Delivering Great Places to Live

10 Propositions aimed at transforming Placemaking in Scotland

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“In short, the quality of placemaking in Scotland is just not good enough.”

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What's the Problem?

There is today an overwhelming consensus about placemaking in Scotland and this consensus rests upon two factors. First; there is an insufficient supply of places actually being created and delivered in Scotland and second; the quality of that supply varies, with few exceptions, from poor to indifferent. The central placemaking problem then, is one of short supply and the quality of that supply and we need to do something about both these phenomena as part of an overall strategy towards addressing poor economic performance.

Such an approach will need to contain, first of all, a place-building requirement - an urgent need to start designing and building new places, new neighbourhoods and new and revitalised communities in Scotland. National and regional data on housing starts, completions, mortgage approvals, property values and planning approvals, for example, reflect historically low levels of market activity and with very limited prospects for an improvement in the foreseeable future. As Michael Parkinson reported two years ago - in the British development sector "Lenders won't lend, borrowers can't borrow, builders can't build and buyers can't buy," and it is still true today. There is now a major failure of supply failing to meet demand plus an urgent need to re-energise a flagging placemaking industry in both the public and private sectors. Coalition economics is clearly not working. By inspection, there is not much happening out there and that now has to change. The continuing gloomy talk of double and treble-dip recession simply re-enforces the urgency to address this issue.

Second; we will need to address, what we might call, a place-making requirement; an urgent need to radically upgrade the quality of placemaking in Scotland. In short, the quality of placemaking in Scotland is just not good enough; we are not producing enough really good places to live i.e. attractive, well-designed, well-connected, sustainable communities located where people actually want to live.

What often passes for ‘development’ in Scotland these days is the rather placeless, single-use housing development characterised by poor estate layout, over-engineered roads, dominant parking, poor amenity space, lack of connectivity and bereft of planting and local facilities. It is indeed a sad state of affairs when it falls to, of all people, the Scottish Government’s Council of Economic Advisers to comment, as they did in their first Annual Report in 2008 that; "Too much development in Scotland is a missed opportunity and of mediocre or indifferent quality".

It is not as though our concerns about the need to create and deliver good quality places has lacked government-backed research and supportive rhetoric. The ‘quality’ issue (though government appears to prefer to refer to it as the “sustainability” issue) has received exhaustive coverage over the last decade or so beginning with the landmark “Urban Renaissance” report by Lord Rogers in 1999 and since then; The Barker Review (2004), The Egan Review on Skills and Sustainable Communities (2004), The Calcutt Review on Housebuilding Delivery (2007), Beyond Eco-Towns - Applying the Lessons from Europe (2008) and Delivering Better Places in Scotland (2011).

One thing is for sure - there is absolutely no need for additional research or further studies at this stage; we have more than enough already. The question remains, though, that despite the widespread acceptance of all this research, good practice and good advice - why have quality standards not noticeably improved? Now is the time for some good leadership, strong direction and a major focus on quality-delivery in this field.
So, what do we do now?

Quite clearly the pre-2008 development model, whereby development was predicated on substantial growth in the market and sustained by a system of non-repayable grants from government, is no longer appropriate. Securing good placemaking in a period of ultra-low growth will undoubtedly present significant challenges; but not insurmountable ones.

It is in this period of major recession and global downturn that the public sector in general and local authorities in particular, must now take the lead and coordinate the key players, take overall responsibility and provide the leadership for the delivery of good placemaking which is so urgently required in Scotland. It is not just about money and investment, though these are still crucial. It is also clear that attitudes and behaviours will also need to change and currently they present significant barriers preventing good quality development being achieved. As Symons observes; “we are now at a point of transition between a largely centralised, top-down system predicated on high levels of growth, towards a more localist framework designed to promote growth and which is capable of operating within a much more austere economic period”.

We now therefore need to do four things.

- First; we need to remind ourselves that good quality placemaking is not a trivial pursuit but a key component of national economic performance; and this simple, clear message needs to be substantially hardened-up.

- Second; we urgently need to start supply moving by putting in place emergency recovery measures designed to support the market to deliver attractive places to live. The current austerity measures are deeply hurting the ability of the market to sufficiently recover.

- Third; we will need to change the prevailing set of attitudes and behaviours which currently exist in the placemaking industry - both public and private sectors. In the current economic climate we will need to look critically at what risk and risk-sharing behaviours might be appropriate. We will also need to examine new and innovative fiscal approaches as well as revisiting financial instruments that have worked successfully in the past.

- Fourth; We need to identify and put in place a long term direction for placemaking in Scotland, less reliant on short termism, clear on priorities and standards of place-performance, which encourages the need for behavioural change and is courageous enough to be self-critical.
Proposition 1: 'Place' Really Does Matter

- 'place' is an intrinsic component of national economic performance and its importance amongst policy makers needs to be confirmed.

In discussions about national and local economic performance, place making and the place making industry as a whole are often marginalised. Their contribution is regarded as somewhat peripheral and not as critical to economic performance as, for example, business performance (as measured through productivity, profitability, investment, innovation etc.) and human capital (as reflected in skill and education levels, attitudes and behaviour etc.). In this country there is a tendency for 'place' to be regarded as of second-order importance in economic development terms and, as a result, not as worthy of concern and investment as other inputs. 'Place' has clearly become under-recognised by both policy makers and politicians alike. As a result 'place' and 'place-matters' are in danger of being seen as capable of playing only a subordinate role in terms of its economic impact and consequently slipping down the national agenda.

It is probably true to say that over the last 20 years or so the whole notion of 'place' has generally taken a bit of a beating. There has been much more policy and research interest in, for example, the notion of 'markets' generally and business, financial and labour markets in particular. In this circumstance then it is perhaps not so surprising that 'place' has become somewhat sidelined.

The fact is however that 'place' is crucial and is one of the three core components of national economic performance - one of the, what we might call, 'three prosperities'. These are shown diagrammatically in Figure 1 alongside illustrative performance measure.

Figure 1: National Economic Performance and the 3 'Prosperities.'
We might regard ‘place prosperity’ as comprising a bundle of at least 4 components:

- Climate; very important in ‘place prosperity’ but not amenable to change by public policy (at least not yet)
- Places to live, work and visit; including towns, cities, good quality neighbourhoods, business areas, visitor attractions, town and city centres.
- Connectedness; road, rail, airports, ICT
- Amenity; extent of dereliction and decay, public realm, open space, lighting, planting etc.

The quality of these components will together determine the level of ‘place prosperity’ in any particular location.

The important point here is that the three prosperities are interdependent - and in practice all three are crucially important in determining economic performance. Place competitiveness should realistically be seen as a self-reinforcing process whereby business, people and place can co-evolve in a virtuous circle. Equally the process could operate in reverse to create a vicious circle of decline.

The three components have an umbilical connection with each other and taken together, as they should be, they become more than the sum of parts. To separate them out is, in effect, to propose that each can operate sufficiently as independent components when there are in fact clear and explicit linkages connecting place prosperity to economic performance. A highly educated, skilled and well-off workforce will demand good housing, schools, amenities and connectedness. Equally, for example, having a high-performing business sector located within a ‘slum city’ will prove to be just as unsustainable as having high levels of unemployment in a well maintained and attractive city. In the former case the high performing businesses would eventually move out and in the latter, the costs of maintaining an attractive city would prove to be unsustainable with such high levels of non-productive labour. Neither situation is sustainable. Over 50 years ago JK Galbraith was pointing out the unsustainability of “private affluence amid public squalor”.

Place prosperity is just as much a part of a well-performing knowledge economy as business and people prosperity. Skilled and talented people, the lifeblood of the knowledge economy, will continue to be attracted to great places to live.

It is cities, and city-regions, that have become the engines of national prosperity in our contemporary society. These places are the locus of those assets and forces that power national prosperity. To paraphrase Adam Smith, ‘Cities are the Wealth of Nations’. ‘Place’ now needs to be given equal billing together with business performance and human capital as the three key components which interdependently drive national economic performance.
Proposition 2: The Public Sector now needs to play the role of ‘Prime Mover’ in Placemaking

- there will be a continuing need for a strong public sector lead, at both national and local levels, to guide and steer re-entry into the market

It is generally held that there are two main drivers of development. One is the search for market value and the second is public sector intervention - and since market value has not been particularly evident for several years now then clearly, at this phase of economic recovery (if we can call it that), the only realistic driver of any substance will be the public sector.

The financial crisis, or the Great Recession as history will no doubt come to know it, has led to an enormous ‘drying-up’ process whereby markets, private credit and public and private investment have all effectively ‘dried up’. This process has been inevitably accompanied by great uncertainty, ultra risk-averse behaviour and even fear. The public sector role at this stage is crucial as the only player that can realistically provide any semblance of confidence to the market - and markets cannot function effectively without confidence.

It is in these straightened circumstances that the public sector at both national and local levels will need to play the role of ‘Prime Mover’. Public sector will need to take the lead, coordinate the key players, take overall responsibility and provide the leadership. At the local level "waiting for it to blow over" should not be an option and filling time merely "risk-proofing" sites falls so much short of what will actually be required to get things moving. At this local level there will be a need for action, direct involvement and a strong enabling role in order to make some things, however modest, start to actually take shape.

As the Lyons Inquiry into Local Government in England\(^1\) (2007) identified; "Above all effective public sector leadership at the urban level needs to see its purpose as helping to create better places for future generations". And further reinforcing this point the Inquiry identified place-shaping as the principal role for local authorities.
It is difficult to overestimate the importance of place leadership in creating and delivering great places - it is crucial. And yet, almost certainly, there has been a considerable depletion in place making leadership skills in Scotland over the last decade. This applies to all parts of the industry; to the public sector at both officer and political level as well as to the private sector.

Perhaps the single most important barrier to creating and delivering great places in Scotland, that is clearly within our control, is the poor quality of place making leadership skills. Whether Scotland is particularly worse in this respect than elsewhere in Britain is unknown, but there is no doubting that the growing shortage of good skills in this area is a major blockage to delivering better places.

Over the last 10 years or so, one of the authors has spent quite a bit of time setting-up, advising and evaluating public sector place-development teams such as the Urban Regeneration Companies and City Development Companies together with the Regional Development Agencies in England. What became crystal clear was that those organisations with the better leadership teams overwhelmingly performed best-in-class. Of course, owning the land to be developed, having readily available investment funds and a realistic Masterplan all help greatly in the process but, it is our experience, that it is terrific people and terrific teams that create terrific places.

Expanding the place leadership skill base in Scotland should be a priority and one way of addressing the shortage would be to devise a specially tailored system of learning to actually teach place leadership skills. Such a learning course might have the following features;

Proposition 3: There is a lack of Place Leadership in Scotland

- Scotland lacks place leadership capacity and needs to increase the supply
Expanding the place leadership skill base in Scotland should be a priority...”

- the course might be more appropriately modelled as an MBA-type course - perhaps something along the lines of an MBA in Place Leadership.
- the course should be practitioner-led because the aim would be primarily to produce outstanding practitioners, not more academics or researchers.
- ideally the course would not be located within a School of Architecture, Planning or Urban Design. Place Leadership is an applied discipline which requires a considerably broader set of skills than design skills alone - it may be best located, therefore within a good Business School.
- management and leadership skills should be taught as well as development economics and finance and the behaviours of high performing leaders in place making.
- probably best taught using the Case Studies Method; so that students would have a detailed and in-depth knowledge of 10 or so outstanding place making projects in Britain and elsewhere.
- the course would be aimed at producing professional practitioners and well-informed politicians.

A course comprising some or all of these factors would really start to address the skills gap in Scotland.
In 2011 The Scottish Government produced an outstanding publication on place making called; "Delivering Better Places in Scotland: A Guide to Learning from Broader Experience".

The research programme underpinning the publication was led by David Adams and Steve Tiesdell of The University of Glasgow and they deserve special mention. The publication deserves particular praise because not only does it discuss the familiar techniques of place making such as; master planning, coordination of delivery, securing design quality etc., but the report also gives substantial weight to two less developed aspects of place making viz leadership and stewardship. Put simply, what Adams and Tiesdell are saying is that good place making is about three things; it's about place leadership, it's about place-making and it's about place-stewardship and all three are equally important.

The 'Delivering Better Places in Scotland' model is simplified in the figure below:

**Figure 2: The 'Delivering Better Places in Scotland' Model**

1. **Place Leadership**
   - Place promoter - The 'Place maker'
   - Project Champion/Support Coalition - Main aim to clear blockages
   - Place making culture - The binding agent of the whole place making process

2. **Place Making, Comprising both**:
   - Making Places - Management, Delivery of quality etc.
   - Making Markets - Creating efficient property markets to enable development

3. **Place - Stewardship**
   - Putting in place the long term conditions for sustainability

Proposition 4: A New Model for ‘Delivering Great Places to Live’ has emerged

- and it has 3 Key Components viz Place – Leadership, Place-Making Skills and Place-Stewardship.
Leadership and Skilled Support

The Case Study evidence in the Report demonstrates that in places such as Germany, Holland and Sweden, planners are valued much higher than in Scotland and the rest of the UK. Planning in continental Europe has a position at the top table of decision making whether it be in such matters as the strategic spatial planning of the Vinex projects in Holland or the detail arising from the re-development of a single project such as Vauban in Freiburg.

Far too often planning in Scotland is demoted to a second or third tier management role in Government, usually as a “regulatory” function. Planning in Scotland rarely addresses placemaking issues other than matters of urban design articulation. In contrast Wulf Daseking, Chief Planner for the Freiburg municipality, is a charismatic leader, a strategic thinker, a project manager / facilitator and economist who recognises and promotes the sustainable benefits of urban living, such as having a well-connected public transport network, promotion of renewable energy and increasing access to affordable housing for young families.

It should be noted that Lewis Mumford described the father of Town Planning, Patrick Geddes as a great “thinker and doer”. Such thinking and doing are essential leadership qualities for placemaking but they also require the wherewithal to communicate and translate such thinking into innovative action. Howard Bernstein the Chief Executive of Manchester City Council and a key leader in the transformation of Manchester described himself as a “municipal entrepreneur”. While this is a worthwhile description, no matter how entrepreneurial Mr Bernstein might be he can only deliver with support from his political leaders. Scotland may have people with similar skills as Bernstein and Daseking but will they be allowed to function and execute their skills for the benefit of delivering good places? The evidence suggests that Planning’s role in decision making processes has declined to a lower level of influence.

The Role of Advanced Infrastructure

A key aspect identified in Scottish Government’s ‘Delivering Better Places’ study was the benefits of advanced infrastructure. The guide’s Case Studies highlighted the fact that continental European municipalities took control of land ownership, and then organised and procured the infrastructure. This approach was employed in the UK (e.g. New Town Developments) but largely fell from favour in the early 1980s.

In the last 30 years the UK decision makers took the view that the market delivers better value for money solutions than a planned state approach. Also it was believed that the majority of the risk should be transferred out of the state’s hands to the private sector.

However, the private sector’s aim is to deliver individual assets rather than the whole place. The process is driven from a short term development perspective compared to a continental model of ‘patient’ investment creating places with a greater mix of uses, housing tenures and stewardship commitment. The private sector has not normally been involved in infrastructure provision as it is an indirect element. The private sector prefers to gravitate towards specific commodities. Just as infrastructure acts as the ‘wiring framework’ for plugging in activity, place making frameworks operate in a similar manner.

The key advanced infrastructure is the enabling works to establish the “Place Framework” with softer infrastructure such as schools and health facilities coming later as patronage builds up with development completions.

The timing of public investment in “soft” infrastructure is dependent on the confidence and risk assessment of the public organisations and the way finance is structured. The case study evidence suggests that continental European municipalities take a much longer term investment view (30+ years) of funding to establish, maintain and grow sustainable places.

Developers see infrastructure investment as an expenditure item that should be minimised unless it has an inherent value. However, infrastructure such as schools, landscaped space, public transport all contribute towards making a place and creating inherent value over time rather than within the immediacy of the project.

Infrastructure is a long term investment approach which requires sufficient long term funds to be generated to cover the cost of capital and its operational expenditure. It is the source and generation of long term income that is the key to facilitating the framework for successful placemaking.
Place Stewardship

In property management the benefits of good stewardship are well understood. Without high standards of estate management practice, asset value could not be grown or protected. Unfortunately, the principles of having good estate management for our place assets has been eroded as politicians have placed greater worth and priority on people's individual assets rather than any collective value. (Leasehold enfranchisement etc.).

If we want to take place making seriously, we need to consider how we might establish “Place Investment Value” (collective value) in addition to individual assets that form part of that place. Estate ownership is either down to a larger scale individual interest (shopping mall or business park etc.) or on the basis of a co-propietor shareholding that may be managed on a factoring basis. Housing occupiers generally associate place-management as an obligation, an expenditure matter that is not directly associated with the value of their own asset. However, even if people do not directly link good estate management with value clearly such action creates a beneficial reputation for the place and its individual assets.

If a “Place Entity” is regarded as an asset with co-propietors acting as shareholders then it is more likely that there would be a greater emphasis on good estate management practice. Under these circumstances occupiers, seeing a value rather than a cost, might have a different perspective on the benefits of stewardship.

The Place Entity would, of course, depend on what was deemed to be owned in common. Clearly, in a reasonably large Place one might expect a number of Public Assets such as a school, medical centre, library, roads etc. However, these assets would represent the state assets which may form a part ownership in the Place Entity.

In addition, given the move to the generation of renewable energy, it might be that Place / Estate energy production would also form part of the common ownership and interest. Such an approach would be similar to the Co-operative approach adopted at Vauban. Clearly there are a range of possibilities which might be controlled and operated by the Place entity and its shareholders.
What are the barriers preventing us from getting things going - preventing us from providing a good supply of great places to live?

There are probably 4 worth mentioning.

First of all, and obviously, the ‘Great Recession’ or what has happened since the ‘music’ stopped. As a result of the financial crisis there has been a collapse of confidence in the market and extremely risk-averse behaviour has become the norm. In particular this has led to a collapse of lending to first-time borrowers, the collapse of the buy-to-let market and the reluctance of developers to embark upon projects because of uncertain demand and uncertain costs.

Second are the unrealistic landowner expectations about values. This applies to both public and privately owned sites and the effect of which has been to considerably constrain the supply of potentially developable land coming onto the market.

Third, many are still waiting around for a ‘silver bullet’. Part of the problem is undoubtedly that some key players are holding off making a move in the market in the expectation of a substantial quick-fix emerging. Realistically, however, big single solutions are unlikely.

Fourth, the attitude, behaviours and expectations in local government. Without doubt the fiscal crisis is creating a major barrier to moving development forward. However, the operating culture within a lot of local authorities could have been more helpful. These attitudes and behaviours are not new and certainly pre-date 2008, but it is in recession that they are thrown into stark relief. In too many places there is a lack of urgency, an inertia and sheer complacency. It is as though there is a firmly held belief that getting things moving at the local level, no matter how modest, is beyond local government. This behaviour is, of course, not true for all local authorities, but too many appear resigned to waiting for the crisis to blow over. The reality is, however, that local government now needs to play its key role as a ‘prime mover’.

"In too many places there is a lack of urgency, an inertia and sheer complacency."

Proposition 5: Getting things going will require more than just the availability of finance – the ‘Quantitative Requirement’

- the need to change attitudes and behaviours and re-learn how to be attractive to the markets in these austerian times.
Kick-starting the place making economy

The American development economist Albert O. Hirschman¹ had a particular ‘take’ on how things got going again - how economies were kick-started and moved back into life. He used a very simple metaphor to illustrate his point. He likened the static, inert economy to a cartwheel stuck solid in mud; and when the wheel is stationary then, of course, absolutely nothing happens - there is no forward momentum and no dynamism. In these circumstances, he said, great effort should be made, and obsessively focused on dislodging the wheel and trying to move it forward. At first it would be painfully slow and then gradually the wheel would pick up pace and once moving forward, he observed, it would start to attract resources, people and market energy towards it. When static, absolutely nothing happens, when forward movement starts, all sorts of resources and energies are released and attracted to the dynamic movement.

The implications of Hirschman’s metaphor for the public sector are;

• An urgent need for focussed, highly targeted and persistent action by local government to make something work i.e. to “dislodge the wheel”

• Identify one or two projects, almost certainly jointly with the private sector, that both sectors might consider ‘doable’ and in some sense worthwhile.

• Small movement will do: it’s about economic gradualism - starting to do some modest things to underpin, promote and encourage market activity and energy.

• Less reliance on ‘big bang’ projects. Big projects might take up to 5 years to complete the preparatory paperwork alone before the project makes a start. Smaller projects start quicker and get into the economic bloodstream faster and, consequently, impact sooner on local job generation, local purchasing and other associated investment streams. Some action is urgently needed now - not in 10 years time.

• Keep it very simple and clearly understandable to all parties - complexity will arouse scepticism in these poor market circumstances.

Although the roles of Central Government and Scottish Government are critical it is fundamentally at the local level - at the level of individual project - that we have to start things. Bottom-up commitment, energy and ingenuity in developing solutions to drive projects forward will be the key determinant of market revival.

Development-Enabling Initiatives - the revival of market-making

Before the financial meltdown pre-2008, when markets were buoyant and confidence was strong, market-making was somewhat easier and reasonably straightforward. However, this new operating environment will require a new mindset, changed attitudes and a different operating culture within local government. Put simply, there needs to be a greater willingness to take or share risk and explore new and alternative forms of funding. Solutions, most certainly, will require public sector leadership and, unlike in the recent past, will require more time, effort and care. There will be no single, standard route forward. Solutions will need to be bespoke and will require a cocktail of approaches. Equally, and importantly, such approaches will be required from both the supply-side and the demand-side of the market.

Figure 3 below identifies a range of development-enabling options most of which are currently being deployed somewhere in Britain at present. If local authorities are seriously interested in initiating or moving-along some place making projects within their area then they should look at ways of utilising this framework of development-enabling initiatives to stimulate their local development market.

Figure 3: A menu of approaches to stimulating the local development market

<table>
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<tr>
<th>Potential Local Authority Resources</th>
<th>Finance (Grant funding &amp; Investment funding)</th>
<th>Development Mechanisms &amp; Initiatives</th>
<th>Boosting &amp; Supporting demand</th>
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<tr>
<td>• Council Assets - council owned development sites, buildings creating cash flow e.g car parks, parking meters</td>
<td>• Prudential Borrowing</td>
<td>• TIF’s</td>
<td>• Rental guarantees</td>
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<tr>
<td>• Council covenants - to facilitate development to take place</td>
<td>• Municipal bonds</td>
<td>• Local asset backed vehicles</td>
<td>• Local Authority covenants</td>
</tr>
<tr>
<td>• Jessica</td>
<td>• ERDF</td>
<td>• Enterprize zones</td>
<td>• Develop an occupier strategy</td>
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<tr>
<td>• EIB</td>
<td>• Business Improvement Districts</td>
<td>• “Build now, pay later”</td>
<td>• Search for other public &amp; private live enquiries</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Advanced Infrastructure fund</td>
<td>(A Business winning approach)</td>
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Figure 3 seeks to do no more than give some shape to a set of approaches which could form the components of local development-enabling initiatives. Columns 1 to 3 operate as supply-side stimuli and include not just council owned development sites and buildings but also might include any council asset for which a cash flow exists as well as leveraging council assets and covenants.
Attracting business and stimulating demand is also still important and the public sector can play a very strong supportive role here. The British economy may have shrunk by 6% or so, but that means that 94% of it is still in place - it hasn't disappeared; it is now however much tougher to attract it. For example, local authorities by simply using tapered rental guarantees and an astute use of their covenant strength could help many developments to start moving in their area.

‘Invisibility’ is probably the second biggest barrier to development.

Following the financial impacts of the Great Recession, ‘invisibility’ is probably the next biggest barrier to getting things going and local authorities have an important role here in heightening the visibility and awareness of opportunities within their area to the outside world. To overcome such problems local authorities might start to put together a ‘Market Engagement Strategy’ which would not only identify potential development opportunities in the area but also suggest ways in which the local authority itself might collaborate with private developers in order to secure development.

However, the exhortation of local authorities to become a more active partner alongside private investors utilising a range of financial enabling initiatives, may actually not be sufficient - given prevailing cultures. It may still require government to encourage and incentivise local authorities more explicitly in this role. This might be by perhaps putting in place a relatively modest ‘seed funding’ provision, say, £300m - which could be drawn upon by local authorities to help kick start small and medium-sized developments in their area. Such an ‘Economic Infrastructure Fund’ might be provided by Scottish Government through a bond issue.

The Fund itself would be a sustainable fund i.e. any drawdown by local authorities would be paid back to the Fund at zero interest for periods of up to 25 years. This would provide the, so-called, long term ‘patient capital’ we have talked about for so many years and which would be needed now. Scottish government may also require local authorities to match-fund any drawdown it makes from the Infrastructure Fund. Local authorities could use any of the development-enabling devices available to it to provide match-funding.

It is not difficult to foresee a £300m Fund such as this, alongside local authority match-funding, inducing up to £5bn of construction investment over the development period and several thousand jobs.
Proposition 6: Place making is more than just development

Too often place making is regarded as ‘development’. Place is not about building an entity but about long term investment in the entity. ‘Development’ has become short term process of producing, selling and then moving to the next opportunity. Development has no long term stake in the place whereas investment is a process that requires having the right asset, the right user and the right management regime to achieve long term benefits and value growth.

Property market behaviour is predictable when it is objective. Markets that involve many participants are more difficult to predict and influence. Commercial property markets are largely objective whereas the housing market, particularly for owner occupation, comprises of a range of investors with various influences, motivations and aspirations. The UK housing market is complex and large scale with a value (£4,126bn – 2009) 8 times that of the UK commercial property market (£496bn – 2009).

Around 2/3rds of commercial property is rented so places, particularly urban places, are shaped by the principles of investment and market activity. The ability to grow asset value is influenced by location and its reputation which is inevitably stimulated by good place making practice. However, a long term property investment focus is increasingly under pressure as occupiers are demanding shorter leases. Short term instability can have a detrimental impact on the “place”.

Also short term perspectives can prevail in housing markets. Not only is the market shaped by subjectivity but people in owner occupation move on average every 6 or 7 years. Quality is important for long term investment consideration but many consumers are conditioned by values of comfort, convenience and familiarity.

From a monetary perspective how might a ‘place’ be valued? Other than shopping mall or forms of campus style development in private ownership, places tend to be a mix of individual private and public assets. Therefore ‘Place Value’ is a summation of the individual assets (buildings). Some would describe the public spaces between the buildings as a liability or an expenditure element as they need be created and managed for the public good as well as an associated private benefit.

Of course, the occupiers and owners of buildings have to pay a charge for the management and operation of the public spaces but these are usually through some form of taxation which is not ring fenced for the purposes of their own Place management / stewardship. Public management of places remains a challenge through shrinking budgets and opportunity cost preferences for other public front line services. Additional funding for Place management / stewardship may be forthcoming such as “Building Improvement Districts” (BIDS) or factoring arrangements.
Proposition 7: A Multi Developer Approach through a Local Asset Backed Vehicle for Project Delivery

- the rationale for Creating a Multi Developer Framework

In good economic trading conditions public sponsored regeneration projects utilised a risk transfer methodology for project implementation. Such an approach, where a private organisation carried out development and other associated works was successful due to a buoyant developer market where land for development was scarce and the public sector, in exchange for transferring project responsibility, received good value for their assets. Developer infrastructure and other obligations become more acceptable when escalating property values during the course of the project cover project risk.

The growth in values over the project has now gone making a large scale risk transfer model more difficult to fund and deliver. Therefore an alternative approach is required that breaks up the project into small bite sized pieces that are more manageable and fundable.

From a place making design perspective a single developer approach is more likely to be ‘monoplastic’, whereas smaller, parcelled development creates wider choice, variety and interest. All of these elements are essential economic and social components for good place making.

A key lesson from the Delivering Better Places case studies is that good place making development is created by a range of participants. For example, in Vauban the municipality and the Community Forum ensured that small developers, co-operatives and self-build developers had the opportunity to build. This did not exclude commercial developers but achieved wider participation and choice of accommodation and tenures.

There are no real practical or funding barriers to the provision of wider choice in Scotland. The barrier is more to do with a lack of knowledge and appetite to take on the task of creating development frameworks that allow wider participation.

An investment-led place framework that delivers development through multi developer participation achieves a greater collaborative and concurrent approach at a variety of individual project scales.
Commercial investors, acting as developers, are more likely to recognise the worth of “place” in contributing to asset growth whereas developers have no long term commitment to a project and are generally less likely to be motivated by the benefits of “place”.

“Place” is the whole which, if done well, will secure a positive reputation & confidence that are essential attributes for asset value growth. A good example is Brindley Place in Birmingham where in the 1990s developer investor, Rosehaugh, worked with the Council in creating a “place development”. While the development was implemented by a range of interests, it was Rosehaugh working and investing with the Council that established the place framework. A similar approach took place in Liverpool with Liverpool City Council appointing developer / investor, Grosvenor Estates as their partner for the Liverpool One project.

Both Brindley Place and Liverpool One are city centre mixed use projects. They are an illustration of a prime real estate approach to regeneration. High quality design occupied by high quality tenants. While this approach maximises value and activity in a prime location, it may not be the solution for other locations and doesn’t necessarily meet all the needs of citizens/ consumers. While prime locations attract prime businesses with the best covenants more secondary locations will struggle to obtain tenants with good covenants, thereby, creating greater investment risk and restricting access to funding.

Using the Case Study and Birmingham and Liverpool evidence of breaking activity into large and smaller elements, the following delivery model outlines an investment place framework with an underlying development block approach. This is reflected in the following diagram.

Figure 4: Place Investment & Delivery Elements
By creating a macro framework and infilling it with micro elements the model seeks to syndicate the risk by structuring the project into two stages:

1. **Stage One - The Framework and Macro project by the Place Investor**

To obtain institutional funding, the framework needs stable income that gives good prospects for growth over the long term. This may be through real estate commercial leases, other contractual arrangements with public sector organisations and/or energy production place renewables approach.

The Place Investor creates the place framework that establishes serviced sites (infrastructure and services etc.) for other developers / investors to participate. Good stable income is important to the place investor but the establishment of a serviced framework also produces capital sales as land assets are sold to developers.

2. **Stage Two – The Block Micro project undertaken by the Plenty / Multi Developer**

Block developments should cover a mix of uses. Depending on the block formation, good models can be sub-divided down to the smallest entity.

Private developers are familiar in participating in development alongside each other as they:

- are comfortable competing head to head
- can share marketing exposure with competitors
- can achieve a scale of attraction that is greater by multi presence
- perform at a quicker rate and land sales helps their cash flow and profit
- adopt a multi participatory large scale approach to generate market confidence

Volume builders are at ease when they utilise their standard types, however, nearly all are prepared to adapt and modify their standard products to meet design codes that contribute to good places. Lessons from the case studies demonstrate that in physical terms good places are not about creating iconic architecture. They focus on doing simple things well, like the

- composition of buildings and the space between
- treatment of streets, car parking and open spaces.

Developers need to be able to control their dwelling costs within an appropriate ratio to dwelling value, therefore design codes need to reflect that they are economically deliverable.

The diagram opposite highlights the elements undertaken by the Place Investor and those undertaken by the multi developer.

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**Figure 5: A LABV Regeneration Model for Investment and Delivery**

Multi Participation provides choice and variety through serviced sites. A phased infrastructure framework approach allows a variety of developers to participate on a concurrent basis. The variety and size of project work can include large scale corporate players (volume builders), housing cooperatives, housing associations and even an individual serviced plot developer seeking to build their own dwelling. This approach substantially increases housing variety, increases consumer choice as well as being a more socially balanced solution. Therefore, a typical street and block can incorporate family housing, apartments for young and older people’s accommodation within a range of ownerships and tenure.
Block development production offers:

- affordable housing at a lower price through cross subsidisation and self-help.
- provide an opportunity for training and employment (community benefits) between the infrastructure developer and small community groups or social enterprises.
- provides an opportunity for housing to meet specific household requirements.
- development at a variety of scales which makes it more adaptable to market fluctuations. For example, in poor market demand conditions, builders only want to build small scale (currently this might be say between 30-70 units). By adopting a multi developer approach one can allow work to progress quicker where developers would normally be hesitant to commit.
- breaks up the scale of the project to allow a wider range of participants.
- smaller companies a greater opportunity to participate along with their supply chain.
- greater opportunities for collective working through co-operative organisations that jointly develop their own solutions.
- an opportunity for renewable energy to be generated either on an estate wide or block basis.
- the spreading of risk for all participants, both public and private.

Place investment through a Multi Developer Participation delivery model requires greater commitment to leadership and management of the process. This commitment from the Place Investor also requires a greater level of skill, entrepreneurial flair and effort from the key promoters and a more hands on approach than the Single Developer Risk Transfer Model.

This option requires a significantly greater input and investment from the public partner and a willingness to share in the risk of development. That said, the private development sector is short of equity and the funding sector lacks an appetite in speculative development and is disinclined to invest in infrastructure unless backed by the State.

To deliver such an approach a collaborative partnership model is required. Such a model is generally referred to as a Local Asset Backed Vehicle (LABV) utilising a separate corporate joint venture structure to use public land assets and private capital.

The asset backed vehicle owns and uses the land under a typical 50:50 deadlock mechanism providing a commercial incentive to maintain the project. The public asset is matched by private sector capital and human capital with returns being distributed to each party. The public sector may choose to recycle such funds back within the project. The recycling of funds back into the project is a Regional Development Agency model that enabled funds to be ‘ring fenced’ within the project.

The LABV models have been used for housing and mixed use regeneration projects, obtaining new public buildings or motivated by the public sector’s requirement for higher standards of design and democratic input.

The LABV models vary from:

1. Pure Investment Partnership where no works or services are undertaken. It is a method of raising cash that can facilitate development but rather than directly carrying out development it engages contractors to carry out works. Where there is no works or services carried out then this form of Partnership may not be bound by OJEU procurement rules. This approach would allow a serviced plot development carrying out upfront infrastructure and planning with actual block development being carried out by multi developers.

2. A Value Capture Regeneration Model – A RGA model that has a developer partner that provides services and expertise acting as the “master developer” typically laying out the infrastructure framework for development. Such an approach could be multi site with the vehicle’s purpose of generating an uplift in land value. The vehicle may directly carry out development or it may outsource such services. As in the “pure investment partnership example, infrastructure works are carried out but unlike the above, the developer carries out a percentage of development work in addition to the infrastructure framework. Such an approach is likely to attract developer and contractor participation whereas the investment partnership is about growing value from infrastructure development. This approach is more appropriate for short term developer activity rather than the long term investment focus promoted for good place making.

3. Integrated Developer Model which effectively carries out all of the above taking on speculative risk and utilising its whole supply chain. The vehicle acts as the developer with the public partner sharing all the risks associated with planning, development, construction and sales. This approach was adopted in England for Local Housing Companies with its main purposes being to maintain control over quality.

Other LABV approaches are also being carried out by public organisations in England such as Rental Funds, Public Sector Evergreen Investment Funds. Frequently, cash matching of the land asset is insufficient to provide the necessary project working capital, therefore, the public organisation may have to supplement its investment with further funds such as Public Works Loan Board (PWLB) funds, TIFS, and other EIB initiatives such as the Spruce Jessica loan fund.

A key aspect in funding such a LABV vehicle is the cost and terms of borrowing with the public organisation more likely to gain favourable lending terms than its private partner.
The Block Delivery by a Housing Cooperative and Self Build

Housing development models in continental Europe provide a far wider choice of housing than is the case in the UK. The municipal authority plays a greater role in establishing the mix of housing both in terms of size, type and tenure. This provides a greater social balance than is witnessed here in the UK. That said, housing developers do participate on large scale municipal controlled developments as this provides income from land sales and development design and quality is controlled through a real estate contract rather than planning tools. As a result of this approach volume housing does not exist to the same degree as in the UK. Housing developers tend to be smaller scale operating at local and regional levels.

Given that the municipality controls the blocks, they are able to determine the level of activity undertaken by housing co-operatives and self-build. In Europe this is much more popular than in the UK largely as a result of creating the physical infrastructure framework that enables wider market participation. In effect, in continental Europe, the municipality has created a market of wider choice through a framework for individual or collective (co-operative) participation rather than the UK model which is largely dominated by a “corporate” offer. This is essentially why the owner occupied co-operative offer is so limited in the UK. Indeed, the UK co-operatives tend to be in more remote places like the Scottish Highlands and Islands in locations where there is no “corporate” offer.

This paper advocates through a Local Asset Backed Vehicle (LABV) a Place Making approach to regeneration projects where development is delivered on a two tier basis of:

- Macro - place framework and larger scale income generating blocks.
- Micro - where blocks can be delivered at a smaller scale.

Such an approach could be adopted by the URCs and other large scale regeneration projects particularly where the essential infrastructure framework such as road and block patterns is already established.

Asset Class

Set out below is a diagrammatic structure showing the asset classes and the types of funding that may arise under the LABV with an institutional JV partner.

Funding inevitably will be from a range of sources. It will include:

- long term investment finance (both public and private),
- short term development finance,
- a mutualisation approach to funding for secondary assets,
- cross subsidy from more valuable elements to less valuable elements,
- development charges (planning gain)
- public grants

Within the social enterprise inputs it is likely that there will be a support coalition from public agencies and development trust organisations. The challenge will be that while the location supports prime real estate activity and good investment value, how can secondary assets live alongside such uses at rents that social enterprises can afford? What needs to be explored is the delivery of affordable commercial accommodation in the same way as affordable housing is delivered. Unlike social housing subsidised rents, affordable commercial rents would start low for social enterprises but as the company grew then rental levels would reflect the success of the growing business.

Figure 6: LABV Regeneration Model - Asset Class and Finance Structure
This statement by the Government’s Council of Economic Advisers represents a considerable indictment of the quality of place making in Scotland. They go on further to say; “There are a few examples of new or regenerated places which are well thought out, some fine new buildings and smaller projects that are to be welcomed but they are the exception rather than the rule”. What the Economic Advisers are confirming is an increasingly widespread view that Scotland is simply not producing enough good quality places - places which are attractive, well-designed and where people want to live; rather than the placeless, single-use housing schemes that seem to pass for development these days. The truth is that place making in Scotland, over the last 15 years or so, has done very little to upgrade the “Scottish Offer” to attract investment and talented people and has also done very little to benefit the poor. It is just not good enough and is affecting the economic competitiveness of Scotland.

Why is this the case? Are there barriers in position which prevent us from producing better quality places? The answer is that there are indeed deep-seated reasons which together create a system which appears to be fundamentally geared-up to actually preventing us from producing really good places to live - these are threefold.
1. An over-reliance on the private sector - in Scotland we have almost certainly become over-reliant on private developers to deliver quality place making projects and yet we know that there is a fundamental mismatch between the goals, objectives and aspirations of the public and private sectors. The public sector should be striving to achieve, within reasonable judgement limits, places which are attractive, sustainable and where people actually choose to live, work and visit. Whereas the private developer is striving to put together a development which will yield a good return, a quick-in quick-out uncomplicated development with a focus on, what they would regard as, a “hassle-free” process. This basic set of private sector aspirations does not by any means make developers evil people - but it must make them suspect if they are to be cast in the role as the standard bearer of quality development; as the prime mover in the delivery of quality development.

2. The standard developer model is fundamentally flawed and is unlikely to deliver the quality we seek - The build-for-sale housing model has a short term horizon and Liz Peace, (Chief Executive of the British Property Federation) described well the implications of this short termism. She said, “One of the shortcomings of the predominant build-for-sale housing model is that the developer does not retain long term interest in the site. There is no incentive to produce a design better than the minimum needed to make a sale, and issues such as the design of the public realm and long term maintenance can be sidelined without any impact upon profit”. At its crudest, therefore, Peace is saying that the current model only produces that which can most easily be sold now, rather than that which will create an enduring community, a sense of place and an attractive liveable environment.

3. The bid-price for publicly owned land needs to reflect sound planning and design principles - rather than just seeking to maximise the site price for the local authority - Competition for public land, if left entirely to market forces alone, is unlikely to raise or improve project quality levels. In order to justify the bid-price there will be an inevitable tendency to increase densities, sometimes beyond acceptable levels; or to provide a cross-subsidy by way of affordable housing or other amenities. As a result the type of accommodation resulting is often small houses and flats with low levels of amenity and public space.

What is certain is that developers find it difficult, if not impossible, to compete simultaneously on both the price for the site and the quality of the development. As a result it is invariably the bid-price that wins out and, as a result, quality suffers. Far better that public sector should offer sites at a fixed price, say as determined by the District Valuer, and allow developers to compete on the quality of their proposals only. This would help to push up overall design standards as well as permit smaller developers to compete alongside volume builders. Much as we would like it to be the case, local authorities cannot maximise site price and achieve a good quality of development at the same time - it’s almost an inexorable law of the market. If local authorities want good development then land price maximisation behaviour will need to be restrained. After all - project quality is not a free good.

How, then, can we change a pattern of systemic underperformance in the quality of placemaking?

Four things need to happen.

First: it is vital that the public sector takes the lead and identifies up-front what it is that they are looking for - to set the standard. They should not expect private developers to define the quality levels for them - which is what so often happens. In fact developers have the right to expect to be set clear expectations. Increasingly, over the last decade there has been a shift away from public sector leadership in these qualitative matters and, as a result, an over-reliance in the private sector to deliver quality places.

Second: Quality Control. Public sector needs to ensure that there is in place good procedures for the continuous and close monitoring of delivery through all stages, in order to ensure that the intended quality is actually achieved on the ground.

It is interesting to note in this debate on quality, that government targets on housing, for example, only refer to quantities. Government targets have traditionally only been set in terms of the number of dwellings per annum i.e. number of starts and completions etc. The government does not set standards in terms of quality achieved. Perhaps if it started to do so this might affect the behaviour of both public and private sector and would start to emphasise the importance of product quality - and not just numbers.

Third: developers seeking to develop public land should compete on quality alone - price should be fixed. If we really want quality then bid price has to be a secondary consideration, not the primary one.

Fourth; and above all, local authorities need to have a duty of care - and honestly ask themselves of all their development projects - “Would I be happy to live here?”
Proposition No. 9 is a short and pretty obvious one. Given the difficulties of the current economic conditions and the attendant parlous financial circumstances the need for a radical prioritisation of projects will be essential - plus a determination to stick to the agreed priorities. Prioritisation is a very difficult process at the best of times and local authorities do not have a good track record with the process. They are probably good at identifying what they are planning to do but less good at clearly stating what they are definitely not going to do.

In this economic climate it would make a good deal of sense if the prioritisation process is done alongside the private sector. This could lead to the mutual identification of a set of projects which have some chance of proceeding.

Proposition 9: You can't regenerate everywhere at once; and you never could
- the need for radical prioritisation
The role of long term stewardship in place development has become much under-rated and under-provided for in the British place making model. It has become yet another victim of short termism. If mentioned at all these days it is an afterthought, whereas in reality it should be an intrinsic part of the successful model of place making.

Creating and delivering better places will require long term commitment to place-quality rather than just the short term approach of conventional speculative development. Thus at an early stage in the development process consideration should be given to creating the right operational structures in order to retain and grow the place’s asset value - through careful management and maintenance in order to retain its attractiveness. The ‘Delivering Better Places in Scotland’ report says; “Careful thought needs to be given to how continued place quality and rising investment value will be achieved over the long run”.

A key finding of the research undertaken by the Sustainable Urban Neighbourhoods Network (SUNN) is that the best of the new communities (in England) almost always reflect the commitment of the development partners to the long term management of buildings and public spaces as well as the creation of social facilities and community building. This may be through long term, hands-on stewardship through local authority initiative or housing associations, development trusts, variously financed by endowments, rent charges, service charges, ground rents etc.

Proposition 10: Place Stewardship is the missing ingredient in Scotland
Well it's pretty clear what the problem is. Put simply: not much is happening out there and what little is happening is of inferior quality. 

And in Conclusion.....

What Needs to Happen in Scotland?

Well it’s pretty clear what the problem is. Put simply: not much is happening out there and what little is happening is of inferior quality. What is equally clear is that this state of affairs is not new and, in fact, pre-dates the Great Recession by some way. So we have a supply problem in general and a supply-quality problem in particular - and the key question then becomes: what are the necessary conditions which need to be put in place in order to create a shift in both?

i) Public Sector in the Lead Role: The public sector, at both national and local levels, has to take the lead and provide the leadership required. Although we live in very difficult economic times the public sector is inevitably cast in the role as ‘Prime Mover’ and the need now for urgency and some energy up-front are paramount.

ii) Attitude and behavioural change in local authorities: In particular there will be a need to change the existing attitudes and behaviours within Scottish local authorities. The supply and quality of good places will be greatly influenced by them - they have become the ‘New Development Entrepreneurs’. They are now key players. It is up to them to take the initiative and work in close collaboration with private developers, radically prioritise development and identify Development-Enabling Initiatives for their area and be prepared to use their assets, covenant strengths and time-limited and targeted guarantees, for example, to make deals work

iii) Scottish Government to ‘incentivise’ change in local authority behaviour: In practice Scottish Government may need to incentivise local authorities in order to encourage a more proactive and innovative role. For example, Scottish Government might put in place an ‘Economic Infrastructure Fund’ aimed at small and medium sized developments and funded through a bond issue. Such a Fund would be sustainable i.e. drawdown by local authorities would require to be paid back at zero interest for periods up to 25 years - in effect, providing the long term ‘patient capital’ which the current situation urgently requires. Without some form of incentive it is unlikely that local government would be sufficiently pro-active in this difficult marketplace.

iv) Local Authorities should be involved in helping generate demand for projects in their area - not just supply. A business-winning approach needs to be encouraged.

v) Putting in place a ‘Place making Culture’. Scottish Government and local authorities should seriously think about putting in place a ‘Place making Culture’; and seriously consider what this might mean and what it might involve. What is clear is that without such a ‘culture’ in place good quality place making will continue to be elusive in Scotland.
References

13. Liz Peace, Chief Exec., British property federation. Quoted in presentations by Prof. Katie Williams ‘Sustainable Communities in the South West’