

Journey of the Elephant

ULI UK Development Forum, 27 July 2017

At ULI's third UK Development Forum, leading developers, investors, advisers and public sector representatives gathered at Lendlease's site office at Elephant & Castle to learn about the experiences of the public and private sector partners involved in one of London's largest regeneration projects.

Introduction

The tangible results of regeneration at Elephant & Castle are taking shape with the first residential apartment buildings, a whole street of environmentally friendly Passivhaus townhouses and a thriving leisure centre whose reach already extends far beyond this central London site.

With construction under way across much of the 28-acre site, the London Borough of Southwark is confident that its two main development partners – Lendlease and Delancey – are on track to deliver the

ambitious £3bn programme of investment planned for Elephant & Castle, including £150m in public transport and £6m in jobs and training. By 2025, 5,000 new and replacement homes will be built and 10,000 jobs created.

The opportunity for such large-scale regeneration of a Zone 1 site is rare, especially one whose decline has been so dramatic. Always an important and busy transport interchange, Elephant & Castle was known as "the Piccadilly Circus of South London" just over a 100 years ago.





By the 1960s, the ill-conceived and poorly designed shopping centre – which never achieved full occupancy – and the dysfunctional Heygate Estate only precipitated the area's decline. The car-friendly transport links became part of the problem.

As Louise Newman, a Director of Tavernor Consultancy, told the forum: "The shopping centre came to symbolise the fact that from a bustling Victorian town centre that had grown incrementally over 100 years, Elephant & Castle had become a non-place – a traffic junction, really."

According to Stafford Lancaster, Investment Director of Delancey, the well-chronicled problems that beset the existing shopping centre from the outset offer a salutary lesson to all developers today.

"It's a reminder of the potential for huge folly in delivering on such a grand scale and ambition," he said. "For all the good reasons that we are doing this, it is not only the risk on design but also the risk on budgets and the risk of dumbing down at the last minute in an effort to get something delivered in a difficult environment. I think that's a huge risk around everything we're doing, and

something we have to be very alive to because the results can be, in the long term, very costly."

It was clear from the forum that Lendlease, Delancey and Southwark feel a keen sense of responsibility to succeed at Elephant & Castle. And so far, the signs are promising. By the end of 2017, some 2,000 people will be living in the new homes built by Lendlease while Get Living, Delancey's residential management arm, will be welcoming tenants to its first 374-unit phase of housing.



The local authority's perspective – Southwark Council

Elephant & Castle was identified as an Opportunity Area in the Mayor's London Plan as far back as 2002, and by then the need for significant investment was pressing although long-term regeneration was never going to be straightforward.

Part of the challenge, according to Stephen Platts, Director of Regeneration at the London Borough of Southwark, was that Elephant & Castle represented different things to different people: one of Europe's busiest transport interchanges, a complex series of subways, an area of crime and deprivation, and not least a home for 1,200 council tenants and leaseholders on the Heygate Estate.

As Platts suggested, Elephant & Castle did not feel like part of central London despite its Zone 1 location and its "fantastic" transport links, and a big part of the problem here was the Heygate. In early research, more than three quarters of the residents voted for demolition.

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"I don't think any local authority decides to demolish an estate lightly," said Platts. "It's very expensive; it takes a huge amount of political capital and time, and it's extremely difficult for the residents. But the Heygate Estate had some fundamental difficulties that couldn't be addressed through refurbishment. The car was king on the Heygate. The ground floor was all about the car and garaging. Pedestrians were on the first-floor walkways, which were ideal for muggers and anti-social behaviour."

The regeneration plan that ensued, therefore, was ambitious: £3bn of investment in total, including £150m in public transport, and the creation of 10,000 jobs. By 2005, some housing development was under way but regeneration started in earnest in 2010 with a 15-year partnership agreement between Southwark and Lendlease followed by Delancey's acquisition of the shopping centre in late 2013.

It was important to Southwark that regeneration boosts the night-time economy, and the council encouraged the inclusion of a significant commitment to leisure, bars and restaurants in the Lendlease and Delancey masterplans. Another consideration was striking a balance between the uses in



Elephant & Castle and along Walworth Road, which also lies within the Opportunity Area. "One of the issues at Elephant & Castle, and Southwark generally, is that the vast majority of comparison shopping goes out of the borough," said Platts. "So, one of the objectives is an improvement on the retail offer for local residents."

For Southwark, however, housing was always at the heart of the project, and the plans call for as many as 5,000 new and replacement homes – 1,650 of which to be affordable, split evenly between social rent and shared ownership. "At the end of the project we are absolutely confident that there will be more than 1,000 social rented units within the Opportunity Area – more than we originally intended," said Platts.

As for the people who lived on the Heygate Estate, 1,000 tenants were re-housed within Southwark and all but two of the 200 leasehold properties were acquired through negotiation at market value.



The developer's perspective - Lendlease

The developer's perspective - Lendlease
Lendlease is working in partnership with Southwark Council to deliver a £2.3bn redevelopment of Elephant & Castle – in sheer monetary terms the bulk of the overall regeneration project but also an ambitious reinvention of a gritty urban environment as Central London's "new green heart".

By 2025, Lendlease will build nearly 3,000 homes, more than 50 shops and restaurants, as well as create a park – London's first new public park for 70 years – connected to a vast array of green spaces.

The park and much of the housing are known collectively as Elephant Park, and take up 10 acres of the development site. The infusion of so much green space here is all the more remarkable because Lendlease is not just replacing the old Heygate Estate but more than doubling the density of housing.

Even now, this is something of design success. With early phases of housing completed to the south of Elephant Park, one of the most striking features for anyone familiar with the area and the Heygate's infamous elevated walkways is the creation of a pedestrian and cyclist-friendly streetscape.

"We wanted to create a network of streets where people could pass through the Elephant, particularly east to west, without any barriers and regardless of whether they lived on the estate or not," said Rob Heasman, Lendlease's Project Director.

"Day by day we understand and find out more about the Elephant, and it's a fantastic place, full of life,"



This theme of openness is a feature of the masterplan by Make Architects, which seeks to bring land back into public beneficial use while alleviating the financial burden on the public purse.

The aspiration is to make Elephant & Castle a destination in its own right – rather than settle for a high-quality dormitory or somewhere people just pass through – and to do so, explained Heasman, by utilising the best features of an established, albeit neglected, neighbourhood. "Day by day we understand and find out more about the Elephant, and it's a fantastic place, full of life," he said. "In a sense, it's an Elephant re-awakening."

A crucial part of the regeneration will be Sayer Street, a new central shopping street, which will complement Delancey's town centre retail offer by providing shop space to local independent retailers at discounted rents.

Inevitably, however, there will be sensitivities when regenerating such a vast Zone 1 site. One issue raised during the community consultation was the preservation of the 400-plus trees on the site. They have been retained and though this decision slowed down the masterplanning process Heasman suggested that it has resulted in a mature environment as the development unfolds.

By the time Lendlease completes all the new planting in the plan, there will be 1,200 trees.

The trees represent one aspect of a wide-ranging commitment to sustainability. Lendlease has recently completed "Future-home", a development of 22 townhouses, 15 of which have been built to the acknowledged green benchmark known as Passivhaus – the first Passivhaus homes in Zone 1. A new Energy Hub, meanwhile, will provide net zero carbon heat to all 3,000 homes, with the capacity to connect to a further 1,000 buildings outside the regeneration area.

The overall intention here is to be the UK's first climate positive development, which means the focus will be on ongoing operational efficiencies as well cutting carbon emissions during construction.

That same spirit of sustainable living is already evident in a new £20m public leisure centre – in effect, paid for by regeneration. The centre opened in 2016, and serves not just the residents in the immediate vicinity but the wider community – as many as 450,000 visits in its first year. The development of the leisure centre reflects the fact that a clear objective with regeneration at Elephant & Castle concerns the health and wellbeing of local people as well as providing them with good housing.

Lendlease fact file

Masterplan by Make Architects

2,988 new homes, including 600 affordable

All homes will be built to Level 4 of the Code for Sustainable Homes as a minimum standard

At least 50 new shops and restaurants

55,000 sq m of new public realm (nearly half of the 28-acre site)

Over 6,000 new jobs

A new park

1,200 new trees

£30m of investment in transport improvements

£1.5m investment in local schools

The developer's perspective – Delancey



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Delancey is delivering a £1bn mixed-use development programme, covering 7.5 acres, which will in effect become a new town centre and, accordingly, an important focal point for the wider regeneration of Elephant & Castle.

A 400,000 sq ft first phase at Elephant Road is nearly complete and involves Delancey – working in a joint venture with APG and Qatari Diar – developing 650 apartments and student studios across three towers, with gym, food store, restaurant and improvements to the public realm.

The second phase – a joint venture between Delancey and APG – is the comprehensive redevelopment of the outmoded shopping centre alongside a new campus for the London College of Communication, additional housing, music venue, cinema and upgrade of the Northern Line station.

“What we’re mindful of is the need to make the most of this opportunity. This is the heart of Elephant and Castle. It needs to perform a town centre function,” said Richard Chambers, Delancey’s Project Director.

The proposed shopping centre is substantial – 170,000 sq ft – which allied to the

Lendlease masterplan will mean new retail space totalling more than 300,000 sq ft across the overall area. However, the objective is not just to attract major retailers but, as Chambers said, to fulfil the promise of “a design that generates life and vibrancy again, with open streets and creating those visible links and integration with the wider area”.

The intention is that this “24/7 vibrancy” is reinforced by the decision to make the new housing units mixed-tenure, which in other words means offering a range of different price points. They will be managed by Get Living, the business formed by Delancey, Qatari Diar and APG at East Village in Stratford following the London 2012 Olympics.

The importance of the housing at Elephant & Castle was reflected in two years of discussions between Delancey and Southwark before establishing that the affordable component will account for 35% of the 1,000-unit total although under Get Living’s management, the overall mix will be “tenure blind”. Three-year tenancies – unusually long for private rentals – will be standard. If residents move in initially on an affordable basis, and then over time no

longer qualify for subsidy, they can stay in their homes and the subsidy will revert to someone else. “To us,” said Chambers, “that is a very sustainable model around mixed-tenure housing.”

He added: “We’re all thinking about a new town centre and what it will look like. We really are taking our lead from some of the great things there were here in the past, around leisure, amenity, fun. Things that bring you here, not things that take you away.”

It is in this context that Delancey assesses the importance of The London College of Communication with its 4,500-strong student population and its 55-year history at Elephant & Castle. The college is part of the University of the Arts London and – like the UAL’s Central Saint Martins in Argent’s regeneration of the land around King’s Cross – is considered a key part of the development mix. Whereas the existing campus is outdated and slightly removed from the heart of the Elephant, the intention with the new “outward-facing” building is to integrate it with the rest of the development and the community.

As Chambers concluded, the “town centre eco-system” involves a lot of uses that need to complement each other. “There’s a lot of synergies coming out of the mix that we’re delivering with the other partners,” he said. “This is all about collaboration ... it’s absolutely an integrated process.”

Delancey fact file

Masterplan by Allies & Morrison

170,000 sq ft of new shops and restaurants

1,000 new rental homes and student studios

New campus for London College of Communication

A new Northern Line Underground ticket hall and station entrance.

24 hour access through the site, wider walkways and a gateway between the town centre and Elephant Park.

New cinema and music venue

A new public square



Regeneration – the alignment of interests

If there is a recurring theme to the Lendlease and Delancey masterplans at Elephant & Castle it is of connectivity – a commitment to the free movement of people through the regeneration area and how the new buildings should fit in – and not stand apart – from the surrounding neighbourhoods.

Southwark Council, too, has been careful to commit £7m of capital to improve public realm beyond the strict boundaries of the Opportunity Area while this idea of connectivity with the wider area will be reinforced by other developments still to commence. One such development is Skipton House – a mixed-use scheme by London & Regional that will see a return of the old streetscape with the re-creation of Skipton Street.

It is one of the ironies of the 1960s-built infrastructure at one of Europe's busiest transport interchanges that it should act as block to connectivity. As Ricky Burdett, Professor of Urban Studies at London School of Economics, pointed out, the major roads into Elephant & Castle had “severed the relationship” between where people lived and worked, which is why it was “encouraging to hear that connectivity, porosity and permeability had become important bywords of developments here”.

Burdett referred to how the “permeability of connection” is evident in the historic London estates. “You don’t know where one estate



starts and the one ends, and vice versa”. One of the issues in urban regeneration today, he argued, is that surrounding areas can be “so different in terms of scale and type of user or consumer or inhabitant. And that to a degree is true here [at Elephant & Castle] as it is in the Olympic site”. The challenge, therefore, revolves around how developers manage those shifts in scale and density.

He added: “What is increasingly becoming recognised, but not enough, is that with all of these places which are doubling, tripling, quadrupling in density, how should they relate to surrounding areas? We’ve got a possible disadvantage – but in many ways another asset – that London is an organic mess, so you can maybe be more creative and inventive.”

According to David Lunts, Executive Director Housing and Land at the Greater London

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Authority, in the 20 years since Central Government commissioned the London Plan to create some order out of the organic mess, “we have learned a lot about density and urban regeneration and how to do major projects quite creatively”. Indeed, about half of the regeneration area at Elephant & Castle has been designated as public realm and yet the new residential supply represents a significant increase in housing density compared with the old Heygate Estate.

But Lunts highlighted two important changes over the years – that a lot of the work involved in regeneration now is “a proxy for fundamental issues around social equity and inequality” while London has become much more transient as owner-occupation levels decline and an increasing proportion of the population turns to renting. “As a crude over-simplification,” he said, “the London of 30 to 40 years ago was a London of owner occupiers and social housing tenants – both stable and settled arrangements. Today, you’re increasingly seeing a high-velocity, transient community. That’s a big factor.”

Under such conditions, Lunts argued, could perhaps pay heed to Charles Darwin’s Origin of the Species: it’s not the strongest and



most intelligent of species that are most successful, it's the most adaptable. "Being adaptable means having the space to make mistakes but rectifying them without chucking out the whole model," he said. "There are some interesting lessons there about the way we manage and organise public realm."

It was clear from this forum that the on-going management of large-scale regeneration projects is critical, not only to their successful integration into a city such as London but in attracting long-term capital from investors.

Angus Dodd, Chief Executive of Quintain and Co-Chairman of the ULI UK Development Forum, pointed to the dominance of the private rented sector (PRS) at Elephant & Castle, Delancey's East Village in Stratford and Quintain's own regeneration of the land around Wembley Stadium. "That creates very different economic drivers," he said. "If you're building for rent and not selling the homes off as soon as you can, then the ultimate freeholder is highly incentivised to make sure the whole development works from a management point of view, and it creates an alignment of interests. It's an interesting by-product of the whole PRS movement."

"There are some interesting lessons there about the way we manage and organise public realm."



Jonathan Emery, Managing Director Property - Europe, Lendlease, stressed the importance of building trust between public and private sectors while "developing a shared vision" with investors in mixed-used regeneration. Investors must assess the transient nature of the residential population but also dramatic changes in the office and retail sectors while somehow ensuring certainty of income.

"Trying to find partners at the very start requires a deep relationship with investors who have a degree of trust in our abilities

but also a real strength of vision and purpose as to what the development is about, recognising the changes that have happened in the environment and that the development will need to respond to those changes," he said.

Emery added: "We find repeated support from investors who have been on that journey. There are a number globally who see the new risks associated with projects like this but they also see the opportunities from getting in early."





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Author: Doug Morrison

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**Urban Land
Institute**

Europe

50 Liverpool Street,
London EC2M 7PY
Telephone: +44 (0)20 7487 9570
Email: ulieurope@uli.org
Website: europe.uli.org