

Changing Places: the Politics and Practicalities of Urban Development

By Nigel Hugill

Introduction

I would like to start today by drawing attention to the progressive and now rather effective centralisation of planning decision-making which has accompanied the move to a plan-led framework. A centralisation which is part *structural*, given the role of the Planning Inspectorate and department officials in administering and interpreting successive planning policy guidelines and part *psychological*, as local planning officers seek to anticipate the decisions of those arbiters.

There is a certain paradox here. An advantage often quoted by the original exponents of the plan-led system was that it offered the opportunity of increasing the sense of local community participation within the process of planning. In fact, the formulation of Local and Structure Plans has served to encourage the Department to become more interventionist. Across several key areas, local authorities favouring new urban commercial development have found themselves set against Central Government opposing such development as being counter to policy. (The older members of today's audience may remember that it used to be precisely the other way round.) Perhaps only to maintain a sense of balance, rural West Sussex follows appropriate statutory procedures to establish future housing allocations, only to be told by the Government that policy dictates more development.

The extent of prevailing uncertainty within the planning process is compounded by an apparent ambivalence at national level towards the possibility of achieving planning gain. Indeed, you will be aware that the preferred description is actually *planning obligations*. The Witney test, subsequently underpinned by the 1997 Department of Environment circular, is that planning obligations should only be sought where they are necessary. Even then they should be relevant to planning, directly related to the proposed development, fairly and reasonably related in scale and type to the proposed development and reasonable in all other respects.

The Department naturally regards itself as being the best judge of what is reasonable and related. The result is that planning gain has become a further measure by which the traditional jurisdiction of the local authority as competent planning body risks being undermined. Our experience is that local and regional authorities are now very reluctant to recommend any proposals regarded as controversial but would rather invite the Department to make a decision. This is problematic, not only in introducing confusion and delay, but also because applicants and local authorities are unable to reach a negotiated position on planning applications through fear of the decision being overturned by Central Government intervention. The Regional Offices find themselves in an embarrassing intermediate position and are mostly unwilling to give a steer on the likelihood of ministerial intervention.

My purpose is not to insult you with a developer's tirade against the inequities of the planning process. The profession is now an altogether too defenceless target, whether taking the blame for allowing things to happen, or for stopping things from happening. All this before the onset of Regional Development Agencies which will serve to streamline planning processes, or help complicate them further.

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The more interesting aspect for me is the extent to which planning enjoys a privileged position as a mostly still accepted vestige of the post-war interventionist state. Ministers talk about the need for joined-up thinking and look to the planning process to establish the vision and secure its delivery. It is the same privileged position which attracts the centralist policy-makers.

There is an argument that planning has retained its position because a majority of the population has not regarded the subject as terribly important and that nothing especially radical has been attempted. It would then follow that the further policy-makers move away from what most people think, or at least how they are inclined to act, the more that their attempts to impose a lifestyle vision (and the attendant enforcement of development directives) risk genuine electoral unpopularity.

My worry is that the fervour for central involvement has been accompanied by a highly opinionated stance in relation to urban planning design. I will burden you with some of my own contrary views. They are not presented with the same sense of evangelism but I do believe them to be more nearly according with those of my industry's ultimate customers.

I intend to return to the issue of planning gain. It provides a touchstone for a number of the practical and community policies involved within brownfield development. I shall seek to argue that, taken in conjunction with increased urban massing and density, overturning the centralists' inherent suspicion of planning gain is an important step in re-empowering local planning authorities.

Chelsfield has a higher than average proportion of its assets invested in large-scale urban developments at various states of maturity and to that extent we can perhaps not be taken as typical in our approach. It is also in our nature to buy site opportunities where land is not a high initial percentage of overall development costs. I ought to caution that my comments need to be viewed in that light.

Brazened by a requirement to make at least passing reference to housing as the principal topic at this conference, I have included some observations on urban house building. I can claim no particular specialist expertise in house building, beyond that of interested spectator and occasional participant. I note that the tendency appears to be to treat issues related to house building as different in kind. This does not strike me as obviously the case. From where I sit, particularly in relation to affordable housing and transport, too much is being asked of the planning system as it is constituted in this particular moment in time. Conversely, there are other areas where a greater economic contribution might realistically be achieved from developers within the existing system. To that extent the system may be said to be not asking enough.

Top down or bottom up?

Before looking at the current quixotic approach toward planning gain, I would like to draw to your attention the two competing identity traits within the planning fraternity. I call this the competing identities of the scientists and the populists. Others have preferred to term it the difference between a top down centralist approach driven by a coherent sense of vision, as contrasted with a bottom up view that seeks to establish community consensus as to what constitutes the public interest in balancing economic and environmental costs and benefits. This may be descriptively more accurate but is insufficiently emotive for my taste. I shall stick with scientists and populists.

In a perfect world planning, like economics, would be seen as a science, concerned with the rational and efficient direction of resources, perhaps leavened by a sense of moral responsibility in favour of improving conditions for the disadvantaged. In the world we live, it is necessarily restrained by populist politics. This seems to me no bad thing. I take the view that the electorate is the best ultimate judge of what is good for them even when it comes to the built environment in which they live.

Recognition of the principle is certainly important. Not least because of the privileged interventionist position which planning retains. The recent tendency has been for national Government planners to see themselves as scientists leading and directing the population into new territories. Local planners are typically less confused. It follows from the centralisation of decision-making to which I referred in my introduction, that in recent years the scientists have tended to hold sway.

Enterprise Zones and all that enabling of brownfield development

To some extent this represents a natural swing of the pendulum. Under Nicholas Ridley the Department of Environment was determinedly non-interventionist. The early 1980s approach to urban regeneration was characterised by the laissez-faire Enterprise Zone initiatives. At that time the talk was not of impact fees and local plans. Financial incentives were combined with minimal planning control to kick start inward investment. Enterprise Zone policy was consciously experimental and, in some ways, can be regarded as almost the ultimate example of a bottom up approach, in which Government involvement, central and regional, is limited to establishing an enabling framework. The policy sought to address the inability of local agencies to tackle dereliction on their own by rekindling market forces, such that a natural market inspired improvement in the areas concerned could occur.

The Enterprise Zone experiment tends now to be regarded as ultimately expensive in terms of tax concessions and under-performing relative to its objectives. Sight has rather been lost of one of the genuinely encouraging aspects in the context of the current brownfield debate. The three designated zones which were patently successful at attracting inward investment were those occupying key positions within major urban conurbations; London Docklands, Dudley in the West Midlands and Salford Quays in Greater Manchester.

In all three cases, on whatever definitional criteria are adopted, new urban facilities have been established which have served to transform the level of economic activity in the area. Development has taken place within a highly urbanised environment which restored large tracts of contaminated brownfield land whilst contributing substantially to economic regeneration. Most importantly, in each of the three areas a sufficient momentum was generated for development activity to maintain following expiry of preferred status.

In terms of land reclamation, capital investment and employment generated, the thrust of the then Government's objectives was achieved. The kick start worked. In possibly the most controversial case, and certainly the one closest to my heart, the kick came from both feet. In 1984, local developers, the Richardson twins, paid £5 million for some 250 acres of derelict land, the site of the former Round Oak steelworks at Brierly Hill, near Dudley. Black Country folklore has it that they were able to recover more than their purchase cost from the value of scrap on the redundant site. Fifteen years and approaching three million square feet of development later, I recently authorised the purchase of certain parcels of adjacent land at prices which equated to more than £1 million per acre.

It seems to me of some pertinence that the three successes all shared an original "urban" Enterprise Zone classification. All were defined as being within "Inner City" locations. I would beseech the Urban Task Force to draw upon the experience. Each of the three cases is different, of course, and there can be no disputing that initial development in Docklands relied heavily upon LDDC infrastructure funding. But all can claim that the extent and scale of the resulting development came relatively cheap.

As contrast, those Enterprise Zones away from large population centres have not achieved any fundamental shift in economic activities and resulting land prices. I would also be the first to recognise that the structure of the development at Brierley Hill would have benefited from professional planning input and a greater emphasis on connectivity between the various phases of development and the broader conurbation. Those mistakes are being rectified under a level of central scrutiny which appears intended to make up for historic laxity.

The apparent need to protect local planning authorities from themselves

At the 1996 public inquiry at which 17 local authorities opposed a retail planning application supported strongly, if solitarily, by Dudley Council, one basic criticism advanced was that the construction of Merry Hill was “unplanned”.

Such criticism drew strength from changed ministerial attitudes. The absolute fact that local government could not be trusted was a strong feature in the Thatcherite zeal for central direction. Nowhere was this more apparent than in the planning process. A series of planning policy guidelines, coupled with their determinedly zealous administration, established an apparently prescriptive framework which was more than an effective match for most locally adopted plans. The scientists were in charge.

One clear frustration felt by the development industry is that the general policy guidance notes are being used to promulgate a specific and quite opinionated urban design philosophy. An obvious example to cite is the emphasis on mixed use. This goes quite beyond maintaining town centre vitality with which it is often linked and is informed by the requirement for sustainable development which, as an abstract concept, commands universal support.

At the famous 1995 speech delivered by John Gummer to the Royal Fine Arts Commission he was widely quoted as saying that he was not interested in “tokenism” in mixed use development and that he would be inclined not to favour new major development schemes which were anything other than thoroughly integrated. This strongly principled approach represents the current orthodoxy. The notion is that shops, employment and recreational centres should be close together so one, preferably pedestrian, journey can serve several purposes.

Put like that it seems to me to be venerating the north-eastern mining village of Sir John Hall’s youth as an ideal sustainable form. Conversely, to question credibly the prevailing orthodoxy it is incumbent upon the development industry to be more honest. Faced with a proposition to which its fundamental objection is actually commercial, our industry resorts to its normal course of response. It attempts to claim the barricade of impracticality. You will be familiar with the arguments that mixed use schemes are difficult to implement, require developers to work together, are unnecessarily time consuming, etc. Those not deterred by the first barrier, then have to face our industry’s defence of last resort. They are told that institutions will not fund. That almost always works.

The real reason that the industry dislikes mixed use is because, outside certain specific combinations, it is not particularly popular with the tenants and purchasers who represent our customers. It is all a question of definition and emphasis, of course, but most people, given a choice, tend not to want to live over shops or next to light industrial units. Increased density helps because they are happier to have uses juxtaposed. But there is no escaping the fact that they and their employers quite like working in Stockley Park, at Broadgate, or in one of the Inns of Court.

Illustrations come right across the board. Local planners know that riverside residential schemes are not improved by the commercial or B1 uses they are required to include. They just are not. Mayfair declined as a residential location after the Second World War, relative first to Kensington and then to Chelsea, because the increased office representation deadened the area's domestic appeal. Not typical the scientist would retort. But what is typical? Cities are revolving circuits of movements and flows, not a serial patchwork of self-contained neighbourhoods.

If the scientists are to impose or deny certain lifestyle shifts in the name of sustainable development, they are going to have to do a much better job of reasoned explanation than has been considered necessary so far. Unless customers' perceptions of what they want become changed, those customers will naturally expect a discount for what they are being required to take (which could mean less planning gain), or they will make the rational choice of relocating where they can have what they want. This might involve bidding up old suburban housing stock at one extreme, to multinationals moving head office to another country at the other. Were customers suddenly to convert to mixed use orthodoxy, I think you could take it that our industry would quite rapidly discover means of scaling the barricade of impracticability. Newly enlightened institutions would become positively enthusiastic about funding.

Elsewhere, the apparently scientific concepts of vitality and viability have been introduced in order to create a new industry of retail impact specialists and to baffle local authorities into being told what is good for their communities. But if you test the measure, it quickly gives way. Restaurants, bars and cafés have replaced much comparison retailing in Putney and Ealing High Streets, but it is certainly not clear that the vitality of either has been impaired as envisaged by PPG 6. I can claim no empirical support for the contention, other than having canvassed the opinions of my wife and neighbours, but I suspect most residents prefer the new, less viable, version of their high street.

Looked at from another perspective, if the ability to draw upon an affluent West London catchment afforded those two high streets insufficient protection against the clear and continuing trend towards aggregation in comparison retailing, it will take more than PPG 6 to maintain the national fashion retailer representations in other secondary centres.

Where the scientists have succeeded through inventing the notion of retail impact is in reintroducing competition and lack of need as legitimate objections to development proposals. Regional Offices and Central Government can expect to find themselves lobbied increasingly to oppose new retail and leisure schemes, supposedly on planning policy grounds, but actually for reasons of commercial competition. This position of arbitration, in what are essentially commercially competitive situations, sat uneasily on the shoulders of previous regulators and caused competition to be abandoned as grounds for planning objection. It rests still less easily with Central Government attempting to maintain the legitimacy of the overall system. They can never win. It may take some time but for the same reasons, in my estimation, we will come to see a much increased emphasis on PPG 13 in evaluating urban development proposals at the expense of PPG 6.

When is a planning gain, not a planning gain?

The populists already appear to be fighting back. We are given to understand that the scientists' proposals contained in the White Paper on Transport and Planning, and which were trailed as being quite radical in scope, were reconsidered in the light of their perceived electoral unacceptability. We were told that the proposals would raise billions of pounds from new charges on parking and driving. The discretion is now to be vested with individual local authorities as to where and how road tolls and parking taxes should be introduced to discourage drivers from entering urban areas and raise revenues for public transport reinvestment.

If decisions are genuinely to be made locally it will be interesting to see how the results work out. I read recently that 74 per cent of young people would opt for a driving licence over the vote. It appears a reasonable presumption that a majority would cast the latter in pursuance of the former.

Meanwhile, the scientific position on planning obligations seems fair enough on first blush, but again, as soon as it is put to the test by the populists it starts to look unnecessarily self-denying on the part of local communities and public transport providers. The scientists do seem to have recognised a certain sense of vulnerability on this point. Rather than maintaining intellectual rigour, they appear to be persuaded of the view that, when it comes to planning gain, one ought to have just the right amount of self-denial.

The recently issued circular concerning planning and affordable housing by the now enlarged Department of Environment, Transport and the Regions tells developers to forget reasonable and related: the presumption is that planning permission for new residential development will only be forthcoming if the application is accompanied by the requisite proportion of affordable housing.

When it is an affordable housing obligation

As with transport taxes, the scientific planner finds affordable housing truly seductive. It has the irresistible twin attractions of helping fund as well as fulfil the policy objective which it seeks to promote. *One* to make funds available for new affordable housing stock. *Two* (at least in London) to try to achieve the policy objective of a better physical integration between private and public housing provision.

The real consequence, I would contend, is to potentially prejudice the quality and breadth of development in strong markets and the likelihood of development at all in weaker conditions. This is not to gainsay the importance of subsidising housing in some form for those who need it. Merely to observe that legislation which will naturally serve to restrict the overall level of new residential development in the markets as we find them does not appear a particularly effective starting point.

I am no volume house builder, but I can see that if I was in possession of a few acres of formerly agricultural land zoned for residential development on the outskirts of Stevenage, I might shrug my shoulders and live with the consequences of affordable housing obligations. Brownfield sites in urban areas, the very places where Government is seeking to channel and promote new residential development, if they can stand viable development at all, invariably present a more complicated set of alternatives. The reality is that the affordable housing requirement, whether viewed as an obligation or a gain, can serve to tip the balance away from residential development.

How not to stimulate new urban housing development

Current joined-up thinking seeks to impose mixed use and affordable housing in new urban development when the industry would, as a broad generalisation, prefer the precise opposite. As a further broad generalisation, it tends to be middle income couples with young families that comprise the majority making an active choice to leave our cities.

There is a strong argument that a more effective way of motivating them to stay is to start by allowing the market to give tenants and purchasers what they want. Making that argument goes back to the necessity for our industry to be more honest in representing the views of our ultimate customers. Real joined-up thinking would cross departmental boundaries and concentrate not on promoting mixed use but on contributing toward the improvement of inner urban schools.

It is to be recognised that the proponents of transferring to developers part of the obligation to enlarge the public sector housing stock can point to the last couple of years with a certain sense of achievement.

A recent LPAC report argued on the basis of recent experience that office conversions alone could supply more than 50,000 new homes in London over the next 10 years. They have just been lucky so far.

The point has been made recently by the Housebuilders Federation that the apparent success of affordable housing obligations, particularly in Central London, arose from certain peculiar and cyclical features in our markets. Tenant requirements for new office space and a spate of over-development in the early 1990s served to make available a substantial amount of second-hand accommodation capable of conversion to residential. In London and the major provincial cities residential demand recovered more quickly than commercial. The economics were such that, for a period, those second-hand properties were more valuable for residential conversion than for refurbishment to mid-range offices for which there was really very little demand. The same applied to new buildings on rivers and other well located or waterside sites, outside of absolute prime commercial areas. Even after factoring in the costs of affordable housing contributions, the numbers for residential came out ahead.

As we speak, the situation is pretty much entirely reversed. Commercial rents for best quality offices now hover around £50 per square foot in Central London and the underlying strength of the domestic economy has produced considerable demand from tenants seeking new or fully refurbished commercial accommodation at a discount to those price levels. They are price sensitive at levels beyond £35 per square foot but otherwise quite prepared to take accommodation in locations which might also stand new residential development.

Meanwhile, the demand for apartments has weakened, particularly in London where buyers from South East Asia, having previously accounted for a material proportion of new purchases, are now keeping their hands firmly in their pockets. You can take my word that there are few residential locations capable of competing with the per square foot capital value implied by commercial rents of £30 and over in London or £15 in the provinces.

In my estimation, even if we were to abandon rather than tighten affordable housing requirements, we will see less residential conversions and constructions in Central London in the next three years than we saw in the last. To the extent that the requirements serve to shift the economics away from residential development, the logical consequence will be to help support private residential price levels and maintain the gap which affordable housing has to fill. As illustration, my own company has existing or consented buildings aggregating over 0.5 million square feet that I now expect to remain in commercial occupation, having previously been pencilled for potential residential use.

One effective way of stimulating the construction of new dwellings in urban areas would be to allow land designated for industrial use to be made available for housing. That is the real switch, not with commercial. I simply do not understand the argument that says that employment generating uses should be afforded the highest land use priority in urban areas. Good quality housing attracts people, who in turn require service which attracts business and new economic development much more efficiently than the other way round. Give local authorities a real incentive to approve higher densities near existing railway lines and stations and allow them to negotiate planning gain, preferably for public transport improvements, whether directly related or not.

There is a further associated aspect that commentators are less comfortable in articulating in the new Britain of the 1990s, but which goes to the same point as the insistence on mixed use. As a general proposition, constructing affordable housing with protected tenancies tends to reduce the market value of the associated development. Purchasers prefer to live next door to purchasers. That basic customer preference continues to defeat the elaborate schemes for housing association/shared equity ownership promoted actively by the scientists but which appear not to have assisted substantially in the provision of affordable housing.

It is for the same reason that, given a choice, developers would almost always elect to pay cash. Not because they are buying their consent, merely because they are intent on achieving the most marketable product. If you offered them the alternative of United States style impact fees to on-site affordable housing provision, they would take it like a shot.

Left to me I would be more specific, I would make the developers put in underground garages to avoid heaping pressure upon residents' on-street parking and invest in public transport infrastructure rather than taking their cash. I would do so in the knowledge that, as a general proposition, such characteristics tend to enhance the value of residential development. I would be unashamed about the horse trade, comforted by the certainty that, as a minimum, I had at least maintained the size of the overall pot and may even have helped increase it.

The need for increased density

There is a scientific argument that contends that affordable housing requirements provide a useful counter to escalating land values. There is a point here but that is not it. The way to cause residential prices to trend down over time is through increased density.

Taking London as the example, existing policies, starting with St Paul's sight lines and ending with massing limits on new residential construction little changed since Georgian times, serve to raise residual land values on attractive sites. Most fundamentally, they act to establish a high percentage land cost within development appraisals. We should not worry about land values as such, rather the percentage of development costs represented by land. That is the figure we should be seeking to reduce. In the absence of ferociously prescriptive land use designations increased densities appear the most realistic way of achieving such reduction within a market economy.

The percentage cost of land in typical United Kingdom appraisals take United States developers' breath away. Partly because they have more land in Texas, but also because they have much greater density in Manhattan. Equally the reason that the United Kingdom development industry has tended to claim that it is uneconomic to develop on brownfield land is that it often is. Increased densities and relaxations in usage help raise contaminated land values hopefully above net zero. They generate meaningful development surpluses on attractive sites, a proportion of which can legitimately be captured to help reinstate the public realm through a more radical (and populist) approach to planning gain.

There is the further point that increased density also makes for more intelligent and efficient use of infrastructure investment. The alternative can only be higher public subsidies and greater urban sprawl.

High rise, high quality

It seems reasonable to insist that increases in density go hand in hand with improvements in quality. Private volume housebuilders compete for land and are then required to economise in design, space standards and building costs so as to match the price of their product against historic building stock. Increased density may just encourage a design culture by reducing puer unit land cost. It can also act as a spur to the introduction of prefabricated industrial building techniques such as those to be employed in the English Partnerships' development on the Greenwich Peninsula.

One of the most persuasive advocates of the introduction of engineering techniques into mass house building is the architect, Ian Ritchie. He also gave a paper to the Royal Fine Arts Commission (albeit somewhat less publicised) in which he drew attention to one of the more striking United Kingdom housing statistics: Georgian, Victorian, inter-war and post-war residential developments in each of their successive guises have all been of very similar density—around 100 habitable rooms per acre or about 240–250 rooms per hectare.

Ritchie is clear that we can achieve densities more than twice the current norm without compromising sunlight standards or privacy. He also identifies as one logical place for urban infill the inter- and post-war housing estates of our cities, often superbly located but with much meaningless open space between housing blocks. His real insight relates to the construction of private outdoor spaces. Of course people enjoy looking over squares (not that they have to be particularly large, or grand) but for those seeking to avoid repeating the mistakes of the past, the crucial missing ingredient in apartment block living space is the outdoor room. "The place", as Ritchie rather prosaically describes it, "to mend the bike, put out the washing, observe the kids playing in safety, to grow vegetables".

The problems of high rise were not only those of shoddy construction, but in the unconscious attempt to impose a middle class, and frequently childless, design ethos on lower income families. In Ritchie's terms, "The balcony, conservatory, oggia, has nearly always been placed beyond the apartment never as a threshold. Yet the idea of taking the bicycle through the apartment, through the lounge is daft, as is the notion that a parent can supervise the child on a balcony when s/he cannot see it from the kitchen".

In replacing back to backs with streets in the sky the architects and planners ignored the backyards that were integral to terraced house design.

Equally, those for whom mending a bike or supervising a family is not a priority prefer a balcony from which they can see and be seen. They are also prepared to pay the service charges to enjoy great views, have a porter accept delivery of dry cleaning and ensure that the lifts work. To inflict upon them density limitations on the basis of a failed post-war high rise social housing experiment is patently ludicrous. We need only to have the honesty to recognise that urban high rise requires above average levels of income or revenue subsidy to sustain it.

Should abandoning "predict and provide" extend to affordable housing?

This seems to me a reasonable question to ask in the context of new urban development. As illustration, I am not sure I would build any more large-scale social housing in the centre of London. It embraces the greatest extremes in economic prospects of any location in the country. Forty-six per cent of residents already live in social housing compared with 24 per cent nationally. Equally, no amount of densification is going to reduce the land values to zero, which is where they would need to be to avoid creating a new rentier class of private landlords charging for unemployed tenants at the housing benefit ceiling rate.

What I am clear about is that historic attempts at mass municipal high-rise housing were so uniformly terrible as to obscure the real economic benefit being arbitrarily conferred. If I were to build more I would make sure they had the equivalent of backyards. But if we are to quota new private development or build new municipal provision to the quality that we now can, how are we to restrict demand? I cannot think of a more compelling example of the essentially self-fulfilling nature of predict and provide as that of affordable (and, by extension, under-priced) housing in the core of the capital.

This is a dilemma for scientists and populists alike. I have three sons all born in Chelsea and Westminster Hospital, with what will no doubt be a fourth on the way. If they were to take low paid employment at that hospital I am not clear that it should be an obligation of the Royal Borough to provide them with affordable accommodation. I am equally unclear as to who would have any better claim. I think you probably have to subsidise incomes instead, if only to avoid undue generosity should financial circumstances improve.

How about a fourth attempt at development land tax to help fund urban renewal?

More generally, I believe that those who see property development as offering a consistent source of revenues, whether for affordable housing or whatever else, are likely to be sadly disappointed. Property developers are generally perceived as rich and there are certain circumstances in which planning decisions can affect land values to the tune, sometimes, of millions of pounds. (More often on the outskirts of Stevenage than on brownfield urban sites, but no matter.) All that needs to be identified, runs the argument, is a methodical means of ensuring that publicly created land values are regularly and reliably returned to the community. Better still, let us hypothecate the proceeds for reinvestment in urban renewal.

Three strikes and you are out is probably as well applied to unsuccessful statute as anything else. One might be able to construct an urban land tax as an extension of building rates. It might even act as a very limited spur to development by increasing the effective holding cost of derelict land. But a tax aimed specifically at capturing development value in some formulistic fashion is likely to suffer the same fate as its predecessors.

The difficulty is that property development is an inherently cyclical industry, not least because it is not really an industry at all. Rather it is a husbender of assets. Like stock markets, property markets can go up and down and the speed with which they move is typically much faster than that of manufacturing industry. As with other mediums for asset investment, one can cite conspicuous and apparently speculative gains made by developers and investors. Alongside these conspicuous gains one can also cite spectacular failures. Such is the nature of cyclical asset investment.

It follows that trying to predict the shape and duration of property cycles has all the inherent dangers of betting with other people's money. My guess is that the one we are in is quite long, at least in the commercial and industrial sectors. I say this with a certain sense of confidence only because the continuing upturn in tenant demand began almost six years ago. Even so, it is pretty clear that millennium and lottery projects are masking an underlying weakness in construction activity, relative to that which would be expected at the current point in the overall cycle. When the Dome is completed, which I will assume for these purposes to be the end of the next year, do not be surprised to see renewed pressure upon the Government to stimulate new construction activity.

Property is unusual, perhaps even unique, in that it is both a financial asset with which to speculate and a means of production and employment generation into which to invest. This confers an advantage to property development over other classes of financial assets of which it is important not to lose sight. Namely that society is minded to encourage speculation in the form of construction of new means of production. You might expect me to say this but I will anyway: the fundamental reason why development land taxes are unworkable is that they serve to stunt an activity which most of the people, most of the time, are keen to see promoted. That is why the activity has come to be called investment.

Development taxes serve to alter the profile of risk to a point where investors and speculators alike have better things to do with their money. A tax which sought to penalise the profits without reimbursing the losses is likely only to stop speculators investing and investors from speculating. They will go and put their money somewhere else where the odds are not so loaded.

So no more money then

It is not as bad as all that. Unlike the scientists, the populists are much less wounded by charges of inconsistency. As they start to find their voice in a stakeholder society, the populist planners will be able to claim pragmatism as their most important ally. Instead of having just the right amount of self-denial with affordable housing and Witney tested gain, the populists should come to embrace section 106 agreements with enthusiasm.

Hindsight also helps in judging which incentives work. Although accelerated capital allowances arising from enterprise zone status were taken on the construction of the adjacent hotel and commercial offices, Chelsfield has yet to claim those attaching to the Merry Hill retail development. Discounted back to the time of grant, the cost to the Revenue will be correspondingly modest. The real economic benefit being conferred indirectly through Enterprise Zone designation come via the planning system not via the Exchequer.

The scientists' argument tends to be that Merry Hill was a mistake. An unplanned and unwelcome addition to the retail hierarchy that ought to be prevented in future. It is a view. I take the contrary position which is that very large-scale retail consents in urban areas are like agricultural to residential switches in Stevenage, one of the few instances where land values are potentially transformed through the planning system. In general, we should not seek to tax land values but to reduce their importance. I do accept that in these two specific instances the scale of the advantage is different: the house builders in Stevenage should plainly be required to contribute planning gain. Large retail consents should be used as leverage to kick start comprehensive development within urban cores.

Those with vested interests or a romantic attachment to the old retail hierarchies look to PPG 6 to protect the existing retail framework. But seeking to re-energise towns is not to deny the possibility of changes within the hierarchy. At any one time a centre may be in decline or expansion, depending not least upon its population shifts and its ability to adapt. Competition and change are permanent underlying characteristics.

As with all vestiges of the interventionist state, planning is at its most vulnerable when it raises expectations beyond that which it has the capacity to deliver. In other spheres of economic activity such characteristics are recognised as healthy or, at least, overwhelming. If there was an absolute determination to protect the retail centre of Sunderland, those intent on maintaining the hierarchy would have been better advised to have ensured that the shipyards stayed open, for their closure had a much greater impact than the construction of the MetroCentre in nearby Gateshead.

A positive consequence of the MetroCentre disturbing the prevailing retail hierarchy in the North East has been the reappraisal by Newcastle City Council of its previous policy of discouraging additional shopping in the centre of Newcastle. Competition and change. A different policy would have upped the ante for Sunderland sooner, but may have helped pre-empt the unsatisfied demand that sustained the new retail development in Gateshead. Docklands and the planning policies of the City of London provide an obvious non-retail comparable.

Recognise a negotiating position, when you see one

We also need to get real about the nature of the benefits being conferred. Car parking was only one aspect. Much of the attraction of so-called out of town sites was that they were large and available. The major new retail centres constructed during the 1980s carry the advantage of each being in single ownership and subject to committed administration and management. They also commanded initial scale. These are benefits which maintain. Without the intervention of Central Government, Merry Hill ought to be more responsive than Central Birmingham because we own all of it. The same can be said without *caveat* for the two co-operating owners at Milton Keynes.

Town centre management helps in relation to existing schemes but difficulties in land assembly for new projects will prove, in my estimation, to be one of the most problematic considerations for Lord Rogers' urban taskforce. The Government is right to commence a review of compulsory purchase and land assembly provisions, but will need to confer much greater discretion back to local authorities if they are to have the confidence to pursue implementation.

Those large single ownership sites within the major conurbations should command maximum planning leverage. We should plan for them acting as a spur to comprehensive (which is only slightly different from mixed) development across a wider area. We should insist upon contribution to public transport infrastructure where residential land values support it. Local authorities should have independent discretion to increase density and massing, to stimulate development adjacent to public transport interchanges. We should accept that certain existing absolutes will have to give: densities, the high buildings policy and the moratorium on new large scale retail facilities in urban areas are those most worthy of populist challenge.

The results are not going to be enough to fund David Bayliss's capital budget, but they can make a meaningful contribution. Chelsfield have outline consent for a new development at White City on a 40 acre site which has White City and Shepherds Bush tube stations in diagonally opposite corners. Our proposals involve building a new depot on the Central Line and incorporating the tube stations within two new transport interchanges. The total cost of transport infrastructure funded by us will approach £125 million. We have also pledged contributions which we helped secure over £15 million of public SRB funding for various regeneration initiatives for the area north of the A40 up to Wormwood Scrubs.

The site is exceptional but other exceptional urban sites exist and can be made to exist.

I look forward to the day when local authorities are arbiters over density and use; are unashamed in their appointment of surveying practices to advise on any economic value being conferred by large planning consents; PPG 13 is the determining policy guideline and finally, those same empowered authorities are able to seek planning gain as a legitimate community benefit providing enhancement not mere compensation.

If the Government's proposals prove genuinely effective in devolving planning decisions, that day may prove closer than we all think.