Opportunity Knocks:
Piecing together London’s Opportunity Areas
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Foreword

London’s Opportunity Areas – the capital’s largest brownfield sites – could host over half a million new jobs and 300,000 extra homes.

The Mayor has identified this potential and moved to unlock it with a flagship policy. Some might argue that if London is ever to meet its need for more housing at scale, this policy has to succeed. On that basis we think change is required.

Our report analyses progress in unlocking the Opportunity Areas’ potential and the challenges still facing delivery. It proposes a set of policy and practical recommendations that should be taken up by this Mayor and the next, in close collaboration with national Government, boroughs and the private sector.

For example, we see the need, in some cases, for simpler planning rules and accelerated infrastructure investment – all based on a more rigorous prioritisation of Opportunity Areas to deliver new jobs and homes.

We look forward to discussing our conclusions with all parties and stand ready to support a new focus in policy and practice. The prize is worth seizing: more homes, more jobs, and with them a generational boost to London’s competitiveness as a global city.

I would like to thank fellow Steering Group members and London First for their insights and analysis.

Craig McWilliam
Executive Director
London Estate, Grosvenor Britain & Ireland

Chair of the London First Opportunity Areas Steering Group
July 2015
Executive Summary

Context

London’s population is growing rapidly and is forecast to reach 10 million by 2036. Inner London is the most productive region of the European Union and its growing population has the potential to drive substantial economic growth in the capital, as well as across the wider UK. However, for this to happen, and for this growth to be sustainable, the city needs to increase substantially its housing stock, roughly doubling the number of homes built each year. It also needs to create new employment opportunities for this growing population.

The redevelopment of London’s brownfield land could play a significant role in accommodating this growth. The Greater London Authority’s (GLA’s) spatial development strategy, the London Plan, identifies 38 Opportunity Areas across the city for new housing and commercial development. The Plan’s analysis concludes that these Opportunity Areas, which vary in physical size and growth potential, collectively have the capacity to deliver some 575,000 new jobs and 303,000 extra homes.

While the Mayor has overall responsibility in designating Opportunity Areas across the capital, based on initial borough proposals, the boroughs lead on delivering Opportunity Areas located within their boundaries.

The challenge of delivery

Opportunity Areas could equally be described as ‘Challenge Areas’. There are good reasons why they have not seen market-led redevelopment over recent decades. These include low land values, inadequate infrastructure and poor transport links, which make it difficult for new development to be financially viable.

This report explores these challenges and suggests ways in which London government can help to accelerate the delivery of Opportunity Areas, including easing planning rules and deferring property taxes to speed development, as well as ensuring that infrastructure provision – particularly transport – is integrated into the delivery of the Areas.

This work was undertaken by a Steering Group of London First members (listed in Appendix A) who, between them, have substantial experience of major development across the city and elsewhere. Discussions have also been held with other stakeholders including London Councils, the GLA and Transport for London (TfL).

Key recommendations:

• the Mayor should require boroughs to introduce simpler planning rules across all Opportunity Areas, including rules about when Community Infrastructure Levy (CIL), Section 106 planning obligations and affordable housing requirements will need to be removed or reduced in early phases to assist with viability;
Opportunity Knocks: Piecing together London’s Opportunity Areas

- a GLA-led advisory team should be established to support boroughs in implementing development in Opportunity Areas;
- the Mayor should ensure that a more detailed work plan, equivalent to a business plan, should be created to provide greater certainty for investors and public bodies and protect Opportunity Areas against the impact of economic and political cycles;
- the Opportunity Areas should be categorised – green, amber, and red – by the GLA to show the level of support from public sector bodies required for developing each Opportunity Area; and
- the Government should support the sustained investment in infrastructure required to deliver additional housing, jobs and economic growth in London’s Opportunity Areas. This might include the provision of additional resources, powers or other guarantees that will enable London to fully meet its growth potential.
Opportunity Knocks: Piecing together London's Opportunity Areas

Figure 1
London’s 38 Opportunity Areas

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

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Identifying the Opportunity Areas

Opportunity Areas, the capital’s major reservoir of brownfield land, are initially identified by boroughs and then proposed to the Mayor of London. Once an Opportunity Area proposal has been approved by the Mayor and adopted in the London Plan (following an Examination in Public), the relevant borough leads on delivering the Opportunity Area with support provided by the GLA and TfL.

There are currently 38 Opportunity Areas (with an additional four under discussion). Their overall development potential was increased by the 2015 Further Alterations to the London Plan (FALP), and now stands at 303,000 homes and 575,000 new jobs.

London’s Opportunity Areas will be very important in meeting the city’s overall housing needs, with 23% of new housing capacity identified by the boroughs being in the Areas. The Areas vary in physical size and growth potential, but typically each can accommodate at least 5,000 jobs, 2,500 new homes, or some combination of the two. A small number have the potential to provide in excess of 20,000 jobs and 10,000 homes. The Areas range in size from 19 hectares (central London sites such as Tottenham Court Road) to 3,900 hectares (Upper Lee Valley).

Figures 2 and 3 show the amount of housing and jobs proposed in each of the Opportunity Areas.

Opportunity Areas typically require significant upfront investment to unlock their development potential, particularly in terms of new or improved transport links. While such investment is taking place in some Opportunity Areas, for example at Tottenham Court Road and Vauxhall Nine Elms, many Areas have, at best, aspirational plans for new connectivity.

In addition, almost all Opportunity Areas need support in preparing sites for development. This may require land assembly (bringing together the ownership of parcels of land), land remediation (cleaning up contaminated land), and/or assistance with the relocation of some of the existing uses, particularly industrial activities.

The Mayor has also identified ‘Intensification Areas’ which are typically built-up areas with good existing or potential transport accessibility which can support redevelopment at higher densities. These could each deliver 8,000 new jobs and a further 8,650 further homes, but are not the focus of this report\(^2\).

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\(^2\) London Plan March 2015 Chapter 2 pp 76-79 para 2.60
Figure 2
Opportunity Areas
proposed new housing
Opportunity Knocks: Piecing together London’s Opportunity Areas

Figure 3
Opportunity Areas
proposed new employment

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

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Scale: 1:180,000 @A3
Revision

1 - 9,999 jobs
10,000 - 19,999 jobs
20,000+ jobs
Opportunity Areas: Spatial planning framework

The London Plan\(^3\) defines the strategic planning policy context for Opportunity Areas. The Mayor, working with the boroughs and public bodies such as TfL, is then required to produce an Opportunity Area Planning Framework (OAPF) for each Area, a spatial planning framework which:

- acts as a bridge between the Mayor’s strategic planning policies contained in the London Plan and the borough’s own Local Plan;
- helps inform, where appropriate, how cross-borough boundary planning issues are managed at a strategic level; and
- provides strategic planning guidance for the investment plans and decisions of individual landowners and developers, as well as public bodies and agencies, such as the GLA, TfL and utilities.

OAPFs act as Mayoral Supplementary Planning Guidance, that is planning guidance set by the Mayor, and are a material consideration for planning authorities when considering planning applications.

The London Plan\(^4\) states that OAPFs should identify both the opportunities and challenges that need resolving in an Area, setting out the land uses and infrastructure requirements. Typically, each OAPF is supported by a Development Infrastructure Funding Study (DIFS) which focuses on the broad infrastructure needs of an area and how these might be delivered and funded.

Twenty OAPFs are in place, with 10 having a DIFS. Twelve have established a management board which typically comprises the borough leader, senior representatives from the GLA (including a Deputy Mayor) and senior officers from the GLA and TfL.

At present, there is no comprehensive register of progress across all of the Opportunity Areas and so it is difficult for potential investors and developers to see how the Opportunity Areas are progressing.

Figure 4 shows where an OAPF sits in the planning hierarchy:

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\(^3\) London Plan, Policy 2.13
\(^4\) London Plan, para 2.62
Housing supply

The Mayor’s 2013 Strategic Housing Land Availability Assessment (SHLAA) underlines the importance of the Opportunity Areas in meeting London’s overall housing needs. Of the identified sites in the SHLAA, 23 per cent of housing capacity is in Opportunity Areas. Of this capacity, 47 per cent is in the east sub-region.

Housing Zones

Housing Zones are a new Government initiative to accelerate housebuilding in areas across the country that have high development potential. London is set to have at least 20 zones as part of a £400 million programme, jointly funded by the GLA and Government, which aims to deliver 50,000 new homes by 2025. Each zone will have bespoke arrangements put in place to help deliver housing development against an agreed timetable. Of the first nine Housing Zones announced for London, four are in Opportunity Areas: Heart of Harrow; Southall; Thamesmead; Abbey Wood and Wembley. Most future Housing Zones in London are likely to be in Opportunity Areas.

London boroughs need to bid to secure a Housing Zone. Each bid must meet a number of requirements to be considered for designation, including:

- the borough makes a significant contribution as part of a ‘something-for-something’ deal;
- evidence that the proposed interventions will unlock or accelerate the number of homes built; and
- delivery of a significant number of new homes. The Mayor expects that each zone will deliver a minimum of 1,000 homes.

The bids approved by the Mayor are able to select from a menu of support options including:

- **Financial support** such as grant or soft-loans that can be used:
  - to secure new, or improve existing, infrastructure;
  - for land remediation and site preparation; and/or
  - to deliver more affordable housing/support new models of home ownership or renting.

- **Planning support** such as:
  - dedicated support from the GLA to help ensure plan-making and decision-taking are done in a timely manner; and/or
  - use of Local Development Orders and Compulsory Purchase Orders, where necessary.

- **New policies** to address specific challenges in the zone, for example in relation to Community Infrastructure Levy payments. This category of option has been left open-ended with zones encouraged to bring forward new ideas.
Challenges and solutions to developing Opportunity Areas

All major development is complex. London’s Opportunity Areas face particular challenges which vary in intensity across the different locations.

The need for certainty from the planning process is particularly acute for large schemes. London’s larger Opportunity Areas are the size of new towns and their development will run across both economic cycles, and political cycles at the local, London and national levels. Across Areas of all sizes there is usually the need for investment in transport and other infrastructure before development becomes practicable. This investment can often be substantial, and requires coordination between a number of providers. These and other challenges are discussed in more detail below.

Providing certainty in the planning and development process

This work has identified three important factors that could contribute to greater certainty for investors and public bodies.

Ensuring there is sufficient expertise at borough level to manage developments with the scale and complexity of Opportunity Areas.

The experience of London First members suggests that the relevant boroughs often lack the experienced senior-level staff or specialist resources necessary to manage effectively large and complex phased development. This can result in uncertainty and delays for developers which increase their costs and the risks associated with the investment, potentially deterring investment altogether.

There is a role for the GLA in supporting the boroughs. The establishment of a GLA specialist advisory team – combining commercial deal-making skills with project management, planning and transport competences, and which London boroughs could readily access – would strengthen local capabilities. This specialist team would be similar to the national ATLAS organisation, which provides an independent advisory service to local authorities to support them in dealing with complex, large-scale, housing-led projects.

This proposed GLA advisory team would help boroughs prepare robust Opportunity Area Business Plans (see page 12) and, critically, help define and implement delivery mechanisms and agreements in their Opportunity Areas. Building on the initiatives that the GLA has already in place, such as Housing Zones, its role could include replicating the structure of complex delivery agreements from Area to Area with, of course, appropriate local variations, as well as developing standardised contracts and processes which will help expedite project delivery.

Recommendation 1

The GLA should establish a dedicated Opportunity Areas advisory team. It would provide commercial, project management, planning and transport expertise to assist the boroughs and streamline the delivery process.

ATLAS (Advisory Team for Large Applications) was set up in 2004 as a pilot scheme by the Office of the Deputy Prime Minister to provide an independent advisory service available at the request of local authorities. ATLAS is now sponsored by the Department for Communities and Local Government and is part of the Homes & Communities Agency.
Having Opportunity Area Planning Frameworks in place and creating clear business plans to minimise investor risk

Despite being a planning requirement, there are currently 18 Opportunity Areas without an OAPF. The Mayor should clear this backlog and ensure that every new Opportunity Area has an OAPF in place shortly after it is designated.

While OAPFs provide strategic planning guidance they do not provide a clear plan of action for how these sites will be delivered. More detailed work plans – led by the boroughs in consultation with the local communities, GLA, public bodies and existing and prospective developers/landowners – could help reduce this risk. These work plans – Opportunity Area Business Plans (OABPs) – should be prepared once an OAPF has been published. Each OABP should include a detailed project management plan and bring together the development and infrastructure required in the Opportunity Area with an analysis of costs, funding strategy and clear timetable. OABPs should be clear about the prioritisation between housing and other types of developments, particularly in relation to creating employment opportunities. The proposed GLA advisory team could assist boroughs in the preparation of these business plans.

By creating clarity at the start of the development process, OABPs will ensure the planning and development process is transparent and aligned to joint objectives between the borough, GLA, TfL and the developer. And by creating this shared ownership, OABPs will limit the scope for radical change in the delivery strategy following a change of political leadership at a local or London level, without due process between the partners.
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Recommendation 2
The Mayor should ensure that every Opportunity Area has an Opportunity Area Planning Framework in place.

Recommendation 3
An Opportunity Area Business Plan should be prepared following each Opportunity Area Planning Framework.

Simplifying the planning process
Local Development Orders (LDOs)\(^7\) grant planning permission up front for specific types of development within a defined area. By removing the need for developers to make a planning application to a local planning authority LDOs can create certainty and save time and money in the planning process.

In June 2014, the Government announced the objective that LDOs should be in place on 90% of brownfield land\(^8\) and, in January 2015, consulted upon a range of performance measures and incentives to underpin the delivery of this target\(^9\).

LDOs should be used in Opportunity Areas and the Mayor should require boroughs to adopt LDOs by stipulating it in the OAPF.

Recommendation 4
The Mayor should ensure London boroughs adopt and implement a simplified planning procedure through the application of Local Development Orders in all Opportunity Areas.

Challenge two

Providing better information for each Opportunity Area
Each Opportunity Area requires varying levels of direct support from the borough(s), the GLA, TfL and other public agencies to unlock its development potential. Each Opportunity Area is at different stage of development and in some Areas these investment needs are clear while in others they are sketchy. The OABPs proposed in Recommendation 3 above would play an important role in ensuring that the investment needs of each Area were known; and in parallel with creating this data there should be improved mechanisms to collate it and make it available to developers and public bodies. We also recommend two further ways in which information could be improved:

Categorisation of Opportunity Areas
The London First Steering Group felt that developers would find it useful for the 38 Opportunity Areas to be grouped by their need for public sector support. Its initial assessment, based on the information available and using a set of measures of need (see Appendix B) divided the Opportunity Area into three groups:

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\(^7\) Section 61 of the Town and Country Planning Act 1990, amended by the Planning and Compulsory Purchase Act 2004 and the Planning Act 2008
\(^8\) DCLG press release: Government initiatives to help build more new homes on brownfield land; June 2014
\(^9\) DCLG: Building Homes on Brownfield Land Consultation Document, January 2015
The first category (GREEN) contains Opportunity Areas where the market and normal borough policies/development control procedures can drive delivery, with some support from the GLA team.

The second category (AMBER) contains Opportunity Areas that are likely to come forward for development, but significant guidance and assistance from the GLA team will be needed over the medium term in order to put the mechanisms in place that will provide the basis for delivery.

The third category (RED) contains Opportunity Areas where the boroughs, with support from the GLA, are unlikely to be able to deliver the scale of development in time to meet identified needs set out in the OAPF. This is particularly likely where physical and geographic challenges are substantial, infrastructure needs are high and cross-boundary working is necessary.

The results of the Steering Group’s proposed categorisation is shown in Figure 6.

Recommendation 5
To help inform prospective developers and investors, the Opportunity Areas should be categorised by the GLA to show the level of support from public sector bodies required for each Opportunity Area.

Keeping track of progress in Opportunity Areas
As noted above, published information on the status of the Opportunity Areas is patchy and it is difficult for developers to determine the status of an Area in the planning/delivery cycle. In some instances, the boundaries of an Opportunity Area have been changed without relevant public information being updated.

While various monitoring systems are in place within different boroughs and at the GLA, they are not always up-to-date. The GLA is now developing a new ‘Geographical Information Systems Toolkit’ to aid this process, but it is unclear at this stage what sort of information will be publicly accessible for each Opportunity Area.

Some of the more advanced Opportunity Areas are beginning to provide information on progress. For example, the Vauxhall Nine Elms Battersea Opportunity Area has a good website which shows the progress of its planning applications. However, the sharing of information and the ability to understand the progress of Opportunity Areas could be much improved.

A dedicated online portal, showing the status of each Opportunity Area and how it is progressing with its Opportunity Area Business Plan, would be invaluable to developers and potential investors.

Recommendation 6
An up-to-date, publicly accessible online portal showing the status of each Opportunity Area should be compiled and managed by the GLA.
Opportunity Knocks: Piecing together London’s Opportunity Areas

Figure 6
Proposed categorisation of Opportunity Areas

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

Opportunity Areas where the market and normal borough policies / development control procedures can drive delivery, with some support from the GLA team.

Opportunity Areas that are likely to come forward for development, but significant guidance and assistance from the GLA team will be needed over the medium term in order to put the mechanisms in place that will provide the basis for delivery.

Opportunity Areas where the boroughs, with support from the GLA, are unlikely to be able to deliver the scale of development in time to meet identified needs set out in the DAPF. This is particularly likely where physical and geographic challenges are substantial, infrastructure needs are high and cross-boundary working is necessary.
Challenge three

Planning and delivering the necessary infrastructure

Physical and social infrastructure in general, and transport in particular, are essential components of the successful delivery of large-scale, multi-phased development. Given the scale of the Opportunity Areas it is not surprising that the investment required in associated infrastructure is substantial.

Ensuring that new infrastructure is provided in Opportunity Areas in a timely manner is essential if development is to take place in an efficient way – or in some instances, if it is to happen at all. The Vauxhall Nine Elms Battersea Opportunity Area was long held back by the absence of public transport connections until the Northern Line Extension was agreed. Barking Riverside was similarly constrained until the decision to extend the London Overground was made.

Similarly, Crossrail 2 could help unlock the Upper Lee Valley in north east London, new river crossings could open up development opportunities across east London, and the extension of the Bakerloo line southwards from Elephant and Castle through Southwark towards Lewisham, Bromley and Hayes could have a similar regenerative effect for south east London.

The main infrastructure improvements needed are shown superimposed on the Opportunity Areas in Figure 7.

The GLA’s London Infrastructure Plan 2050 marks a significant step forward in London’s capability to plan effectively for its future growth. This strategic overview now needs to be translated into a detailed understanding of the infrastructure needs of the Opportunity Areas, with delivery plans for addressing those needs over a realistic timescale.

The creation of the London Infrastructure Delivery Board to bring greater coordination to infrastructure planning and delivery is a positive move in this respect. Its work to test the potential for more joined-up infrastructure delivery in three spatial case studies – Old Oak Common, the Upper Lee Valley and North Bexley – is particularly welcome.

Recommendation 7

Building on the London Infrastructure Plan 2050 and the work of the London Infrastructure Delivery Board, and utilising the proposed Opportunity Area Business Plans, the GLA should ensure credible infrastructure delivery plans are developed in Opportunity Areas.

Funding essential infrastructure

One of the key challenges facing infrastructure delivery in the Opportunity Areas is inevitably the cost. Arup, on behalf of the GLA\(^\text{10}\), has assessed the cost of London’s overall infrastructure needs in the period 2016 – 2050 at £1 trillion – £1.75 trillion. Much of this will be efficiently and effectively provided by regulated utilities (such as water and energy) or through competitive markets, although there are some areas where the regulated utilities’ approach to provision could better support London’s growth. In particular, London First has strongly supported the GLA’s ongoing efforts to reform utility regulation to enable more timely forward provision of electricity and water infrastructure.

\(^{10}\) GLA (Arup): The cost of London’s long-term infrastructure, July 2014
Opportunity Knocks: Piecing together London's Opportunity Areas

Figure 7
Opportunity Areas with major infrastructure needs

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

Proposed river crossing

Belvedere Crossing
Northern line extension to VNEB

Gallions Reach (ferry or bridge)
Bakerloo line extension

Silvertown Tunnel
Crossrail 1

Woolwich Ferry replacement
Crossrail 2

Opportunity areas

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Much of the investment London requires is in transport, however, and, in common with other cities, most transport investment in the capital is undertaken by the public sector. London First has set out elsewhere (*London’s Infrastructure: Investing for Growth*) the strong case for sustained investment in the capital’s infrastructure. In the context of this Opportunity Areas report the following points are key.

In the first instance, London’s transport grant funding from central government will need to be maintained at least at planned levels into the 2020s in the upcoming spending review. However, even this level of investment falls short of London’s needs and should be seen as a floor rather than a ceiling. As the Government itself has acknowledged, London now needs to identify and plan the next big infrastructure investments after Crossrail – in the form of projects such as Crossrail 2.

London will also need to continue to utilise the various, albeit limited, revenue-raising measures over which it already has discretion (principally fares and charges, some taxes and developer contributions). As an example, TfL currently proposes that user charging will make a significant contribution to funding new river crossings in east London, beginning with the Silvertown Tunnel.

London will also need to innovate further, bringing together diverse funding streams with enhanced governance and accountability mechanisms.

Crossrail provides one good example of how this approach might work, with its funding flowing from national government (principally through grant), London government (principally through fares) and the private sector (through the business rate supplement and various forms of developer contribution). While the private sector has no formal role in the project’s delivery and governance, its involvement was crucial both in developing a funding package and securing lasting cross-party support – and business certainly sees itself having an ongoing role in holding the Mayor and the Department for Transport to account for Crossrail’s successful delivery.

Separately, the Northern Line Extension to Battersea is largely being funded by the private sector through the long-term retention of business rates and through value uplifts generated by redevelopment of the old power station and surrounding area. This income stream is supported by a Government guarantee, with the project being delivered by TfL. Similarly, other UK cities have agreed City Deals with HM Treasury whereby the proceeds of future growth are dedicated – alongside other forms of local contribution – to help fund infrastructure schemes that help stimulate additional economic activity. Such approaches undoubtedly offer additional untapped potential for London in future and should be explored where relevant for Opportunity Areas.

A note of caution needs to be sounded around the potential of innovative funding mechanisms, however. A recent PwC report on Crossrail 2 assumes that funding would include contributions from the Community Infrastructure Levy (CIL). While London’s resources can be harnessed to fund such a project, it is clear that it would still need substantial central government support. It is also clear that a number of the Opportunity Areas will not be developed if their prospective developers are required to bear material financial burdens from CIL. The financial viability of development in Opportunity Areas is considered further below.

A different approach would be for central government to give London government greater autonomy to invest in the capital’s infrastructure. Greater devolution of

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* London First: London’s Infrastructure: Investing for Growth, March 2015
* TfL (PwC): Crossrail 2 Funding and Financing Study, November 2014
tax revenues would increase the capacity of London government to raise revenues locally and accountably, it would increase the certainty as well as range of funding streams and, perhaps most importantly, it would strengthen the financial incentives for London and local government to take difficult decisions over housing and infrastructure investment as they would see a greater share of the rewards. Such an alignment of incentives has strong potential to support higher levels of economic growth in the capital than would otherwise take place.

**Recommendation 8**
Government should support the sustained investment in infrastructure required to deliver additional housing, jobs and economic growth in Opportunity Areas. This will require Government to:

- maintain London’s transport grant funding at least at current levels into the 2020s in the upcoming spending review;
- provide the additional resources, powers or other guarantees that will enable London to fully meet its growth potential; and
- implement reforms to utility regulation to enable more timely forward provision of electricity and water infrastructure.

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**Challenge four**

The financial viability of Opportunity Areas

Opportunity Areas are typically of marginal value to developers. If they were not, they would have been developed already. As noted above, infrastructure investment may change the economics of investment. But they are always going to be more fragile sites for development than prime areas.

Currently, the prospective value of completed development in many of the Opportunity Areas is not sufficient to make that development commercially viable. This viability is further threatened the more a planning authority seeks to place planning obligations on the development. These obligations typically fall into three categories:

- requirements to provide affordable housing (housing Section 106 obligations);
- requirements to provide the infrastructure needed to support those living or working in the development, e.g. a school or urban realm around the development (wider Section 106 obligations); and
- contributions to generic local infrastructure through the Mayor’s and borough CILs.

While such contributions may seem entirely reasonable, the cumulative impact can stop prospective development being viable.

Recent experience at the public examinations of borough CIL proposals suggests a lack of understanding from some boroughs as to the costs and risks associated in bringing forward large scale regeneration schemes, such as those in Opportunity Areas, as opposed to smaller development in more prosperous areas. These boroughs proposed CIL charging structures which had little differentiation between the higher costs and risks associated with bringing forward large scale multi-phased developments, and those associated with minor developments that do not accrue as...
much cost or risk over the development cycle. The recent decisions on the CIL rates for Tower Hamlets and in the Kensal area of the Royal Borough of Kensington and Chelsea established that there should be a zero CIL tariff for strategic sites for them to be viable. Further details are set out in Appendix C.

Similarly, planning authorities can have an unrealistic expectation of the local infrastructure or levels of social housing that a scheme can deliver, when the value of the market development is low and the costs are high.

Many of the Opportunity Areas currently require land remediation and/or land assembly before they can be developed. The proposed GLA advisory team (Recommendation 1) could assist boroughs in assessing land values by using a standardised valuation method and advise boroughs on the costs associated with preparing a site for development in an Opportunity Area.

By having a better understanding of land values, associated costs for site preparation and the value of development in an Opportunity Area, the borough(s) would be in a better position to determine what if any planning obligations should be sought from new development and, as importantly at the absolute level, when those costs should arise. A more flexible approach could allow the level of, for example, social housing provision to rise over time if the early stages of development lead to an increase in local property values.

**Recommendation 9**

The proposed GLA advisory team should assist boroughs in assessing land values in Opportunity Areas, the costs associated with preparing a site for development, and the levels of contributions that development can make towards the cumulative planning obligations without jeopardising viability.

**Recommendation 10**

In strategic development sites within Opportunity Areas, where considerable infrastructure investment is required to act as a catalyst for development, local planning authorities should set a zero-rated CIL. Local planning authorities should adopt a flexible approach to the timing and level of any other planning obligations in Opportunity Areas, based on the economic viability of development.
Opportunity Areas have the potential to deliver some 575,000 new jobs, 303,000 extra homes and to create new urban centres. They have a vital role to play, in particular, in meeting London’s urgent housing needs and bridging the considerable gap between the current housing target, of 42,000 homes a year, and the 29,382 homes that were built in London in 2013-14. However as set out above, considerable investment by the public and private sectors is required if Opportunity Areas are to fulfil this potential. Both also need to grapple with issues of land ownership, low values, integration with existing communities, and co-ordination across different local authorities and other public bodies.

This report sets out 10 recommendations, some of which are within the existing powers of London government, while others require national government support. Implementing this set of recommendations, and transforming Opportunity Areas into places that Londoners will want to live, work and visit, is clearly a substantial task which requires vigorous action by both London government and London business: but the prize is worth it. The successful development of Opportunity Areas is vital to London’s future growth, the city’s competitiveness and Londoners’ quality of life.
Summary of recommendations

Recommendation 1
The GLA should establish a dedicated Opportunity Areas advisory team. It would provide commercial, project management, planning and transport expertise to assist the boroughs and streamline the delivery process.

Recommendation 2
The Mayor should ensure that every Opportunity Area has an Opportunity Area Planning Framework in place.

Recommendation 3
An Opportunity Area Business Plan should be prepared following each Opportunity Area Planning Framework.

Recommendation 4
The Mayor should ensure London boroughs adopt and implement a simplified planning procedure through the application of Local Development Orders in all Opportunity Areas.

Recommendation 5
To help inform prospective developers and investors, the Opportunity Areas should be categorised by the GLA to show the level of support from public sector bodies required for each Opportunity Area.

Recommendation 6
An up-to-date, publicly accessible online portal showing the status of each Opportunity Area should be compiled and managed by the GLA.

Recommendation 7
Building on the London Infrastructure Plan 2050 and the work of the London Infrastructure Delivery Board, and utilising the proposed Opportunity Area Business Plans, the GLA should ensure credible infrastructure delivery plans are developed in Opportunity Areas.

Recommendation 8
Government should support the sustained investment in infrastructure required to deliver additional housing, jobs and economic growth in Opportunity Areas. This will require Government to:

- maintain London’s transport grant funding at least at current levels into the 2020s in the upcoming spending review;
- provide the additional resources, powers or other guarantees that will enable London to fully meet its growth potential; and
- implement reforms to utility regulation to enable more timely forward provision of electricity and water infrastructure.
Recommendation 9
The proposed GLA advisory team should assist boroughs in assessing land values in Opportunity Areas, the costs associated with preparing a site for development, and the levels of contributions that development can make towards the cumulative planning obligations without jeopardising viability.

Recommendation 10
In strategic development sites within Opportunity Areas, where considerable infrastructure investment is required to act as a catalyst for development, local planning authorities should set a zero-rated CIL. Local planning authorities should adopt a flexible approach to the timing and level of any other planning obligations in Opportunity Areas, based on the economic viability of development.
Appendix

Steering Group members

Chair
Craig McWilliam, Executive Director – London Estate, Grosvenor Britain & Ireland

Steering Group members
Gordon Adams, Head of Planning, Battersea Power Station
Faraz Baber, Executive Director, Policy, London First
Duncan Bower, Director of Development, Westfield Group
Tom Clarke, Head of Planning, Capital and Counties Properties
John Dickie, Director of Strategy and Policy, London First
Mark Dickinson, Managing Director, Anthology London
Sir Terry Farrell CBE, Principal, Farrells
Rob Fox, Head of External Affairs, Grosvenor Britain & Ireland
Neil Impiazzi, Partnership Development Manager, SEGRO
Nick Jopling, Executive Director, Property, Grainger
Pascal Levine, Partner, DS2
John Pagano, Managing Director, Development, Canary Wharf Group
Simone Santi, Senior Development Manager, Lend Lease
Annette Simpson, Director of Planning and Development, Earls Court Village, Capital and Counties Properties
Gary Yardley, Managing Director and Chief Investment Officer, Capital and Counties Properties

Lead Consultant
Ann Bartaby, Director, Terence O’Rourke
Opportunity Areas categorisation

London’s Opportunity Areas have been categorised by the Steering Group into three groups:

- The first category (GREEN) contains Opportunity Areas where the market and normal borough policies/development control procedures can drive delivery, with some support from the GLA team.
- The second category (AMBER) contains Opportunity Areas that are likely to come forward, but significant guidance and assistance from the GLA team will be needed over the medium term in order to put the mechanisms in place that will provide the basis for delivery.
- The third category (RED) contains Areas where the boroughs, with support from the GLA, are unlikely to be able to deliver the scale of development in time to meet identified needs set out in the OAPF. This is particularly likely where physical and geographic challenges are substantial, infrastructure needs are high and cross-boundary working is necessary.

The Opportunity Areas were evaluated against a number of criteria in order to assess the level of support potentially required in order to deliver the minimum number of new homes and proposed job capacity set out in the FALP.

The main criteria were:

1. Size and scale of homes and jobs
2. Status of the Opportunity Area Planning Framework
3. Status of establishing a Board to steer development
4. Number of local authority jurisdictions within the Opportunity Area
5. Status of planning policy documents
6. Planning applications, planning performance, approvals and extent of implementation
7. The number of developers and the scale of the projects they are promoting in the respective Opportunity Area
8. Land ownership
9. Key infrastructure required
10. Status of any special delivery mechanisms.
Appendix

Recent decisions on Community Infrastructure Levy rates

London Borough of Tower Hamlets

The Inspector’s report into the London Borough of Tower Hamlets Community Infrastructure Levy Charging Schedule, 14 November 2014[^1], identified that Opportunity Areas cover about two-thirds of the borough, cutting across the postcode-based development value areas identified in a CIL viability study.

It is envisaged by the Inspector that, identified site allocations aside, most development within Opportunity Areas would come forward as individual residential or commercial schemes as appraised in the viability study. In light of this, the viability of development in Tower Hamlets is likely to be much more influenced by the development value area in which it is located (as appraised by the viability study) than its location inside or outside an Opportunity Area.

Notwithstanding the fact that Opportunity Areas have been specifically appraised in preparing the CIL schedule in at least one London borough, the Inspector considered that the Tower Hamlets economic viability evidence is not materially undermined by it not specifically appraising development in, and outside, the Opportunity Areas.

The Inspector did, however, recommend setting a nil rate for all development in Tower Hamlets within the boundaries of the Bishopsgate Goods Yard, Wood Wharf, Westferry Printworks and London Dock allocated sites as defined in the Tower Hamlets Local Plan Managing Development Document. The Inspector considered that there is a reasonable likelihood of the charges proposed by the council rendering development of the four sites unviable, in which case the developments would be highly unlikely to come forward and, thus, neither the necessary infrastructure nor any CIL payment in respect of the site would be delivered.

The Inspector concluded that while it might not represent an appropriate balance to set a nil rate for all development across the whole of the borough to ensure the economic viability of the four large allocated sites, he is satisfied that it would do so to set a nil rate for development on the sites themselves given their importance to the delivery of the plan.

Royal Borough of Kensington and Chelsea

The Inspector’s report into the Community Infrastructure Levy Charging Schedule, 22 December 2014, references the Kensal strategic site which is, by far, the most significant in terms of delivering planned housing requirements in the borough. Up to 2,500 homes, including 1,250 affordable properties, are planned on this site, which is identified as the Kensal Canalside Opportunity Area in the London Plan.

The Inspector identified that there are particular issues with the Kensal site in terms of public transport accessibility, remediation (part of it was a gasworks but has been partially remediated) and physical infrastructure (bridges) to access the site. The council is campaigning for a Crossrail station at Kensal but this aspiration may be replaced by a package of other public transport improvements. No development has commenced and the site is not available until at least 2017 as it has been acquired by Crossrail for construction / storage purposes.

While the council asserted at the Examination that the effects of CIL on viability at the total Kensal site are ‘largely negligible’, the Inspector did not find that the evidence supports this view. The Inspector considered that the development economics of this large and complex site are clearly very different from those of other tested sites.

In concluding that a zero CIL rate should apply to the Kensal site, the Inspector stated that this should not be interpreted as a finding that the Kensal site cannot ever support a CIL charge but, rather, that there is currently insufficient evidence to support the treatment of the site in the same way as other sites in the Zone F area. He noted that as the site will not come forward before 2018, the council has a good opportunity to develop a much more detailed evidence base and revisit the issue of CIL for the Kensal strategic site.
