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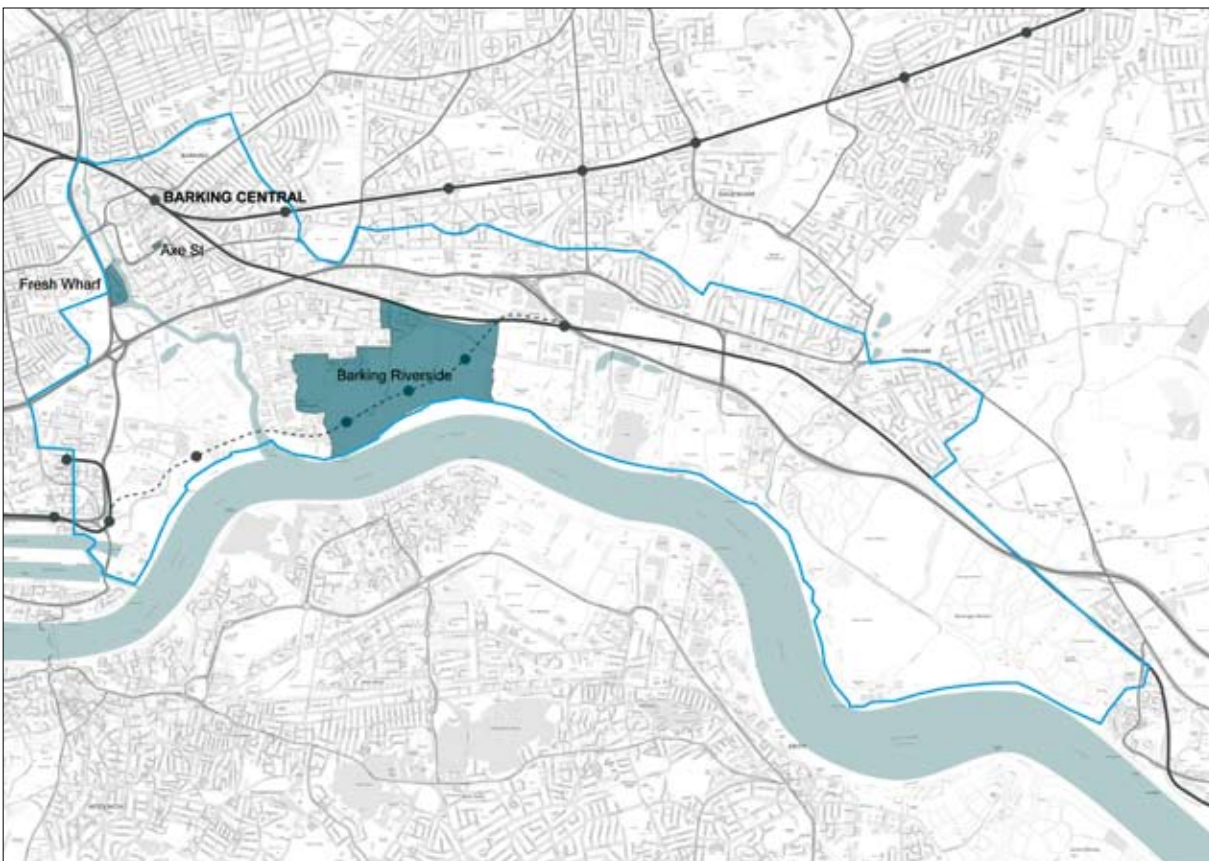
THE ECONOMICS OF DEVELOPMENT

Size Matters

The Thames Gateway, an urban growth corridor stretching from London's eastern edges to the Thames estuary, has been identified by the UK Government as the primary region to accommodate its ambitious and well publicised housing targets. In 2005 the Department for Communities and Local Government (DCLG) established a series of Development Corporations to control and manage development in sub-regions. The London Borough of Barking and Dagenham (LBBD), on which our investigation focuses, falls in part under the responsibility of the London Thames Gateway Development Corporation (LTGDC) in an area termed London Riverside, for which they are the planning authority in addition to the London 2012 Olympic sites in the Lower Lea Valley (Figure 1).

Given the government's emphasis on socio-economic and ecological integration of new developments into the existing local context, it is crucial that mechanisms are in place that can attract private developers, either in partnerships with public sector agencies or alone, to deliver developments that are both economically viable and socially desirable from the perspective of current and future residents. In this chapter, we discuss the issue of attracting private developers to deliver such socially desirable residential developments in Barking and argue that in order to do so, the size of plots made available for development by the LTGDC should be strategic.

1 LTGDC boundary_London Riverside
in BLUE (source: LDA, edited)



Our analysis, as presented in section two, first outlines the concerns and preferences of developers, as the primary agents of housing delivery, regarding developing in Barking, and then analyses the feasibility of delivering socially desirable developments in light of these views. Our analysis focuses mainly on developments with significant housing provision, since most commercial development in the LTGDC control area is focused on Canary Wharf and Stratford, and reflects our belief that socially desirable development in a semi-suburban area such as Barking is largely affected by the type and quality of housing provided. Since a variety of developers approach development differently, we discuss these types and their preferences based on interviews with key informants. We highlight their disparate ability to shape opportunities in the current political environment which relies on the private sector to deliver large quantities of new units with ambitious mixed-use targets, and we diagnose the specific issues developers face in Barking. We emphasise the very large range of plot sizes available for development and the variable attractiveness of their location while reporting that developer confidence is undermined by the unclear purchasing power of the local population, unclear demand for the location by new residents, and the uncertainty created by transfer of planning responsibility to the LTGDC.

The latter part of the chapter examines in further detail the relationship between key themes for socially desirable development and the sizes of the plots available. These themes include master-planning as a spatial mechanism for place-making; section 106 negotiations as a lever to finance and implement community gains as required to create more socially viable places; and the changing role of housing associations who are licensed to manage the affordable housing required as part of the community gains. We argue that for all these crucial themes plot size is qualitatively significant and influences the ability of the developer to 'make the development work'. Hence, in conclusion we recommend that the LTGDC should adopt a more customised development control mechanism which is adapted to the characteristics of a site and be more proactive in pursuing collaborative spatial planning which sets a physical framework within which plots of different sizes can be developed optimally.

Methodology

Our research is based on a series of interviews with leading developers, consultants and planners involved in some of the key developments in Barking and East London. During the period from January to April 2008, the developers interviewed were Countryside Properties, East Thames Group, First Base and Stanhope Plc. Further talks were held with the London Thames Gateway Development Corporation, strategy consultants Jones Lang LaSalle (JLL), and the Greater London Authority's Design for London (DfL). Through these interviews we identified a process of how developers decide on where and what to develop, how they deal with planning authorities, particularly issues of development plans and community gain, and a mechanism for how affordable housing is achieved. We tested and discussed our findings with these various developers. During these interviews we focused on the issue of balancing economic and social viability of the developments.




We also based our empirical analysis on a number of developments of different plot sizes in Barking. We refer to Barking Riverside, Fresh Wharf, and Axe St as specific development of differing plot sizes. Since sites differ beyond their size by their particular location, planning authority at time of delivering planning application and nature of development, a cross site comparison needs to be seen as qualitative examples and not hard science. A detailed financial analysis of the different sites was not possible given we did not have access to confidential business data.

Developer types and approaches to development

The developers we interviewed broadly represent the spectrum of residential and commercial property development organisations in the UK. Countryside Properties, Stanhope Plc, East Thames Group, and First Base can be respectively classified as Traditional Housebuilder, Commercial / Mixed Use Private Developer, Housing Association, and Hybrid Developer, a private developer with partial Housing Corporation funding. An overview of their types can be seen in Figure 2.

Many Traditional Housebuilders are focused on building at a volume that maximises profits through economies of scale which are achievable by optimising and repeating a limited number of residential designs within and between projects. Countryside Properties is a Traditional Housebuilder with a strong presence in Essex and Eastern Greater London, but has recently diversified its product offering to include higher-density, urban residences. In its development at Fresh Wharf in Barking, it has tried to create a mixed tenure residential development in line with the LBBD's spatial vision for Barking. With a new, higher density product that cannot provide all buyers with individual open space and larger unit sizes, Countryside has focused on what the surrounding community and landscape has to offer, emphasising the need to enhance the desirability of the place in order to attract buyers.

Commercial Developers are traditionally distinct from Housebuilders and other residential developers. Commercial property goes through different market cycles and involves different (often longer) lease structures. Many commercial developers are diversifying into mixed-use development, sometimes forming partnerships with residential developers when they lack sufficient expertise in each market. Stanhope plc has historically been a central London office developer, but is now developing mixed-use projects located in growing satellite employment hubs around London. Its knowledge of commercial property trends has enabled it to make informed decisions about locations where large, mixed-use developments might be feasible. Continued investment in their projects post-completion emphasises the importance of both phasing and 'place-making' for the success of their business. Stanhope requires very large plots of land that they are able to develop into a place through spatial masterplanning and strategically phased construction. However, in addition to emphasis on the ability to make its own place, Stanhope has rejected present opportunities to develop in Barking and the nearby Thames Gateway due to a lack of clarity on how the areas are to be developed by the planning authorities and doubts about their attractiveness to higher paying customers.

			
HQ Location	St. James's Square SW1Y	Essex CM13 3AT	Soho W1F
Employees	44 (2008)	755 (2006)	N/A
Sector Focus	Mixed Use, preference for commercial	Residential with some mixed use	Mixed use with affordable housing
Geography	W1 / transport hubs	England / Outside London	Within M25
Average project size	N/A	~1,000 units	150-600 units
Post-completion	Sell + Own	Sell + Management Company	Depends on role in development
Funding	External equity and debt capital	Equity funded by RBOS / Uberior Joint Venture Debt funded by development credit lines	External equity and debt capital Public subsidies from Housing Corporation

2 Developers_Overview

(source: www.stanhopeplc.com/index.php?option=com_wrapper&Itemid=297
www.countryside-properties-corporate.com/about-us/financial-information
www.firstbase.com/whoweare.html)

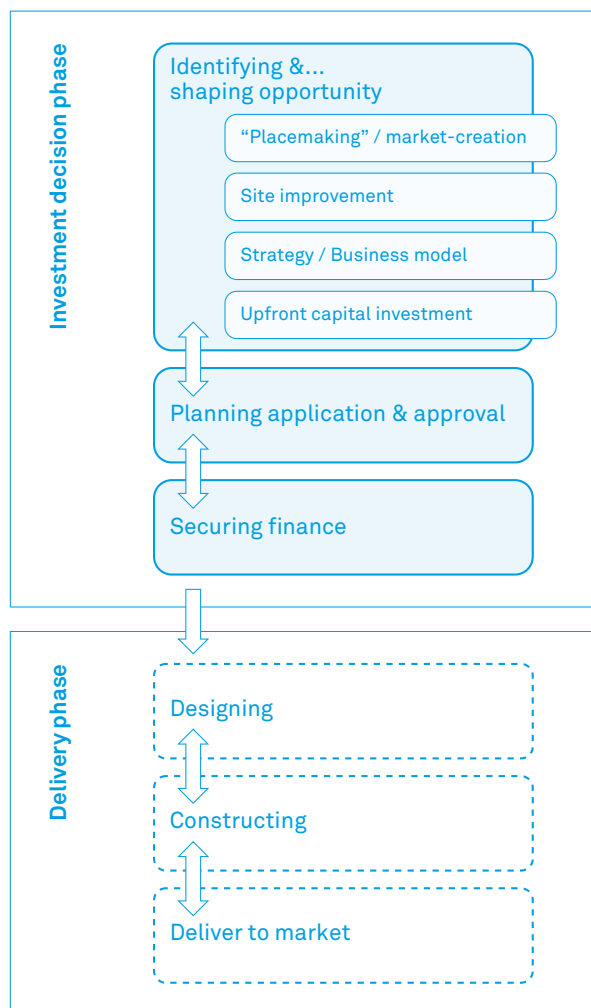
First Base is representative of a newer type of Hybrid development organisation, part profit-seeking developer and part grant-funded by the Housing Corporation for its commitment to government affordability and sustainability targets. First Base focuses on the design and sustainability of its projects, a business strategy based on the belief that designing for sustainability positively impacts an area's sense of place. Companies such as First Base are allowed to own and manage intermediate housing, but are not regulated by the Housing Corporation and must therefore partner with Housing Associations or sell the affordable housing it develops.

To facilitate a discussion of these types, we have plotted the process of decision making and development in a way which departs from the linear decision making process more frequently found in the literature. This process is depicted in Figure 3. We have highlighted the first phase (identifying and shaping opportunity) as a non-linear process in which developers assess both what the available plot could offer them with existing amenities and how they could contribute to shaping the place to deliver higher value. It is in this first stage that the differences between developers become evident. It is also in this phase that an appropriate strategy based on partnerships and financing needs to be determined to enable delivery in the later phases. The types of partnerships and financing arrangement will differ by type of developer and development.

All the private developers we interviewed emphasised the importance of a sense of place for the success of their projects. This is seen to increase the desirability of the area and therefore the value of the properties within; a strategy to create or enhance a sense of place is thus financially as well as socially driven, whether the business strategy involves selling off or remaining invested in developed units. The benefits of large land parcels for exactly this reason was articulated by Stanhope and echoed by First Base and Countryside Properties.

Despite the seemingly different product offerings and geographic and financial strategies of the private developers, there are stark similarities in their opinions of a successful development. All developers recognize the ideal of spatially integrated, mixed tenure in housing developments, but the two private developers explained the difficulties in creating such a development, due to affordable housing requirements and planning difficulties. In this respect, the importance of partnering with non-profit housing associations in order to increase the financial viability of the projects and achieve planning permission is paramount in the development process.

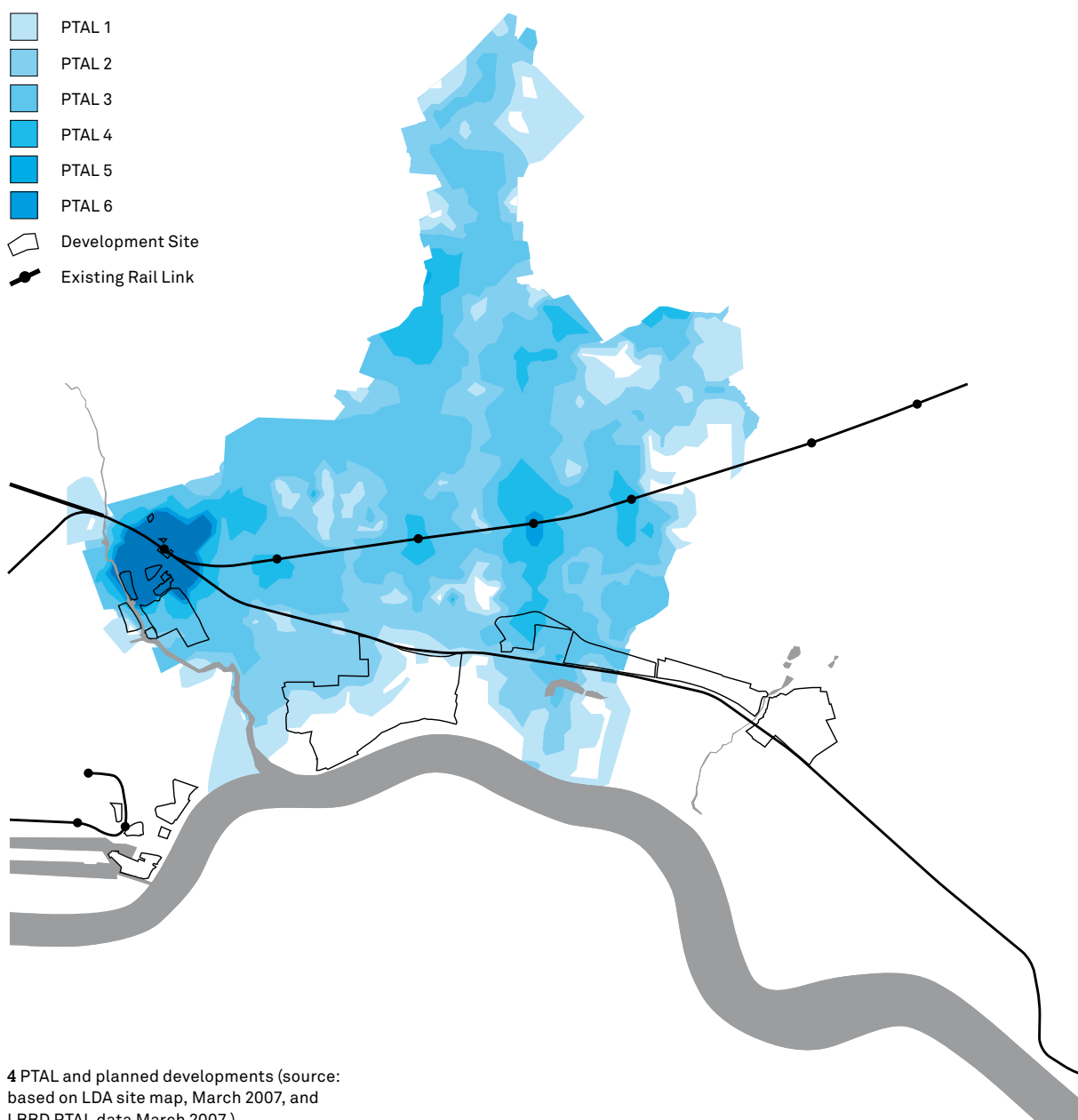
3 Developer process



Developer Culture within the Political and Economic Context

While a developer's market focus and business strategy clearly influences their concerns and preferences regarding development opportunities, the attitude and expectations of developers is also a response to regulation and market conditions. We find three factors that influence developer culture: the existence of large development opportunities, but with challenges of location and community gain targets; dependence on the private sector to deliver physical and social infrastructure; shifting planning authorities on the ground.

In principal, developers are operating within a political environment that favours development as the Mayor strives to achieve ambitious housing targets of 310 thousand new housing units by 2017 under the 2008 London Plan. Land assembly and remediation, mainly through English Partnerships, and making it available for developers is the main tool for the metropolitan government to enable larger scale developments which can deliver large numbers of housing units as well as give developers the opportunities to shape entire neighbourhoods. By encouraging higher densities, the GLA allows developers to achieve higher profits on a given plot of land, but it raises questions regarding quality and suitability of the typologies and available living space.



4 PTAL and planned developments (source: based on LDA site map, March 2007, and LBBD PTAL data March 2007)

Another method of facilitating development involves bypassing local authorities with pro-development Urban Development Corporations (UDC). While UDCs are influenced by the targets and ideologies of the government creating them (the targets of the LTGDC created under New Labour are different from those of the London Docklands Development Corporation (LDDC) created in the early 80s), the UDC redraws the boundaries of statutory power in locations where developers work, changing the attractiveness and costs of development in that area. Being able to respond to changing regulations and authorities might require developers to dedicate finances to the planning inquiry procedures which have become a common aspect of planning applications.

The GLA may be pro-development but its targets for housing development might be considered ambitious regarding the number of affordable housing units to be built, particularly in light of the fact that they will be built almost entirely through new private sector developments. For developers, delivering social and intermediate housing represents a large opportunity cost and influences the desirability of the development for higher paying customers. Combined with the planning gains negotiated between the local authority and the developer (since the Town and Country Planning Act of 1990), they place a downward pressure on developer profitability, particularly with rising construction costs. Nevertheless, these targets reinforce the growing role of the private sector in providing social goods since the 1980s – when central government reduced the financial capacity of local authorities to deliver local infrastructure and invited the private sector to fill the void. The limited funding available to local authorities also means that developers are less likely to depend on government providing value-enhancing infrastructure in the vicinity of developments in less desirable locations. As we highlight later, Barking and Dagenham is considered a difficult place to develop for exactly this reason.

Developers are keen to focus on opportunities that can meet the desirability demands of profitable buyers as determined by plot size, location, and programme of development. They hesitate to develop in uncertain locations, particularly if interaction with the local planning authority is cumbersome. Developing for higher end residential units in an area such as Barking may therefore lead to oversupply. Although there seems to be limited fear of oversupply of housing in general given the local and international demand for housing stock in London, there remains a significant level of demand uncertainty in particular places at current prices.

One mechanism for dealing with demand uncertainty in an area and its associated oversupply, particularly in large scale developments, is phasing of delivery in stages around initial value-adding core developments. The real-estate downturn in 1989 after the 1987 financial crisis which led to Olympia & York's collapse over the Canary Wharf development is an example of the risk of oversupply with large scale development that developers seek to avoid. Hence developers strive to balance between gaining early-mover advantages in an area and holding back to get reassuring signals from the market.

Despite these political and economic challenges, there seems to be a general expectation that competition for these opportunities causes developers to be more sophisticated at delivery, particularly in the form of engaging in partnerships with licensed housing associations who receive government grants and government organisation like English Partnerships. This expectation was highlighted in an interview with a government official as a major difference between the LTGDC and the LDDC.

Main Challenges in Attracting Developers to Barking and Dagenham

Susan Fainstein argues that the initiation of development is guided by the projected economic climate at the time of delivery and the search for an optimal combination of what is being delivered and where (Fainstein 1994: 66). Economic attractiveness is influenced by the physical, environmental, social and political conditions that exist and are projected for the site.

Barking offers numerous large sites for development next to smaller and medium size sites of disparate qualities. Environmentally, the plots are more challenged the larger they are by the need for complex and expensive remediation paths on often highly contaminated land. They require engineering around site specific challenges, such as the high voltage pylons and the risk of flooding while aiming to deliver one of the largest residential developments in Barking Riverside (Dixon 2006: 135). Figure 4 shows the development sites in relation to existing transport modes and accessibility. A pattern emerges of small size land in areas of high PTALs near Barking Town Centre. As the land size increases, the PTAL decreases and with it access to amenities in the area. Hence the larger sites require significant upgrades in terms of accessibility although Barking and Dagenham overall is seen to be relatively well linked.



▼ Foyer Scheme **0.27Ha**

▲ Axe Street

▲ Tanner Street Gateway

▲ Town Square

▲ Cambridge Road & Station Quarter

□ Gallions 3b

■ Furlong Estate / Abbey Road

□ Gallions Roundabout

□ London Road/North Street

□ Gallions 2



□ Leisure Fields

■ Freshwharf

3.6Ha

□ Albert Island

□ Beckton Gas Works



□ South Dagenham (West 8 Site)

□ South Dagenham (Axa Site)

□ Rainham West

□ Gascoigne Estate

■ Barking Riverside **179Ha**

5 Plot sizes and status

□ No planning application submitted*

■ Planning application submitted and pending decision*

■ Planning application granted or under construction*

* as of March 2007

Nevertheless, there is lack of clarity about the demand for locations in Barking relative to other locations currently being developed in the Lower Lea Valley and Canning Town (Royal Docks) which are significantly closer to Canary Wharf (as a main hub of employment for higher income residents). Challenging social context with unclear purchasing power amplifies uncertainty. The current population of Barking and Dagenham is of relatively low purchasing power, making the average current resident an unlikely customer for higher premium units. Developers are aware that their community gain contributions will be a significant lever to contribute to improved social urban landscapes.

The site specific and demographic challenges highlight the need for political leaders to offer a clear vision and clear implementation proposals for Barking and Dagenham and the Thames Gateway overall; the developers we interviewed find this to be lacking. First, changing planning authorities with the introduction of the LTGDC has caused disruption in the planning application process for some developers, such as Countryside Properties at Fresh Wharf, as the LTGDC introduced new community gain requirements and new masterplans. The planning process has been described as complex and lengthy. Furthermore, the planning authority is characterised as lacking skill, and the multitude of official bodies engaged in the planning inquiry process makes planning applications and appeals more complex.

Second, there is a lack of a clear spatial delivery vision. Multiple and sometimes overlapping masterplans have been developed throughout LBBD as well as the Thames Gateway. Infrastructure delivery plans, a significant enabler for the vision, are uncertain. Although £725 million pounds are to be invested in London Riverside, these funds depend largely on community gains being paid and hence the majority of sites being developed. Lack of development in some areas strongly influences funding available for infrastructure in another area and many planned infrastructure projects might not be delivered within the 5 year time frame allowed for spending community gains.

Currently infrastructural delivery seems to follow the delivery of homes both in Barking Riverside as well as in central parts of the Borough. This places a limit on the possible value and the typology of the stock that can be developed, delivered and sold with the existing uncertainty of provision of efficient public transport and connection to other economically diverse parts of London. Despite these difficulties, new residential units are being developed in Barking. Barking Riverside alone is looking to deliver 11,000 homes. Where the quality and typology of the new product is quite homogenous, building at this volume risks oversupply in relation to potential demand.

The Significance of Plot Size in Conceptualising and Delivering Adequate Housing

The analysis thus far suggests that there exists both an economic challenge for developers to build quality residential development in Barking and Dagenham, as well as a social challenge faced by the planning authority in obliging developers to contribute to community infrastructure without rendering these developments unfeasible. These challenges have a spatial dimension as indicated by the different characteristics of the plot sizes and their location.

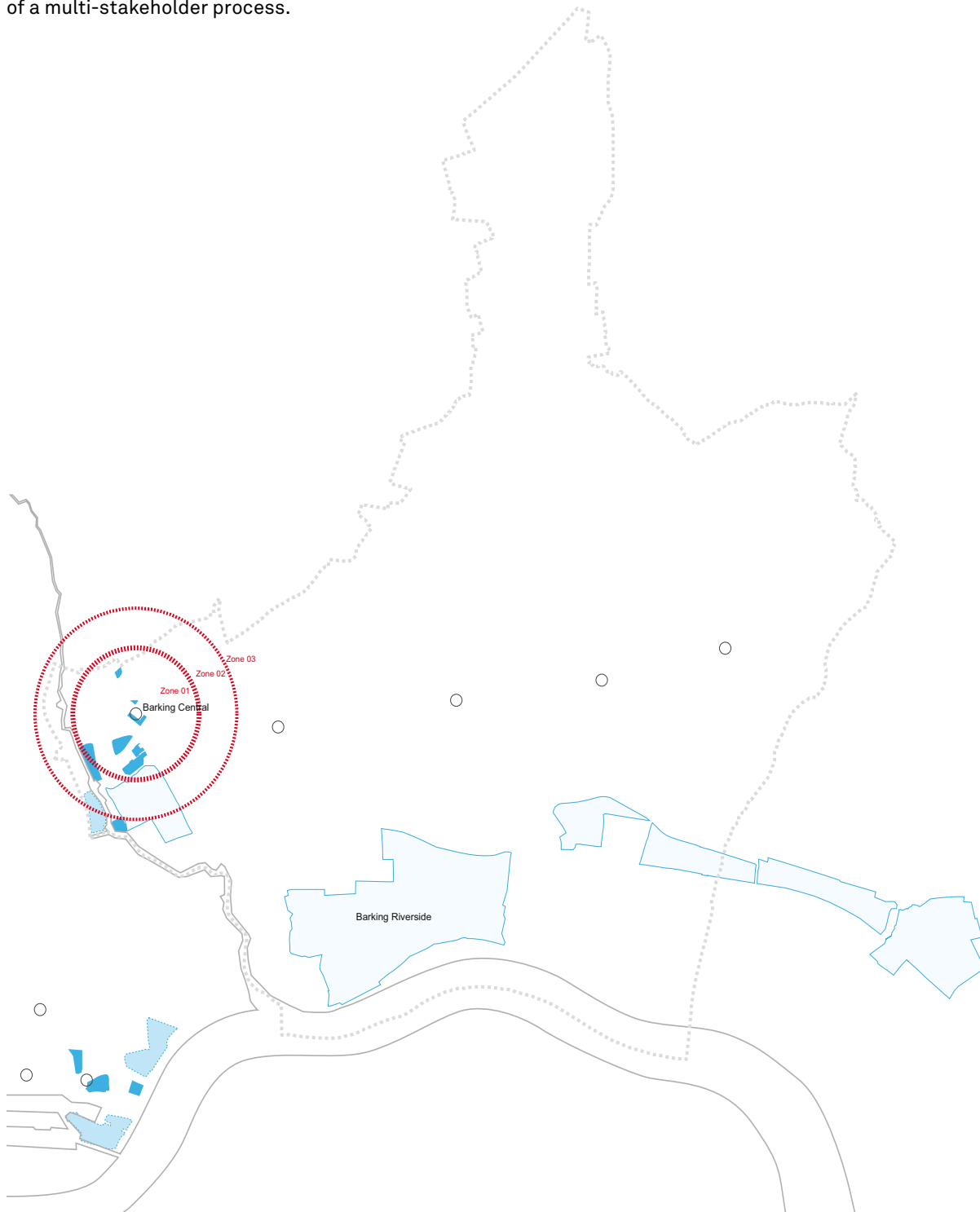
We contend that the scale of specific developments is a critical factor in making such a planning model feasible. Figure 5 lists development sites in London Riverside (as of March 2007) ordered by plot size and indicating its development status. Our usage of the categories of small, medium and large is not based on a standard measure. Rather, it is a relative measure based on existing sites within the Barking area of London Riverside. A pattern emerges that, with the exception of Barking Riverside, which is within the boundary of LTGDC but is not under its authority, the smaller the plot size the more advanced the development is in the planning and development process.



Barking Riverside

Developer: Barking Riverside Limited (JV)
 Land Size: approximately 180 ha
 Dwellings: 10,800
 of which affordable: N/A
 Density: N/A
 Unit mix: N/A
 Use: mixed use
 Status: outline application granted
 PTAL rating: N/A

Healey proposes that the regulation of planning and development in the UK might be evolving from the 1980s model of conflict management towards a more ‘collaborative multi-stakeholder place-making’ process (2001: 273, figure 12.1). Following Healey’s argument, we suggest that the role of planning in ‘place-making’ can mediate between different stakeholders, and analyse ‘place-making’ as a method for enhancing the economic and social desirability of a place. Spatial master-planning, community gain negotiations and partnerships with housing associations are all essential elements of a multi-stakeholder process.



Development in Barking and Dagenham

When linking physical size of the plot and its location within the Borough an interesting pattern emerges. There is a high concentration of what we have categorised as small plots within the inner zone close to Barking Central Station (Figure 6). Plot sizes continue to increase as they are located further away from the centre. This suggests a spatial size-based hierarchy, based on the availability of existing services such as schools, retail and employment, as well as public transport accessibility levels (PTAL).

In developing larger plots, however, there is scope to deliver not only the physical stock of housing but also wider amenities, potentially creating a social and economic infrastructure that might enhance sales values and raise investor confidence. Currently in Barking and Dagenham there is a concentration of larger plots, where the delivery of both housing and infrastructure is phased over a longer period of time. The delivery of housing on a large scale takes precedence over the potential added value of social and physical infrastructure.

This phenomenon is exemplified by the Barking Riverside development. The first phase of development is set to be completed in 2010. Simultaneously the ELT link is to be put into place (See Chapter 1 on Geographies). However the ELT connection as it is proposed (Figure 7) currently runs adjacent to the site. This will remain the only form of public transport until 2020, by which point 7800 homes should be delivered.

There is a critical balance to be struck in relation to phasing and creating an urban environment within an area dominated by a high concentration of large-scale developments. Such a balance might be secured through strategic area masterplans, which could mitigate uncertainty, coordinate timing and oversee issues of supply. Unfortunately, a single strategic area masterplan, and therefore an overall vision, is still lacking in the Thames Gateway.

The Role of Section 106: Community Gains in the LTGDC

The London Borough of Barking and Dagenham negotiates Section 106 community gain contributions and affordable housing conditions with developers case by case. In contrast, The London Thames Gateway Development Corporation has moved to applying standardised discounted charges per unit and a target of 35% affordable housing provision for applications received after July 2, 2007. This is enabled by Circular 05/2005, which 'encourages pooled contributions to address major investment needs or impacts wider than a single development, which is a key aim of this strategy' (ibid: 5). This policy applies to all new developments and LTGDC will only revise the requirements down in absolute exceptions (ibid: 11).

Imposing a similar cost on development was previously challenged in the case *R v Northamptonshire DC ex p Crest Homes plc* [1995] JPL where the developers were required to pay a proportion of the enhanced value of the land due to infrastructure provision. After numerous appeals, the Court of Appeal was satisfied with the council's policy: 'where residential development made additional infrastructure necessary, there was nothing wrong in requiring major developers to contribute to the costs of infrastructure related to their development' (Blackhall 2005: 213).

There is good reason for the LTGDC to require standardised non-negotiable community gain. Beyond simplification of the process, it protects it from being forced into significant compromises by large developers who are aware of their importance in delivering the targets set by the London Plan and the LTGDC. Furthermore, due to the opportunity these large developments provide, achieving community gain targets is more important in these cases than in smaller developments. Standardised affordable housing targets could also reduce stigmatisation of certain developments with a large number of affordable units.

M

Fresh Wharf, Barking

Developer: Countryside Properties Ltd

Land Size: 3.61ha

Dwellings: 1,155

of which affordable: 231

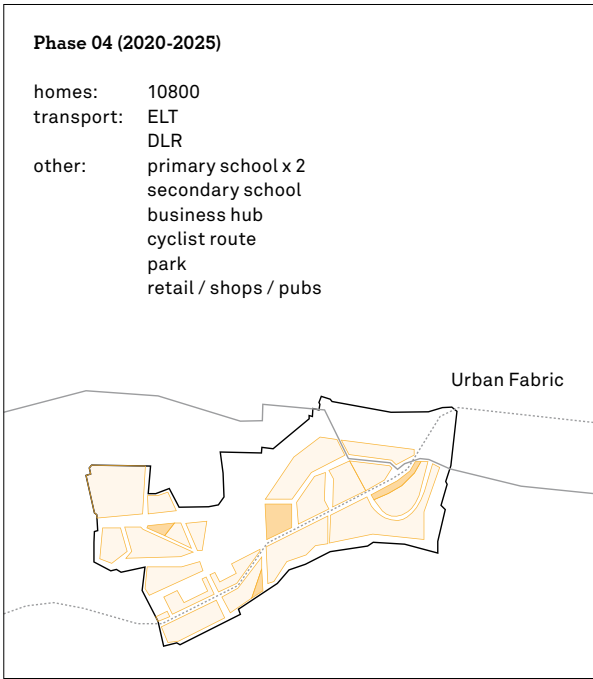
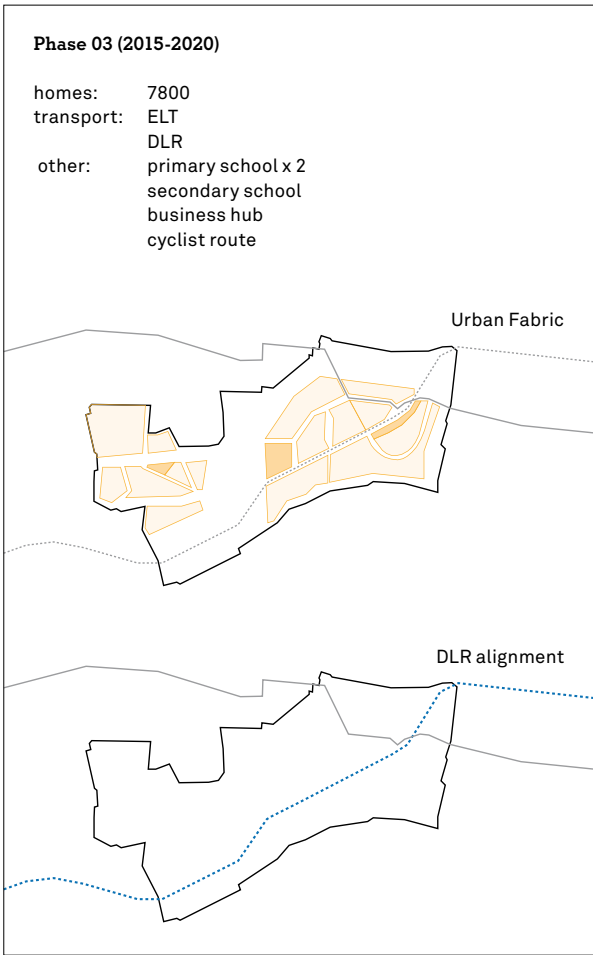
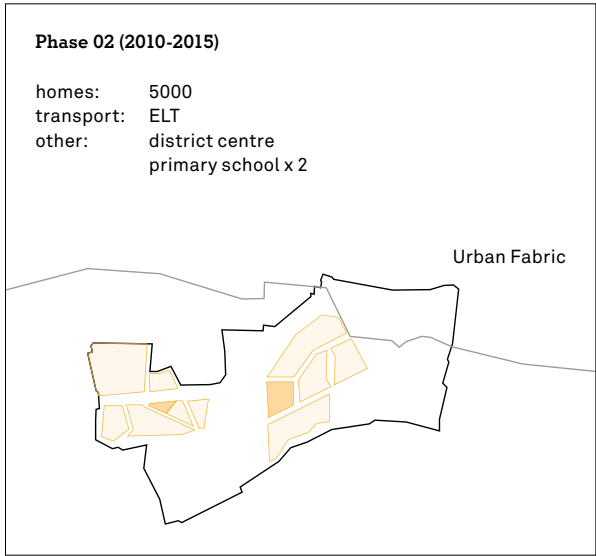
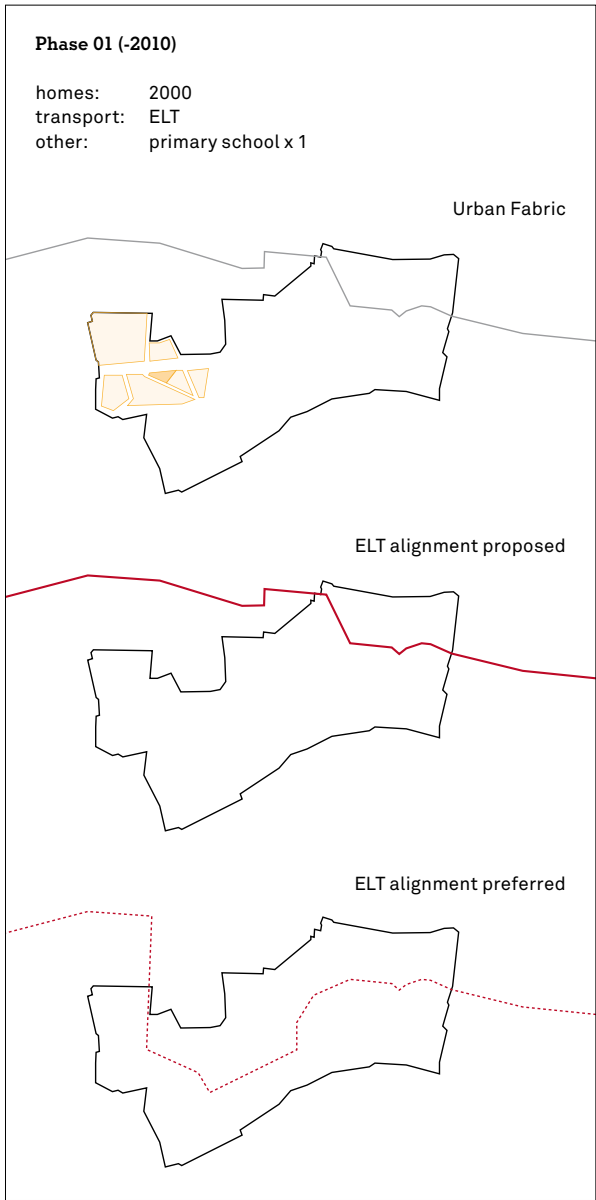
Density: 320 units per ha

Unit mix: 305 1-bed, 40% 2-bed, 23% 3-bed, 7% 4-bed

Use: mixed use

Status: pending planning decision

PTAL rating: 2-3



7 The 4 phases of Barking Riverside development (source: Barking Riverside public exhibition January 2004)

For developers, Section 106 contributions are profit reducing as they increase direct costs and present an opportunity cost in foregoing higher market prices on affordable housing units. At the same time the contributions can enhance the economic value of the development by an improved public realm and other amenities. Having fixed charges reduces the process risk for developers as the terms are clear, but it takes away scope for negotiating based on site specifics – and it should be noted that not all sites in the LTGDC have similar economic conditions.

The disparity of different locations is already highlighted by the methodology used by the LTGDC to set Section 106 contributions. It is not standardised, as it allows for such regional variation as between the Lower Lea Valley at £10,000 per dwelling and £6,000 per dwelling in London Riverside (LTGDC 2007: 6). Furthermore, it already departs from the initially required charge of £28,800 per dwelling to cover the overall infrastructure costs of £765 million (ibid: 14). The charge was adjusted downwards because ‘LTGDC recognises that, in parts of the LLV and much of London Riverside, developments could not sustain Full Standard Charges at sales values’ (LTGDC 2006: 57). The relevant question here is not whether the level of the charges is appropriate based on LTGDC’s cost and sales value assumptions, but to what extent it is reasonable to apply the standardised charge equally within London Riverside or even within Barking and Dagenham, which includes extremely different plot sizes, levels of PTAL, and access to amenities.

Fresh Wharf can be described as a medium-size development, located slightly away from the main public infrastructure (larger sites are in general likely to be more remote). The developer Countryside Properties PLC has appealed the charge per dwelling on the grounds that the community gains target makes the development economically unviable. The expected sales values cannot offset increased community gain costs to maintain the minimum required profit margin (where 15% is usually assumed).

In Barking Riverside, the Section 106 agreement between Bellway Homes, English Partnerships and LBBD was based on providing at least 30% family accommodation, 41% of habitable rooms as affordable housing, and 40% of the site being designated as open space. In comparison Fresh Wharf is required to provide 35% affordable housing in addition to £6.93million (1,155 units x £6,000) in standard charges. At 10,000 homes in Barking Riverside, the equivalent cost would have been £60 million.

Although the low market prices in Barking and Dagenham might indicate lower opportunity costs in providing affordable housing, the low sales value in the area also means that it is more difficult to cross-subsidise affordable housing with exceptional premiums for some high-end units. Standardised charges paid into a general development budget and the inflexibility of the 35% affordable housing target may be likely to burden medium-sized developments more than smaller or larger developments. In a case such as Fresh Wharf where the economics of development become unviable under these conditions, it is unclear to what extent the LTGDC is willing or able to make compromises on community gains requirements. Inflexibility might place downward pressure on the quality of the units delivered. The existence of development opportunities elsewhere with more flexible Section 106 agreements might detract investor attention from Barking and Dagenham, particularly for medium-size plots in challenging areas.

The Role of Housing Associations

Local authorities provide increasingly less affordable housing, but for-profit developers cannot make up the difference. Without the federal funding available to housing associations (HAs), the provision of affordable homes would significantly decrease profits on those units, incentivising private developers to develop as little affordable housing as a local authority will allow them. HAs have thus moved from a marginal role in the housing sector to become the primary agents for affordable housing delivery.

In addition to providing target levels of affordable housing, units developed by HAs are often larger and of higher quality. In contrast, it seems that in for-profit developer-led projects, affordable housing targets often remain unmet. So, why don’t housing associations scale up and diversify into land acquisition and development strategies? Historically HAs have not acted as developers. Some, such as East Thames, are now incorporating strategies such as site selection and land acquisitions so that they can manage the design and development process from the outset. On the whole, however, such land acquisitions are made through competitive processes that can drive land prices up and beyond the reach of housing associations.

HAs are also starting to face competition for land acquisition and intermediate housing management from Hybrid developers, which tend to have a strategic focus on social and environmental sustainability and aim to deliver maximum possible affordable housing. The Hybrid developers that receive Housing Corporation funding (e.g. First Base, Telford Homes) do so because they deliver higher quality or more integrated social housing than Traditional Housebuilders or other for-profit developers. However, funds allocated to them are minimal compared to those allocated to Registered Social Landlords (Housing Corporation 2008), and such firms are still focused on maximising profits for shareholders. As an alternative to competing with each other, and given government requirements for affordable housing and the inability of unregulated developers to manage affordable housing, partnerships between HAs and Hybrid developers are a growing trend.

In our discussions with East Thames and Countryside Properties, it became apparent that some of the difficulties surrounding spatial integration of affordable housing units cease to exist if the plot is either small or large enough.

With small plot sizes, such as East Thames' Axe St development in Barking, a HA has the purchasing power to bid competitively for the entire project, thereby controlling affordable housing provision. In the Axe St development, 68 of the 93 units are affordable or intermediate housing (East Thames 2008). Furthermore, a small plot can contain solely affordable housing and still be effectively integrated into a larger town plan, which, if successfully done, will obviate spatial segregation between different tenures.

In large plots, while HAs are generally not large enough to acquire the entire area, masterplanning can solve both integration problems and land title problems. Developers can more easily integrate or evenly spread affordable housing throughout a development, avoiding affordable housing 'ghettos' whilst still managing simple freehold agreements. A good example of this can be found in ARUP's masterplan for Dongtan city in China, where an even spread of affordable housing throughout the area allows for equal access to environmental assets. The same concept can easily be applied to very large developments in the UK, such as Barking Riverside, where 41% of housing will be affordable (LBBD 2008).

On medium-sized urban plots, however, integration of market and affordable housing is harder for financial, social, or land ownership reasons. The greater difficulty in 'making a place' can lead to lower sales value and more pressure to decrease numbers of affordable housing units. This in turn incentivises developers to increase density to maximise profits from a given plot of land, but results in heightened conflict over affordable housing integration vs. land title in high density blocks of flats. Countryside Properties also cited social reasons for maintaining segregation between affordable and market housing, which are inextricably linked to the financial prospects of a development (as developers assume an inverse relationship between the level of integration of social housing and the sale price of market housing).

East Thames believes that the plot size issue can be solved if the local authority is able to provide spatial masterplans, and not just written frameworks, but at the same time they recognise the difficulty in local authorities procuring requisite skills. Plot size also ceases to be an issue at all if housing associations, possibly in partnership with Hybrid Developers, have more power in development processes and can direct integration and quality efforts. This has happened in the development of the Olympic Village, where First Base and East Thames have partnered to purchase and manage the intermediate and affordable housing from Lend Lease.

Axe Street, Barking

Developer: East Thames Housing
Land Size: 27ha
Dwellings: 93
of which affordable: 68
Density: 344 units per ha
Unit mix: N/A
Use: residential
Status: completed
PTAL rating: 6



Conclusion and Propositions

In this chapter we have argued that plot size is a significant characteristic that affects how developers can create economically desirable places and how planning authorities can create socially desirable places. Each type of plot size has its merits both for developers and the planning authority and different sizes of developments create a diversity of places that can enrich the urban expansion in Barking and the Thames Gateway. Developers can create responses to overcome economic challenges in a way that is not necessarily socially desirable and hence it is the responsibility of the planning authority, in this case the LTGDC, to approach planning proactively rather than reactively.

We recommend that the LTGDC adopts a planning approach that enables each plot size to deliver the maximum of social and economic value. A collaborative process should align the interests of developers and the planning authority as the social sustainability of a development is an important aspect of its desirability. While there are likely to be trade-offs, approaching development control with the significance of plot size in mind rather than a 'one size fits all' approach, is in our opinion likely to decrease conflicts.

Keeping in mind LTGDC's desire to maintain a degree of standardisation, simplification and streamlining in dealing with private developers, we recommend that the process by which this happens needs to be enhanced in four ways.

1. LTGDC should be more proactive in masterplanning with the aim of creating socially and economically viable developments on the various plots sizes by promoting physical interventions that enhance the desirability of each type of plot size sufficiently while maintaining their different characteristics. Given the relationship between the plot sizes and their location in Barking, masterplanning is required to integrate the abstract plot size factor into a spatial framework.

2. In order to achieve the best masterplan, the local authorities need to create a collaborative process that aligns the interests of the local authority, developers, housing associations, current residents and the future residents who are to be attracted to the area.

3. Planning gain negotiations need to be customised to the size of the plot to be developed in order to ensure the appropriate mix of on-site and off-site social and physical infrastructure. An important aspect of this is determining how to spatially produce mixed-tenure housing in the most socially yet still economically viable way.

4. Housing Associations should be empowered within the development process, acting as statutory consultants in both public and private masterplanning processes so as to achieve the most socially desirable spatial mix of tenure possible.

Plot size cannot be seen in isolation from themes we could not explore in depth in this analysis. First, since the LTGDC is the local delivery authority in much of the London Borough of Barking and Dagenham but not in the entire borough, the significance of the boundary line between LTGDC responsibility and LBBD responsibility, and how spatial development is coordinated between the two, impacts both where developers choose to develop and the social quality of the resulting product. A more empirical spatial and social analysis of the boundary area between the LTGDC and LBBD that has 'virtually' designated what is within the Thames Gateway growth zone and what is outside is required.

Second, the proactive approach that we deem necessary to deliver adequate and desirable developments may not be currently possible given the internal organisation of the LTGDC. Open questions remain as to whether its organisational structure includes sufficient qualified staff to manage a large-scale development approach, and how its position within the larger urban development framework for London and the South-East allows it to exercise this role effectively.

Third, we have approached the analysis of plot size and developer preferences qualitatively but we did not present a financial analysis that studies how plot size affects the construction costs and sales premiums which impact the profitability of the development. Our interviews indicate that financially there is no clear formula to determine the effect of plot size on profitability. Our hypothesis is that at the medium-scale specific to Barking and Dagenham, profitability may be affected so as to make development financially unattractive.

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