



Plan for Hastings courtesy of Rummy Design Associates

## From Inception to Completion

A planner and surveyor's perspective

Simon Davis

It is widely agreed that leisure and culture are important elements in the creation of sustainable communities and in helping to fulfil the urban renaissance agenda. They provide diversity, have the ability to draw people into an area, whether they be residents, workers or visitors and can act as catalysts for further investment and development. They feature heavily in Masterplans and Area Frameworks for projects throughout the country. Simon Davis, Partner of GVA Grimley, outlines the significant challenges regarding how public and private sector organisations currently deliver projects, including leisure and cultural uses and considers whether the system requires a fundamental overhaul or minor corrective surgery.

### Are Culture and Leisure important?

The simple answer to this question is yes, of course. Leisure and culture have vital roles to play in the art of place making. At one level parks and open spaces have long been regarded as important 'lungs' in the fabric of urban areas. At another level community centres and other public buildings provide meeting points and resources for communities. At their most influential, projects can help to improve the economic development of an entire city, as has been evidenced by the Guggenheim in Bilbao.

However, in planning urban areas many questions are raised. How much provision should be made? What uses are really needed in a particular area? Where should such uses be located? How should conflicts with higher value uses be resolved? Would the place still work if leisure and culture were not provided? Would higher value alternatives not offer a greater S106 contribution, or deliver a greater percentage

of affordable housing, that may benefit an area in different ways?

These and many others are all issues and challenges that are faced every day by a wide range of professionals throughout the country, amongst others, in the planning, consultancy, development and finance fields.

Getting the balance right is a key step in forming the basis for delivery.

### Financial Viability and Delivery

In planning an area it is vital that consideration is based on realistic, yet challenging views of the existing and future potential of the area. Larger area projects in particular will have the ability to influence change in markets, values and overall financial viability over time.

The skills of the public and private sectors are truly tested in the delivery phases.

Get the mix and scale of early phases right and the basis for future change should generate step changes in value and optimise market confidence. Get it wrong and the positive influences will be limited, or at worst, lost.

One of the key financial challenges is to make the most efficient use of money. If the project is spending too much on financing the cost of money, it will afford less actual development, particularly in terms of S106 contributions and affordable housing targets.

“ The public sector has become very good at planning the future of our urban areas ”

Where such pressures lie, the mix and timings of projects are challenged. With Government pressure firmly on delivering affordable housing targets quickly, the pressure may be diverted to optimising these land uses, as a short-term political fix, rather than maintaining the original objectives of the Masterplan. Leisure and cultural uses, particularly where they are significant cost burdens to the project and deliver little, if any, financial value may well suffer in such circumstances. However, it is clear that they can change perceptions and influence land uses around them, providing indirect benefits that are less obvious and more difficult to measure.

Many leisure uses are either commercially viable in their own right, or will contribute significantly in this regard. Therefore, bars, restaurants, cinemas, hotels, etc are more likely to withstand the financial pressures of a project. Cultural facilities such as museums, community halls, open space and the like may not fare so well. They are potentially cost burdens that may at best produce enough income to cover operating and future maintenance costs. Whilst other forms of funding may be available from outside the project, this may not always be forthcoming, or may only contribute to part of the cost.



The realities of the market place, political pressure and short-term thinking can therefore affect both the translation of the Masterplan or Framework into completed development and the mix and diversity of land uses. Therefore, do we need to change the process of delivery? Does it require a fundamental overhaul, or an adjustment of emphasis, so projects can more readily deliver their objectives and optimise their true potential?

### Responsibility for Development

Setting up the right delivery mechanism is one key area for consideration. This can be in the form of a traditional partnership between the public and private sectors, or potentially focus on more complex structures, such as, joint ventures, special purpose vehicles, or companies. Different projects will be suitable for different approaches. Invariably projects will involve partnership between public sector organisations, which bring leadership, planning, CPO and possibly some landownership, and private sector companies, which bring skills including, development expertise, financial muscle and covenant strength.

Where projects involve the delivery of development over a number of different landownerships, equalisation of value may be an appropriate alternative to negotiated acquisition or CPO. This approach would be a key determinant of success as it would be vital to locate the uses in the right places





across the land area and avoid the pitfalls of cost versus value on existing landownerships. This approach will help to ensure that leisure and cultural uses are delivered at the right time and in the right location to optimise their role and benefit to the whole scheme.

Balancing the benefits that the project generates between S106 requirements, affordable housing provision and other cost items, which can include leisure and cultural uses, is a key challenge. As has been highlighted above, the emphasis at present is on affordable housing. However, projects must deliver mix and balance to ensure sustainable communities. Over-emphasis in one area could be storing up problems for the future that may be difficult to resolve.

for the developer. In addition, a high-quality and successful mixed-use scheme can have the effect of establishing a location and with it a strengthened property market with renewed confidence and increasing values. The difficulty of value generation is that it will tend to arise in the medium to long-term and is unlikely to benefit the developer in the short-term.

### The Roles of the Public and Private Sectors

One clear issue comes out of this debate. Have we got the balance right between the roles of the public and private sectors?

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### Costs and Values

In addition to the challenges of incorporating unviable land uses, there are also a wider series of abnormal costs associated with regeneration projects, which the developer of a mixed-use project will often need to meet. These include financing land acquisition and compensation, site remediation and clean-up, the provision of new infrastructure and the time-cost of money. Much of this will be up-front and substantial.

Value will be realised through the delivery of a scheme. Any mixed-use scheme will incorporate uses that on their own are financially viable and will generate positive receipts

### Public Sector

In my view the public sector has become very good at planning the future of our urban areas and much emphasis has been put into the creation of organisations that can help to deliver change.

English Partnerships, Regional Development Agencies, Urban Regeneration Companies, Urban Development Companies, many local delivery vehicles and local authorities all have roles to play.

We have moved away from the limited life organisations to a large extent and therefore can build longer-term thinking into projects that require long-term approaches.

However, the methods of funding from the public sector still seem to be based more in the philosophy of spending budgets in financial years (the 'use it or lose it' principal). Greater consideration needs to be given to the allocation of finance in a manner that reflects the timescales over which delivery of major urban area projects actually take place.

There are of course exceptions to this. But the real issue is whether the public sector should back itself to commit greater levels of funding more often, such as in the early stages of delivery (land acquisition and infrastructure, in particular) and in return take an equity stake in projects that allow it a return over time. The cost of public money should be less than that in the private sector. Such an approach will reduce the early cost burden and deliver more useable finance into projects. In turn, this should allow affordable housing provision, S106 and other cost elements, such as open space, culture and leisure to be delivered as part of truly mixed-use, sustainable development. If we get this right, why shouldn't the public purse take a share of the profits? You never know, they might even make a profit!

### Private Sector

On the flip side, I have to challenge the current presumption that enough developers exist with all the necessary skills to deliver the types of place that we need, including the leisure and cultural elements. Don't get me wrong, we do have a number of very good developers in the UK. Some are home grown and some have arrived from overseas. The real issue, is whether there are enough of them to deliver the extent of development and change that is being sought throughout the country.



Society today demands change and change quickly. We don't afford ourselves the luxury of evolution in the same ways that we have in the past, where our urban areas have evolved over centuries. Today we have Masterplans and Area Frameworks that almost always have a 10 year delivery period for very large amounts of floorspace.

Add to this the need for the public sector to procure developer expertise through increasingly onerous competitive routes, which expect those developers that respond to commit to lengthy and costly processes, with no guarantees of success. Can we assume that this process is delivering the best partners, or are the best too busy or successful delivering other developments that avoid the public procurement route?



In addition, we need to be aware of how many developers have the capacity to take on long-term projects, where they will need to commit significant up-front finance and accept that returns will take a number of years to secure.

Developers of this capacity do exist, but they are limited in number. Once they have one or two major projects on their books, they may be reluctant or unable to take on any more.

The public sector can help to overcome this potential problem in delivery by taking a larger role more often. Where projects can be broken down into their constituent parts and timescales reduced for delivery of individual blocks or phases, the market for developer interest should be increased significantly. This should widen the market to include smaller and niche developers. Such an approach would put the emphasis on the public sector to buy the land, implement remediation works and deliver key infrastructure.

This, in my view, is the next great step for the evolution of our urban areas. Delivery needs to be more inclusive, recognise the true time it takes to deliver change, accommodate the extent of change that is being planned throughout the country and optimise the significant skills that exist in both the public and private sectors. With adjustment in the balance of roles, the potential to deliver the concepts for change will be increased and the greater benefits will be felt by generations to come. This will not only help to ensure leisure and cultural uses are delivered in the right way, but also ensure truly mixed-use, sustainable development provides the right legacy for our urban areas.

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