

Boris Johnson
Mayor

17 April 2015

Dear Boris

Regeneration Committee – The Royal Docks

I am writing further to our short review of the proposals to accelerate regeneration of the Royal Docks. We were grateful for the opportunity to visit the Docks with the Housing and Land team in December 2014. Following the visit, the Committee met on 5 February with Eric Sorensen, former Chief Executive of the London Docklands Development Corporation (LDDC) and representatives of the GLA, London First, and Centre for Cities.

All the guests at the Committee's meeting emphasised the scale of opportunity that the Docks present for London. We acknowledge the strategic imperative to get regeneration of the Royal Docks right, and we set out our findings below.

The Mayor must take account of important lessons from Canary Wharf

Our discussion revealed a number of ways in which the Mayor should learn from the development of Canary Wharf. Eric Sorensen highlighted the fact that previous plans for the Royal Docks have largely failed. For example, under the governance of the London Docklands Development Corporation (LDDC), while there were plans for an exhibition centre, retail shopping centre, and mixed housing development at Pontoon Dock, only the Excel exhibition centre was built.¹ Eric observed that both the size and physical layout of the site present significant challenges for the regeneration of the area. However, in contrast to the LDDC – which was a time-limited organisation – the GLA is a major landowner at the Royal Docks, giving the Mayor higher level of control than in other Opportunity Areas in the London Plan.

We heard that while the London Borough of Newham wants to promote employment growth at the Royal Docks, there are questions over who will be able to access these opportunities. The GLA cited the example of City Airport as a large local employer which struggles to fill its vacancies from within the local community. Reflecting on the experiences of the LDDC, Eric Sorensen noted that it had not had an 'overt' social target for supporting people into jobs.² So while Canary Wharf does provide a diverse range of jobs – including for local people – there is more explicit need for it to measure its impact on local employment.³

¹ Regeneration Committee 5 February 2015, transcript p. 1

² Regeneration Committee 5 February 2015, transcript p. 27

³ Regeneration Committee 5 February 2015, transcript p. 26

Learning from Canary Wharf, the GLA should be ambitious in supporting local employment and establish a regular reporting mechanism for monitoring purposes. The GLA will need to identify and address specific local barriers to employment, for example, by devising an employment and skills audit in partnership with developers at the Docks.

We also debated possible alternative options for the Docks, including principal use of the site for residential development. Paul Swinney from the Centre for Cities argued that housing would represent a better use of the land.⁴ However, Eric Sorensen observed that the Docks require 'dramatic' development, and that commercial development on the scale that ABP and The Silvertown Partnership propose would fund the infrastructure that the area requires.

We share the view of the GLA, Eric Sorensen and LB Newham that the Docks should focus on economic growth, but we welcome the revised estimates for additional homes to the 11,000 forecast in the London Plan,⁵ which will help create a sense of community. Mixed development will also avoid the Royal Docks becoming 'dormitory developments'.

Place-making through both the commercial and residential development at the Royal Docks should be a central focus for the GLA. The GLA will need to work with developers – in particular, the Silvertown Partnership – to create a vibrant and lively community.

The Mayor should maximise his leverage as a major landowner at the Royal Docks to get the best deal for Londoners. It will be important for the GLA to monitor the jobs that developers are creating, and who they are employing. The GLA will also require revenue funding to devise an employment and skills audit and carry out preparatory work with schools and communities.

The Mayor should undertake close monitoring of developers – to avoid risks such as land-banking. The GLA should continue to promote development agreements under which the GLA retains the freehold until development is completed.⁶

While the Enterprise Zone's (EZ) incentives are not a major attraction for businesses, the EZ model is necessary to fund infrastructure

London First told the Committee that the Royal Docks' strategic location – plus good transport links including London City airport and Crossrail – is likely to be the most important factor for early investors at the Docks.⁷ But the GLA told us the Royal Docks require at least a further £200 million in infrastructure investment to make the site more attractive to both incoming developers and communities. While TfL has set aside funding for some of these measures in its business plan, and contributions from developers will fund others, the GLA will need to find alternative sources of support for the remaining measures.⁸

We heard that securing funding for infrastructure improvements – for example, a new bridge to cross Royal Victoria Dock – will enhance viability for developers, and enable them

⁴ Regeneration Committee 5 February 2015, transcript p. 19

⁵ Investment and Performance Board, The Royal Docks: Progress Update, 19 August 2014, p. 1

⁶ Regeneration Committee 5 February 2015, transcript p. 8

⁷ Regeneration Committee 5 February 2015, transcript p. 15

⁸ Regeneration Committee 5 February 2015, transcript p. 5

to build more affordable homes.⁹ We welcome Notting Hill Housing's intention to build 40 per cent affordable homes in the Albert Basin (Great Eastern Quays and Gallions Quarter). We would encourage the GLA to apply a twin strategy of seeking creative funding sources for infrastructure, and holding the developer to its commitment to deliver 40 per cent affordable housing. We would encourage the Mayor to acknowledge the case for including social rented units on public land at the Royal Docks. The GLA acknowledged that the EZ provides a policy instrument to leverage investment in infrastructure spending. In the absence of grants, some of the funds earned from business rates retention can contribute to necessary transport improvements.

The GLA told us that the LEP could direct some of the business rates revenue to support transport infrastructure if the GLA and Newham reach an agreement on the use of the business rates revenue. The GLA told us it is carrying out work to model expected EZ revenue and potential expenditure on transport priorities, with a view to taking a paper to the LEP in June. We would urge the GLA to complete this detailed work as early as possible, to enable infrastructure planning, which will in turn give developers confidence that infrastructure enhancements will be delivered.

We heard that the Enterprise Zone's incentives¹⁰ for incoming businesses are currently attracting little attention. London First said that while the benefits are not necessarily irrelevant, they are not significant 'pull' factors. The GLA said that it had expected the Enterprise Zone to require an extension beyond its original three year timeframe. We acknowledge that the GLA had anticipated low take up at this stage of the development but it is unclear what action the GLA and LEP plan to take to market the EZ and increase uptake among prospective businesses.

In light of both the low interest businesses have shown in the Enterprise Zone incentives, and the fact that business rates revenue could be best deployed on infrastructure spending, there may be arguments for the Mayor exploring the Tax Increment Financing (TIF) model in future – as he is doing at Vauxhall Nine Elms Battersea – rather than introducing further EZs.

We would welcome further detail on the marketing strategy the GLA is employing – along with its development partners – to attract businesses to register at the EZ.

The GLA requires strategies for developer oversight and area management

Eric Sorensen observed that the major test for measuring the progress of regeneration at the Royal Docks would be the successful development of the Royal Albert Dock and Silvertown Quays sites. We understand that ABP intends to be on site at Royal Albert Dock later in 2015, ahead of the required start date of August 2016.¹¹

Paul Swinney argued that knowledge intensive businesses need to be able to cluster if a location is to be attractive to them, and that trends show they have typically chosen to locate in central London. Therefore, the GLA will have to assure itself, through close monitoring, that ABP has significant influencing power to attract Asian companies to locate there.

⁹ Regeneration Committee 5 February 2015, transcript p. 17

¹⁰ The incentives include 50 HA of business rates relief, enhanced capital allowances at Royal Albert Dock, and simplified planning arrangements (<http://www.royaldocks.london/#about/enterprise-zone/map/info>)

¹¹ Oversight Committee, 24 March 2015, transcript p. 38

Furthermore, effective management of the Docks' physical resources presents a challenge for the GLA. Given that the Royal Docks Management Authority (RODMA) manages the water and dock walls, and the GLA and others manage the land, overall management could be disjointed. The GLA explained that part of its work is to design an effective exit strategy, so that it can transfer land to development partners, LB Newham, and others once development is complete. Key among these is the Thames Barrier Park; the GLA's management of which Sir Robin Wales, Mayor of Newham, told the Committee was "a shambles". We heard that the park represents a liability to the GLA, and that the GLA must have a plan to manage it effectively over the next five to ten years.

We would welcome both confirmation that ABP plans to be on site in late 2015, and an update on the developer's progress with attracting tenants.

In relation to the long-term management structure for the Royal Docks, we would welcome further information on the GLA's exit strategy, including the expected timescales for handing over the site, and to whom.

We were pleased to hear that the GLA is commissioning a review of its management arrangements across the Royal Docks estate, to examine areas of the estate that it could transfer to another party.¹² As part of this review, we would urge the GLA to work closely with Newham on a plan for the Thames Barrier Park, including options for management of the park by Newham.

I would be grateful to receive a response to the points raised above by Friday 29 May. Please could you send a copy of your reply to Jo Sloman in the Scrutiny Team – jo.sloman@london.gov.uk

Yours sincerely



Gareth Bacon AM

Chairman of the Regeneration Committee

Copied to:

Debbie Jackson, Assistant Director, Regeneration

Dan Bridge, Principal Development Manager, Housing and Land

Sir Robin Wales, Mayor of Newham

¹² Regeneration Committee 5 February 2015, transcript p. 5