Let's Supercharge the

OPDC

and bring 'Singapore' to Thames side

John Lipetz, Andrew Purves and Ed Randall

Coalition for Economic Justice

C4EJ

Members of the C4EJ Working Group on the future of the *Old Oak and Park Royal Development Corporation* (OPDC) who have written the report: John Lipetz, Andrew Purves and Ed Randall

Let's Supercharge the OPDC and bring 'Singapore' to Thames Side
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About the C4EJ Working Group, on the future of the OPDC:

The CE4J Working Group (WG) was established by the Coalition, which is a broadly based cross-party body of campaigners and researchers concerned with tax reform and collecting increases in land/location values, especially where they are most strongly driven by population growth, urban concentration and public investment, and utilising them to benefit society as a whole. The membership of the WG was selected in order to make the most of the expertise and enthusiasms of individual members of the C4EJ Steering Group.

The OPDC WG was asked to prepare a response to the OPDC's revised draft plan, published at the end of June 2017, and then to go on and develop a proposal, for publication, reflecting the WG's evaluation of the revised draft plan and recommendations for enhancing the OPDC's ability to capture the uplift in land values that was expected to flow from the development of the OPDC area. The WG was tasked with proposing ways to utilise land/location value uplift so that the increase in land/location values could be used to support development in Old Oak and Park Royal and help the OPDC to achieve valued social objectives, such as increasing the availability of affordable homes.

The WG was also asked to set out an approach, which it believed was relevant to managing the OPDC area, so that it could take into account the uplift in land/location values expected to follow from: public investment in transport infrastructure; commercial developments above, in and around a major new transport hub; the construction of substantial volumes of new housing; and, new and increased employment opportunities, especially in the western/Park Royal section of the OPDC area. The objective of making recommendations, aimed at maximising the local and London wide benefits of the OPDC's stewardship of the area - over a thirty or forty year timescale – was powerfully influenced by the WG's determination to draw on the most inspiring and successful international examples of urban development, design and finance.

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Executive Summary

1. Cities require infrastructure and investment for the long term. Much of this has to involve the public sector, and harnessing the value of existing public assets can deliver a win win result for both the Exchequer and residents.
2. Land values are highest in areas of urban concentration and economic activity. This value has less to do with private investment, more with levels of population (growth) and economic activity. More can be done to capture the uplift in value after public investment, and the OPDC area presents a unique opportunity for London to benefit from this process.
3. The proposed land value tax (LVT) trial for the OPDC would have a limited impact, and there are other methods which can be implemented more easily to deliver affordable housing and enhance public revenue more quickly.
4. Land value uplift after investment in public transport facilities is well known, for example with the Jubilee line extension, and the Hong Kong Mass Transit Railway (MTR) model. We suggest that TfL develop land around the new stations within the OPDC area, and retain the office and commercial buildings for rental income.
5. The Strategic Industrial Land (SIL) of Park Royal has great potential, but land ownership needs to be consolidated to allow development of new warehouse and industrial facilities fit for the 21st century. The OPDC should take charge of this investment and development programme, and lease the new facilities to generate income.
6. Housing to be built on land already in public ownership should be developed and sold or rented under a new model of ownership based on non-renewable leases of varying length and a split of ground rents and premiums, based on the Singapore model of leasehold ownership.
7. The OPDC team should grow to incorporate the necessary professional expertise to deliver this vision, and be given the powers and resources needed by the London Mayor to execute this ambitious plan.

Let's Supercharge [a and 1] the OPDC [2] and bring 'Singapore' to Thames side [b]

INTRODUCTION

As Bruce Katz and Luise Noring explain, at the beginning of their report on *Copenhagen City and Port Development Corporation*: "Cities across the world face increasing demands at a time when public resources are under enormous pressure. Many older cities…are plagued by outdated transportation and energy infrastructure and underutilized industrial and waterfront areas, all of which need to be upgraded for a radically changed economy." It is a combination of challenges which - they say - have "…sent cities scrambling to find new vehicles for infrastructure finance, given the unpopularity of increasing taxes and the unpredictability of national government [policies and funding]."

Katz and Noring [c] believe that by adopting the *Copenhagen model* cities the world over could do much more to supply themselves with the vital ingredients for urban renewal and the tools they need for social and economic reinvigoration. That is because they see, in the Copenhagen model, a touchstone for unlocking and fully utilising the value of public assets; assets which they insist have been consistently undervalued and poorly utilised. To paraphrase Katz and Noring: it is possible to pay for large scale infrastructure schemes by increasing the commercial yield of publicly owned land and buildings; without raising taxes or conducting a fire sale of publicly owned assets, which could – with effective and committed management - benefit not one but many generations.

Copenhagen is by no means the only city to deploy what they refer to as "an innovative institutional vehicle", designed to ensure that there is much more effective and efficient management of public assets. The goal of adopting a management strategy that relies on capable and committed management of public assets is to realise the full value of those assets - at the same time as ensuring that they remain in the public sector and continue to generate benefits for the whole of a city. The alternative is the kind of short-termism that is likely to benefit a small number of private property owners, at the expense of most of the city's population and its longer term prospects.

Colleagues of Katz and Noring, at the Brookings Institution, Dag Detter and Stefan Fölster, made a powerful and wide-ranging case for more active and purposeful management of public assets, in their ground-breaking *The Public Wealth of Nations* (2015). Their new book focusses on cities, which they believe have even

[1] End notes, throughout, are indicated by a superscript letter, such as [a]. The End notes begin on page 23.
[2] The Old Oak and Park Royal Development Corporation was officially launched on 1 April 2015 by the Mayor of London.

greater potential for utilising undervalued public assets for the greater good. *The Public Wealth of Cities – how to unlock hidden assets and boost growth and prosperity*, (2017) explains the potential and extols the merits of cities that have shown they are serious about capitalising on "unknown or radically undervalued and underleveraged assets" in public ownership. They argue persuasively that most urban authorities simply do not know the value of what they own or appreciate how potent their real estate portfolio can be in leveraging finance and facilitating the production of new jobs and an increased supply of new and affordable homes.

The keys to success, apart from capable and resolute city leadership, are highly professional management teams and accurate valuations of publicly owned assets [d]. They look beyond the Danish city of Copenhagen to Hong Kong and, most particularly, to Singapore, as we do in what follows. But it is important to understand why, in spite of the long history and strength of public commitments to schemes aimed at urban renewal, outcomes have so often been disappointing [e]. That is where we begin.

UNDERSTANDING THE ROOTS OF A GREAT PROBLEM

In February 2017, the UK Government published a white paper entitled: *Fixing our Broken Housing Market*. If ever there was a public admission by government that something was wrong this was it. However, the proposed remedies – said to be building more homes, and streamlining the planning system – will not overcome the main problem that constrains the supply of new homes and limits access to housing: the high price of land, and by extension unaffordable housing.

The high price of housing has more to do with the availability of credit, from the financial system, for prospective home owners and buy to let investors, and the fact that house prices do not respond to an increase in supply in the same way that an increase in the production of any normal commodity, say toothbrushes, can be expected to. This is due to the fact that the price of homes is determined more by the price of land, in any particular location, than it is by the building costs of new homes. And the price of land, or location value, is determined by the *Law of Rent*, not by any every-day and easily understood law of supply and demand. This law of rent was first described by David Ricardo in the 18th century, but the argument has been brought up to date in a new book published by the New Economics Foundation in 2017[3]. It has also been explored, with a particular focus on the land economy in Britain, in an accessible and exceptionally well informed publication entitled *The Land Question: Fixing the Dysfunction at the Root of the Housing Crisis*, by Daniel Bentley [f].

[3] *Rethinking the economics of land and housing*, Zed books, Ryan Collins, Lloyd and Macfarlane.

The price of land, where each piece of land is a unique location, is determined by the willingness and ability of an individual, family or business to pay for the exclusive use of that land: where the population is concentrated in a city, the price will be high, while in a remote location it will be low. In addition, the level of infrastructure investment in the vicinity of that piece of land will increase the price further, often by a substantial amount [g and h].

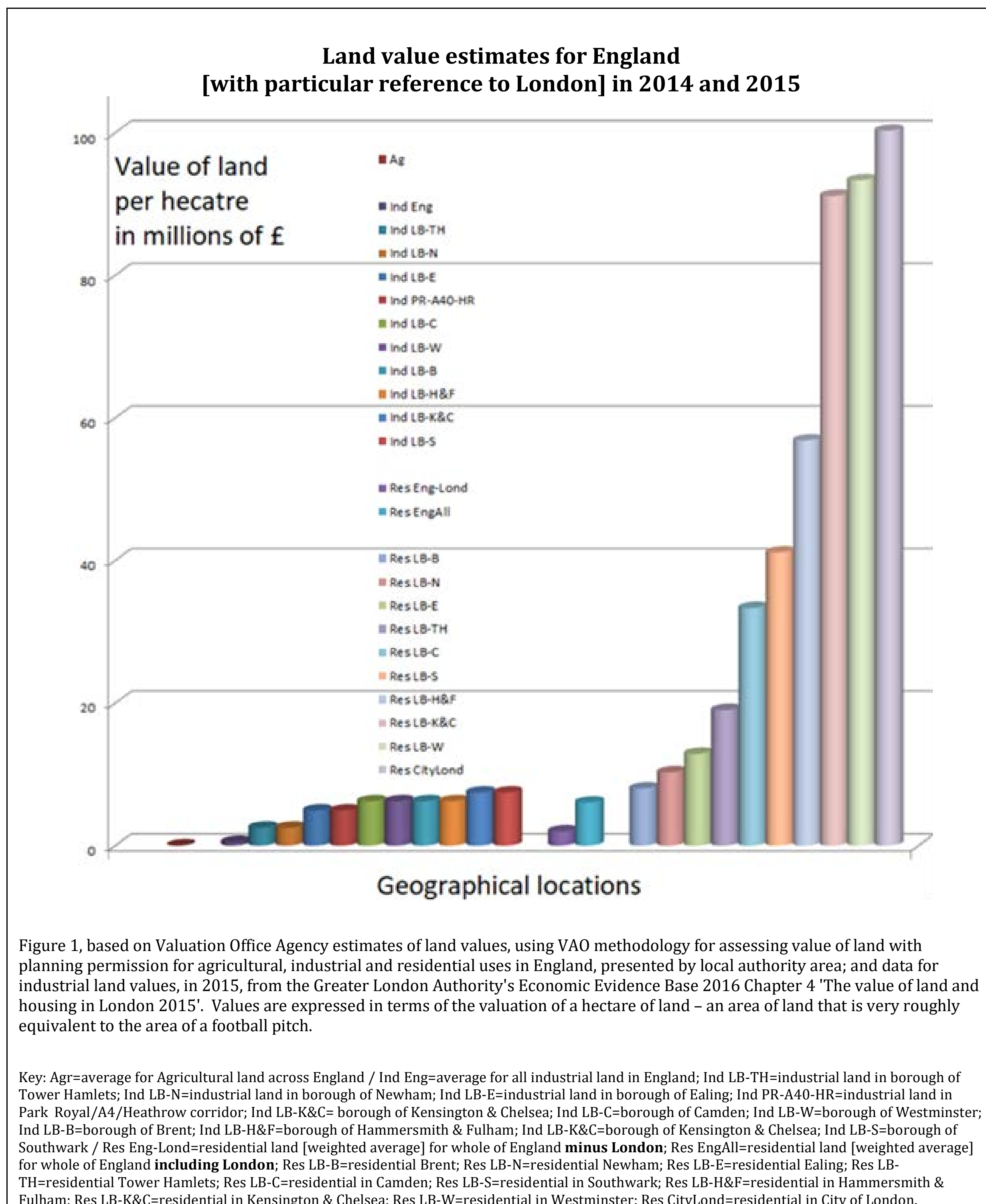

Figure 1, based on Valuation Office Agency estimates of land values, using VAO methodology for assessing value of land with planning permission for agricultural, industrial and residential uses in England, presented by local authority area; and data for industrial land values, in 2015, from the Greater London Authority's Economic Evidence Base 2016 Chapter 4 'The value of land and housing in London 2015'. Values are expressed in terms of the valuation of a hectare of land – an area of land that is very roughly equivalent to the area of a football pitch.

Key: Agr=average for Agricultural land across England / Ind Eng=average for all industrial land in England; Ind LB-TH=industrial land in borough of Tower Hamlets; Ind LB-N=industrial land in borough of Newham; Ind LB-E=industrial land in borough of Ealing; Ind PR-A40-HR=industrial land in Park Royal/A4/Heathrow corridor; Ind LB-K&C= borough of Kensington & Chelsea; Ind LB-C=borough of Camden; Ind LB-W=borough of Westminster; Ind LB-B=borough of Brent; Ind LB-H&F=borough of Hammersmith & Fulham; Ind LB-K&C=borough of Kensington & Chelsea; Ind LB-S=borough of Southwark / Res Eng-Lond=residential land [weighted average] for whole of England **minus London**; Res EngAll=residential land [weighted average] for whole of England **including London**; Res LB-B=residential Brent; Res LB-N=residential Newham; Res LB-E=residential Ealing; Res LB-TH=residential Tower Hamlets; Res LB-C=residential in Camden; Res LB-S=residential in Southwark; Res LB-H&F=residential in Hammersmith & Fulham; Res LB-K&C=residential in Kensington & Chelsea; Res LB-W=residential in Westminster; Res CityLond=residential in City of London.

Following on from the willingness of an individual to pay for exclusive use of a particular piece of land (given its productivity/advantageous location), political economists, most notably, Adam Smith, David Ricardo, Henry George and Milton Friedman, have recognized that any urban site has two distinct values: its ***location value***, and the ***value of any building and/or infrastructure*** standing on the site (or that is built into/onto the site). An occupier will therefore expect to pay (and will generally be required to pay) for both the location and the building or infrastructure on the site, in addition to an annual sum for its ongoing maintenance. The payment for the building and infrastructure will be more or less the same in any location, whereas the payment for the site/location that the home/business occupies will vary enormously, depending on the size of the community in or close to that location. That, of course, includes the advantages that flow from the location due to investment in facilities such as transport, roads, schools, hospitals and the other services and other advantages available in the vicinity. If the two components of a site's value can be separated, the collection of the location value or ground rent of the site will not affect the viability of the business operating in the structures above (and possibly below) ground, and – if taxes on businesses and their customers are reduced – raising revenues from ground rents, as opposed to economic activity, such as sales and employment, will help to make the business based at or attached to a particular location more successful; not least because it will mean that amounts of public revenue raised from sources other than land/location values can be reduced .

At present, assuming a business is renting the land, the location value goes to the site owner/landowner. Indeed, economists have long and consistently argued the case for this location value to be collected so that it can be used to fund public expenditure. The landowner would still be able to collect the rent needed to maintain the building or infrastructure above and below ground, but that is generally much the smaller part of the rents that landlords collect. This collection of rental value, when it is undertaken by a public authority – rather than the landowner - for the use of a particular site, has been called many things over the years, but for the present argument, let's call it *Land Value Tax* (LVT) or *Land Value Capture* (LVC).

Within the professional Planning/Development community, this value has been recognized and acknowledged, at least since the early twentieth century - when arguments raged over the People's Budget of 1908, through the 1930s, and on to the point when the *Uthwatt report* attempted to cut the *Gordian Knot* of untaxed or minimally taxed private gains arising from planning decisions alone. The Uthwatt report recommended a *Betterment Tax* over all land. Its recommendation led to the 1947 Town and Country Planning Act, which - in theory - nationalized development rights, and led on to a seesawing by successive governments, in their efforts to define and create mechanisms to

collect planning gain, without incurring what many law makers feared would be the politically damaging and unmanageable wrath of landowners.

In the course of time (in practice by 1990) local authorities in the UK had settled on section 106 agreements, to collect at least some of this planning gain and, more recently, use of the Community Infrastructure Levy (CIL). Developers and, most particularly landowners, cannot deny the existence of land value uplift, from the granting of planning permission or an authorised change of use, but they have sought to minimize the extraction of it by government for decades, and while they accept the basic structure of the current situation, the process (since 2012) of *viability assessment* has become what is now widely recognized as the latest means to minimize their obligations to the wider community.

With the establishment of the OPDC, as a mayoral development corporation, an opportunity has arisen to do something new, on a substantial piece of prime and publicly owned land; land where title lies with public bodies, including local councils and transport organisations. The precise terms on which public land in the OPDC has been made available for development/transferred to the mayoral development corporation remain unclear, but it has been implied, in public statements, that the OPDC will obtain full title to almost 100 key hectares of land in the development area for which it is responsible; a development area that will contain Britain's most important new transport hub.

It is clear that interest in the OPDC, and its role as both planner and potential developer or manager of development, has been piqued by reference to its wide ranging powers over such matters as: Infrastructure, regeneration, land acquisitions, including the issuing of Compulsory Purchase Orders, and the possible provision of financial assistance; as well its role as a planning authority, leader in the preparation of local plans, and involvement in the operation of the CIL in the OPDC area. One London Assembly Member, Tom Copley[4], authored a report which urged the GLA to back an LVT trial, within the OPDC area, so that increases in land/location values could be collected to support the work of the OPDC and demonstrate the benefits and uses of a Land Value Tax.

HORSES for COURSES

While we commend and support London Assembly Member Copley's enthusiasm for collecting and making use of location values we do not think that an LVT scheme for the OPDC area is the best way to organize the collection of the uplift in land/location values that we are confident will arise in (anticipation of as well

[4] See *Tax Trial: A Land Value Tax for London* [Copley Report] (2016) see Tinyurl https://tinyurl.com/y7xrbnzy and https://www.london.gov.uk/press-releases/assembly/mayor-positive-about-a-land-value-tax-trial

as in) the train of the development of the Old Oak and Park Royal area, for which the OPDC is responsible.

While a local trial LVT scheme might capture some land value for public use on an ongoing basis - which would surely be better than not collecting it at all - the trial area would remain an isolated parcel of land, and would not demonstrate the regional benefit of collecting public revenue according to land values across London or the nation as a whole. It is also difficult to see how a tax shift from production and consumption (PAYE/NI/VAT) to LVT could be effected in such a small area, with a constantly shifting population, notwithstanding the very considerable legislative and practical difficulties that would undoubtedly be involved in introducing a purely local LVT scheme in an area where other taxes remained largely unaltered.

We do not, for one moment, wish to challenge the moral case for a general reform of taxation in the UK. There is a powerful moral case in support of the arguments that are presented in favour of adopting LVT nationally or regionally. Private ownership of natural resources, such as land, is responsible for unjustified inequalities and is – as already explained – at the root of housing crises. So we see any sensible system of land value capture, which addresses fundamental unfairness in our society, as a move towards justice for all. We are concerned to make the case for a scheme of land value capture, in London, that can be advanced by London's elected leaders with a minimum of delay. We believe – to put it bluntly – that the community which creates land values should keep them for community purposes.

With that proposition in mind we believe that if an LVT trial were to be limited to a replacement for Council Tax/Business Rates, it would demonstrate very little; this applies with particular force if implementation of an OPDC only LVT scheme were to be conditional on it being *a revenue neutral pilot* limited to local taxation. We also think it is important to acknowledge that over time such a trial could have a significant distorting impact on neighbouring areas, with the potential for unintended and harmful consequences for areas that fall just outside the OPDC's boundary. A one-off LVT for the OPDC wouldn't, in our view, be a good way to promote the benefits and uses of LVT nor would it be likely to provide the OPDC with significant additional resources, within a reasonable period of time.

It might be beneficial in one respect, if it brought about faster development of land in the OPDC area – by charging those who gain planning permissions for development when they fail to follow up the permissions they have obtained with development. It is, undoubtedly, important to have mechanisms to encourage development of vacant land – but we doubt that LVT would be the best means of doing this in the OPDC area. As much of the core development area is already in public ownership, it seems that there is a powerful incentive already

in place to get development underway. And other means of capturing land values could be embraced in order to support and/or accelerate development, promote supply of and access to more affordable housing, as well as enhancing community life.

Neither is it clear how an LVT trial would integrate with the existing mechanisms of the *planning obligation system*. Assuming such mechanisms would remain in place to help pay for the required infrastructure, it seems that the OPDC would be most likely to pursue the tried and tested development method of sale - with planning permission in place - or undertake joint ventures with private sector organisations or Housing Associations in order to leverage as much affordable housing as possible; and make as much, as planning authorities are able to (as seemed appropriate at the time), of section 106/CIL contributions.

Unfortunately *one-off options* - for raising revenue from planning gain - do not deliver sufficient affordable housing and are likely to leave the balance of new housing as unaffordable. Section 106 agreements have often turned into *Faustian pacts* [i] that are hugely difficult for public/planning authorities to manage in the interests of the general population and, most especially, the interests of those who find it hardest to rent at typical London prices or borrow in order to begin the purchase of a new home in London.

In addition, we believe it is important to note that the new Mayor of London, having re-established the *London Finance Commission* (LFC), which reported in early 2017, has been urged to support a fuller and smarter exploration of the full range of financing, tax and revenue raising options open to London[5]. It is a call to carefully assess funding options and possibilities that we strongly endorse [j]. While much is made of the need for city (or nation) wide reform of the suite of property taxes, we believe a radical initiative in the OPDC area - which has all the advantages of existing and substantial public sector land holdings and the status and capacity for action accorded to a mayoral development corporation - could bring greater benefits than a trial of LVT, restricted to the OPDC area alone.

We acknowledge that the LFC report did contemplate the possibility of “National government [working] with London’s government to trial the operation of a land value tax pilot on undeveloped land.”[6] However, in the short term, a simple change to Business Rates could be made to include vacant land in the assessment. Until 2014, empty buildings were by and large exempt from Business Rates, but since then, the relief applies only for 6 months. Some owners have demolished buildings in order to avoid paying rates, therefore extending the collection of rates to vacant land would, in theory, bring more land forward for development. The assessment would naturally be made on a land value only basis, although an

[5] LFC report, *Devolution a Capital Idea* (published in February 2017) at https://www.london.gov.uk/sites/default/files/devolution_-_a_capital_idea_lfc_2017.pdf

[6] Ibid, Part 4, Chapter 2

assumption would need to be made as to the likely use to which the land might be put. Any designation in the draft Local Plan, or previous use, could be taken as a guide. For Council Tax, since 2013, Councils have been able to charge a premium (up to 50%) on properties that are left empty and unfurnished for more than 2 years. Councils have been given discretion about how and when to apply these premiums, but the rules could be tightened and applied uniformly, to bring buildings back into use.

It is not clear how this applies to residential plots, or land already granted planning permission, but there is clearly an opportunity not only to raise revenue but also to encourage the development or sale of land currently lying idle, by including all such land in a comprehensive review of Business Rates/Council Tax in relation to vacant land. This way of using the existing Business Rate system, in support of development in the OPDC area, seems to us to be a more attractive option than one which would require a much more substantial and time consuming level of collaboration – as well as new legislation - involving both central and local government.

Referring back to the Housing White Paper, we cannot get away from the recognition that the existing system is broken. The idea of asking developers to build affordable housing as a part of their schemes implies that the balance – most probably the larger part - of new housing construction schemes for private sale will turn out to be unaffordable. It is this realisation that prompts a simple and fundamental question: Why build more unaffordable housing? The alternative - affordable rent [k], in many cases, at 80% of market rent - is also, particularly in London, likely to be unaffordable, and again, implies that market rents will remain out of reach for a great many households. Something far more radical and relevant to the special and very welcome opportunities afforded to the OPDC is required.

Surely, any kind of trial needs to address basic issues of housing supply and affordability more directly, so that there is a clear focus on the need to build the maximum number of housing units that people living and working in London can afford? We therefore propose **a new model for ownership and development in this unique area** later in this report.

CAPTURING VALUE FROM PUBLIC INVESTMENT IN TRANSPORT

There is growing recognition in the UK of the opportunity to fund public investment, most especially rail infrastructure, directly from value capture mechanisms. It should be noted that these mechanisms would not be needed if there were a comprehensive system of LVT [l]. But it would be churlish to obstruct the value capture mechanisms that do exist, such as the Business Rates

Supplement, or Mayoral CIL - both used to help fund Crossrail development, OR to discourage Transport for London (TfL) from making use of whatever it can devise. Indeed TfL has been putting a considerable effort into making the case for LVC, and its interest in and enthusiasm for LVC appears to have been echoed in the work of the London Mayor [m]. Much of the work in this area relies, for its persuasive power, on the stimulating and winning example of Hong Kong's Mass Transit Railway (MTR) Corporation. TfL, drawing on that inspiration – amongst others - published a report in 2017 [7] exploring some of the opportunities available.

Astonishingly, the KPMG/Savills research for this TfL report, estimated that from the eight TfL projects assessed, which would cost £36bn, the land value uplift could total £87bn over a 30 year period [n]. It really is impossible to understate the scale and significance of this uplift in land values or to overlook how much of the uplift in land values is likely to end up in a small number of pockets, rather than being utilized to build new transport infrastructure and homes that are affordable - **if it is NOT tapped intelligently to support vital public projects**. Finding and deploying an effective means for collecting the uplift in land values generated by major new infrastructure developments, on the scale that is clearly needed in London, is surely the single most important consideration in finding a sustainable way of paying for the next generation of infrastructure schemes, keeping London moving, helping make the city cleaner and its air more breathable [o].

Taking advantage of this potential is easiest where the development/transport authority, such as Network Rail or Transport for London, already owns the land on which development is slated to take place.

The TfL report referred to above proposes **four potential mechanisms** [p] to capture some of this uplift in value, but they are mostly partial in their impact, or of a one-off nature. We do not believe that this is the time or place to recommend alternative schemes for TfL. The possibility of applying a *Development Rights Auction Model* (DRAM), as explored and explained in the TfL report, in the absence of a regional or national LVT, is an interesting and potentially useful mechanism for financing schemes that require a close partnership between public bodies, private landowners and commercial parties.

We do recognise that as a result of the fact that land values are determined by people who want to live and work close to transport infrastructure (and are prepared to pay a premium for being able to do so), planned transport investment in the OPDC area will lead to substantially higher land values. Existing landowners will undoubtedly want to collect as much of this uplift as

[7] TfL (February 2017), Land Value Capture – at https://www.london.gov.uk/sites/default/files/land_value_capture_report_transport_for_london.pdf

possible, to help pay (in the case of the public sector) for investment in new stations within the OPDC area, and private landowners will want to make development as lucrative and profitable as possible. This is likely to put landowners in conflict with the OPDC, who will also want to extract as much planning public benefit as possible from developments in order to support their plans and aspirations for the whole of the OPDC area q.

A memorandum of understanding (redacted) has been published which contains an aspiration for the various public agencies involved in the OPDC area to work together to ensure "the maximum opportunity to secure comprehensive and coordinated redevelopment of the combined sites…" Furthermore, "It is a clear intention of the OPDC scheme that it releases as much land for housing as quickly as possible."[8]

Standing back from the need to transfer land ownership from one public agency to another, "***on commercial terms…to maintain discipline between public sector budgets***" [9] [emphasis added], we should recognise that what will happen in practice is that values of land on the balance sheet of say Network Rail, will transfer to the balance sheet of OPDC - whatever financial transactions take place. The net position of UK plc will not change. Typically, plans for realising the value of public land holdings in the UK are designed to generate one-off gains. In this situation, it would be more intelligent, sustainable and consistent with the public purpose (in the longer term) to design a scheme that provides for an ongoing income to Network Rail/DoT-HS2 Ltd/TfL **and** the OPDC.

In the interests of clarity and in an effort to underscore the very special opportunity that the development of Old Oak and Park Royal represents for London as whole, it is worth recording here that the area for which the OPDC is responsible covers 650 hectares and that the *memorandum of understanding* relates to 134 hectares, of which 97 hectares are in public ownership. As a major land owner and planning authority the OPDC is uniquely well placed to delineate, explain, and secure the public interest.

Much of the land within the OPDC area has been designated for particular forms of development (see the latest revised draft Local Plan[10]). In respect of the land (and development opportunities) nearest the new stations, which have been designated for use as commercial spaces, whether retail or office, we suggest that the land is retained and developed by or on behalf of the relevant transport authority(ies); i.e. those responsible for operating lines in the vicinity: Network Rail; whatever organisation(s) takes on operational responsibility from HS2

[8] *Memorandum of Understanding* between OPDC and the Department for Transport
[9] ibid
[10] OPDC revised draft Local Plan 2017, published: 29 June 2017 – available online at: https://tinyurl.com/ycytux69

Ltd[11] - once construction is completed - for the high speed line; and TfL, so far as Crossrail/the Elizabeth line is concerned (with its operational arm in this case set to be MTR Corp [r]).

A joint venture arms-length development company should be set up by the public bodies (TfL, HS2/DoT, Network Rail and the OPDC) concerned to ensure coordination and collaboration and a harmonized development strategy, serving agreed and clearly stated public purposes and making the most of the new transport hub. The new buildings, above and around stations, set to include shops, offices, or other business premises such as hotels and restaurants, could be leased on commercial terms to companies, from whom rent would be collected to provide income for construction, and ongoing maintenance costs.

Looking to experience abroad we can see that this kind of development is a vital and a continuing source of income to the MTR Corporation in Hong Kong. The figure below shows the different sources of operating profit contributions, with income from Hong Kong Station commercial businesses and Hong Kong Property Rental and Management Businesses exceeding the profit from its rail operations for most of the last five years [q]:

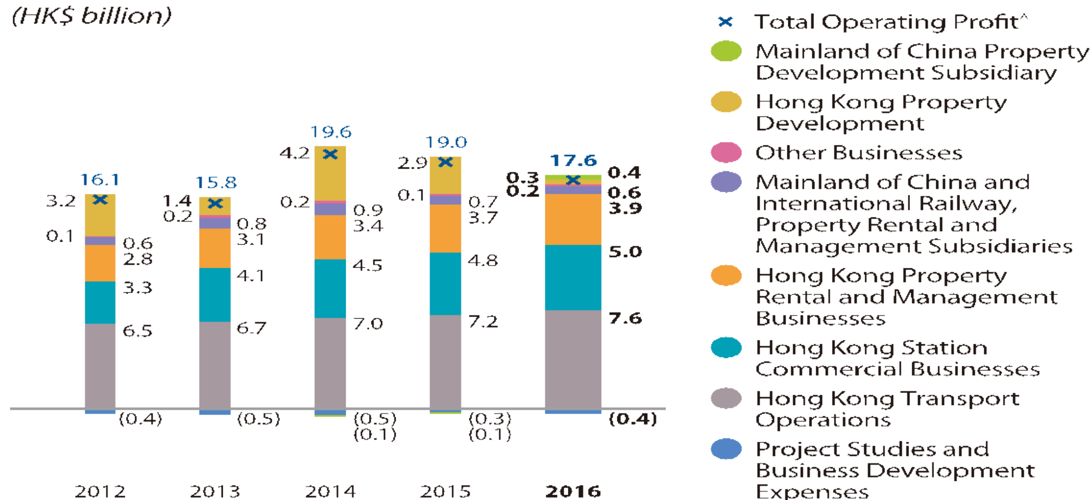

Figure 2, Operating Profit Contributions MTRC, Hong Kong – source: http://www.mtr.com.hk/archive/corporate/en/investor/profit_en.pdf

[11] High Speed Two (HS2) Limited is the company responsible for developing and promoting the UK's new high speed rail network. It is funded by grant-in-aid from the government. HS2 Ltd is an executive non-departmental public body, sponsored by the Department for Transport.

While it has taken the MTR nearly 40 years to reach this happy situation, the OPDC (with its plans and developments) offers a unique opportunity to set the UK's public transport operators on a path that would eventually reduce the level of public subsidy necessary from general taxation to support their transportation business, and enable them to operate in ways that are intelligently harmonized with a wider set of planning and community goals. Passengers will naturally spend their money in shops near the stations, and companies will happily pay a higher rent to occupy buildings that are well connected to major transport routes. Network Rail, DoT/ HS2 Ltd and TfL should therefore be well placed to benefit from the rents generated and to use their share of commercial and property income to help pay for railway/transport infrastructure.

A NEW MODEL FOR OWNERSHIP

Turning to the question of residential and industrial development beyond the immediate station areas, we propose some alternative and new models (at least so far as the British public sector is concerned) for both ownership and rent.

We turn for inspiration to another Asian City State, which we know many politicians and public servants find irresistible. Indeed there has been some reference to creating a "Singapore on Thames" in London, in the run up to Brexit negotiations. There is a version of 'Singapore', with British characteristics, which we wholeheartedly endorse, but perhaps for different reasons from those given by some of its supporters.

Since independence in 1965, the Singapore government has systematically gone about buying land in Singapore, and by 2002 owned 90% of the land area, some of which has been reclaimed from the sea. Naturally, it inherited all land originally owned by the colonial administration, as well as a system of ownership, which comprised an ad hoc patchwork of leasehold land (with different terms) and some freehold plots (see Haila 2016).[12]

In 1949, 31% of land was in public ownership, which had increased to 49% by 1965 (Haila 2016, page 73)[13]; but the introduction of the Land Acquisition Act 1966 accelerated the process, allowing for the compulsory purchase of land "needed for any public purpose, by…any statutory board…for any residential, commercial or industrial purposes."[14]

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[12] A brief history of land ownership in Singapore is taken from *Urban Land Rent, Singapore as a Property State,* Anne Haila, John Wiley & Sons, 2016, chapter 5.

[13] Figures of the percentage of land in public ownership are taken from Haila 2016, page 73, which are in turn taken from Motha and Yuen 1999, Singapore Land Authority (SLA).

[14] This can be viewed on https://sso.agc.gov.sg/Act/LAA1966 Section 5. (1) (a) (b) (c).

The statutory boards included those responsible for traditional public works, such as utilities and roads, but also the Housing Development Board (HDB), and Jurong Town Corporation (JTC), both of which had a specific purpose in the Singapore context. Previous landowners were compensated, but always at existing use values, and often at use values fixed in time. One of the early dates for valuation was 30th November 1973, although this was later amended to January 1986, January 1992, and January 1995, as the country became more prosperous. Lee Kuan Yew, Prime Minister of Singapore from 1959 - 1990[15] explained these fixed points for valuations:

"I saw no reason why private landowners should profit from an increase in land value brought about by economic development and the infrastructure paid for with public funds."[16]

The Jurong Town Corporation (JTC) was set up in 1968, and charged with developing land and buildings for commerce and industry, making it available for lease to private operators. In the year to 31/3/15, its revenue was S$1.9bn[17] mainly derived from land and building rental income; its net assets were S$19.6bn, with a net surplus of S$1.3bn. As a statutory body it transfers any annual surplus to the Government's Consolidated Fund. As of May 2013, JTC managed 43 estates that covered 7,100 hectares of land area, providing 3.2 million square metres of ready-built space for 5,100 customers[18]. Its strategy was (and remains) to build "clusters" of facilities for particular industries, encouraging innovation sectors to invest in Singapore.

Almost two thirds of the OPDC area is designated as Strategic Industrial Land (SIL), comprising a hotchpotch of modern warehouse style buildings, together with single story brick built, small scale light industrial units, with narrow streets and inadequate parking or turning facilities for large commercial vehicles. Many of the streets date back to the 1930s and earlier. The goal of the OPDC is to modernize and intensify this industrial activity. The JTC model could be used to accelerate this process, with compulsory purchase used to assemble larger sites for redevelopment. It would be essential to use a similar method of fixing values to that employed in Singapore, so that the OPDC would have sufficient funds to develop the necessary infrastructure, which might include new roads and superfast broadband. An arms-length development company should be set up to manage this process, which should remain in public ownership.

[15] The period from 1959-1965, was before the independence of Singapore.
[16] *From Third World to First*, Lee Kuan Yew 2011, Harper Collins Business Edition, Chapter 7
[17] http://www.jtc.gov.sg/news-and-publications/annual-report/Documents/JTC-AR2015/files/pdf/JTC-AR2015-Financial-Statement.pdf
[18] Jurong Town Corporation. (2013, May 20). *JTC today, moving ahead*. Retrieved July 12, 2013, from http://www.jtc.gov.sg/About-JTC/Pages/JTC-Today.aspx

The *Centre for Progressive Capitalism* recently published a report that called for a change to the *Compulsory Purchase Act 1961* t, a reform that would facilitate a JTC style approach in the OPDC area, which we wholeheartedly support[19].

If such a reform was introduced, the same mechanism could be employed to purchase land adjacent to sites within the OPDC area, which are already in public ownership, thus enhancing development opportunities. In short, the proposal is designed to facilitate purchase at near current use values, only allowing a small premium to existing owners, who are also relieved of the need to invest or contribute to new infrastructure. Once again, the new buildings can be leased to operators on commercial terms in order to repay any loans taken out for construction, and to provide income for ongoing maintenance.

For housing, in Singapore a new form of ownership was devised through the HDB. *Singapore Citizens*, who satisfied certain criteria for income and other asset ownership, were able to buy flats on a 99 year non-renewable lease. After a certain period of time, the flat could be sold, and a second, perhaps larger flat, could be bought - for example, to accommodate a growing family. In Singapore, these leases were offered at a discount to market value, but this is not an essential element of the scheme; although in the UK, such discounts could be offered to certain categories of employee in the public sector such as nurses or teachers.

Any further move would be to a flat in a private development, or for the really prosperous household, a so called landed property, which is a rare freehold purchase in Singapore. Over time, to enhance affordability, Singapore citizens and residents were able to borrow from their own Central Provident Fund (CPF) account, (a compulsory individual saving scheme linked with their employment), to help purchase these apartments. In the UK it would surely be possible to explore other sources of finance than a standard mortgage. There already exist in the UK Self Invested Personal Pension (SIPP) schemes which could be adapted to allow individuals to access their own pension savings to fund their own home purchase.

Ownership of these HDB apartments peaked at 87% of the population in 1990, falling back to 82% in 2009.[20] Home ownership remains high in Singapore at 95% of the population, the balance being both public rental (in HDB apartments) and private rental (in private developments) or freehold landed property. The public rental sector could be described as social housing, with heavily discounted rents, while the private rental sector would, more often than not, provide for

[19] 'New land compensation rules will drive up infrastructure investment and raise the rate of housebuilding', *Centre for Progressive Capitalism website*. See http://progressive-capitalism.net/2017/05/new-land-compensation-rules-will-drive-infrastructure-investment-raise-rate-housebuilding/

[20] HDB Annual report 2008/09.

foreign workers in Singapore on a temporary contract for a multi-national company.

The important thing to note is that HDB housing was never *social housing* in the way that term is sometimes used in the UK. The motivation for HDB developments was to give all Singapore Citizens a stake in the new nation. In the view of Lee Kuan Yew, if you were going to ask the people to work hard, to build the nation, there should be clear benefits for citizens doing so:

"What we have attempted in Singapore is asset enhancement, not subsidies. We have attempted to give each person enough chips to be able to play at the table of life."[21]

This was a recurring theme in Lee Kuan Yew's speeches and writing:

"My primary preoccupation was to give every citizen a stake in the country and its future. I wanted a home owning society."[22]

There may appear to be a contradiction here: How can the state own 90% of the land - but, at the same time, 95% of the population own their homes? The contradiction is more apparent than real, because while the state remains the freeholder citizens are secure in their own homes, as long-term leaseholders. At the expiry of the lease, the property reverts to the state. In other countries with leasehold systems of ownership, the freeholder is usually another private individual, who can expect to collect a substantial payment for the renewal of the lease. That lease renewal premium doesn't always carry a requirement for the freeholder to do anything in return for the premium they receive – except, perhaps, manage the maintenance of common parts and undertake administrative tasks, all at the expense of the leaseholders, although this is usually managed with receipts from an annual service charge or ground rent.

Within the context of the OPDC, we suggest that the freehold land available for residential development is retained in an *irrevocable Trust* [u], while leaseholds of varying lengths are offered for sale. Leaseholds can be sold, but any renewal premium, or new lease on expiry, would revert to the irrevocable Trust, which could invest the proceeds in further development, land purchase, or refurbishment and redevelopment of existing properties. This would be a long term project, so the OPDC development company created for this purpose would be able to borrow money from the Public Works Loan Board (PWLB) - and on favourable terms given the collateral it would be able to offer.

[21] *Lee Kuan Yew, The Man and his Ideas,* Kwan, Fernandez, Tan, Times Editions pte Ltd 1998 page 159.
[22] *From Third World to First*, Lee Kuan Yew 2011, Harper Collins Business Edition, Chapter 7.

For the OPDC, a non-renewable lease would already be worth less than a renewable lease, and shorter leases could also be offered, such as for 79 or 59 years. As a professional surveyor will confirm, a 59 year lease might be worth only 80% of a 99 year lease, or a 79 year lease only 90%. Another option would be to introduce a higher annual ground rent for these leases, which would further reduce the up-front cost of the lease. Any such annual ground rent could be linked to the value of land assessed on an annual basis, and this may increase over time, introducing a permanent and dynamic element of land value capture. If the owner of these leases wished to sell, there could be an option for the Trust to buy back the remainder of the lease, and offer a new 99 year lease to a new purchaser. The difference in values would be available for additional investment in new homes.

In order to keep the price of these properties truly affordable to Londoners, in addition to the various lease terms, some properties could be offered on a part ownership/part rental, or in some cases 100% rental basis. Those paying 100% rental would be housed on a similar cost as current Council tenants, and special arrangements could be included for the elderly, vulnerable or those with disabilities. This mix of Trust income: lease sales and rents could be expected to provide sufficient funds over time to repay both capital and interest to the PWLB or other lender.

The detailed calculations of value, both to cover the cost of construction and infrastructure, need to be made by professional surveyors, but we seek here to set out the principles that could be applied to ensure maximum affordability for Londoners. If the model can be seen to work on this relatively small scale, within the OPDC area, the principles could be applied more generally – particularly in urban areas in the UK where demand and need for decent and affordable housing is greatest. The aim is to remove the “land” value from the equation, this will be held by the Trust, while owners of leases or renters will only pay for the build cost and ongoing maintenance, with an annual ground rent for the location benefits they receive.

Given that the OPDC (assuming an arrangement is made with TfL/Network Rail etc.) already owns 90+ hectares, the land cost is not relevant. The proceeds from the sale of leases, and cash flow from rental payments can be used to meet build costs and fund investment in and maintenance in infrastructure and shared facilities.

Singapore can offer to each successive generation the same opportunity to take a stake in their nation at an affordable price, using their own savings, on a non-renewable 99 year leasehold basis. If the owner(s) of a lease die before the end of the lease, the HDB buys the remainder of the lease from the leaseholder’s estate. The difference in price between say a lease with ten years remaining, and a new

99 year lease is retained by the HDB, after the expense of refurbishment has been met.

The same opportunity would exist for future residents of the OPDC, and the model could be extended to the rest of the UK if it is seen to work in the OPDC area. In fact, according to a recent paper commissioned by the Royal Town Planning Institute (RTPI), from Morphet & Clifford (December 2017)[23], 65% of local authorities in England are now directly engaged in housing delivery, mostly through arms-length companies financed by loans reliant on Housing Revenue Account cash flows. This proposal for the OPDC differs only in terms of scale.

An additional source of revenue for the OPDC will be either section 106 agreements or CIL payments negotiated with adjoining landowners who are lining up development plans for their own holdings. It is worthy of note that a large part of the land not in public ownership in the OPDC's core development area is owned by a single group of companies linked with the Car Giant dealership.

In terms of eventual regeneration, one mechanism that has emerged in Singapore, and has allowed the HDB to modernise and upgrade its developments and use the land more efficiently by building higher apartment blocks is known as the *Selective en bloc Redevelopment Scheme* (SERS), whereby existing leaseholders are bought out or offered apartments in newer developments, in return for giving up their original lease.

Once again, in the words of Lee Kuan Yew, who flirted with socialism in his early years, but later became a prominent champion of market mechanisms and - what we are happy to refer to as - the intelligent use of land value capture for the greater good:

"We believe it is immoral that the ownership of property should allow some to exploit others."[24]

The state of Singapore has been able to secure an asset through the public ownership of land, which can offer each generation the same opportunity to prosper and make the most of their skills; but it is not an asset in perpetuity [v] (that can be passed on by leaseholders to family members as an unearned gift). The inherent inequality that builds over time, favouring those lucky enough to acquire or inherit property assets in most western economies, has been neutered. Singaporeans in general enjoy opportunities that would otherwise benefit a lucky few (a minority of owners who would be left to treat the

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[23] The research report *Local Authority Direct Provision of Housing*, can be found at https://tinyurl.com/yclnf7oh - see also: https://tinyurl.com/y7yps7c7

[24] Speech to Asian Socialist Conference, May 6, 1965

appreciation of land/location values as a private good rather than a public benefit).

The HDB is organised as a statutory corporation wholly owned by the government, with its day to day management free from political control. Its equity is valued at S$15.2bn[25]; its land and buildings were last valued on 31/3/86, and acquisitions since then are valued at cost, less depreciation and impairment,[26] making it difficult to value the HDB's freehold property holdings. Its non-current assets (current assets of S$16.5bn being properties still in development) are valued at S$62.2bn in the same report. Any surplus on its development activity is transferred to government reserves. Included within its non-current assets are loans it has made to homeowners, which will be repaid over time.

In the UK, we are not so familiar with non-renewable leaseholds[27], but so long as the OPDC retains the freehold, lease renewal, which is commonplace for owners of flats, could be offered, and should not present an obstacle to fair and efficient management of a substantial stock of new affordable homes, where the rents and premiums paid by tenants and leaseholders would be treated as public revenue.

SUPERCHARGING THE OPDC

When, in the autumn of 2016, Mayor Khan's OPDC review team released its evaluation of the OPDC and its management, their report questioned both the leadership and the resourcing of the OPDC under Boris Johnson and Sir Edward Lister. There can be little dispute about the review team having been right to do so [w]. One of the team's most significant findings was that the OPDC lacked the staff resources it needed "to take forward the land deal work" that was critical to fulfilling its redevelopment remit and achieving its stated objectives. The review concluded that: it was essential to "strengthen the negotiating power and expertise available [to the OPDC and the Mayor himself in order to] complete any land deal [with central government and existing public sector landowners] effectively". We agree, but remain anxious that still not enough is being done to strengthen the OPDC and give it the management, financial and technical muscle it needs.

[25] HDB *Annual Report and Accounts* for the year to 31/3/16.
[26] HDB *Annual Report*: Note 2 (e)

[27] Singapore's Land Authority (SLA) describes its mission as: '[O]ptimis[ing] land resources for the economic and social development of Singapore' – see https://www.sla.gov.sg/About-SLA/Vision-Mission-and-Values

This is in striking contrast to the organisations that have been so successful in maximising public benefits from publicly owned resources in other parts of the world. While the OPDC, according to its own Strategic Plan for 2016-2019, budgeted to spend between £11 and £12 million each year up to 2020 obvious comparators, such as the HDB and JTC in Singapore, and the MTR Corporation in Hong Kong, appear to be Goliaths alongside a puny OPDC. It is undeniable that the HDB, JTC and MTR have been in operation and in business for decades, and that London has a great deal of catching up to do if it is to put on the kind of muscle (technical expertise, business acumen, administrative heft and legal dexterity), which it desperately needs. It is unrealistic - inconceivable might be a more appropriate term - that the essential evolution and development of the OPDC can be done on the cheap.

There is – however - some reason to believe that a new mentality is abroad at City Hall and that recent events have done much to concentrate the minds of those who need to take bold and forward facing decisions about resourcing (and organising) what could and should become a vital part of a Greater London Wealth Fund.

In the National Audit Office report on the Metronet debacle - when Metronet BCV and Metronet SSL went into administration in 2007 and London Underground was left to buy 95 per cent of Metronet's outstanding debt obligations - it was acknowledged that TfL had been left to clear up a sorry mess. TfL took on the responsibility for a vast programme of works, which had been awarded to a private sector concern that failed catastrophically. TfL coped well with that very difficult job[28]. What was presented, at the time, as an 'interim solution' has turned out to be a pretty serviceable longer-term solution [x]. Most independent observers would agree that London Underground/TfL has, in all the circumstances, done remarkably well in taking over a great range of responsibilities it had not anticipated. Indeed, TfL appears to have done quite well when it comes to elected representatives and officials' assessments of how it manages its operations[29].

One specific recommendation to strengthen the OPDC (from the Mayoral review), was for it to make use of: "a ***centre of excellence*** [within] the GLA Group ***on land and property issues*** [emphasis added]". In making this recommendation it was pointed out that it was "important to strengthen the negotiating power and expertise available to complete any land deal effectively". TfL itself has developed new skills and acquired expertise, enabling it to begin to match the successes and business acumen shown by another public sector organisation, with an impressive commercial sense, Hong Kong's MTR Corporation. There is no good reason why the OPDC and TfL cannot work closely together and build the kind of

[28] National Audit Office (5 June 2009), Report by the Comptroller and Auditor General for Department of Transport on *The Failure of Metronet.* HC 512 Session 2008-2009, TSO, London UK.
[29] [TfL] Borough Survey 2017 Progress report – go to http://content.tfl.gov.uk/borough-survey-feedback-2017.pdf

relationship any well managed organisation needs when it has to accomplish tasks that call for specialist knowledge and experience it cannot find immediately in house. It is, of course, vital that supplier and client have confidence in each other's professionalism and a shared determination to get on with the job.

Absence of trust and doubts about competence can quickly poison relationships. The extraordinary failure of Carillion has given the lie to the idea that private is necessarily best and public is necessarily second best. Few can doubt that the commercial leadership at Carillion was focused on short-term financial gain. Carillion's performance had been less than stellar for some time. Its collapse exemplifies a business mentality that undermines rather than strengthens public sector clients' ability to get their work done to high standards, on time and to budget. It is a mentality that is especially problematic when the public sector is faced with a small set of exceptionally large commercial partners who appear willing to use their size and the lack of competition as leverage in contract negotiations. Alongside its experiences with Carillion and Metronet the public sector has been incentivised to explore new organisational forms and to seek partnerships capable of empowering it. It makes good sense to study organisations such as MTR Corporation, HDB and JTC very carefully.

The public sector in the UK surely needs to understand and emulate, where it can, the ingredients that contribute to public sector successes elsewhere in the world. Judged on their track record it appears that Singapore and Hong Kong possess some of the most successful and innovative public sector organisations in existence.

We do not doubt that the OPDC can be supercharged. If that is to happen it needs to be much better resourced than it is at present. It also needs to find and make the most of the partnerships open to it, including partnerships with organisations at home and abroad. The OPDC must be viewed as a long-term project. The OPDC is expected to continue in operation for at least 30 years. It should aspire to be viewed as the highly capable steward of development plans, which are valued at anything from £10 billion to £26 billion[30]. It should, above all, enjoy a guarantee that it will have access to the land values that it plays a leading part in creating, so that it can be confident of taking its work forward. Access to the uplift in the value of locations within the OPDC area is vital if planners and developers are going to invest on a scale and in a way that corresponds to the capital's needs and the Mayor's ambitions for London. The OPDC must have the strength and independence to fulfil its core mission: to make the most of an unmatched opportunity to build homes, generate new employment, enhance London and the country's transport system, and protect and improve our urban environment.

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[30] See, for example, Atkins media release: Atkins appointed sustainability advisor on £26bn Old Oak Common redevelopment - 20 June 2016 [at http://www.atkinsglobal.co.uk/en-GB/media-centre/news-releases/2016/june/2016-06-20] and Liz Peace appointed to make things Happen [https://www.constructionnews.co.uk/analysis/interviews/liz-peace-on-old-oak-common-its-my-job-to-make-things-happen/10021052.article - report by James Wilmore for *Construction News* 27 June, 2017]

And, it must be organised in such a way that all of its commercial dealings are open to regular and rigorous scrutiny.

The touchstones, for an effective manager of public resources, are: (a) the ability to accurately value all of the assets it manages [y]; (b) an unwavering commitment to pursue goals that are clearly set out and enjoy public support; (c) confidence that those who are charged with holding it to account will judge its staff and managers solely on their performance; and (d) an assurance that all who are recruited, to make it a success, will be appointed, promoted and rewarded on merit.

London has many of the ingredients, in the OPDC, the London Legacy Development Corporation and TfL - as well as the expertise and experience of the staff of another public sector organisation, London & Continental Railways [z], which it will need to help it in establishing one of the world's great city wealth funds; a fund with the potential to grow the city's exceptional resources for the benefit of all Londoners. The core of that grand mission is to make the most of London's trillion pound public assets. Whether London's leaders will accept the mission and establish and embrace the organisation, to take on the task, isn't simply a $64 million question it is at least a £64 billion question, as Sadiq Khan has acknowledged, in setting the seal on his new London Plan.

END NOTES

a. The notion of supercharging, in this instance, reflects the terminology and approach adopted by Detter and Fölster, in their book *The Public Wealth of Cities: How to Unlock Hidden Assets to Boost Growth and Prosperity* (published in 2017 by the Brookings Institution). It refers to cities that have established, whether by accident or design, a virtuous rather than vicious cycle, to underpin their economic and social advance. Detter and Fölster differentiate between 'treadmill' cities and 'turbo' cities. The latter focus on making the most of: "…long-term investments that can lift a city from a treadmill town to a turbo city. That is [they explain] why "we advocate a strategy…that is all about making the value of long-term investments more transparent and visible to the public, and making better use of professionals who make decisions based on evidence while remaining at arm's length from day-to-day politics." Taken from pages 19 and 20.

b. When Sir Edward Lister was appointed by Mayor of London, Boris Johnson, he said that: "Old Oak Common can be as important to West London as the Olympics have been for East London, driving social and economic regeneration...". We believe that this understates the OPDC's importance to London and to the UK as a whole. The first of London's Mayoral Development Corporations, what is now known as the London Legacy Corporation, was charged with completing the work of the Olympic Park Legacy Company, which had been established in 2009. Its primary mission was to ensure that the London Olympic Park was ready in good time for the Games of 2012. The LLDC, like its immediate predecessor, the Legacy Company, was and has been severely constrained by the imperative of delivering an Olympic park fit for a great international sporting event. And, by its paramount responsibility: managing the sporting venues - most controversially the Olympic Stadium (what has now become the London Stadium).

   The brief for the Old Oak and Park Royal Development Corporation and the time scale, development over more than 30 years, means that the OPDC's long term goals do not need to take a back seat while it struggles to deliver a prestige event, on budget and on time, as well as wrestling with the commercial and public fall-out from a flawed agreement with a premiership football club over an iconic sporting venue. The OPDC not only has the benefit of learning from the London Legacy Development Corporation but of starting its work with an unprecedented endowment of publicly owned land, which will accommodate what is set to become the single most important transport hub in the United Kingdom. It also began its work as both a developer and a planning authority for what is arguably London's most important industrial location. A claim which we believe is borne out by rent levels for industrial land in Park Royal and that reflects the OPDC area's proximity to Britain's most economically and strategically important airport, at Heathrow.

c. Katz and Noring have made a detailed study of the Copenhagen City and Port Development Corporation. They have described the difficulties that the city of Copenhagen faced in counteracting decline and the catalytic effect that the Copenhagen (CPH) City & Port Development Corporation has had in a city that by most reckonings was much less well placed than London to realise the benefits of modernising a key city location; one which had been seriously underutilised and poorly served by public transport. One key to the CPH's success was a critical transport/infrastructure development. The key development area, in the case of Copenhagen, was an area of land estimated at 1.2 square miles or 311 square hectares. That compares with an area under OPDC control of 650ha, with the core Old Oak development site amounting to 134ha. Of this 134 ha the public sector owns, and is expected to release for development 97ha. The OPDC has compared this to the area covered by 'approximately 100 football pitches'.

   The OPDC is located in a city that is gaining rather than losing population and which cannot be said, to use Katz and Noring's term, describing Copenhagen, to be 'flagging'. That is not meant to challenge the proposition that City Hall is finding it extremely difficult to obtain all the funding it believes is necessary to make the most of London's development/redevelopment projects and prospects.

   When the CPH is compared with the OPDC it is worth noting that even though the CPH had the advantage of the construction of "a metro transit line connecting downtown Copenhagen to the city airport" it did not have the raft of advantages that are indisputably enjoyed by the OPDC. The OPDC has the opportunity to build on the economic spill overs and benefits from more than one new rail

line: it has Crossrail **and** HS2 and the hub where they meet. Crossrail stretches from Shenfield (in Essex) and Abbey Wood (in the east of London), to Reading (in the west) - a distance of 37 miles. Crossrail, taken on its own, is expected to bring an additional 1.5 million people to within 45 minutes of central London [see: https://www.theguardian.com/public-leaders-network/2017/jun/26/life-crossrail-locals-commuters].

d. Detter and Fölster argue that for city governors around the world managing the liability side of their city budgets has become an obsessive, almost overpowering, concern. They argue that the focus on city liabilities runs far ahead of representatives' interest in cultivating city assets. This, they argue, is mainly because the asset side of city balance sheets 'remains opaque' to most representatives. The potentially highly beneficial use of publicly owned assets is simply underappreciated. Their readers, they suggest, would do well to "consider a city like Cleveland [in the US], which does not appear to be particularly wealthy". Cleveland reported ownership of assets valued at $ 6 billion (in 2014). Its assets were greater than its recorded liabilities; but the assets the city owned were valued at their book value - a valuation that reflected their historic cost. Such a valuation represents, in Detter and Fölster's judgement, just a fraction of their true commercial value.

The lion's share of Cleveland's assets is found in publicly owned real estate. Cleveland's reliance, they record unhappily, on historic book values, has become seriously disabling. It has obscured the city's view of a great pool of public wealth and made it much harder to manage its substantial endowments for the benefit of the city's population. Detter and Fölster's simple proposition is that: assets in the public sector, valued according to their historic costs, are destined to be poorly managed. Indeed, in Cleveland "due to a legal quirk, many assets acquired before 1980 are not accounted for at all." If those assets were to be accounted for, using the International Financial Reporting Standards (IFRS), their value in city accounts "…would be many times what the city is currently reporting…"

In Detter and Fölster's view Cleveland's lack of rigour and the absence of a business-like approach, to valuing public assets, has become a great source of harm to the people who live and work in the city. They have calculated that if Cleveland had been able, in the past, to obtain a 3 percent yield on its assets (which they suggest have a commercial value approaching $30 billion rather than the $6 billion reported), the city's portfolio of publicly owned assets could have been expected to yield an income of $ 900 million a year to the city. Such a sum, Detter and Fölster declare, "…is substantially more than Cleveland's current annual net investments of about $ 700 million." The city could have doubled what it invested each year for the benefit of all its citizens. Taken from Detter, Dag; and Stefan Fölster, *The Public Wealth of Cities: How to Unlock Hidden Assets to Boost Growth and Prosperity* (see pages 89-92). Brookings Institution Press. Kindle Edition.

e. Dissatisfaction and frustration with the results of urban renewal programmes is nothing new. Herbert Gans [see his article, written for *Commentary* at: https://www.commentarymagazine.com/articles/the-failure-of-urban-renewal/] expressing his views in 1965, about renewal programmes in the US, took great pains to argue that it was vital for public officials to think harder and look more deeply into the failures of urban renewal programmes, particularly when they wrestled with the often poor results of initiatives, which had been promoted as good ways to improve the lives and, most especially, the housing conditions of poorer city dwellers - especially those who were members of ethnic minority groups. In the case we make here, for a more active and purposeful management of public assets in the OPDC area, we are attempting to broaden the perspective of all those who say they want to better understand why huge urban investments often disappoint and to promote a much greater ambition, on the part of those who set the parameters for the management of publicly owned assets, in order to develop more effective ways of getting the best out of what the public's representatives own, on the community's behalf.

f. Bentley's 'Land Question' is something of tour-de-force. As Bentley explains: "The current housebuilding framework [in Britain] has shown itself [not to be] up to the task…the provision of affordable and sub-market housing is being increasingly squeezed out by the development process…the root of these problems lies in the trade in land. Large fortunes can be and are being made out of the sale of development land for new housing, particularly in those areas – notably London and the South-East – where prices have risen the most. But the pursuit by landowners of the highest-value developments for their sites is frequently at odds with the delivery of more affordable

homes and speedier construction." Taken from Daniel Bentley's *The Land Question: Fixing the dysfunction at the root of the housing crisis* – 'Summary' (at location 39 of 1497 in Kindle edition), published by Civitas, 2017.

g. In a DCLG paper, entitled *Land value estimates for policy appraisal*, published in February 2015, the extent of the variation in land values in different parts of the country is readily apparent from estimates of the value of a 'typical' hectare of land with planning permission for residential development/use. The information is presented in a table and listed by local authorities in England. It can be contrasted with estimates, countrywide, for the mean value of a hectare of land designated for planning purposes as agricultural or industrial. While agricultural land was reported to have 'a typical value per hectare' of £21,000 and industrial land was estimated to have 'a mean value per hectare' of £482,000, the value, per hectare, of a typical residential site in a local authority area, such as Burnley, in the north west of England, was given as more than £500,000 but less than a £1,000,000. A hectare of land for residential use in the London borough of Westminster – by way of contrast - in January 2014, was estimated at £93,300,000.

It is not surprising, therefore, that the valuation of land for specialist non-residential purposes, such as prime office and retail space, can take us into a kind of valuation stratosphere. In December 2015, for example, *Statista* reported that the level of 'prime retail rents', in London's West End, had reached (expressed as an annual figure and in euros), €13,145 per square meter (see: https://www.statista.com/statistics/321066/annual-rental-cost-of-prime-retail-rents-in-the-united-kingdom-uk/). Assuming that such a price was achievable across an entire hectare of urban land this would produce an annual rental value of more than €131 million per hectare. The current sterling equivalent of 131 million Euros exceeds £115 million. If we take the calculation one step further, and assume that it is possible to calculate a capital value for a hectare of land in London's West End, based on a return of 6% per annum, we get, using the method employed by *Investment Property UK* (see: https://investmentproperty.co.uk/property-investment-resources/property-yield-calculating-property-yields-return-on-investment-roi/), for estimating capital values, a capital value of £1.916 billion. As the hosts of TV property shows are want to say: 'It really is all about location, location, location'.

Ballpark calculation leading to capital value for square hectare of prime retail land in London's West End :

Statista prime retail annual rent for a square metre in the West End of London: €13,145
How many square metres in a hectare? 10000 sq metres = 1 hectare
Rent theoretically achievable for an **entire square hectare** of land in London's West End based on price per square meter = €131,450,00
Say, for simplicity, €131,000,000
Exchange value of €131,000,000 – assuming no trading/transaction costs on 23 Jan 2018 – in sterling and annual rent, for hectare, expressed in sterling: £115,058,814.59
Say, for simplicity, £115,000,000

Assuming
Annual Rental Income = £115 million
Yield = 6%
AND
Calculating the Property/Capital Value*:
Capital Value = (115/4) x 100
Capital Value = £1,916 billion

[* Using method employed by Investment Property at https://investmentproperty.co.uk/, which claims it has World-Class property expertise]

Figure 3

In a study produced for the OPDC early in 2016 (OPDC 2016a) on *Development Capacity*, in relation to the OPDC's Regulation 18 Consultation, it was claimed - in the study's *Executive Summary* - that the Old Oak development site on its own could be expected to supply, in the course of the plan period - i.e. up to 2037 - 3,108 new retail jobs and 56,000 new office jobs. This represented the lion's share of the new non-industrial employment expected in the OPDC area, to which the study suggested a further 71,100 new industrial jobs would be added during the plan period.

The economic impact and relative scale and importance of the employment boost associated with the proposed station complex at Old Oak can be compared with the anticipated job creation impact of a scheme at Waterloo International, where a shopping centre plan was approved by Lambeth Council in 2016. The developer, in that instance, London and Continental Railways (about which there is more information at End Note [z]), estimated more than 700 new jobs would be created [a brief account of this scheme and its anticipated employment promoting aspects can be found at: http://www.london-se1.co.uk/news/view/8977].

h. The Blue Book, which accompanied the November 2017 budget statement, reported (see page 27 of the Blue Book) that: "Land value increased from £0.7 trillion to £3.9 trillion between 1996 and 2016 (or by 479%), while the value of dwellings grew by less than half that rate - by 203% (increasing from £0.5 to £1.5 trillion over the same period)."

The data, from the ONS, underscores the extent to which, in analysing the financial assets and liabilities of households, the value of land has come to account for the largest share, more than 70%, of the value of residential property. In a period of just twenty years the value of dwellings and land, which made up a more or less equal proportion of the value of residential property overall, has tipped decisively in favour of the underlying value of the land on which Britain's residential properties are built [see https://backup.ons.gov.uk/wp-content/uploads/sites/3/2017/10/UK-National-Accounts-The-Blue-Book-2017.pdf]

i. See: https://www.theguardian.com/cities/2014/sep/17/truth-property-developers-builders-exploit-planning-cities. Scepticism about Section 106 is entirely justified, as Oliver Wainwright has explained: "The principal reason can be traced to the fact that awarding planning permission in the UK comes down to a *Faustian pact*. If the devil is in the detail, then the detail is Section 106 of the Town and Country Planning Act 1990; [the] clause which formalised "planning gain", making it in the local authorities' interests to allow schemes to balloon beyond all reason, in the hope of creaming off the fat of developers' profits for the public good."

Wainwright continues: "Section 106 has become a primary means of funding essential public services, from social housing to public parks, health centres to highways, schools to play areas. The bigger the scheme, the fatter the bounty, leading to a situation not far from legalised bribery – or extortion, depending on which side of the bargain you are on. Vastly inflated density and a few extra storeys on a tower can be politically justified as being in the public interest, if it means a handful of trees will be planted on the street."

j. In the *Executive Summary* to its 'Devolution: a Capital Idea' the *London Finance Commission* presented 'Ten key finding' which 'arose from [its] extensive consideration of available evidence sources'. It found persuasive evidence that Londoners supported fiscal devolution but that 'community groups [that] supported devolution…[were also concerned about and] warned against bad devolution deals'. It also concluded that there was 'widespread support among civic leaders, thinks tanks and regional business groups' for devolution that focussed on 'local challenges', 'incentivising growth', 'adaptability', and 'governing capacity and fairness'. We believe that this is congruent with our proposal for a model for the OPDC reliant on arrangements that embrace what can reasonably be termed 'smarter management and longer-term finance' for urban re-development, community building and place-making.

k. The issue of determining true affordability – given unequal incomes and the highly unequal distribution of purchasing power in contemporary Britain (most particularly in London, with its high land/location values) - is an extremely complicated one. Getting rent levels/housing costs 'right' is

indisputably fundamental to any scheme or arrangement that is intended to radically change and increase access to decent housing for individuals and families on low incomes.

The challenge, for policy makers, of building affordable homes is greatest when employment incomes are relatively low or *would-be householders* are wholly or substantially dependent (if they are going to be able to pay their rent and avoid arrears), on income that comes from social security benefits and entitlements.

We recognise both the complexity and the importance of setting rent levels that are realistic and fair, given entrenched and substantial inequalities in the distribution of incomes and life chances in contemporary Britain. If the Mayor of London and his development corporation, for the Old Oak and Park Royal area, were to accept our proposals we believe it would be necessary for them to make a careful study and take full account of the work of the Joseph Rowntree Foundation and the real London Living Wage (LLW) Foundation on the calculation and meaning of a 'living wage in London' and an 'affordable rent for low income households in London'.

For those who want to read some about the research and examine calculations that are relevant to setting affordable rents relevant material can be found at: https://www.livingwage.org.uk/calculation and https://www.jrf.org.uk/income-benefits/living-wage; it is also worth consulting the BBC's affordability check at http://www.bbc.co.uk/news/business-38067626 and information from the National Statistics Office on affordability, which can be found at https://www.ons.gov.uk/peoplepopulationandcommunity/housing/bulletins/housingaffordabilityinenglandandwales/1997to2016.

l. We believe that a great many benefits would flow from the general adoption of a national scheme of Land/Location Value Taxation, especially a scheme designed to dramatically change the way in which public revenues are obtained. Taxes on work, consumption and investment, in new productive capacity, could be reduced or even eliminated if unearned income and wealth became a much more significant source of public revenues. It is our belief that, if such a radical reform were to be accepted, almost every citizen would be a beneficiary. From this point of view LVC – as opposed to a national LVT scheme – for capturing land/location values - is a second-best policy option. Indeed, many of the individual members of the Coalition for Economic Justice Steering Group and the organisations which they represent on the Steering Group look forward to a time when the social and economic benefits of replacing taxes on work with levies or charges on assets, most particularly land, which are part of our common wealth, are more widely appreciated and strongly supported. However, when the best policy option is not immediately available we believe that a better way of organising and managing the affairs of the capital should not be rejected, simply because it is not the very best means we could adopt. The very best should not be allowed to become the enemy of the good.

m. In the *new London Plan*, published at the end of 2017, the Mayor of London asserted: "The level of growth we must plan for will require significant investment – both from business and the public sector – in transport, infrastructure and affordable housing. And in order to deliver the fundamental change we need in the long-term, the Government should step in and give more powers and investment to London."

While the Mayor made it apparent, in his introduction to the *new London Plan* that he wanted to work as closely and constructively as possible with central government, elsewhere in the plan he envisaged the city's government taking radical new steps of its own to generate the revenues required to implement his *Plan*. In the concluding section of the *new London Plan* it was argued that, in order to properly fund the plan, the Mayor was seeking:

"…further devolution of fiscal powers in line with the recommendations of the London Finance Commission… (And)… [b]ecause of the scale of the funding gap, the Mayor is also exploring other potential sources of funding, such as **land value capture** [emphasis added], and looking at how private investors can play a bigger role in investing in the upfront costs of infrastructure. He has also, through this Plan and other strategies, set out how to make more creative and efficient use of existing

infrastructure assets, for example, by managing demand for utilities and transport, using new technologies and changing user behaviours." [from para 11.1.13 of the new London Plan]

This was in the context of:

"The Mayor's current fundraising powers [being] limited to council tax and business rates, user charges such as transport fares, and third-party contributions such as *M*CIL. These represent a small proportion of the large number of different taxes levied on London by Government. In 2015/16, London government only had direct control over 5.1 per cent of the tax it raised (council tax and 50 per cent business rates)." [from para 11.1.9 of the *new London Plan*]

n. The key section of the TfL study, which reported on the potential of LVC anticipated in the KPMG and Savill research, noted that:

"Using transactions data from Land Registry and local controls for background price inflation and local place effects…that past projects such as the Jubilee line extension (JLE), the Docklands Light Railway (DLR) extension to Woolwich and the upgrade and incorporation of the North London line into the Overground network … produced significant land value uplifts, of 52 per cent, 23 per cent and six per cent respectively, relative to controls. While there is no clear evidence so far of Crossrail (still in construction) lifting the values of existing residential stock, there is evidence that it has produced uplifts on commercial property (around 1-2.5 per cent per annum relative to controls), and in enabling new residential development (with a 50 per cent increase in density of new housing within 500 metres of a Crossrail station compared to areas further away)."

AND

"Looking ahead, KPMG and Savills estimate that **future transport schemes in London are also likely to produce large land value uplifts, both in increasing the value of existing properties and by inducing new development**. For instance, a sample of **eight prospective TfL projects that cost around £36bn (including Crossrail 2, the Bakerloo line extension and the DLR extension to Thamesmead) could produce land value uplifts of about £87bn**. *The problem is that existing value capture mechanisms extract only a small fraction of land value gains from transport investment, in an ad hoc and poorly targeted manner* [emphases added]."

o. See the Mayoral press release of 21 June 2017, which extolled the benefits of the 'Healthy Streets Approach to reduc[ing] car reliance [in London, which was expected to] help Londoners choose active and sustainable travel [options]. Source: https://www.london.gov.uk/press-releases/mayoral/fairer-greener-healthier-more-prosperous-city.

p. TfL's land value capture report refers specifically to: (i) business rates on commercial premises; (ii) Stamp Duty Land Tax (SDLT) on the transfer of land or property (- while noting that this accrues to central rather than local government); (iii) over-station development; and (iv) development taxes such as the Community Infrastructure Levy (CIL) and negotiated developer contributions. The last of these raises the possibility of using a *development rights auction model* – abbreviated to DRAM – as a means of engaging private landowners and commercial interests in development schemes that are a priority for the GLA and beneficial for private landowners and the general public. This is particularly important if the other side of the DRAM coin is a commercial loss for landowners who decide not to participate in the auction and withhold their land from development as part of a valued publicly sanctioned housing and/or infrastructure scheme. As the TfL report points out: "…zones with high development potential (particularly for housing) with multiple landowners [afford] Government, TfL and the GLA [the opportunity to] consider [making use of] the development rights auction model…a new land value capture mechanism."

This discussion of TfL's options for raising additional revenues from a variety of sources, including developments connected with its property portfolio, should not be read as an attempt to side-step the financial difficulties facing TfL. TfL's fare income is less (at the beginning of 2018) than had been anticipated and financial support for public transport has been reducing (see FT article written by Jim Pickard and Tanya Powley, which appeared on February 11, 2018

https://www.ft.com/content/946204de-0dbb-11e8-8eb7-42f857ea9f09). Nevertheless TfL's current budget difficulties and a good deal of the public response to them seems to us to illustrate the unbalanced approach that Detter and Fölster found and deplored, on the part of city leaders in many parts of the world, to financial management in the public sector. It is, in their view and ours, an approach that attaches far too much weight to controlling spending and far too little to pursuing revenue generating opportunities and improving the management of public assets.

q. We regard those OPDC plans as – in many ways as – admirable, and they are set out in detail in the OPDC's revised draft local plan, which was consulted on in the summer of 2017. The revised draft plan runs to over 300 pages and is packed with good intentions and commendable aspirations. In our response to the plan we did not take issue with those good intentions and commendable aspirations. However, we did note that the word 'sustainable' appeared 160 times in a document that was depressingly short of specifics about how the development of Old Oak and Park Royal would be funded. In fact – so far as the revised draft plan does address funding issues – it limits discussion to, in our words: '…**weak, one-off instruments (Section 106 Agreements and Community Infrastructure Levies) that are by definition unsustainable and have rarely worked out in favour of the public side of asymmetric public-private partnerships in the past**'.

r. In a press release issued in June 2017, by MRT Corporation, it was announced that: "A new milestone was achieved for the Crossrail project in London as the first in a new fleet of high-capacity trains was introduced to passenger service yesterday (22 June 2017) by Transport for London (TfL) and operated by MTR Corporation (Crossrail) Limited ("MTR Crossrail"), a wholly owned subsidiary of MTR Corporation…As the operator for TfL Rail and the future Elizabeth line service, MTR Crossrail has collaborated closely with TfL and the train manufacturer, Bombardier, for a smooth service launch of the new trains…" [See: https://www.mtr.com.hk/archive/corporate/en/press_release/PR-17-051-E.pdf]

s. The contrast between the anticipated make up of TfL's income, in 2017-18, from its assets and property operations, and the contribution of property income in the case of the HK MTR is striking:

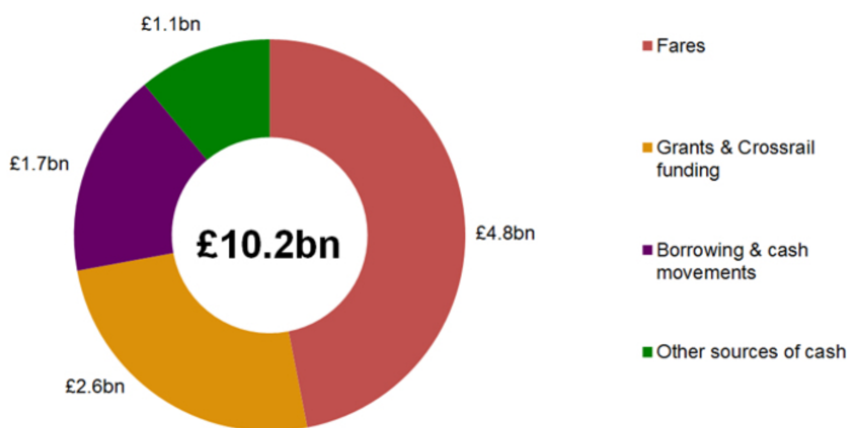

Figure 4, Source: TfL – how we are funded [https://tfl.gov.uk/corporate/about-tfl/how-we-work/how-we-are-funded]

While 'other sources of cash', which included "income from advertising, property rental, and property sales and development, the sale and leaseback of 55 Broadway and the sale of commercial sites at new Crossrail stations", made up just over 10% of TfL income, Hong Kong's MTR received HK$ 9.2 of its operating profits (which totalled HK$ 17.6 billion in 2016) from property and rental management (HK$ 3.9 billion), commercial station business (HK$ 5billion) and property development (HK$ 0.3

billion). While TfL's property rental, property sales and sale/leaseback operations were expected to bring in just over 10% of its cash MTR's property business and commercial operations, as distinct from the fare box, brought over 50% of its *operating profits*.

t. As Thomas Aubrey has warned new land compensation rules are necessary, if we are to drive up infrastructure investment and increase the rates of new home construction. In Aubrey's own words:

"The high price at which both private and public developers buy land has effectively prohibited large scale housebuilding for units that low and middle income households can afford. In addition, it makes the building of new infrastructure prohibitively expensive. Land compensation rules determine to what extent the municipality is able monetise the rise in land values. This rise enables the necessary infrastructure to be financed, opening up new land for housing, and providing a sufficient level of subsidised housing." [See: http://progressive-capitalism.net/2017/05/new-land-compensation-rules-will-drive-infrastructure-investment-raise-rate-housebuilding/]

u. What is an irrevocable trust and could/should such a trust have some of the characteristics of a Community Land Trust? An irrevocable trust is a trust that can't be modified or terminated without the permission of the beneficiary. The grantor, having transferred assets into the trust, gives up all their rights of ownership to the assets in the trust. Were the OPDC to establish an irrevocable trust to take responsibility for some or all of the new housing units built in the OPDC area it could ensure that the trust had a clearly defined role in serving and meeting the needs of tenants, lessees and the local community as a whole. Such a trust could be established with responsibilities similar to those of a Community Land Trust. The *National Community Land Trust* has described a CLT in the following terms: Community Land Trusts are a form of community-led housing, set up and run by ordinary people to develop and manage homes as well as other assets. *CLTs act as long-term stewards of housing, ensuring that it remains genuinely affordable, based on what people actually earn in their area, not just for [the present] but for every future occupier*.

We are attracted by the idea of one or more CLT's operating in the OPDC area, with well-defined social and affordability goals. Indeed, the OPDC itself has discussed the possibility of working with CLT's and supporting their establishment in relation to housing developments in the area. It seems to us entirely possible that an irrevocable trust could be established with a number of the features that the National CLT has firmly associated with Community Land Trusts.

We consider that it would be entirely sensible and appropriate to explore the characteristics that an irrevocable OPDC trust, responsible for the management of new housing in the OPDC area, might have and, in doing so, to make it clear that great importance is attached to: pursuing the objective of maximising the amounts of affordable housing constructed for leasing and renting in the OPDC area.

v. It is entrenching advantages, based on the private ownership of the most valuable parts of the *commonwealth* – often that means the very best located urban land - which appears to us to underpin long-lasting and deepening intergenerational inequalities. Challenging and, at a minimum, reducing such inherited – what might reasonably be described as perpetuated and perpetual - inequalities seems to us to be a fundamental requirement for any person or organisation seeking to promote a fairer society.

w. Sadiq Khan was elected Mayor of London in May 2016. Amongst his first acts was his decision, in June 2016, to commission the GLA to undertake a review of the strategic direction and work programme of the OPDC. The review team's report was published at the beginning of November 2016. The findings confirmed widely voiced and shared anxieties that the OPDC wasn't, as constituted and led, up to the task of managing the single most important long-term redevelopment site and programme in London. The findings of the review [see: https://www.london.gov.uk/sites/default/files/opdc_review_findings_-_final_31.10.16_0.pdf] were damning.

The OPDC had (i) hastily entered into the MoU on which its title to the core development site, in multiple public ownership, depended; (ii) the funding needed to make the most of the opportunity presented by the OPDC had not been put in place and central government support for the OPDC was

markedly less favourable than that for other major redevelopment sites across the country, despite Old Oak and Park Royal's long term economic significance for the whole of the UK; (iii) there had been a failure to cope with 'the complexities of the site'; and (iv) the OPDC simply lacked a 'staff resource [with the] capacity to take forward the land deal work' – which meant that 'expert help [was] needed' to enable the Corporation to successfully proceed with its core mission; and, (v) failures, in several different areas of the OPDC's work, had been compounded by a failure to ensure that the 'positioning of a Crossrail Depot and maintenance facility' was consistent with plans to make the most of the core Old Oak development area.

Sadiq Khan was reported, in the edition of the *Architects Journal* published at the beginning of November 2016 [https://www.architectsjournal.co.uk/news/sadiq-khan-hits-out-at-old-oak-common-mess/10014344.article], to have complained bitterly about the Old Oak Common 'mess' he had inherited. The same *AJ* story reported that "Earlier [in the] year Terry Farrell had voiced his concerns about the development of Old Oak Common, branding the scheme the 'worst cock-up in years' and saying that the chance to create 12,000 extra homes in the major new transport super hub had been squandered".

x. As the NAO, in its report *The Failure of Metronet*, recorded: "In May 2008, after ten months in administration, Metronet BCV and SSL's assets and liabilities were transferred to two new wholly-owned subsidiaries of TfL. DfT and TfL saw this as an interim solution and set up a Joint Steering Committee which made recommendations to the Secretary of State and the Mayor of London on a long term solution in late December 2008". What was presented as an interim solution has lasted and lasted.

In October 2009 Robert Wright, the Financial Times transport correspondent, reported that TfL was to keep control of the former Metronet lines. He reported that while ministers had argued for "heavy private-sector involvement in any new structure, to ensure TfL avoided the problems of poor project management (*sic*)…the committee set up to examine the lines' future management had recommended direct control". Lord Adonis, transport secretary at the time, was reported, to have said: "The mayor and I have accepted the committee's recommendations that the contracts inherited from Metronet should remain under the direct management of LUL as the best value option under the present circumstances". Wright also reported that the body representing passenger train operators would be arguing that: "The government should focus on setting targets for train operators rather than prescribing precisely how they should run services". It also appeared, from Wright's report, that "The Association of Train Operating Companies' Franchise Reform [was about to issue a] report [arguing] that services would operate more efficiently under such a system than the present one". [See: https://www.ft.com/content/4767257c-c4c4-11de-8d54-00144feab49a]

y. It is possible, with a very modest amount of effort, to get some idea of the huge sums that can follow from a change in planning status and greatly enhanced access to public transport at a location that has previously lacked it or been poorly served by it. In Chapter 4 of its *Economic Evidence Base for London 2016*, entitled *The Value of Land and Housing in London*, the authors include a table showing the range of values for a hectare of land in different parts of London, depending on planning status and location. If, for example, it was possible to take land zoned for residential use in Brent, valued at £8 million a hectare, or land zoned for industrial use, valued at £6.2 million per hectare, in the same part of London, and turn it into land zoned for residential use valued as land in the neighbouring borough of Hammersmith & Fulham, the uplift in land values - for an area of 650 hectares (the total OPDC area) - would achieve a seven to eightfold increase in total value: from approximately £5.2 billion to approximately £36.4 billion.

It is clearly ridiculous to assume that the OPDC has either the power or desire to turn the whole of the OPDC area over to residential uses. Let's try a rather more modest calculation, based on existing residential values, relying on those in Brent and in next door Hammersmith & Fulham. The core development area at Old Oak is 134 ha, of which 97 ha is in public ownership. The same calculation - as above - would imply a rise in land values for the whole of the Old Oak core development area from £1.072 billion to £7.504 billion. The 97 ha in public ownership would increase in value from £776 million to £5.432 billion. The largest privately owned site, in the ownership of Car Giant, which is estimated to amount to about 20 ha, could increase in value, if its designation for industrial uses was

superseded by planning consent for use as residential land, from £6.2 million per hectare to the average value of a hectare of land in residential use in Hammersmith & Fulham: £**56.8 million** per ha. Doing a simple sum shows an increase in the value of a 20 ha site from £124 million to something in the region of £1.12 billion.

Such back of the envelope calculations can only give an indication of the order of magnitude of changes in land valuation that follow changes in planning status and connectivity. But they do provide some pointers to the collateral that could be offered by developers, public or private, who wanted to borrow in order to fund development.

z. London & Continental Railways (LCR) was founded in 1994. It has had almost 25 years of experience in managing and developing major transport infrastructure, including HS1. It currently describes itself as a 'guardian' of public land. It has been keen to focus attention on the positive role it believes it has 'in the [UK] Government's drive for homes, jobs and economic growth'. It is – as its company billing explains - '[positioned] on the cusp of the public-private sectors' and has developed the experience and expertise needed 'work effectively with both private sector developers and other public bodies to deliver best value for the taxpayer'. In our view – after 1998, when the HS1 scheme was reorganised and refinanced – LCR performed well in helping to bring the HS1 scheme to a successful conclusion.

LCR became a public corporation in 2006, when the public funding it had received – to ensure HS1 would be delivered - led to the Office for National Statistics reclassifying it as a public body. Following the Channel Tunnel Rail Link (Supplementary Provisions) Act 2008, the Department for Transport (DoT) took direct ownership of LCR in June 2009, paying what has been described as a nominal price for the company and what became the owner of a substantial commercial interest in Eurostar International Limited (EIL) in December 2009. The public interest in EIL was sold, by the Treasury, in March 2015 for over £750 million. In our view exactly the kind of public disinvestment that undercuts attempts to ensure and deliver responsible and long-term management of valuable public assets in the public interest.

Since it became a public corporation in 2006 - and acquired the status of a public corporation directly owned by the DoT, in 2009 - LCR has played an important and valuable role in helping deliver major urban redevelopment and infrastructure schemes, including the King's Cross and St. Pancras redevelopment. In this case it did so in a partnership with Argent and DHL.

At the end of 2015 LCR remained a state-owned railway property development company; it also continued to be involved in a number of regeneration projects on former railway land, including King's Cross Central, Stratford City and Manchester Mayfield. It has responsibility for the management and development of the closed Waterloo International railway station and the North Pole depot (situated in the London borough of Hammersmith & Fulham), as well as providing property advice to HS2 Limited.

For more information see: (i) http://www.lcrhq.co.uk/; (ii) https://www.gov.uk/government/organisations/london-and-continental-railways-ltd; and,(iii) http://www.lcrhq.co.uk/news/2018/

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