

# BRITISH PROPERTY FEDERATION RESPONSE TO NATIONAL INFRASTRUCTURE COMMISSION



The BPF represents companies owning, managing and investing in commercial real estate. This includes a broad range of businesses comprising commercial property owners and developers, financial institutions and pension funds, corporate landlords and residential landlords, as well as all those professions that support the industry.

## Introduction

1. We welcome the opportunity to respond to the National Infrastructure Commission's call for evidence. Commercial real estate is a key component of the UK's infrastructure, providing the homes, offices, health premises and distribution networks we need for the country to thrive. Infrastructure is crucial to attracting the investment needed to regenerate the UK's town and cities, and the establishment of the Commission is a welcome step in ensuring swift, coordinated decisions over important projects which will ensure clarity and certainty for investors, business communities and local residents.
2. The BPF has a wide range of members with diverse property and development interests across the country. We have therefore kept our response to high level points rather than recommending individual projects or schemes be prioritised.

## London's transport infrastructure

**What are the major economic and social challenges facing London and its commuter hinterland over the next two to three decades?**

3. London is in a remarkable period of growth, with its population topping 8.6m earlier this year – the highest since its 1939 peak. With this projected to reach 11m by 2050, there will be unprecedented pressure on existing infrastructure. The required infrastructure spend for the capital has been estimated at £1.3 trillion to 2050<sup>1</sup>, and finding the necessary funding will present a huge challenge.

### Housing

4. The availability and affordability of housing likewise poses a major challenge to London and its inhabitants, and this will continue and potentially worsen with predicted population growth. This will affect a wide range of people, from students to the elderly population. The capital has in recent times led the way in recognising the opportunities to add to housing supply by providing different models of housing and a variety of tenures, and this is warmly welcomed.
5. For example, the Build to Rent sector has taken time to reach a critical mass but is making good progress at adding to housing supply with 7,000 units in the London development pipeline. Whilst central Government has been very supportive in reshaping planning guidance to reflect this new phenomenon of pension fund investment in large-scale rental housing, it has taken time to inform and educate local authority planning officers and politicians about this sector and we would urge all involved to recognise the benefits of attracting investment to areas in this way.
6. There is also an excellent opportunity to plan housing delivery in London hand-in-hand with infrastructure. For example, land freed-up by Network Rail and Transport for London (TfL) is proving attractive for build-to-

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<sup>1</sup> 'The Cost of London's Long-Term Infrastructure' Arup, July 2014

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rent development, providing high density quality rental accommodation, near to transport modes, for key workers and other employees. TfL have gone so far as to look at Joint Ventures that will allow them to be part-owners of build-to-rent schemes, and therefore generate income to help fund their other work.

## Health services

7. With a rising population, the strain on the city's health services will become increasingly apparent. Already nearly two thirds of London's general practices perform worse than the England average in terms of overall patient satisfaction; three quarters are in need of rebuild or repair; and a third is not compliant with the Disability Discrimination Act<sup>2</sup>. There is a significant amount of private capital available from investors ready to work with the public sector to invest in new premises, but this will require long-term strategic thinking from Clinical Commissioning Groups (CCGs) which are only beginning to adjust to their new roles, and a commitment from Government to increase the revenue funding to allow for improved GP premises.
8. London is likely to face care-related challenges presented by the ageing population over the next twenty years. While the average population of London is younger than the national average, the number of people aged over 65 is set to nearly double by 2029<sup>3</sup>. Given that there is currently only 28 care beds per 1,000 people aged over 65 in the Greater London area and only 1 bed per 1,000 people aged over 65 in the development pipeline<sup>4</sup>, coupled with the fact that people will on average spend two and a half years of their lives in a care home, this is likely to lead to a severe shortage of suitable residential care homes for the city's population.

## Town centres

9. As is the case across the country, the role of London's town centres has changed in recent years. There has been a restructuring of retail habits with online shopping becoming increasingly popular; and in some areas there is a surplus or the wrong type of office space.
10. Rather than allowing high streets to fall into decline, there are opportunities to develop residential growth on high streets; to create affordable and flexible new workplaces (for example through the use of pop-ups); and to ensure visiting town centres becomes a positive and attractive experience. Indeed, some London boroughs are already taking these opportunities and we would encourage the Commission to take into account these examples<sup>5</sup>.

## What are the options for the funding, financing and delivery of large-scale transport infrastructure improvements in London, including Crossrail 2?

11. Land assembly remains a key challenge in the delivery of these projects, as ownership is often disparate. With much of the land in the hands of local authorities and other public sector bodies such as TfL or Network Rail, they have a key role to play in delivery. Structures such as Development Corporations have proved successful in bringing together land and the key players to coordinate processes. For example, 70% of the land involved in the Old Oak Common HS2 and Crossrail station scheme is in the ownership of public sector bodies and is being brought together in the Old Oak Common Park Royal Development Corporation.

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<sup>2</sup> 'Better Health for London' London Health Commission, October 2014

<sup>3</sup> 'Population Growth and Ageing' London Medicine & Healthcare, 2013

<sup>4</sup> 'UK Healthcare Development Opportunities 2015' Knight Frank, December 2015

<sup>5</sup> 'Building on Success – London's Town Centres' London Councils, 2015

# BRITISH PROPERTY FEDERATION RESPONSE TO NATIONAL INFRASTRUCTURE COMMISSION



12. Some of the most innovative delivery we see is where our members work in partnership with local government through joint ventures and other structures, where public land is invested as part of the partnership arrangement. These can offer local councils valuable income from, and ongoing controls of their public land rather than outright sale to the highest bidder for that land. But many councils remain nervous of best value rules and we believe there needs to be clearer guidance on what is allowed.

- **What innovative funding mechanisms could be considered to support delivery of key schemes?**

13. London in particular has funded the delivery of schemes through a tax on commercial real estate, with Crossrail partly funded by a business rates supplement introduced in 2010, s106 obligations and by the mayoral Community Infrastructure Levy introduced in 2012. Mechanisms such as these can be useful, but have an impact on the viability of schemes and we would be concerned that solely focusing on them and under-utilising innovative mechanisms such as Tax Increment Financing (TIF) would stall delivery.

14. TIF allows local authorities to borrow against future business rates and reinvest this back into local regeneration schemes. TIF-style models have been utilised with great success across the country, such as to partly finance the Nine Elms extension of the Northern Line to Battersea Power Station Nine Elms extension of the Northern Line to Battersea Power station, and in Birmingham's Enterprise Zone on the Paradise Circus scheme, and there are lessons to be learnt from its application in these examples. We would welcome further discussions with the Commission on these examples.

15. The London Finance Commission Report 'Raising the Capital' included a number of comprehensive proposals on this, many of which could be revisited and would allow growth to be further unlocked.

16. We would be pleased to further discuss or amplify any points raised in our response.

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