But it was in Europe that the idea of a second generation was developed, brought about by the scale required of renewal in cities like London and Barcelona, which was sub-regional and, arguably, sub-national in scope. European planning and city management had a different culture compared to North American cities. Public ownership of land, of many of the old industrial utilities and most particularly of social housing, separated private investment from public programmes. With the general exception of the downtown areas the public sector was traditionally responsible for planning and funding inner city building programmes. These second wave projects helped develop a new approach with the creation of public–private partnerships and the extensive use of private investment.

The London Docklands Development Corporation (LDDC) was established in 1980 following national legislation that also enabled the transfer of land from other public bodies such as the ports authority, together with the granting of development control (planning) powers transferred from the local authorities. It was charged with the regeneration of eight square miles of former docks. In embracing North American style urban renewal the British government sought to ensure that the private sector would play a leading role in shaping and delivering the program. The task was seen to be too expensive for the public sector alone and required not only active investment but also the development know-how of the private sector. The Corporation was given extensive powers and was freed from local accountability. This approach was regarded as overtly political and fought against by local politicians who were given, with few exceptions, little say in the process. It was a time of polarized opinions.

Public/social housing was the most visible element of the change in policy. It was replaced as the lead development ingredient by private housing. The notion of fully funded public estates was displaced by the idea of "affordable housing." Effectively it was a subsidy whereby a percentage of property, initially 25–30 percent, on private developments was subsidized, usually out of land value. It also sought to entice the volume builders (private house builders) back to the old inner city areas after a gap of nearly one hundred years. London, like most European cities, had developed a strong tradition of providing public housing for the working classes, with the public sector owning as much as 96 percent of all the housing in the LDDC development area.

London also highlighted the role of planning. Top-down, plan-led, public sector planner-led development was seen as having failed the inner city during the 1960s and 1970s. This led to the questioning of the traditional overall Master Plan blueprint for development in favor of more flexible development plans which were quick to bring about and easier to change. The process was seen to be dynamic, not static. There was pressure of time and money, and in particular the need to be realistic about what was possible and could be afforded. Working closely with the private sector required good negotiating skills as well as good planning skills.

Another controversial element in London was the creation of Enterprise Zones. Targeted at attracting private businesses to the unfashionable East End the initiative consisted of demarcating an area of the development for industrial and office use and encouraging development through a series of