



# URBAN POLLINATORS

## **RICS Land and Society Commission: a chance to think differently**

*A brief response from Julian Dobson*

### **Introduction**

The RICS Land and Society Commission raises important questions about the future of land use, valuation and ownership in the emerging economy. These questions demand a far fuller response than I have time or capacity to provide here. However, I think it is important to emphasise a few key points that may not be made with sufficient clarity or urgency by many contributors to the debate.

The profession of chartered surveyor is an important one: it provides a necessary reality check on issues of finance, construction, and development. However the conservatism (in a non-political sense) that is invaluable in the practical work of building and design is not always the best preparation for the unknown and unpredictable.

My contention in this submission is that we are entering a period of many unknowns, which challenge conventional views of land valuation, use and development.

My background is as a writer and trainer in regeneration. For 12 years I was editorial director of *New Start*, the regeneration magazine; for the last few years I have also acted as a trainer, facilitator and researcher on topics ranging from neighbourhood renewal to green infrastructure. Through this work I have had to consider the future sustainability of our communities from a va-

riety of angles, and on each occasion I have had to conclude that current practice falls far short of what is needed.

The particular issues I wish to raise relate mainly to planning, housing and valuation, although these also impinge on other areas. I also have a final point to make about skills and training.

### **The context: sustainability**

While the commission does not explicitly ask for comments on the issue of sustainability, this goes to the heart of the way land is used and who benefits from these uses. Without an acknowledgement of the scarcity and vulnerability of natural resources, our approaches to social benefit or community use of land will miss both the best opportunities and the main threats.

We need to ask whether continuous growth is a realistic and valid objective in a world facing unprecedented environmental challenges. The financial markets fell in 2008-9 because the assets against which loans were secured proved worthless. At the same time the world has borrowed against environmental assets at an unsustainable level. The effect, ultimately, could be the same: the asset cannot cover the level of activity secured against it.

How will this affect development? The areas most vulnerable to economic shocks will be among those most vulnerable to the impacts of climate change: higher prices for commodities, shortages of energy, food or water, increasing costs of transport. So where the old certainties of returns may be in question, long term value must be paramount in land use strategies. This should be achieved not just through sustainable building methods or technologies, but through local sourcing of life's essentials wherever possible, and the creation of self-help networks that enable communities to withstand the unexpected. We cannot have an intelligent discussion about growth or prosperity if we don't first have a coherent strategy for survival.

This point is underlined by the Royal Commission on Environmental Pollution's recent report<sup>1</sup> on demographic change. The Commission acknowledges the serious risks posed to natural resources, especially water supply, by the continued over-development of southeast England. Its conclusion is that we need a regional economic strategy to rebalance development and release the pressure on land in the southeast.

Similar concerns are echoed in the recent Freiburg Charter on Sustainable Urbanism<sup>2</sup>, produced by the city of Freiburg in southwest Germany and the Academy of Urbanism. It is significant that Freiburg's approach to natural resources was a response to warning signs several decades ago: the oil crisis of 1973 and the Chernobyl nuclear disaster of 1986. Freiburg planned for the future with walkable neighbourhoods, green corridors and compact, human scale development. In the UK housebuilders and property developers generally ignored those lessons.

In the UK too much planning continues to take place with a conviction that natural disasters do not happen here. Yet the Pitt Review of the 2007 floods in England makes it clear that these challenges are real, are likely to increase and have enormous social and economic impacts. Similarly,

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<sup>1</sup> The Royal Commission on Environmental Pollution (2011). *Demographic Change and the Environment*. London: The Stationery Office.

<sup>2</sup> The Freiburg Charter for Sustainable Urbanism. [Online] [http://www.academyofurbanism.org.uk/images/ao\\_u\\_freiburg\\_charter\\_final\\_sml\\_screen\\_spreads.pdf](http://www.academyofurbanism.org.uk/images/ao_u_freiburg_charter_final_sml_screen_spreads.pdf)

our energy efficiency standards display a complacency that comes from decades of cheap and plentiful oil and gas. These are not guaranteed in future.

However the current government appears to have a view that strategic planning is unnecessary bureaucracy that stands in the way of new building and vibrant communities. It is important that professional bodies like RICS take the longer view and argue strongly for homes and commercial premises that are built to last and built for maximum flexibility, and land uses that enable us to adapt to climate change and mitigate its worst impacts.

## **A broken regeneration model**

If we have undervalued land and the natural resources that go with it as an environmental asset, we have overvalued it as a capital asset. We have pursued models of land ownership and development that rely on the rapid extraction of cash value. Community benefits have often been seen as a social clause appended to the creation of wealth for landowners and developers.

This has been especially obvious in the approach to physical regeneration taken in the UK. Sales of commercial and residential developments have been required to fund community infrastructure and assets, and communities themselves have been encouraged (for example, through the Quirk Review<sup>3</sup>) to own and manage assets on the assumption that this is an escalator that can only ever go up.

This model, like most economic bubbles, has burst. The Scottish Government recently acknowledged<sup>4</sup> that regeneration schemes could no longer rely on a continuous uplift in land values.

It points out: *'The economic crisis has meant that many traditional models of regeneration are now fractured. Development activity fuelled by rising land and property prices, funded via debt finance has been shown to be unsustainable'*.

The Department of Communities and Local Government suggests finance for regeneration will be obtained locally in future through incentives such as the new homes bonus and mechanisms such as tax increment financing<sup>5</sup>. Both these approaches rely on land value uplift to encourage speculative development, and draw down some of the proceeds for the local area. In other words, they work well where the property market is buoyant and less well, if at all, where it is stagnant. This will entrench geographical inequalities.

The revitalisation projects of the last decade have sought to gain competitive advantage for regional centres by improving the public realm, offering cultural and community facilities, and creating desirable destinations. Progress has been measured in increased rental values and shopping centre footfall. But it has been dependent on a booming economy and underpinned by heavy public investment. Neither of these factors still hold good.

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<sup>3</sup> Department of Communities and Local Government (2007). *Making Assets Work: The Quirk Review*. [online] <http://www.communities.gov.uk/publications/communities/makingassetswork>

<sup>4</sup> The Scottish Government (2011). *Building a Sustainable Future – Regeneration discussion paper*. [online] <http://www.scotland.gov.uk/Publications/2011/02/07095554/0>

<sup>5</sup> Department of Communities and Local Government (2011). *Regeneration to Enable Growth* [online] <http://www.communities.gov.uk/publications/regeneration/communityledregeneration>

The UK economy is stagnant. Costs of essentials are increasing while consumer spending power is likely to fall. The money consumers do spend will be spent differently as online markets grow. Capital values of secondary retail centres, for example, are unlikely to recover in the short term and rental values risk continuing decline<sup>6</sup>. This suggests we need new approaches in all but the strongest markets. We need to reimagine town centres as social centres meeting a wealth of needs for their local populations, from housing and learning to community activity<sup>7</sup>, and our approach to land use should aim to facilitate such a transformation.

The recognition of the end of the property bubble is important, because it means we can no longer assume that social and economic benefits will flow from the private development of surplus or derelict land. During 2009-10 I carried out a research project for a Portsmouth-based charity, the Bill Sargent Trust, examining the options for generating community benefits from the disposal of surplus Ministry of Defence land.<sup>8</sup> My conclusion then was that such disposals were unlikely any longer to meet the MOD's demand for receipts and the developers' expectations of profits, let alone generate a surplus to reinvest in local communities:

*Much MOD land is in areas that have been highly dependent economically on military activity (such as Aldershot and Whitehill Bordon in Hampshire). The release of land is an opportunity not only to meet housing need but also to reconfigure defence-dependent local economies...*

*Many of these benefits are unlikely to be realised under current conditions. At the heart of the problem is the way HM Treasury deals with surplus public land: government departments must obtain market value and are set targets for asset sales which help to balance their departmental budgets. So if the MOD fails to achieve the expected value for a piece of land, savings must be found elsewhere. This forces the MOD to equate public benefit with departmental benefit: the future use of the site takes second place to achieving the maximum receipt.'*

Since then the property market has remained largely stagnant and the MOD's demands for capital receipts have increased as it struggles to meet budget shortfalls. My research found quality standards in new developments were likely to be unenforceable, and there was little to encourage public landowners to sign up to long term risk-sharing arrangements.

The report concluded:

*'... we need a new approach to valuing public assets that removes the process from the short-term budgeting requirements of individual government departments or Treasury demands. While a central property unit to deal with government-owned land has been created following the April 2009 Operational Efficiency Review, this is not a solution in itself. The new unit (the Shareholder Executive Property Unit) is tasked mainly with reducing running costs and disposing of property. Central management of assets on its own will not help unless individual departments are freed from the need to maximise the return on land disposals. There needs to be a separation between the value credited to*

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<sup>6</sup> David, Rosalind (2010). *Secondary Centres: the impact of the recession on secondary shopping centres*. London: BCSC

<sup>7</sup> See *Seven Steps from Ghost Town to Host Town*: <http://urbanpollinators.co.uk/?p=415>

<sup>8</sup> Dobson, J. (2010) *In the Public Interest? Achieving community benefits from Ministry of Defence land disposals*. [online] download via [http://urbanpollinators.co.uk/?page\\_id=95](http://urbanpollinators.co.uk/?page_id=95)

*a government department when assets become surplus to requirements, and the wider view of best value associated with the asset's future use.'*

The residential market is similarly unable to provide social and economic benefits because of landowners' and developers' desire to maximise short-term profits, and once again community interests are squeezed out. The value of land is considered to be in the profit made at the time of a transaction rather than in its long term revenue-earning capacity. This constantly hampers efforts to build public good into new residential developments and makes it harder to implement innovative solutions such as community land trusts.

The private market tends to work only for those who already have property assets. The home ownership boom of the last 25 years has led to a crisis of affordability that has been obscured, but not significantly altered, by the impact of the credit crunch. As the Joseph Rowntree Foundation has observed, aspirations to home ownership continue to be frustrated by unaffordable prices and limited access to credit. The average house price to earnings ratio increased from 2:7 in 1983 to 4:4 in 2009.<sup>9</sup> That crisis is unlikely to abate as real earning power falls in the short term, credit terms remain stringent and interest rate rises grow more likely.

This raises the question of whether the surveying profession is part of the problem or part of the solution. Do models of reward and fee earning help to promote unsustainable development and land value inflation? Has the profession helped to encourage house price inflation, one of the reasons for a level of private debt in the UK which is six times the public deficit? Arguably, a failure to alert the market to the negative impact of its favoured behaviours is as much a breach of the RICS Charter as individual malpractice.

### **From cash value to use value**

The way we value land at present rewards speculation (residential and commercial in particular) but bears little relation to the real need for new development. Quality is sacrificed in the search for quick returns.

While speculative development is a given in a market economy, there is no reason why it should dominate. Indeed there are compelling reasons why it should not. A system in which the price of land rises faster than real earnings or productivity, and that fails to factor environmental costs into the cost of development, is unsustainable. We have the worst of both worlds: the high price of land is used as an excuse for failing to provide the energy efficiency and environmental standards that have become the norm elsewhere in Europe.

We need to reward beneficial and community uses of land, and release land for such uses while deterring those that are potentially harmful. Current government proposals for neighbourhood planning may have the opposite effect, encouraging local people to accept substandard developments in return for short-term local benefits. While the involvement of local communities in planning issues is to be encouraged, the planning system needs to clearly reward positive behaviour.

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<sup>9</sup> Appleyard, L. and Rowlingson, K. (2010). Home-ownership and the distribution of personal wealth. [online] Downloadable via [www.jrf.org.uk/publications](http://www.jrf.org.uk/publications)

This could be done through a system of discounts and penalties via the community infrastructure levy. Developers should pay a premium for permission for developments that fall short of environmental standards on the basis that such buildings will have a shorter lifespan and will require retrofitting with energy-saving technologies. Developers that produce homes or commercial premises above an agreed standard could receive a discount on their contribution to the levy. Similarly, there should be discounts for making land available for community benefit and penalties for land banking where there is a clear need for development.

In addition, a 'community right to use' could be added to the plans within the Localism Bill for a community right to buy. This would recognise that it is the use of land, rather than its ownership, that provides or denies benefits. A 'right to use' could be triggered when a building or green space has been unused by its owner for more than, say, 18 months. This would allow local community groups or statutory agencies to apply for a 'compulsory use order' (similar to a compulsory purchase order, but without removing the property owner's rights) allowing the land or buildings to be used for local benefit - for example, a community centre or allotments. The use order would be valid for an agreed period of no less than six months, and the owner would be required to give at least three months' notice of reoccupation. The model leases developed by Meanwhile Space for temporary uses could be adapted here. If the owner failed to reoccupy, the community use would be extended. Community use over a period of years would entitle the user to purchase the property or land at a significant discount.

### **Taking risks and learning lessons**

Over the last decade there have been continual efforts to embed a holistic approach to placemaking skills within the various professions involved in regeneration and community building. The Egan Review and the development of the Academy for Sustainable Communities was the most important of these. But the experience has been mixed.

The Regional Centres of Excellence advocated by the Urban Task Force took inordinately long to establish and were removed prematurely. While bodies such as the Commission for Architecture and the Built Environment and the Academy for Sustainable Communities produced high quality material on placemaking, their influence on government was limited.

While the previous government's record was disappointing, the coalition government's approach seems to have bypassed the value of learning altogether. There is no indication that the government recognises the complexity of regeneration and the importance of a holistic understanding of place; the withdrawal of support for CABE and diminishing of the Homes and Communities Agency, coupled with the squeeze on higher education and on local government, risks creating a generation of local practitioners with greater responsibility but much less knowledge.

There is a real danger now that this learning, and, more importantly, the cross-cutting approach behind it, will be lost as government retreats from skills development and the professional institutions hunker down for a challenging few years. This could mean that opportunities to factor public benefits into new developments may be lost. I would argue that now, more than ever, we need a view of learning that values a wide range of perspectives and is open to creative and innovative approaches.

So there is a strong case for an independent body to curate, disseminate and critique the learning of the past decades and the next phase in the story of sustainable communities. To ensure

continuity and independence, it should be established with an endowment fund (rather like the UnLtd foundation for social entrepreneurs<sup>10</sup>). Such a body should host a national archive of best practice, research and case studies; fund and disseminate new and user-friendly material accessible to professionals and the public; and run workshops and courses. This body, supported by all the major professional institutes, should take over the skills development function of the HCA, recognising that the skills involved in ensuring the beneficial use of land extend far beyond the HCA's remit.

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<sup>10</sup> See <http://www.unltd.org.uk>