

LANDWRIT



London and New York in the 21st Century

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London and New York are well placed to remain world-class cities in the wake of the financial crisis, but only if leadership at all levels of government and business rises to unprecedented challenges. The distinctive attributes of the two metropolises need to be reinforced and enhanced with fresh resolve to provide a much-needed source of stability moving forward.

WHILE BOTH LONDON and New York City typically have emerged stronger and even more dynamic from previous crises, the most recent economic downturn has occurred within an extraordinary social and environmental milieu that pitches both cities into the unknown. Several conference participants at the London–New York Dialogue conference, held in London last November, raised the concern that New York's and London's reputations may be irreparably damaged by events of the past three months.

Despite the pessimism expressed in such quarters, a sober assessment of London's and New York's long-term future requires a stock-take of the cities' cherished assets. First and foremost, both locations are very large and dynamic commercial centers operating on an unmatched economic scale, in their time zones. Exceptionally open and cosmopolitan, both cities consistently attract the best talent. This diversity is routinely nourished by outstanding higher educational facilities, which, in turn, have established both cities as world information capitals.

Yet, while these strengths are not poised to lessen or vanish altogether, there is an emerging consensus that London and New York must undertake critical self-renewal if they are to preserve their lead over high-growth centers in Asia and the Middle East. The consensus of the key speakers was that this revitalization needs to center on the following five themes.

Maintain and, where possible, improve quality of life. London and New York cannot afford to sacrifice their quality of life attraction, as their financial services strength operates in symbiosis with the capacity to attract international populations. The young and the entrepreneurial, according to most panelists, will continue to favor London and New York as long as standards of education, transport,



and housing remain competitive with those of emerging global centers.

Despite the fiscal austerity characterizing the current economic recession, both cities need to call on all their innovative resources to find new means of financing quality of life investment, as livability becomes an even more critical selling point.

Major capital infrastructure projects will be essential to improve transport systems and housing. Both cities are experiencing population growth that is projected to continue until 2050, an unmanageable proposition without an overhaul of their transport systems, while the cities' airport connectivity will need to be enhanced to compete with Dubai and Shanghai. Employment in the central urban areas will continue to be hampered by poor mobility, and so the current Crossrail (in London) and Second Avenue Subway (in New York) projects must be just the tip of the iceberg.

Meanwhile, the lack of affordable housing is identified as a major competitive disadvantage compared to cheaper cities in the East. London urgently needs a plan for housing sustainability, especially in the inner city. New York has a clearer affordability agenda up to

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2030, but it is unclear if it will be fully implemented. While some industry observers push for new development, most favor the upgrade and renovation of existing building stock as a cheaper and more sustainable housing solution. Both cities need to implement effective and complementary market-based tools, and form a robust public/private consensus on future housing targets.

Reduce economic dependence on financial services. While London and New York are forecast to endure economic underperformance for the next three years, their capital-raising capabilities and labor market depth can facilitate a comeback across a range of sectors. Despite a smaller finance sector in the medium term, future strengths can be forged in business services; media and information industries; health/medicine; and higher education, tourism, and the creative industries—art, design, and advertising—all of which can absorb much newly displaced employment.

Motivate national governments to prioritize London's and New York's interests. At present, neither city enjoys decisive national support (although London has made great gains in advocating for investment from the U.K. Government), and arguably each will struggle to sustain it. Nevertheless, both municipalities can work harder to make the case to national governments for priority investment. Strengthened city leadership will be decisive in this quest. New York will have to be prepared to lobby for disproportionate federal support from the widely expected new National Infrastructure Reinvestment Bank. London needs to overcome its fragmented governance to speak with a unified voice. Both cities need to better articulate their contribution to national success and regional prosperity elsewhere in their countries.

Create a comprehensive sustainability agenda. Because many of London's and New



York's most serious global competitors—Hong Kong, Dubai, Tokyo, Shanghai, Paris—suffer from serious environmental deficiencies or underdeveloped emissions policies, there is a clear opportunity for both to emerge as world leaders in sustainability.

New York's PlaNYC is considered a major step in its all-inclusive approach to sustainability, but the city will need to resolve its significant capital constraints through innovative techniques and operational overhauls. New York needs to incentivize the private sector, offer city-level tax incentives, and find new mechanisms to drive a switch to renewable resources in buildings. The city is thought to have gained a stronger fiscal capacity and a better-equipped city administration with which to push through urgently needed changes.

In London, the city's control over its public transport network must be used as a key sustainability driver, while energy efficiency and waste management need to improve in line with international standards.

Above all, for both cities sustainability must be turned into a good value proposition, and if this case can be well communicated, both New York and London can provide a model for other municipalities to aspire to.

Promote rigorous yet sensible regulatory and taxation standards. While transparency is the watchword with regard to a new finance regime, New York and London will need to provide a leadership role in encouraging regulators to derive new open and astute rules for derivative markets, given the decisive role they play in raising capital. Some conference participants were concerned that regulators have made, and will continue to make, mistakes when establishing new legislation.

Concerns were also raised about the effect of high government bank ownership, and the potential for prohibitive tax demands, which together may deter innovation and entrepreneurial flair and displace talent to other world cities. Both London and New York need to cultivate positive relationships with higher tiers of government and propose joint monitoring programs.

Overall, the relationship between New York and London has evolved in recent years into one of collaboration rather than competition. Many argue that the future of the two cities is not only inextricably linked, but also mutually dependent, so similar are their trajectories. Creating and seizing opportunities for partnership in this critical period will enable both municipalities to benefit disproportionately from the eventual revival of international financial markets.

Ultimately, both cities must work together to recognize their manifest problems, and undertake rehabilitation by harnessing their uniquely innovative cultures. Most conference participants were confident that London's and New York's vitality and leadership in human infrastructure put them in good standing for maintaining long-term success. **UL**

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