holding back large sites. Investors and housebuyers want to put their money in places that have an established local character, which feel like well-looked-after places with the facilities, vitality, and mix of people and places that city dwellers seek. Successful neighbourhoods both contain and are part of a rich, closely-stitched urban fabric. They need more than serried ranks of identikit housing; they evolve and grow their character, creating a dialogue with neighbouring districts. Where the transition from one place to the next – from Canary Wharf to Poplar, or from Bishopsgate to Bethnal Green Road – is too abrupt, we notice the dissonance.

The importance of placemaking grows with the size of the site. Smaller developments can be grafted onto places that already exist, and can draw their character from them over time. This approach falls down on larger sites: the scale of sites such as Barking Riverside, Old Oak Common, Thamesmead and the Greenwich Peninsula is such that they need to be places *in themselves*. In many areas with high residential potential, creating this sense of place requires a strong masterplan, underpinned by a clear vision for the character of a place and the part it will play in London.

The identities of London's brownfield sites were shaped by industrialism in the 19th and early 20th centuries and their form followed from this purpose. Barking Riverside, for example, was home to Barking Power Station between 1925 and 1981, located on former marshland by the river to enable easy delivery of coal. Similarly, much of the Lower Lea Valley was shaped by the canals built off the River Lea to support industrial sites in the 20th century. But London is no longer the industrial powerhouse it once was and since much of its industry began to decline, many of these places have struggled to find a new identity or purpose to guide the form that they will take over the 21st century.

The experience of the London Docklands Development Corporation (LDDC) exemplifies the importance of both a clear vision and the ability to translate that vision into plans, steel, concrete, bricks and mortar. When the LDDC was being vested with its extensive powers, plan-making powers were not included, with central government's assumption that they would stifle the entrepreneurial approach to development that it wanted to elicit from the Corporation.[25] The result was a Corporation that was not able to lead and direct development, only to respond to chunks of development where they happened to fall, resulting in a sense of discontinuity between different parts of Docklands.

Kings Cross, on the other hand, has been a success in urban form. Masterplanning was at the heart of this project. London & Continental Railways, the major landowner, spent four years looking for the right partner to develop the vision, and on selection Argent spent a further seven on the plan for a well-integrated neighbourhood before a spade hit the ground. This degree of planning is demanding of both time and resources, but it is essential if large sites are to become well-loved neighbourhoods as well as good residential investments for investors and developers.

Housing Zones

The Mayor of London's Housing Zones programme has deployed £560m to support delivery of more than 50,000 homes in 20 housing zones. This funding, of which around £365m will be repaid, is used flexibly to support infrastructure investment and other costs, on the basis of agreement between the Mayor, boroughs and developers.[26] Most of the transport-related investment allocated so far has been on small-ticket items, such as improvements at existing train stations, junction/road improvements and better cycling and walking routes.[27] The flexibility with which funding can be deployed, and the contractual approach to delivery, has been welcomed by many partners, and the Mayor was planning to launch a further phase of housing zones in early 2016.

Capturing land value

Tax increment financing (TIF) arrangements allow an authority to borrow money for infrastructure and repay it by ring-fencing future tax revenue increases (or other income streams) from the area that has benefited from the investment. More commonly used in the USA in the past, TIF is becoming more popular in the UK. The Northern Line extension to Battersea, for example, will be funded by the development at Vauxhall, Nine Elms, Battersea (VNEB). The extension has been financed in the immediate term by a £1bn loan to the Greater London Authority (GLA) from the Public Works Loan Board, which will be repaid by an allocation of Community Infrastructure Levy (CIL) and Section 106 payments from Wandsworth and Lambeth Councils, and business rates allocated by the Treasury in a newly established Enterprise zone.[28]

TIF-type structures are assuming increasing importance as potential funding mechanisms for new infrastructure. Because people and businesses value being well connected, transport investments usually create a lot of value where they land – value that largely benefits land- and home-owners. Value capture mechanisms can claw back some or all of this uplift, allowing investment in infrastructure to be more self-sustaining, and the scope can be huge. The £3.5bn Jubilee Line extension, for example, raised the value of the land around its stations by around £13bn. Less than one third of that value could have financed the extension.[29] Where the authority seeking to fund infrastructure investments owns land, they can repay borrowing through long-term disposals, rental income and ground rent. Where land is in private ownership, tax revenues can provide the mechanism for value capture (see Figure 2 below).

Figure 2. Value capture mechanisms available

	COMMERCIAL/ RESIDENTIAL	ONE-OFF/ RECURRING?	REFLECTS INCREASES IN VALUE?	NEW BUILD OR EXISTING
COMMUNITY INFRASTRUCTURE LEVY/ SECTION 106/ TARIFFS	BOTH	ONE-OFF	N/A	NEW BUILD
BUSINESS RATES	COMMERCIAL	RECURRING	YES	EXISTING
COUNCIL TAX	RESIDENTIAL	RECURRING	NO	EXISTING

As Figure 2 shows, the UK's limited levels of fiscal devolution limit the range of taxes that can be captured through TIF mechanisms. Section 106, CIL and tariff payments are a one-off method of capturing some of the value accruing from new infrastructure when properties are first built. Commercial developments then yield business rates, which rise roughly in line with property values, and which are collected from new build as well as existing property. Similarly, new and existing residential property pays council tax, but the levels are low and tend to be unresponsive to increases in property value (the last valuation was in 1992). Deploying land value capture mechanisms is still relatively new for London, and further fiscal devolution would give a wider variety of revenue streams that could be used (alongside rent) to create the predictable income that is needed for prudential borrowing over the long term. For example, stamp duty on the purchase of a property (either new build or existing) does reflect value, but is not currently collected locally, and is unpredictable inasmuch as it depends upon the frequency with which properties are traded.

But these structures are not a universal solution. First, they place a big demand on future tax revenues raised locally at a time when these are increasingly being used to fund local services. For example, about three-quarters of the cost of the Northern Line extension is being derived from ring-fenced business rates, agreed by HM Treasury through an Enterprise Zone mechanism. However, the devolution of business rates means that these will become an increasingly significant element of local authorities' core funding: committing this money to repay loans over 25 years will be a tough decision. Furthermore, the intensity of development being unlocked at Battersea may not be replicable in other areas.

There is also a broader issue: while new transport links may help unlock a particular site they cannot solely be seen as local infrastructure. Rather, they are elements within London's strategic network. While the immediate locality is the primary beneficiary of a piece of new transport infrastructure, there are wider benefits dispersed across the travel network – for example, an increase in the mobility of a workforce.

3

CAPACITY FOR INVESTMENT, RISK AND DELIVERY

Having outlined the need for investment in infrastructure and placemaking, and potential mechanisms for long-term value capture, this chapter will discuss the capacity challenges facing house builders, investors and public bodies.

Limits to housebuilders' capacity

Despite the huge potential at large sites like Barking Riverside, Greenwich Peninsula and Earls Court, there is a relatively small pool of developers who are interested and able to take them on. In 2011/12, almost 50 per cent of the 11,000 starts on sites with permission for more than 20 units were by just six firms.[30] In terms of their capacity for financing, risk and delivery, that pool of potential developers becomes more concentrated as the site grows.

Capacity for upfront investment

The upfront costs of building in London make it impossible for all but a few developers to take on large sites. The high cost of land in London keeps small and medium-sized developers from scaling up their delivery,[31] and also affects the sort of sites that many bigger developers are willing to take on. On a large site, infrastructure costs may add to land costs upfront, followed by the costs of building the first phase. Concerns about absorption rates limit the number of units developers are willing to release, further delaying the moment when they have paid off initial costs and the project's cash stream goes out of the red and into the black.[32]

Capacity to build at speed and carry risk

Most UK housebuilders work with a model that releases around 100 units on a single site each year.[33] Building more quickly risks depressing values, or leaving too much capital tied up in unsold units.[34] On a large site, this means that delivery can take decades rather than years. Given the urgency of London's housing crisis, this pace of build-out seems wholly insufficient for the city's needs.

The fact that the development of a large site is likely to span two or more economic cycles accentuates the risk that housebuilders perceive in faster build-out; housebuilders can be hit hard when prices fall, given their upfront investments in land and infrastructure, so prefer to complete projects within a single cycle.[35]

Construction capacity
Economic cycles also put pressure on the capacity of the construction industry. The private house construction market contracts during recession, and gradually expands when economic recovery begins. The result of this is that much of the sector's expansion time is actually a period of clawing its way back to a pre-recession scale of delivery, and net growth over several economic cycles may be more limited than 'peak to trough' measurement would suggest. Developers' supply chains follow a similar heating and cooling process, and the construction workforce and skills deficit identified in 2014[36] has not been reversed.

New methods of modular construction have been much discussed but have had little impact compared to on the continent; the larger housebuilders seem wedded to the traditional bricks-and-mortar technologies that have built houses for hundreds of years.

Capacity of institutional investors
Institutional investors (such as pension funds and insurance companies) seek regular revenue returns over the long-term, rather than short-term capital appreciation. Given the rise of private rented housing and the relative resilience of values, London's housing market should have a strong offer for these investors. The King's Cross Central development demonstrates the value that patient capital can derive from investment in development projects. Building began in 2007 but after the crash, when the global economy was teetering and private investment was being withdrawn across London, yet developer Argent's equity partner – a pension fund – did not withdraw.

There has been a recent growth of interest in housing from the institutional investment sector. For example, Legal & General have announced plans to build more than 16,000 homes, and have recently invested £55m in a factory building modular homes. However, many investors are still wary of early-stage investment and the planning and development risks that come with this, preferring to invest in an asset with predictable, index-linked revenues.

Public sector capacity and resources

While some of the infrastructure that brownfield sites lack, for example water and power, will be provided by regulated utilities, there are also many sites competing for increasingly limited public funds to finance other infrastructure investments. For example, London has 38 Opportunity Areas, all of which are expected to develop Planning Frameworks setting out their infrastructure requirements. Many of these will include transport infrastructure, making heavy demands on Transport for London at the same time as TfL is finding its own budgets squeezed.

Planning and development are also competing for increasingly scarce resources in local authorities. Planning departments, who grant permissions and negotiate CIL and Section 106 contributions, have been heavily impacted by cuts to local authority budgets. Since 2010, net expenditure on planning and development has fallen by almost 60 per cent[37] and the expertise and time that they can commit to negotiating and supporting individual projects is falling as a result. Many developers and public authorities point to the critical importance of having the right people leading a project from the outset, combining the vision, commercial acumen and management skills required to achieve results.

Nonetheless, local authorities such as Camden, Islington, Croydon, and Ealing have begun to explore direct delivery with projects ranging from a dozen to three hundred new homes, some spread across multiple sites and some – for example Camden's Maiden Lane scheme in Kings Cross – delivering up to 200 units.

Housing associations' capacity
Housing associations are also facing a squeeze. In the past, they have been adept at attracting investment from institutional investors, as their rental income provides a predictable revenue stream, underwritten by government through housing benefit. However, recent government changes to housing benefit – particularly the reduction of social rents and the extension of Right to Buy legislation to cover housing associations – creates uncertainty about housing associations' revenue streams,[38] and thus impairs their ability to access development capital to build.

The need for unitary leadership
The pool of housebuilders willing and able to take on large sites in London, on the scale of new towns but with all the complexity that comes with urban city-building, is very limited, and few local authorities currently have the capacity to deliver directly. Places such as the Queen Elizabeth Olympic Park and Thamesmead require extensive planning, both to develop and evolve a vision and to ensure that this vision comes together in a coherent urban structure.

Leadership needs to demonstrate flexibility. London moves fast, and the local character of different parts of the city is never static. Sometimes character changes quite organically: for example, through Hackney's influx of wealthy new 'hipster' residents. At other times, a single event catalyses change. In the space of a few years, the success of the Olympics has recast perceptions of Stratford. The new enthusiasm for the area allowed the London Legacy Development Corporation (LLDC) to radically raise their ambitions for the area from a largely residential development to the plans for Olympicopolis, London's new cultural and innovation centre.

Flexibility matters for harnessing opportunity, but also for weathering storms. When the 2008 recession hit and the private housing market disappeared, the Kings Cross development was able to prioritise the delivery of their affordable housing and the installation of University of the Arts London, turning its attention to delivering private housing and office space as the market recovered.

Unitary leadership is vital if large sites are to be successful in terms of urban structure, as well as having adequate community infrastructure. This report has already discussed the importance of placemaking, particularly at large sites that have little existing place identity onto which new developments can latch. Although public bodies may not have the capacity to deliver these sites themselves, they can still play an important role in ensuring that the developments on their sites are planned such that they successfully integrate into desirable new neighbourhoods, meeting high standards in terms of public realm and coordinating the allocation of CIL and S106 money to ensure that the needs of new residents are met. Hammarby Sjostad shows how municipal authorities can take the lead (see Box 2).

Box 2. Hammarby Sjostad, Stockholm[39]

Hammarby Sjostad is a region adjoining downtown Stockholm: the development that took place there is a striking example of successful masterplanning and the role that a well-resourced municipal government can play in guiding development.

The 200-hectare district – approximately one-tenth the size of the London Borough of Hackney – had been (and was still functioning as) a successful industrial area when the City government began to look at it as a potential site for housing. Two long-term drivers for this were: growing demand for housing in Stockholm driven by the 1990s economic boom; and the idea of 'building inwards' to accommodate growth, which was at the core of Swedish urban planning.

The City of Stockholm had a central team within the City's Streets and Real Estate Administration responsible for the financing, design and implementation of the project. The team led an intensive masterplanning process, developing a strategic masterplan, detailed proposals for the sub-districts within, and the extensive 'design code' which was drawn up for each to develop neighbourhood identity. The team was able to manage strong engagement with the private sector in the development of the planning and the delivery of Hammarby. Over 40 construction partners were used in the development process in total.

The strong role that municipal government took at Hammarby allowed a remarkable level of efficiency and integration. As the majority landowner, the City was able to use leaseholder agreements, as well as financial incentives, to leverage and negotiate with developers. Funding for the area came from a mixture of the City of Stockholm, Stockholm Transport, the National Road Administration, private funding, and the Local Investment Programme (LIP). The LIP was a national fund, to whom projects responding to particular local needs applied *through* their municipal government. By being at the centre of the development, as the majority landowner and Master Planner, the City of Stockholm was able to coordinate these various funding streams and infrastructure needs, create a high quality new district, and meet Stockholm's needs with around 9,000 new homes.

London's biggest sites are generally too expensive, too risky, and too demanding to be delivered by any single body. However, without vision, masterplanning and leadership, fragmented development will not build neighbourhoods with the flexibility and the quality of place that is needed; London's large sites could become Frankenstein places – bolted together from disconnected development.

The next chapters examine the approaches to partnership and the institutional mechanisms that have been used to supply this leadership and coordination.

4

GOVERNANCE AND PARTNERSHIP

The last two chapters of this report have outlined the problems of constraint and capacity that arise when seeking to develop large sites or opportunity areas. This chapter discusses the characteristics that are called for in delivery structures, the different approaches that have been adopted from time to time and place to place, and the strengths and weaknesses of each.

The perfect partnership

Regeneration projects are as different as the places they affect – but the challenges identified in previous chapters of this report suggest some common design features:

- Vision: delivery structures need to be able to develop and express a clear plan for placemaking, based on spatial masterplanning and commercial understanding but also on an understanding of how places can change and evolve over time.

- Investment capacity: London's remaining development opportunities require intensive early investment both in transport and other infrastructure and in planning and public realm, to reduce the risk for developers and investors and optimise returns over the long-term.

- Patience: investment in regeneration pays off over the long term, but investors need a patient approach, valuing long-term revenues and values over short-term cash flow.

- Resilience and flexibility: large-scale regeneration projects stretch over both economic and political cycles and need to be able to weather these changes. They do so by developing a consensual and robust vision and plan, but also by being able to adapt to changing circumstances which open new opportunities to optimise a project.

- Leadership: the most successful large development schemes are lead by people with vision, political skill, and commercial understanding who can navigate the many challenges of such projects.

Strategies for development

Large sites and opportunity areas are more than building projects – these are the creation of new places, new pieces of London – and their delivery requires a partnership approach that reflects their complexity. A public or third-sector landowner in control of a large site (or a series of sites within an area) has a number of options for delivery, set out in generic terms in Figure 3 below.

The choice between these options depends on landowners' appetite for risk, their investment capacity, the types of return they are seeking, and what management capacity they can bring to the table.

Figure 3: Generic development strategy options

APPROACH	DESCRIPTION	STRENGTHS	WEAKNESSES
SIMPLE DISPOSAL	SELLING SITE TO A DEVELOPER/ HOUSEBUILDER	UPFRONT CAPITAL RECEIPT NO INVESTMENT REQUIREMENT NO ONGOING RISK	NO SHARE IN ANY VALUE UPLIFT NO CONTROL ON QUALITY OF DEVELOPMENT (EXCEPT THROUGH PLANNING) NO GUARANTEE THAT HOMES WILL BE BUILT
DIRECT CONSTRUCTION	LOCAL AUTHORITY (OR OTHER LANDOWNER) APPOINTS CONTRACTORS	LANDOWNER RETAINS ASSETS/INCOME STREAMS BUILD COSTS MINIMISED THROUGH DIRECT CONTRACTING	LANDOWNER RETAINS ALL SALE RISK LANDOWNER NEEDS MANAGEMENT CAPACITY LANDOWNER NEEDS UPFRONT CAPITAL
JOINT VENTURE	SINGLE DEVELOPER OR HOUSEBUILDER IS APPOINTED AS DEVELOPMENT PARTNER	POTENTIAL FOR SHARING LONG-TERM REVENUES/VALUE UPLIFTS POTENTIAL TO INFLUENCE QUALITY AND SPEED OF DEVELOPMENT	EXPOSURE TO MARKET RISK MEANS UNCERTAIN RETURNS RETURNS MAY BE DEFERRED OWING TO NEED FOR UPFRONT INVESTMENT DEVELOPMENT STILL CONSTRAINED BY ABSORPTION RATES
STRATEGIC PARTNERSHIP	PUBLIC BODY PARTNERS WITH INVESTOR AND/OR DEVELOPER; MULTIPLE DEVELOPMENT AGREEMENTS OR CONTRACTS FOR HOMES AND INFRASTRUCTURE	POTENTIAL FOR LONG-TERM INVESTMENT MULTIPLE DEVELOPERS CAN ACCELERATE DELIVERY	COMPLEXITY MAY REQUIRE DEDICATED PARTNERSHIP STRUCTURE AND/OR MANAGEMENT CAPACITY AT CENTRE RISK AND RETURN ALLOCATION MAY BE COMPLEX

Simple sale of sites passes all risk to developers, and secures a guaranteed capital sum for the landowner. But, as highlighted above, the former landowner will also not have any stake in any value uplift over time (though some sales allow for overage – a share of development proceeds if values rise more than expected during the course of the project). Nor will they be able to influence the scale or speed of development: the purchaser could simply sit on sites until they became more valuable.

Simple sale is, however, the approach most favoured by government historically, as the route to securing 'best value' and minimising risk. When public budgets are constrained but returns from property are so high, however, such a cautious approach seems unlikely to deliver best value over the long term.

At the other end of the spectrum, direct delivery represents the resurgence in direct building by councils and other public landowners, and one which central government announced it would explore in early 2016.[40] By paying a contractor to build homes on their behalf, but retaining the risk of selling or letting them after construction, landowners will be able to secure a better deal, paying a profit margin of 5–10 per cent rather than the 20 per cent that developers seek (partly to reflect the risk they are taking on). The landowner, who can dictate the speed at which contractors build (though industry capacity still constrains build rate to some degree), then receives the mix of capital and revenue returns from sale and rental of properties. The latter may become increasingly important as local authorities and agencies like Transport for London come to depend more and more on generating revenues from assets to cross-subsidise their services to the public. The problem is that few local authorities have either the financial resources or the management capacity for a construction programme at scale.

Joint ventures and strategic partnerships, which can assume many different forms, provide the opportunity for public landowners to enter into agreements that reflect as closely as possible their preferences, resources and capacities. At the simplest level, a landowner can provide land and a developer builds it out, with the returns shared between the two parties to reflect what each has committed (the land in the case of the landowner, and development capital and expertise in the case of the developer). The partners can agree the mix of units, the speed at which they will be delivered, and the way that capital sums and revenues will be apportioned.

But only a few developers will have deep enough pockets or long enough time-horizons to take on London's largest sites single-handedly. A more complex approach is one where the landowner partners with an institutional investor and/or a developer, to form a strategic partnership. This partnership plans out the site, secures planning permission and potentially puts inplace big-ticket infrastructure items; then it apportions plots to third party developers, housing associations and builders, mixing the model of contracting depending on the characteristics of sites and the state of the market.

These types of partnership can offer a great opportunity to local authorities and other landowners who lack the capital and in-house expertise needed to deliver a large-scale development, but still require significant management engagement to make such a development work well. The procurement of a development partner is only the beginning of the process, not the end.

Box 3. King's Cross[41]
King's Cross's redevelopment has been driven forward by a stable but flexible partnership model, comprising public and private sector landowners and investors since the mid-1990s. The 27-hectare site, alongside one of London's busiest rail stations, had been used for warehousing and industrial purposes since the 19th century, but had fallen into disuse and dereliction in the 1980s.

The development has been led by King's Cross Central Limited Partnership, which has drawn together the land owned by various partners, including government-owned London and Continental Railways (LCR) and DHL. The Partnership originally commissioned Argent (developers of Birmingham's canalside Brindley Place quarter) to act as master developer in 2000, though Argent later took a major equity stake, backed by the BT Pension Scheme.

In addition to construction costs, the Partnership has spent around £250 million on infrastructure since 2009, financed by the members of the partnership themselves, bank loans, and recycled receipts from early contracts and sales.

The Partnership (in which LCR sold its publicly-owned stake to an Australian Pension Fund in early 2016) continues to own the freehold of the land, and is working with a number of separate architects and contractors to build their new mixed-use development. When completed in 2020, this will include 26 acres of open space, 3.4 million square feet of offices, 2,000 homes and 500,000 square feet of retail and leisure, as well as University of the Arts London (the first occupiers, who opened their doors in 2011).

Partnership working to build faster and better

Partnership working can overcome the sector-specific challenges discussed in the last chapter, with partners' strengths and weaknesses complementing each other's. For example, local authorities and other public agencies have significant land assets, but few have the resources to develop these. Developers on the other hand are squeezed by high land and infrastructure prices in London. By seeking an upfront land receipt through land disposal, local authorities are not just cutting themselves off from a share in long-term value: they are also further constraining the developer market.

Similarly, while institutional investors are keen to invest in housing over the long term, they may be less willing to carry risk in early years.

While there will always be tension between the need for resources today and the promise of better returns tomorrow, the requirement to achieve 'best value' should not be assumed to require sale of public assets for an upfront lump sum. This will not only potentially hamper delivery through loading upfront cost onto developers, but will also limit the long-term value that can be realised from a site. Public sector partners can help unblock the process for other partners, by putting land into a development partnership at the outset, and deferring capital and revenue returns.

Intelligent partnership working can also help to deliver new housing at the speeds that London needs. Absorption rates can be increased by mixing tenures: homes can be built much more quickly by building both affordable and private, rental and sale units simultaneously, each of which is being absorbed by a different market. Mixing delivery partners – with local authorities undertaking direct delivery, alongside housebuilders, housing associations and other developers – will also reduce the risk carried by each of being left with unsold units in a downturn.

The next chapter looks at the corporate and statutory structures available for partnership working.

5
STRUCTURES FOR DELIVERY

The previous chapters discussed the constraint and capacity challenges that large sites pose, and identified the relative strengths and weaknesses of different partnership approaches. This chapter will review how different structures – from contractual agreements to statutory bodies – can be used to underpin partnership working.

Let's stick together – companies and partnerships
In some cases, a partnership can be structured contractually, through a development agreement that sets out the role of the parties, their contribution, the nature and scope of the development, and the share of financial returns due. Partnerships can also be established institutionally, through establishing a special-purpose structure like a limited company or limited liability partnership. The former is taxed as a standalone entity, paying corporation tax on any eligible profits; in the latter, each partner is taxed separately based on their tax status. This offers advantages to local authorities, who do not pay corporation tax, but such a structure is also complex to arrange as local authorities are barred by the 2003 Local Government Act from directly entering into limited liability partnerships.[42]

Urban Regeneration Companies (later City Development Companies and Economic Development Companies) were promoted by the government from 2000 to 2010 in response to the recommendations of the Urban Task Force report; more than 20 were established across England and Wales. URCs were constituted as companies, but were based on partnerships between regional development agencies and relevant local authorities, and the pooling and coordination of their powers and resources.

While URCs successfully spearheaded major city centre urban renewal projects in Sheffield, Liverpool and Manchester, their success was entirely dependent on their partners' commitment.[43] Interestingly, the URC model was never adopted in London, perhaps reflecting the complex governance structures that apply to many London projects.

The nearest recent London equivalent was probably the Olympic Park Legacy Company (OPLC), a joint venture between the Mayor of London and government set up to deliver the legacy from the London 2012 Games in East London. Established in 2009, OPLC was wound up in 2012, with its assets transferring to the new London Legacy Development Corporation, which was solely accountable to the Mayor of London.

While the abolition of regional development agencies nationally made it harder to put in place the central-local partnership that lay at the core of URCs' structure outside London, company structures could be valuable in bringing the GLA Group (including Transport for London) together with local authorities, landowners and investors to deliver priority regeneration projects.

Remote control – development corporations

Development corporations were first introduced in the form of New Town Development Corporations (NTDCs), established after World War Two to decant the overspill from congested cities into greenfield sites with little previous settlement,[44] often surrounding and absorbing small towns and villages. NTDCs had extensive powers to: acquire land (including CPO powers); grant planning permission within 'outline' permissions set by the Secretary of State; invest in and construct infrastructure; and to borrow money from the Public Works Loan Board. Finally, they had the power to "do anything else considered necessary or expedient for laying out and development of their new town" (New Towns Act, 1946) – provided it was nothing explicitly forbidden to them.

While these powers were sweeping, there was rarely a conflict between local government and early NTDCs, with the former actively campaigning for them, and the latter thoughtfully integrating those towns and villages that were within their area. Each was set up with a brief from Parliament, and would not be closed until that brief had been fulfilled; this longevity allowed the time and confidence needed for projects of such scale to come to fruition. The most famous, the Milton Keynes Development Corporation (MKDC), was in operation for 25 years, playing a key role in delivering infrastructure and ensuring a range of developers delivered against diverse housing needs.[45]

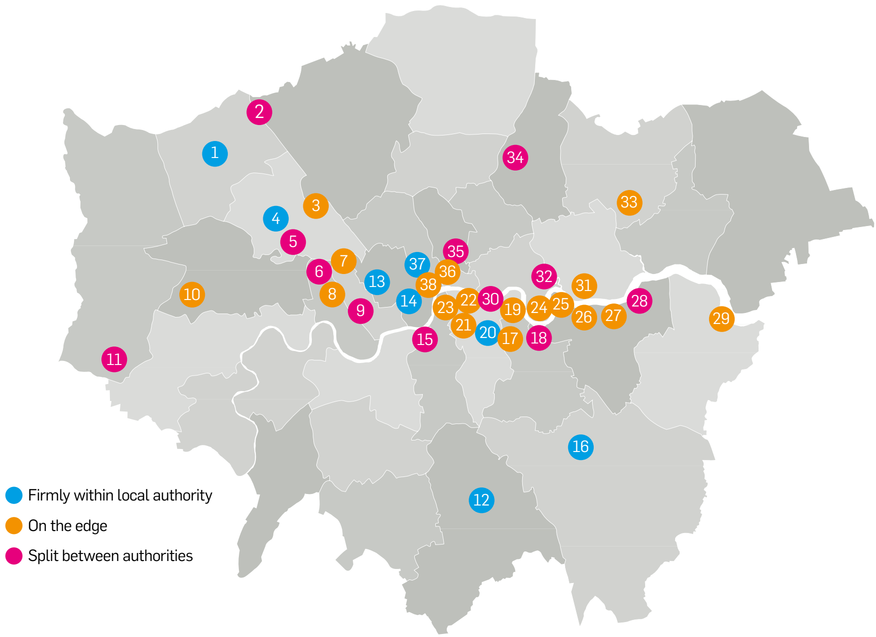
11 of the 32 early NTDCs were created in the South East to serve the needs of a wider London region,[46] including Basildon, Stevenage and Hemel Hempstead. In 2015 an urban development corporation was established at Ebbsfleet, Kent, with a similar intention. Interestingly, Ebbsfleet's target of 15,000 new homes is not dissimilar to the targets at some of London's bigger sites such as Thamesmead. This reflects the massive scale of the challenge at such places.

Urban development corporations and mayoral development corporations have been part of the institutional toolkit of regeneration since the 1980s. Their establishment has often been controversial: through taking planning powers and control of local regeneration projects away from elected local authorities, they are accused of undermining local democracy and accountability.[47] Though many have developed good relationships with local communities over time, their recent incarnations have been more consensus-based.

The development corporations established in London since the 1980s have also responded to the specific characteristics of London's urban character and administrative structure. Many of London's biggest opportunities either lie at the edge of individual boroughs, or straddle the boundaries of several boroughs. Recognisable London "places" such as Lower Lea Valley, the West End, Thamesmead and the South Bank actually comprise parts of several boroughs (see Figure 4).

Places on the edge of a borough are often seen as marginal, not central, to the borough's neighbourhoods and civic life. There are practical problems too: not only may the policy positions of two authorities differ (e.g. in relation to affordable housing, density, parking standards or workspace), but a place that is on the edge of two or more boroughs is unlikely to be the top priority for any of them.

Figure 4. London's Opportunity Areas and local authority boundaries



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

London Docklands Development Corporation (LDDC) was established in 1981 alongside the Merseyside Development Corporation to bring private investment into areas of industrial dereliction in which local government was seen as failing. LDDC's area included former dockland areas of Southwark, Tower Hamlets, Newham and Greenwich. While it was given powers to redevelop land, build infrastructure and take planning decisions, it continued to operate under the auspices of local authority planning policy. Relations with its constituent boroughs were poisonous at the outset, but improved over LDDC's 18 years of operation. It laid the foundations for the success of Canary Wharf, but it was criticised for its lack of accountability and the failure to integrate new development with existing communities.

London Thames Gateway Development Corporation, which was established in 2004 after a long process of discussion and consultation, included Lower Lea Valley slivers of Hackney, Newham, Tower Hamlets and Waltham Forest, and a separate London Riverside strip taking in Newham, Barking and Dagenham, and Havering. LTGDC was designed to take a more inclusive approach from the outset,[48] with borough representatives on its board, and delegation of many planning decisions back to the boroughs. It was also much more short-lived than LDDC, being set up in 2004 and closed down (with some staff and projects taken over by LLDC) in 2013, with a stop-go approach to government support between those dates and no significant land holdings – a "pale imitation" of the powers enjoyed by earlier development corporations.[49]

London Legacy Development Corporation (LLDC) and Old Oak and Park Royal Development Corporation (OPDC) were established in 2012 and 2015 under the provisions of the 2011 Localism Act. As mayoral development corporations (MDCs), they are established at the request of the Mayor of London (following public consultation and with the approval of the London Assembly); their budgets are set and members appointed by the Mayor; and they sit alongside

Transport for London as ‘functional bodies’ of the Greater London Authority.

MDCs must have representatives of their constituent boroughs on their board, and meet in public like local authorities. Their powers include the power to buy and sell land (including by compulsory purchase where necessary); build transport and other infrastructure; give business rate discounts and other financial incentives; take planning decisions; and set planning policy for their area. London Legacy Development Corporation (LLDC) has taken over the Queen Elizabeth Olympic Park area and its immediate fringe, comprising areas of Hackney, Newham, Tower Hamlets and Waltham Forest, while OPDC includes areas of Brent, Ealing, and Hammersmith and Fulham (see Box 4).

Box 4. London Legacy Development Corporation

London Legacy Development Corporation (LLDC) was established in 2012 to deliver Olympic Legacy plans in and around the Queen Elizabeth Olympic Park in Stratford. It inherited the land that had been assembled for the 2012 Games and the venues built by the Olympic Delivery Authority, the legacy masterplan that had been evolving alongside the Olympic Plans (and was given outline planning consent in June 2012), and other preparatory work undertaken by the Olympic Park Legacy Company, a joint venture established by the government and Mayor of London in 2009.

LLDC took on responsibility for converting and reopening the Park and venues, a process that will be completed in summer 2016 with the reopening of the Stadium. It is also entering into agreements with individual developers for sites around the Park, which will result in 10,000 homes being built for sale and rent, and the generation of revenue returns (which will cross-subsidise Park and venue management) as well as capital receipts to repay funding allocated to London 2012 by the National Lottery and Mayor of London. Its planning powers extend beyond its own landholding to take in Westfield Stratford, Hackney Wick, and other neighbouring areas.

Plans have evolved over time from a housing-led scheme to one with a stronger employment element, centred on the Olympicopolis development of educational and cultural facilities including the Victoria and Albert Museum, University College London, London College of Fashion, Sadler's Wells, Here East and Loughborough University. Build-out of plans is scheduled to run until around 2030, with Olympicopolis opening from 2020.

Structures are not solutions

Choosing a development corporation should (like the establishment of any partnership or special-purpose vehicle) be seen as a way of implementing a response to a specific set of problems,[50] rather than being the solution to those problems in itself. Structures are not solutions. Their essentially undemocratic nature makes it all the more important that the case for their establishment is made strongly and that they find innovative ways of engaging with people living within or around their regeneration areas.

Nonetheless, development corporations can offer powerful mechanisms for bringing public and private sectors together to plan and manage large regeneration and development projects, especially where the problems faced include stalled or complex planning processes (particularly if these cover several jurisdictions) and/or major land assembly challenges. They signal commitment to local stakeholders as well as investors and developers, but they do need the financial resources and longevity to reflect that commitment.

The evidence from within and beyond London is that they work best when they are:

• Established over a relatively small area, with clarity over what they are being asked to achieve.

• Fully engaged locally, balancing their unitary accountability with openness and an active approach to stakeholder engagement.

• Given time to develop their plans and make a difference; allocated the land and other resources that can effect change; and established with a clear exit strategy from the outset.

Most development corporations to date have been standalone bodies, with the corporate infrastructure (and cost) that this entails. But there is scope for alternative approaches. For example, OPDC has been established as a much more slimline body than previous development corporations, with many corporate services provided by the Greater London Authority.

Mayoral development corporation powers could also be used more surgically to unlock and push forward development on particular sites where planning or land assembly present a problem, without assembling large teams, disrupting existing arrangements, or facing the long haul of starting from scratch. It is worth noting that LLDC had the advantage of land assembly and planning having been largely undertaken by its predecessor bodies, thereby enabling it to begin work quickly. Where problems of planning were a priority, for example, an MDC-type structure could be established alongside existing development partnerships to consult on and agree a planning framework. It could then operate as a facilitative but independent planning authority, entirely separate from the development process itself.

The London-wide role

Since the abolition of the London Development Agency in 2012, the Mayor of London's land and housing programmes have been delivered through a team within the Greater London Authority. An extensive programme of land disposals has been undertaken, and housing zones have been established in priority locations, with funding being allocated in line with agreements on housing delivery.

Housing will be a major priority for the next Mayor of London. A dedicated arm's-length agency, addressing housing and regeneration across London but with a focus on larger sites, could help revitalise and accelerate housebuilding in London. It could work alongside London boroughs, housing associations and other major landowners as a flexible resource that would help them to:

- Develop a masterplan for major sites and opportunity areas, based on a clear vision and understanding of what makes for successful places.

- Structure and establish appropriate partnership mechanisms.

- Secure financing, including short-term funding for infrastructure investment, and longer-term institutional investment.

A London-wide agency of this type could work in multiple partnerships across London, and would be able to attract the world-class leadership that so many of our interviewees said was the critical success factor for major development projects.

6

CONCLUSION AND RECOMMENDATIONS

Since London's population began to grow again in the early 1990s, pressure on land supply has been growing. The city that was once pockmarked with derelict sites is feeling fuller, and sites that once seemed too expensive, too big and too conflicted to build are back in the sights of the Mayor, local authorities, housing associations and private sector developers.

But successfully building out large sites – building new towns in the heart of the city – isn't easy. This report has given an overview of the challenges inherent in developing these sites and the ways that new models of partnership and financing can help bridge the gap between long-term potential and actual delivery, in order to respond to London's urgent need for more housing, workspace and everything else that a growing city requires.

Government's emphasis on effective use of public assets has shone a spotlight on these issues: Transport for London will be increasingly reliant on the proceeds of development to support its transport services, boroughs across London are looking for ways to develop larger sites, and the London Land Commission has mapped all public land in London.

But traditional models of development – disposing of sites to private developers and waiting for homes to be delivered – delivers neither the certainty and quality of development, nor the shares in long-term value, that public and third-sector landowners across London are seeking.

Effective partnership working between public, private and third sectors can not only help tackle the capacity constraints facing each sector – to build more homes faster on London's big sites – but will also help public authorities achieve best value from their landholdings in the long run.

We recommend that Local authorities and other public landowners should:

- Take a lead in developing a clear vision for priority sites, and use this as the basis for planning and the establishment of partnerships and delivery structures.

- Actively explore joint-venture arrangements for developing underused land, in order to build more homes and realise value in the long term.

- Take a long-term approach to achieving best value from the sale or development of assets in order to reduce risk for other partners, e.g. institutional investors who may prefer to invest after construction.

- Work with partners to explore ways to build faster, including through use of modular construction and mixing tenures to increase absorption rates.

- Base planning on masterplans that set out the character and spatial structure of new places and how these will integrate into surrounding neighbourhoods, as well as use types and quantities.

- Choose development and investment partners who can share risk, secure upfront investment and establish a resilient partnership for the long term.

The Mayor of London should:

- Seek integration between transport and major development opportunities, by actively planning the best possible transport infrastructure for existing opportunity areas, and identifying new opportunity areas along new transport corridors.

- Consider establishing a new arm's-length agency with world-class leadership to help local authorities and other partners with major development opportunities.

- Establish joint ventures with local partners for priority sites, using mayoral development corporation or other powers to intervene where progress is slow or delivery structures seem insufficient for the task.

- Explore whether new models of development corporation might enable accelerated planning processes without displacing existing partnership arrangements.

The Government should:

- Enable local authorities to make the most of their assets by encouraging more use of limited liability partnerships, and a less cautious approach to 'best value'.

- Consider exempting local authorities' purchase of land for development from stamp duty land tax.

- Accelerate and extend fiscal devolution to allow local authorities to explore more ways of forward-funding infrastructure by borrowing against future tax revenues.

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As housing continues to dominate London's news headlines, what role should London's larger sites play in meeting our housing need? There is planning permission for 100,000 units on large sites, but business-as-usual is unlikely to bring these forward at the scale, quality and speed that London needs.

Drawing on literature review, interviews and roundtables, *Going Large* looks at the constraints and capacity challenges impeding delivery on large sites, and reviews the partnerships and other governance solutions that have been adopted in the past, before making recommendations on how London could make the most of these vital assets.

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