

**TRANSPORT FOR LONDON**

**RAIL TRANSPORT ADVISORY PANEL**

**SUBJECT: PROPERTY CONTRIBUTION TO FUNDING OF EAST LONDON LINE PHASE 2**

**MEETING DATE: 13 FEBRUARY 2008**

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**1. PURPOSE / INTRODUCTION**

- 1.1. This paper explores the question of whether Property Development would be able to contribute significantly to the funding of ELL Phase 2.

**2. BACKGROUND**

- 2.1. ELL Phase 2 will result in a 4 Car, 4 train Per Hour service from Clapham Junction to Dalston Junction/ Highbury and Islington.
- 2.2. The route will run on existing rail infrastructure between Clapham Junction and a point between Queens Road Peckham and South Bermondsey stations, previously Old Kent Road junction. From there a new piece of rail infrastructure will be built along the path of an old railway line to join the East London Railway at Silwood Junction.
- 2.3. There is currently planned to be one new station on the route at Surrey Canal Road.
- 2.4. Although there is no final cost plans, the works are expected to cost between £100m and £200m.

**3. Property Development – Sources of Income**

- 3.1. Property Development Funding comes from the following sources:
- a) Where land has been purchased for the construction of the railway a development opportunity may exist after construction. This can be land adjacent to the railway or over station and over track development and can be delivered in partnership with other adjoining land owners in appropriate circumstances.
- b) The new railway could allow the redesignation of land from industrial to residential or the intensification of current residential land, both leading to increases in land value through adding public transport capacity. The capture of an element of this value could be achieved through S106 contributions but would depend upon planning applications being brought forward within the relevant time frame and would require the co-operation of boroughs. Otherwise there are currently insufficient mechanisms to capture the enhanced value; Corporate Finance are currently investigating this and a further paper will be issued which will cover inter alia the proposed Community Infrastructure Fund.

Taking each of these in turn.

- 3.2. As the ELL Phase 2 link from Silwood Junction runs along the path of a disused railway there is very little land take needed to construct the new railway infrastructure. Even the station is sited on a bridge to limit the land take. This of course helps to keep the capital costs down but offers little opportunity of development.
- 3.3. In respect of the railway allowing redesignation or intensification, this occurs in two ways:
  - a) At the new station at Surrey Canal Road, since this increases the provision of public transport to an area.
  - b) Along the rest of the route due to the increased public transport capacity.
- 3.4. In respect of a) there are several factors which will limit any possibility of realizing funds.
  - a) There is a limited area for redesignation (the industrial units along Surrey Canal Road). This area is restricted by housing developments from the 80s, the New Den football stadium and existing railway infrastructure. The area is currently designated as an industrial area and current planning policy is to maintain such employment generating areas.
  - b) The surrounding area is not ideal for residential redevelopment due to the location of the Power Station, the football stadium and existing railway infrastructure.
  - c) Although we have no plans of the land ownerships in this area, there is obviously a number of diverse interests all of which would have to be extinguished or bought out. Whilst the LDA have CPO powers which might be able to achieve this, this would be a complex transaction.
- 3.5. In respect of b), although ELL Phase 2 will provide an increase to the capacity of public transport along the route, this increase is not considered substantial enough to lead to a stepped change in the classification or intensification of land which would be needed to allow the opportunity of capturing increased land values.

#### **4. Conclusion**

- 4.1. Property Development will not be able to provide any substantial funding to ELL Phase 2.
- 4.2. If the project does receive funding, further work could be undertaken to reassess these opportunities, but at present no further work is recommended.

#### **5. Recommendation**

- 5.1 The Panel is asked to NOTE the report.