# OPTIONS FOR GROWTH

## **ISSUE 1 BACKGROUND PAPER** JUNE 2015

OUTER LONDON COMMISSION ROUND 4 **|** 2015-16

**TOWARDS A REVIEW OF THE LONDON PLAN**

# OPTIONS FOR GROWTH

## 1 INTRODUCTION

1.1 London is experiencing huge population and employment growth, with projections of an additional 3 million people by 2050 with over 6.3 million jobs. How London accommodates this growth is fundamental to the preparation of the full review of the London Plan.

1.2 One of the overarching questions the Commission has been tasked with is to investigate a number of spatial options for accommodating London's growth and the infrastructure needed to support that growth. To help underpin this research the Commission has briefly considered international comparisons of how other cities manage growth.

## 2 INTERNATIONAL COMPARISONS OF HOW TO MANAGE GROWTH

2.1 In 2013 Oxford Economics[1] produced a study looking population change in cities up to 2030. Of the 50 fastest growing cities, London was ranked 39th. The list is dominated by Asian and African cities, so compared to cities in these developing nations, London does not appear to face a substantial problem. However, in comparison to other European cities, the pace of change in London (2.3m) appears dramatic at more than double the level predicted for the next fastest growing European city (Paris at 0.9m), and over four times the rate anticipated in Madrid (3rd on the European list at 0.5m).

2.2 World Cities which are comparable to London are New York and Tokyo. All three are faced by similar challenges, the biggest of which is housing more people. The other challenges are providing for more jobs, provision of infrastructure (both physical and social), and dealing with climate change.

2.3 The 'One New York Plan' (2015)[2] estimates New York's current population to rise by 0.6m to 9m by 2040, which is significantly less than forecasted for London. In the next decade their Plan is seeking to build 240,000 new dwellings, again significantly less than envisaged in the London Plan (2015) of c.42,000 pa. Although for New York this is considered high, and will be achieved in part by the redevelopment of 100 large brownfield sites. These sites are being prepared for development by either public sector investment, or by rezoning them to facilitate higher densities, increased development viability and private sector investment. As in London, housing will be promoted in and around subway stations with rezoning to promote mixed use development with residential development above commercial space. In terms of

[1] www.oxfordeconomics.com/Media/Default/landing-pages/cites/oe-cities-summary.pdf
[2] http://www.nyc.gov/html/onenyc/downloads/pdf/publications/OneNYC.pdf

infrastructure, there are 15 major transport schemes (more than $1bn) identified, with a further 64 other infrastructure projects identified each costing more than $200,000.

2.4 Likewise, Tokyo has a similar approach and is seeking to redevelop the areas around new transport links for high density development and release public sector land for intensive redevelopment[3]. A number of these areas are planned through publically drawn up master-plans, the equivalent of the Opportunity Area Planning Frameworks found in the London Plan. Particular examples, such as the links between Haneda Airport and the area around Shinagawa station, and the expansion of stations like Shibuya, have obvious parallels with the Old Oak and Park Royal Development Corporation, where the Old Oak area is planned to be completely redeveloped to take advantage of its improved connectivity with the introduction of Crossrail (due to be running in 2018) and possibly later on, HS2. In terms of tackling climate change and air quality, Tokyo is promoting 'Kankyojiku', the equivalent of the All London Green Grid, which seeks to expand the network of green infrastructure through implementation by the private-sector. When areas are redeveloped, high density development is providing land for public parks and green corridors.

2.5 Although facing growth at much lower levels, both Paris and Berlin are taking similar approaches to city growth as can be found in London, New York and Tokyo. Berlin is expecting to grow by just over 250,000 in the 2011-2030 period, and is attempting to meet this growth through the intensive redevelopment of 10 large brownfield sites and encouraging the higher density redevelopment of existing sites. When a developer seeks a density above the approved range, permission is given when the 'excess' provision is affordable housing. Like Berlin, Paris is intends to redevelop seven large brownfield sites, but in addition will release 300 hectares of greenfield land in the wider Île-de-France area to ease the pressure. In addition Paris proposes to deliver the equivalent of London's Crossrail – running from Orly Airport in the south through central Paris out to St. Denis in the north. There is also a programme for 30bn Euro project for 205 km of new metro/station upgrades anticipating higher levels of density of development in these new/refurbished locations.

## 3 LONDON'S POPULATION

3.1 Compared with other World Cities like New York and Tokyo, the scale of growth London needs to manage is much more significant. The 2011 Census showed that London's population has been increasing by an average of 87,000pa in the previous decade , which is nearly double the rate of that had been assumed previously and planned for in the 2011 London Plan[4]. Current population projections suggest London's population is likely to continue to grow and that between 2011 and 2036 it is projected to increase by a further 1.8 million, or 22 per cent, putting it at 10 million by 2036.

---

[3] http://www.toshiseibi.metro.tokyo.jp/pamphlet/pdf/udt2011english.pdf
[4] London Plan 2015

3.2 It is not anticipated that London's growth will be evenly distributed between age groups. The working age population (16 to 64) is projected to rise by 1 million or 18 per cent, while the over 65s are expected to increase by 600,000 persons – an increase of 65 per cent from 2011, driven by increasing life expectancy and the large cohort of baby-boomers passing 65[3]. Natural change, a function of age structure, is also likely to continue its sustained increase of 80,000+ pa. The other driver of population growth is migration. London currently has net domestic out migration of 50,000 pa, which is considered to be suppressed when compared to pre-economic crisis levels of 70-80,000 pa in the years leading up to the crisis. This drop in out migration is likely to have been in part the result of a slowing of the housing market, and in part due to London's job market proving relatively resilient compared to those in other parts of the UK, leading to more people staying in London. Net domestic outflows have begun to increase as the economy has recovered, but it is not yet clear what impact further economic recovery will have on future migration patterns. In terms of international migration, London has an international net in migration of 70-90,000 pa which is probably a reflection of the relatively strong job market in London and the UK's stability. Whether this remains high is unclear, as again factors such as the uncertainty the UK's relationship with the European Union may have implications for future international migration projections.

3.3 Spatially, London's population in 2011 was distributed unevenly with 4.97million (60%) in outer London and 3.29 million (40%) in inner London. Trend-based projections show strong growth in outer London at 500,408 (65% of total growth) compared to inner London of 266,000 (35% of total growth), but population projections based on housing targets as set out in the 2014 SHLAA are relatively small for outer London at 193,000 (45% of total growth) compared to inner London of 231,000 (55% of total growth).

## 4 EMPLOYMENT

4.1 As with population projections, there is a degree of uncertainty in terms of employment projections. The projections in the 2015 London Plan suggest that the total number of jobs in London could increase from 4.9 million in 2011 to 5.8 million by 2036. It is expected that the largest increase in employment over the period to 2036 will be in the professional, real estate, scientific & technical activities sectors – nearly doubling to 1.1million. This is followed by growth in employment in administrative & support services, information & communication and accommodation & food services, which are expected to grow by a combined 536,000. In outer London, employment growth is expected to be 2.2 million in 2036 – the equivalent of 38.8% of the London total (and a15.6% increase from the 2011 value), compared to inner London of 3.5 million jobs[5].

[3] 2050 Infrastructure Plan, population projections supporting papers (GLA Intelligence)

[5] https://www.london.gov.uk/sites/default/files/llmp.pdf The borough/sub-regional estimates are based on trend, capacity and accessibility projections

4.2 However, whilst London's growth in jobs has been very strong recently, reaching 5.6 million in December 2014[6], this strong jobs growth, combined with the more moderate rises seen in output, have raised questions regarding the long-term trend of productivity in both London and the UK. Understanding the underlying causes and potential longevity of this near standstill in productivity growth is critical to accurately projecting future levels of jobs. If the recent productivity trend continues over the projected period, then the number of jobs in 2036 would likely be much higher than those presented above. However, there is as yet no consensus amongst academics and experts as to the likely explanation or longevity of the recent productivity puzzle.

## 5 HOUSING LAND VERSES EMPLOYMENT LAND

5.1 London population and employment projections are intrinsically linked. London's economic success depends heavily on an efficient labour market and this in turn requires an appropriate supply of housing to sustain it. However due to the scale of growth expected, there is an inherent tension between the delivery of housing verses that of employment land.

5.2 As described there is continued pressure of growth in London but uncertainty for the medium/long term. Monitoring of the demographic trajectory underpinning the population projections suggests that the 75,000 pa population projection in the 2015 London Plan is still robust; however there is less certainty about how that might translate into household size and numbers. Due to the growth in the older population and the potential reversal of families again moving out of London, one school of thought is that there will be an increase in the formation of smaller households rather than family households that has been the trend in recent years. Changes in household size might also have implications for the current 49,000 housing requirement.

5.3 On the supply side, the GLA 2013 SHLAA identifies capacity for 423,000 homes over 10 years, the equivalent to 42,300pa, and the 2015 London Plan has put in place rigorous new policies to support additional provision through higher density development in appropriate locations. London is approving planning consent for over 50,000 homes each year, so in these terms London is able to meet its 49,000 need figure. The real challenge is translating the 50,000pa approvals into completions, which currently runs at around 27,000pa. It is acknowledged that the planning system can help to enable this in part. For instance, by increasing the pipeline further, ie doubling approvals, in the expectation that it will yield 50,000pa completion as well as speeding up the decision making/planning process. Nevertheless, there is a complex series of non-planning factors which are probably more important for delivery, for example labour, materials, institutional capacity constraints within the development sector, etc.

[6] Workforce Jobs ONS 2015

5.4 If London is going to meet its housing need, or even try to expand the pipeline as described to uplift completions, the Commission may wish to consider what that would mean for provision and delivery of employment land. A study by NLP found that nationally, whilst the number of office jobs rose by 21 per cent in the last decade, the total stock of office space failed to keep pace, rising by only 17 per cent[7]. This could be due to changing working practices or be the result of the productivity puzzle as described above. The previous Outer London Commission Report (Third Report) July 2014 also highlighted that industrial land is being released in outer London at twice the annualised benchmark set out in the GLA's Land for Industry and Transport SPG.

5.5 The introduction of extended Permitted Development rights in 2013 may be responsible in part. The NLP study highlights that this has the potential to lead to a future deficit in office space and increased pressure on office markets. However, it also points out that in some locations (particularly those with a surplus of outdated office stock) the policy is having a positive effect by removing poor quality office space and driving up rental values to a point at which new office development starts to becomes viable[8]. Since its introduction, outer London has lost around 10% of its office stock to residential through PD[9]. Anecdotally, this is not only compromising the functioning of the employment area, whether that is offices, industrial, retail, but also often results in piecemeal incremental change which does not deliver the quality of residential development appropriate for the new residents or the area in which they are located.

5.6 The differential between employment and residential values means that planning therefore plays a crucial role in managing this tension between the delivery of housing and employment land; and the Commission may wish to consider what that appropriate balance should be within the context of the projected growth set out above.

## 6 SPATIAL GROWTH SCENARIOS

6.1 London continued economic success will, alongside demographic factors, drive population growth. Work to underpin the next London Plan will need to investigate a number of spatial scenarios for managing that growth and the infrastructure needed to underpin it. Based on the 2050 London Infrastructure Plan, there are a number of spatial scenarios which the Commission may wish to consider – four which look at accommodating London's growth within its own boundaries and one which explores options of managing some of that growth elsewhere within the wider South East.

---

[7] NLP, Workspace Futures – The changing dynamics of office locations
[8] Ibid
[9] GLA, London Development Database

## GROWTH OPTION 1: TREND BASE

6.2 This scenario is based on the projecting forward the current trends of growth based on housing targets, as currently identified through the GLA 2013 SHLAA. The map below illustrates the overall population densities. In this scenario the overall growth would be split between relatively evenly between inner and outer London at 16% and 14% respectively.

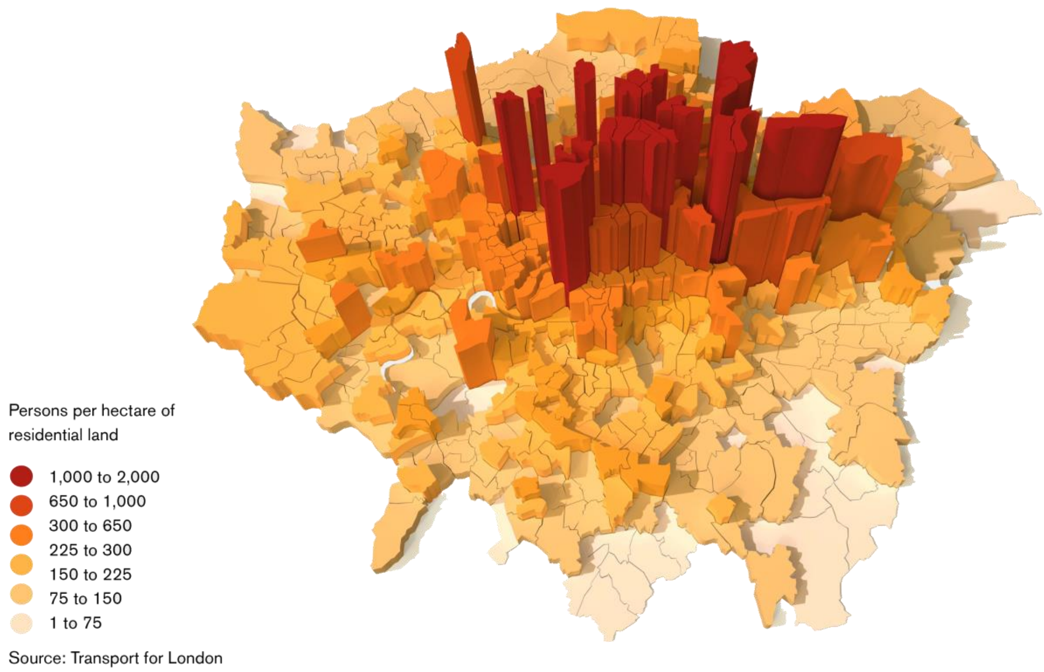


**Figure 1: Overall population densities: Trend Base Growth**

## GROWTH OPTION 2: INCREASING DENSITIES IN AREAS WITH GOOD PUBLIC TRANSPORT

6.3 Scenario 2 particularly looks at increasing housing densities in locations with good transport ie with a PTAL of over 4, taking account of funded and committed transport projects such as Crossrail 1 and other planned rail improvements. Housing densities in areas with a PTAL rating of 4 or more are increased to the midpoint within the London Plan density matrix based on their relative character (suburban, urban or central).

6.4 A second version of the scenario examines the impact of additional major schemes currently being planned such as Crossrail 2 and the Bakerloo line southern extension. This has the effect of bring other areas into the scope of PTAL 4 and above for increasing housing densities as above. It is estimated that this will provide for a further 150,000 people up to 2050[10].


**Figure 2: Overall population densities: Areas with good public transport**

6.5 In this scenario most of this will growth will be within inner London at 30% compared to outer London which will only grow by 4%, reflecting the generally higher levels of public transport within inner London. Again the map above illustrates the overall population densities across London if this scenario were to happen.

## GROWTH OPTION 3: INCREASING DENSITIES IN TOWN CENTRES

6.6 Scenario 3 looks at the potential of all district and major centres, as defined in the London Plan, to be intensified by increasing housing densities to the mid points on either the 'Urban' category for the District Centres or the midpoint for the 'Central' category for the Major Centres in the density matrix. Previous work of the Commission investigated the changing role of town centres and in particular, the impact of internet and multi-channel shopping. Recommendations from this work suggested that medium centres (mainly district and some major centres) had the greatest scope for intensification and for increasing housing densities. As the London Plan doesn't differentiate between which centres have these opportunities, this scenario looks at increasing the density within all district and major centres.

[10] London 2050 Infrastructure Plan

6.7 Some of the town centres already have densities at or exceeding the density matrix, therefore no further development is assumed in these locations.


**Figure 3: Overall population densities: Town Centres with good public transport**

6.8 The scenario shows that inner London population would grow by 11% and outer London by 16%, reflecting the higher number of town centres in outer London than inner London. Again, the map above illustrates the overall population densities across London if this scenario were to happen.

## GROWTH OPTION 4: SUBURBAN RENEWAL

6.9 Scenario 4 looks at increasing residential densities in suburban areas. Low density housing in within outer London is often characterised by under-occupancy. Large parts of suburban outer London are of variable quality and have performed less well than inner London economically. There is therefore potential for densification which will also help promote economic activity, improve local service provision and enhance value. Previous modelling work[11] suggests that if just 10% of semi-detached housing in outer London were fully occupied rather than part-occupied that could accommodate an additional 100,000 people. Further, if 10% of semi-detaching housing was redeveloped at twice the existing density this would accommodate a total of 400,000 new homes.

[11] HTA Design (2014) *Supurbia – A study of urban intensification in Outer London*

6.10 This scenario therefore looks at housing built between1930 and 1939, which includes mainly semi-detached housing which are built at less than 30 dwellings per hectare – typical of outer London – and increases the densities at the midpoint ranges in the density matrix across all the PTALs in those locations. This has the most effect in PTALs 2, 3 and 4.

6.11 The map below shows the overall population densities within London, if growth was distributed as per the above scenario. In this scenario inner London population would grow by 6% compared to outer London growing by 21%. This scenario presents an interesting alternative distribution to the other scenarios, with a distinct bias towards population growth in outer London.


**Figure 4: Overall population densities: Suburban Renewal**

6.12 Under this scenario, the 2050 Infrastructure Plan particularly emphasizes the importance of ensuring that employment growth would also need to be promoted in these areas to ensure that by intensifying these parts of outer London would not relegate them to a dormitory role.

## GROWTH OPTION 5: WIDER SOUTH EAST

6.13 It may be the case that the options described above either individually or together will not prove feasible to deliver the amount of new housing London needs to meet its population projections. A further option the Commission may wish to consider is the provision of housing in the wider South East. The Commission should be aware that many local authorities in the wider South East are already expected to deliver substantial new housing development, however there may be some scope in certain locations to increase supply, particularly if there are corresponding investment in infrastructure and/or jobs to support that growth.

6.16 This scenario could also include the potential of Garden cities.

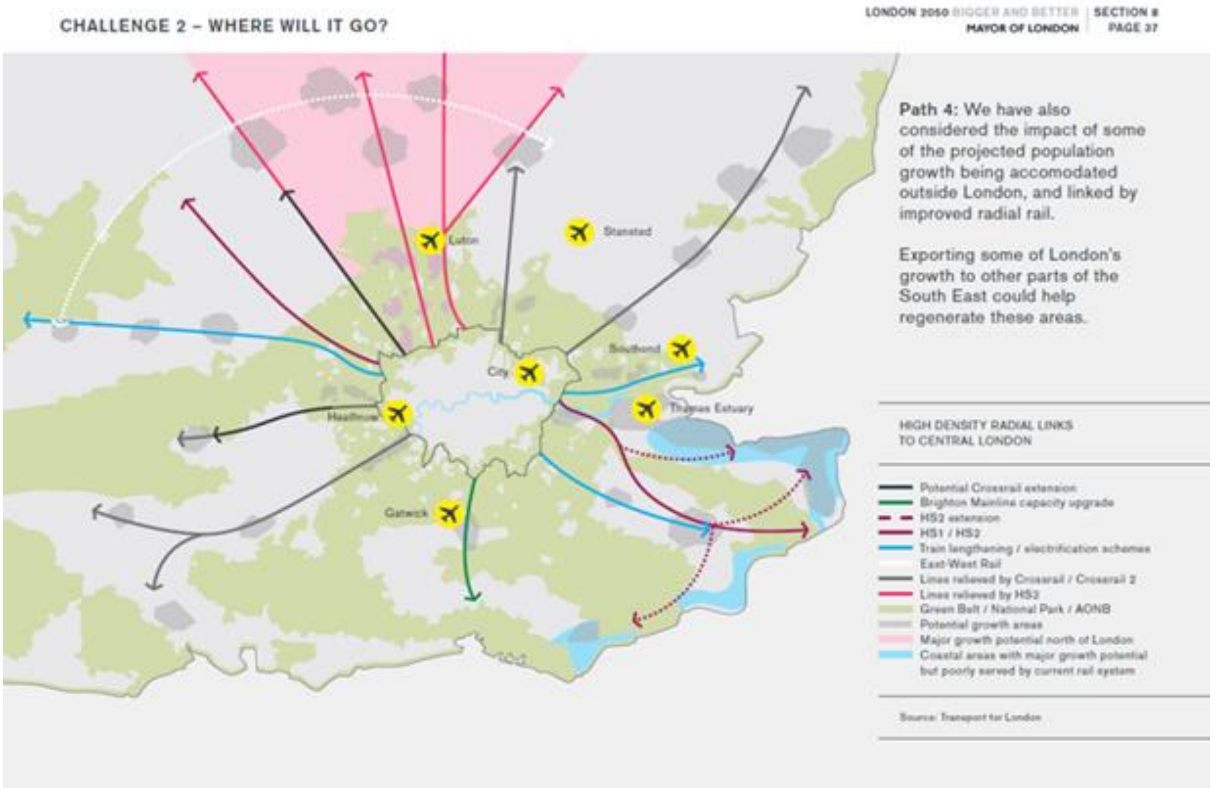


**Figure 4: Increasing densities beyond London**

## 7 QUESTIONS

7.1 In investigating the population and employment challenges described and potential spatial options for accommodating growth, the Commission seeks responses to the following questions:

### G1 How important is it to maintain a balance between housing and employment in a growing post-industrial city? What do you think the right balance is?

### G2 If London continues to expand the housing pipeline/ allocations, will that distort the balance between housing and employment? What significant effects might that have within different parts of outer London?

**G3 What type of workspace/ employment land will be required in the future relative to trends in the existing stock? Does this require a policy approach which extends beyond London?**

**G4 In the context of meeting London's growth, what contribution should the following mechanisms make to helping to meet the challenge of delivering increased levels of housing?**

- **Increasing outer London densities, particularly through suburban renewal**
- **More housing at higher densities in town centres and Opportunity Areas/ Intensification Areas with good public transport**
- **Greater cumulative contribution of small scale sites, such as infill**
- **Selective release of London's greenbelt around public transport nodes for housing (or consolidation of employment)**
- **Densification of built up areas beyond London (new towns; garden cities, suburban extensions)**

**For each, where might there be particular opportunities, how could this be supported and what / where are the specific challenges and constraints (eg what impact might this have on character and context; land values; balance between housing and employment; access to particular types / lower cost employment space, infrastructure requirement, etc).**

**G6 Would it be worth considering growth 'corridors' (eg as with LSCC and linked to existing / potential public transport) in terms of enabling an integrated housing / employment / cross-boundary strategy…and if so, which corridors could be a focus (eg associated with CR2, HS1, HS2, CR1 extensions, C2C improvement, Gatwick)?**

**G7 How can we maximise the benefits of growth regionally, sub-regionally and locally; and mitigate concerns? (eg provision of supporting social and community infrastructure; greater focus on place-making; re-provision in the new development of social housing)**

**G8 Does the London Plan density matrix need to be reviewed (eg PTAL splits, characterisation, the ranges themselves), or is it better to keep it as a benchmark and use it to bargain for higher quality / more social infrastructure / more affordable housing?**

**G9 Have you any suggestions for new Opportunity/Intensification Areas; or medium sized town centres suitable for higher density, housing led renewal/redevelopment?**