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Real Estate

Meeting the needs of London's growing population and economy

A framework of potential
interventions to better plan the
future of London

Discussion Paper no. 4

February 2016



Meeting London's Future Needs

Introduction

This paper brings together the findings of research by Deloitte and British Land to consider how London can maintain and enhance its global competitiveness by supporting its growing population and economy.

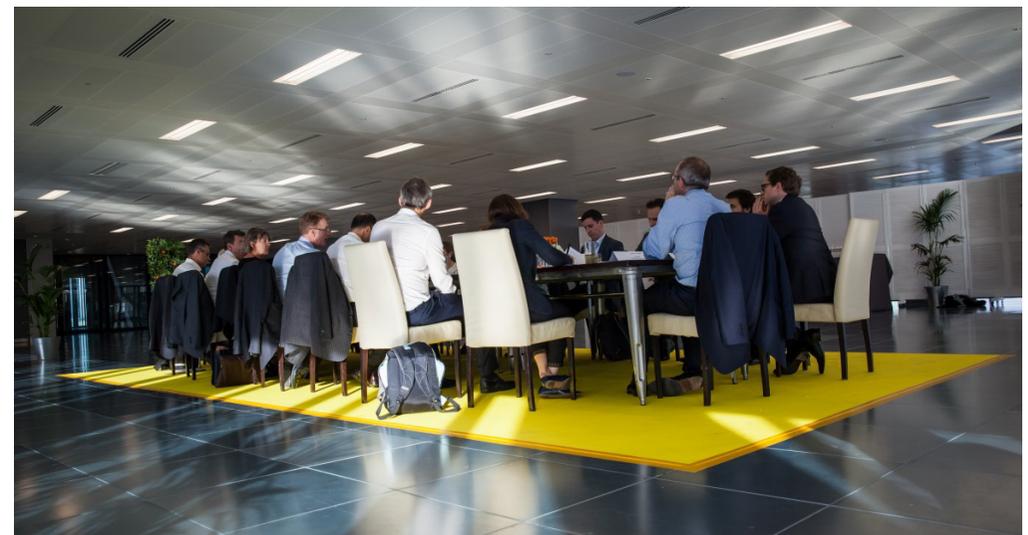
We adopted a highly collaborative approach by hosting a series of three debates with leading thinkers and practitioners in the London planning and development industries, including representatives from the public and private sectors.

The debates aimed to explore what London must do to:

- accommodate more homes and workspaces in the context of unprecedented population and employment growth; and
- deliver the quality of places commensurate with its status as a world-class capital city.

We have sought to generate ideas for better policy; proactive interventions that could be introduced to the planning system; and changes to fiscal policy.

This paper introduces the potential interventions that arose from our research. These interventions range from the moderate to the radical and from the immediate to the long-term. They are not intended to represent the view of Deloitte, British Land or any of the individuals who participated in the debates. We do though hope that they will stimulate further debate.



Meeting London's Future Needs

Principal Themes

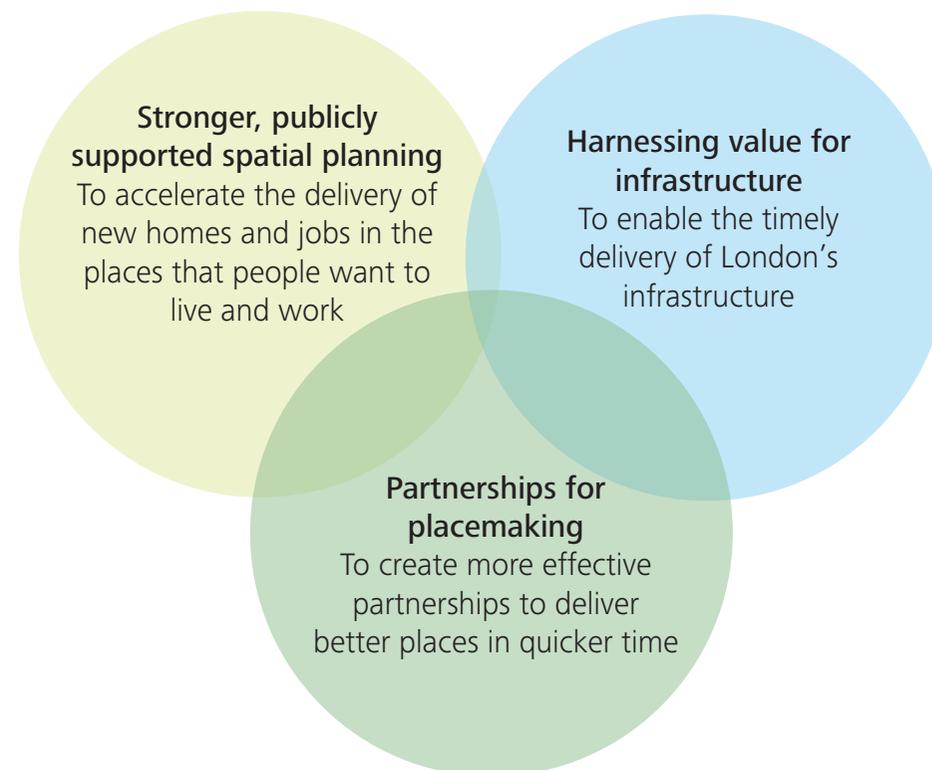
The range of potential interventions that arose from our research and debates fall under three broad categories:

- Stronger, publicly supported spatial planning to accelerate the delivery of new homes and jobs in the places where people want to live and work;
- Harnessing value for the timely delivery of London's infrastructure; and
- Creating more effective partnerships to deliver better places in quicker time.

The potential interventions we have identified range from the moderate to the radical and from the immediate to the long-term. They have a particular emphasis on intensifying land use in locations that could deliver more, and better connected, homes and workspaces, including:

- Planning policy and land use classifications;
- Fiscal policy and finance opportunities;
- Housing (including affordability and tenures);
- Infrastructure; and
- Placemaking and design (including a more coherent approach to density).

In the following pages, we identify those potential interventions that sit within each of the three broad categories, and identify the timescales and organisations that could lead their implementation. We have also indicated those that would require statutory change, and those which would require amendments to the London Plan.



An over-arching theme relates to the need for a more informed and constructive public debate about the key issues raised in our research, and the range of interventions available for consideration. We recognise the need to engage the full spectrum of political, community and professional stakeholders.

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Stronger, publicly supported spatial planning

Intervention Types:

-  Statutory Change
-  Planning Policy Amendments
-  Political Leadership
-  Partnership & Collaboration
-  Commercial & Financial Models

| Intervention | Summary | Type | Timescale | Lead |
|---|--|---|-----------|--|
| Presumption in favour of accelerated housing delivery models | The planning system in London should place greater weight on the need to deliver new homes and should look especially favourably upon applications for Build to Rent and other housing models that are able to bring forward new homes alongside the traditional house builder sales model. The London Boroughs should actively encourage B2R development on brownfield land, especially on redundant publicly owned land. |  | Short | <ul style="list-style-type: none"> • DCLG • Mayor of London • Council Leaders |
| Extend the Central Activities Zone (CAZ) and its influence on surrounding areas | An extension of the CAZ could increase London's productivity. Recognising the strategic role of a wider central zone and its immediate environs (particularly to the east to benefit from improved transport) could create opportunities for increased economic development and higher density living. |  | Short | <ul style="list-style-type: none"> • GLA • Boroughs |
| 'Build to Rent' Use Class | The establishment of a dedicated Build to Rent Land Use Class would enable local authorities to give more precise encouragement and policy support to proposals in their Development Plans, such that delivery is enabled and focused in the right markets without inflationary competition for land from volume house builders. |  | Short | <ul style="list-style-type: none"> • DCLG |
| A genuine public debate about the future shape of London | There is a widespread view that a profusion of tall buildings, particularly in areas outside central London, is having a detrimental impact on urban character and the skyline due to their lack of coherence within the wider urban environment. A stronger and more strategic urban design approach might focus the right type and quality of buildings in places which enhance wider urban character, while encouraging significantly greater densities through compact mid-rise development in strategic areas, especially the Opportunity Areas. The urban design approach could be underpinned by a well orchestrated and genuine public debate about the future shape of London, including the role and location of tall buildings, and how to achieve high quality places at higher densities. |  | Medium | <ul style="list-style-type: none"> • Mayor of London • MDAG • Council Leaders • Design Council CABE • Property developers |

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| London Infrastructure Plan (LIP) embedded in the London Plan | The LIP is of major importance to the sufficient and timely delivery of infrastructure to meet both existing and future demand, yet has had relatively limited engagement from the property and development sector. By embedding the LIP into the London Plan, it would be afforded statutory status, and would be properly embedded with spatial planning policy. |   | Medium | <ul style="list-style-type: none"> • Mayor of London • GLA • Property developers |
| Spatial Affordable Housing Strategy | The need and demand for affordable housing is not constant, either geographically or through time. A more sophisticated approach could be taken to setting affordable housing requirements across Greater London, cognisant of the key drivers of local infrastructure capacity and demographics. In time, this could become a key element of a London-wide Land Use Zoning approach. |   | Medium | <ul style="list-style-type: none"> • GLA • Boroughs • Council Leaders |
| Land Use Zoning (including plot ratios / densities) | Introduce a zoning model to set land uses, housing types and levels of affordable housing. Examples such as Toronto and Amsterdam demonstrate that a zoning model would help to give greater certainty on land values and investment expectations, and can stay attuned to changing economic circumstances if managed effectively. |   | Long | <ul style="list-style-type: none"> • GLA • Boroughs • Council Leaders |
| A Digital Spatial Plan of London | The recent revolution in digital capability enables the development of a smarter, approach to land use planning, development modelling and urban management. A data-rich, digital spatial plan for London would model baseline and future scenarios for densities, heights, massing, land use composition, incorporating real time and predicted infrastructure demands. |  | Long | <ul style="list-style-type: none"> • GLA • Property Developers |
| Plan at 'Super City Region' Scale | London's employment footprint extends well beyond its boundary, with people commuting to the capital from the wider South East, East of England, South West and Midlands, and further afield too. Planning for growth should therefore be undertaken at a Super City Region scale, perhaps within the context of a National Spatial Strategy, with the Mayor afforded a stronger mandate in supporting the strategic planning functions outside of the GLA Boroughs. |    | Long | <ul style="list-style-type: none"> • DCLG • GLA • Boroughs • LEPS • Mayor of London |

Meeting London's Future Needs

Harnessing value for timely delivery of infrastructure

- Intervention Types:**
-  Statutory Change
 -  Planning Policy Amendments
 -  Political Leadership
 -  Partnership & Collaboration
 -  Commercial & Financial Models

| Intervention | Summary | Type | Timescale | Lead |
|---|---|--|-----------|--|
| Middle Income Housing Associations and/or Residential REITs | The housing affordability crisis in London warrants new models of housing support and significantly increased scale of supply. A form of Housing Association and/or Residential REIT model catering for middle income households and key workers could be explored to increase affordable supply in central London locations. The success of such a model would likely be dependent on Land Use Zoning to give greater certainty on land values or tax changes to encourage commercial investment. |   | Medium | <ul style="list-style-type: none"> • Private sector • DCLG • HCA |
| Ring-Fenced Revenue Funding for Stewardship of Place | A proportion of business rate revenues retained by the London Boroughs should be ring-fenced to enhance budgets for the management of urban realm, public open space, and other green infrastructure. An extension of BID models, this should enhance commercial property values thereby yielding further business rate growth. |   | Short | <ul style="list-style-type: none"> • Boroughs • DCLG |
| Coordinated use of Locally Retained Business Rates | A core theme of the devolutionary debate in recent months has been to enable cities to retain an increased level of business rates to help provide infrastructure, as now confirmed by the Chancellor of the Exchequer. The challenge will be how to select and deliver the projects, especially infrastructural, that most need investment. A London Growth Board, chaired by the Mayor, could ensure that all sectors coordinate to ensure that retained rates are channelled towards projects that facilitate London's growth. |    | Short | <ul style="list-style-type: none"> • HMT • HMRC • Boroughs • GLA • Private sector |

Meeting London's Future Needs

Effective partnerships to deliver better places in quicker time

- Intervention Types:**
-  Statutory Change
 -  Planning Policy Amendments
 -  Political Leadership
 -  Partnership & Collaboration
 -  Commercial & Financial Models

| Intervention | Summary | Type | Timescale | Lead |
|---|--|---|-----------|---|
| Placemaking Guidance & Training | Having a good masterplanner and architect engaged on a development team is not enough to ensure that great places are envisioned and realised. It requires high levels of understanding of the physical, cultural, social, economic, institutional and environmental attributes that combine to determine quality of place, plus the commercial value that derives from good placemaking. More and better education for the London development and investment industries is required, alongside improved skills and resource within or alongside planning authorities. |   | Short | <ul style="list-style-type: none"> • GLA • NGOs • Private sector • Boroughs |
| An independent panel to facilitate effective partnerships | There are unprecedented levels of collaboration between public and private sector organisations, particularly to make better use of public land. Effective partnerships for development need to balance the social and best value responsibilities of the public sector with the commercial pressures of private businesses, while seeking to create exemplary places and enabling long term stewardship of places. A panel of independent, experienced facilitators could be called upon to provide guidance on the creation of partnerships and on how to mediate between conflicting aims. |   | Short | <ul style="list-style-type: none"> • Public sector • Private sector |
| Community Control of Place Creation | Mechanisms are needed to better enable and empower Neighbourhood Forums (NFs) and communities to play a central role in the creation of place, including in the context of new development and regeneration projects. This might include leaving aspects of developments 'unfinished' such that communities can pick up the baton from developers (with an endowed budget, and perhaps the novation of the developer's design team to a new community-led client), much in the same way that a commercial tenant would when procuring premises for which it is then responsible for the fit-out. |    | Medium | <ul style="list-style-type: none"> • NFs • Users • Private sector |

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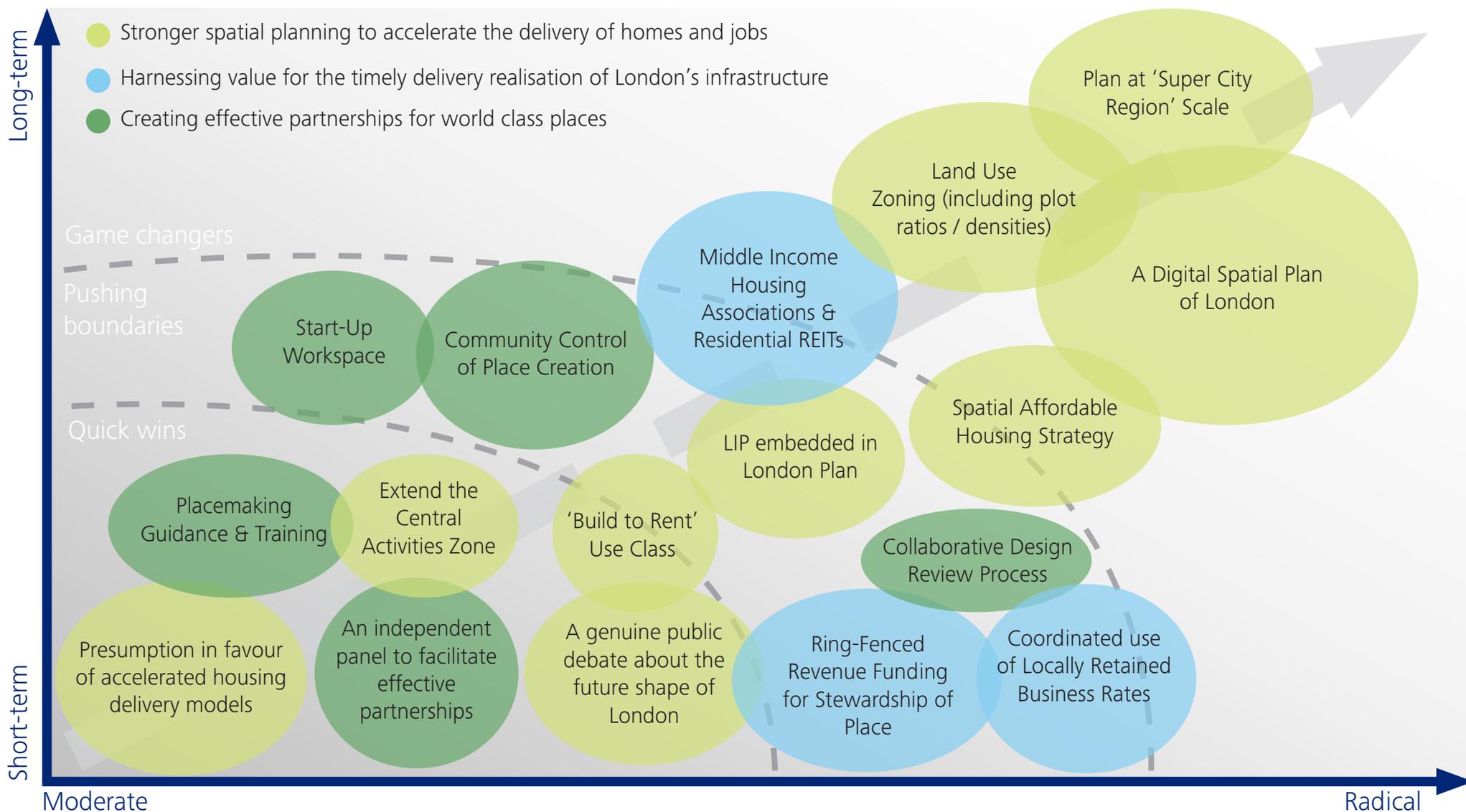
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| Start-Up Workspace | Developers could be encouraged to consider the benefits of providing workspace "hubs" for start-ups and community enterprises where there is demonstrable demand locally. Evidence suggests that capital contributions towards a funding pool for affordable workplaces is more effective than in-kind support. |   | Medium | <ul style="list-style-type: none"> • DCLG • Boroughs |
| Collaborative Design Review Process | The design review process as it currently exists can sometimes be unnecessarily combative. There is an argument to say that developers should better engage with the design review process, and often at an earlier stage in the development process. Equally, some design review panels should be encouraged to provide their service in a more constructive and collaborative spirit. Design review professionals should be engaged in both the delivery and receipt of placemaking training. |  | Short | <ul style="list-style-type: none"> • MDAG • Design Council • CABE • Private sector |

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Potential interventions





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Debate 1: Economic Opportunities & Challenges of Density

| Discussion topics | Summary of core ideas & findings | Selected examples |
|---|---|--|
| Where would commercial development be most effective in London, considering where people want to live and transport capacity? | Central London will continue to be the business location of choice. Outer London town centres and opportunity areas must overcome reputational and infrastructure issues to attract businesses and households. | <ul style="list-style-type: none"> Central London fringe locations were identified as the most popular alternatives to traditional office locations The emergence of Croydon as a tech hub, as it seeks to overcome reputational issues |
| How do we solve the problem of lack of homes close to Central London that can be afforded by the Capital's workforce? | There appears to be a reduced desire to travel long distances to work. Densifying urban villages and more mid-rise housing would help to increase supply. | <ul style="list-style-type: none"> Many parts of Hackney have become a very popular place to live, particularly following the completion of London Overground Major infrastructure investment in East London, particularly at Stratford, provides an opportunity to significantly increase the supply of homes in an area of London that has traditionally been divorced from growth elsewhere |
| Which growth scenario would make London more productive? Increased density in Central London or "Supurbia"; development on the green belt; or intensification within the wider South East Region? | <p>Reducing journey times increases productivity, but increasing the residential component of mixed use development close to major transport interchanges reduces the agglomeration benefits of greater commercial space.</p> <p>Innovative approaches to planning and delivery are required to overcome opposition to development wherever it is proposed.</p> | <ul style="list-style-type: none"> The concept of Supurbia has gained ground, as planners and developers explore ways to intensify suburban areas Ebbsfleet was identified as a place that could have sufficient critical mass of housing to justify the investment in transport |
| How can sufficient infrastructure be provided to meet the needs of higher density development in London? | There is a real difficulty in capturing financial gain from housing development. A "whole of London" solution is required to meet infrastructure bills and provide affordable housing. | <ul style="list-style-type: none"> The Dutch Model for fiscal devolution Hafencity, Hamburg was developed through public sector land ownership enabling upfront investment in infrastructure |



Broadgate, City of London

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Debate 2: Creating Good Places to Meet London's Needs

| Discussion topics | Summary of core ideas & findings | Selected examples |
|---|--|---|
| What solutions are needed to support housing delivery to meet London's needs, within and beyond its boundaries? | Londoners will only associate high density with liveable and sustainable places if the quality of planning and design is improved. New mechanisms are needed for steering land value gains into the delivery of homes that are affordable to Londoners. These could include a zoning model to fix land uses, housing types and levels of affordable housing and/or a flat rate of affordable provision. | <ul style="list-style-type: none"> Barcelona and Paris demonstrate that liveable cities with areas renowned for their beauty can be created at very high densities Build to Rent could increase rates of delivery, particularly on public sector land |
| How can the Planning System aid delivery of growth and create good places? | Many of London's best examples of planning have derived from a strong partnership between local authorities, landowners and developers. Constructive conversations and strong political leadership ensure quality and create certainty. | <ul style="list-style-type: none"> King's Cross demonstrates the value of partnership and patience in design and delivery |
| How can London continue to deliver excellent places like King's Cross? | The starting point of the King's Cross masterplan was to focus on creating the spaces between buildings. Good placemaking derives from the connectivity of places, plus a focus on the physical and social elements of a place. It helps to have a coordinated masterplanning approach and long term stewardship. | <ul style="list-style-type: none"> Lessons are learnt from masterplanning and infrastructure delivery at Nine Elms and the Olympic Park Opportunity Areas such as Old Oak Common benefit from this experience |
| What can London learn from other world cities? | Hong Kong has a 20 year vision for its transport network, the creation of clusters of different uses along transport nodes and its successful regeneration of industrial areas. Paris and Barcelona provide good examples of higher density development, but their uniform heights make for less interesting skylines. | <ul style="list-style-type: none"> Hong Kong's 20 year vision for transport planning has delivered a definitive vision of the city's needs, and a clear programme for investment and delivery |
| How can the built environment contribute to places where people want to live and work? | London needs a range of solutions to maintain its vitality. These could include more refurbishment and retention of lower grade commercial space, rather than conversion to residential. Communities could be invited to complete a development to provide stronger social ties. There should also be a focus on having better upfront planning and visionary leadership, rather than increased development control or management. | <ul style="list-style-type: none"> A community led project at Granby Park in Dublin demonstrates how interest and authenticity can be added to city projects http://www.granbypark.com/ |



Regent's Place, London Borough of Camden

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Debate 3: Working to Address London's Needs

| Discussion topics | Summary of core ideas & findings | Selected examples |
|---|--|---|
| How can London use greater devolved powers to deliver economic and housing growth? | To deliver 50,000 homes per annum alongside the critical infrastructure that is required to facilitate that growth, London needs a clearer political vision and public debate to take advantage of devolution. The UK is learning how to best use business rates to finance infrastructure projects. | <ul style="list-style-type: none"> The financing approach for the Edinburgh Tram system is generating many positive and negative lessons for future projects |
| How can London harness global capital to deliver its needs? | Residential projects have become too attractive as passive investment commodities. There should be greater encouragement for investment in Build to Rent, which would help generate interest in creating authentic places. Foreign investors and residential REITs could kick start regeneration and infrastructure delivery in opportunity areas. | <ul style="list-style-type: none"> European models for investment in the private rented sector demonstrate how to make the cultural shift towards living in high quality rented accommodation |
| How can the planning system facilitate increased delivery of homes? | The planning system should be adjusted in order to discourage excessive land value inflation and to change the market's approach to housing delivery. Zoning could enable value capture through ensuring that industrial land is only re-zoned when mechanisms are in place to provide infrastructure from value uplifts. London would benefit from improved three-dimensional spatial planning. | <ul style="list-style-type: none"> Amalgamated planning control in Toronto enabled a clear zoning strategy across the city to clearly focus areas of urban intensification New York has a fixed affordable housing requirement on new development |
| Is the development industry sufficiently engaged with the London Infrastructure Plan? | The London Plan and the London Infrastructure Plan need to be more closely connected to create a direct integration between spatial and infrastructure planning. This would enable the state to capture value increases from public sector investment. A GLA Growth Board could be created to address delivery of infrastructure and major regeneration projects. Housing should be treated as an infrastructure priority. | <ul style="list-style-type: none"> The Singapore Concept Plan guides land use strategy over a 50-year horizon, with more detailed city-wide Masterplans for 10-15 year timeframes |
| Is the appropriate planning balance struck between the protection of heritage assets and the needs of a growing city? | London should not seek growth at any price. There is a need for better plan-making which properly considers the balance between growth and heritage protection to retain London's special character. Greater political and public engagement is needed to balance heritage and growth needs. | <ul style="list-style-type: none"> While not everyone agreed with the decision, the approval of the Shard of Glass balanced world class architecture, its impact on strategic views and its role in London's' economy |



Canada Water, London Borough of Southwark

Meeting London's Future Needs

Conclusions

This paper draws together common themes and a suite of potential interventions to better meet the needs of a rapidly growing population in London, the world's marquee city.

Rather than stand as a conclusion to the debates we have held and the research we have conducted, we hope that this paper will serve to stimulate further discussion with key stakeholders from across the political spectrum, the development industry, and with the general public.

We are extremely grateful to all those who have attended our debates so far, and have contributed their expertise, insights and viewpoints to one of the most pressing and complex challenges facing London today.

We hope that they, and others, will continue the discussion with us, as we look to identify the right solutions to address London's housing and development needs both now and into the future.

We would welcome any feedback on the findings of our research and discussion papers.





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John Adams, Deloitte
Partner
+44 (0)20 7303 6480
johnadams@deloitte.co.uk



Jeremy Castle, Deloitte
Director
+44 (0)20 7007 1237
jcastle@deloitte.co.uk



Jon Lovell, Hillbreak
Co-Founder & Director
+44 (0)7825 531 031
jon@hillbreak.com



Adrian Penfold OBE, British Land
Head of Planning
+44 (0)20 7467 3481
adrian.penfold@britishland.com



Sarah Cary, British Land
Head of Sustainable Places
+44 (0)20 7467 3380
sarah.cary@britishland.com

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