



URBAN LAND REFORM BRIEFING PAPER NO 4 EXPLAINING PUBLIC INTEREST LED DEVELOPMENT

August 2015

This is one of six briefing papers prepared by Professor David Adams of the University of Glasgow to help explain key proposals for urban land reform made in 2014 by the Scottish Government's [Land Reform Review Group](#) (LRRG) to whom he acted as an independent adviser. This paper focuses on the LRRG's recommendation "that the Scottish Government should encourage and support a greater emphasis on public interest led development" (see pages 128-129 of the LRRG report).

What is the public interest led development?

Public interest led development (PILD) is where a local authority, government body or other public sector agency plays a leading role in driving forward major development to achieve specific public policy objectives, such as providing more housing, generating new employment or creating better quality places. Almost always, PILD involves some form of partnership between the public sector and private-sector landowners, developers and investors. However, by acting as the '[prime mover](#)' within such partnerships, the public sector can make development happen where it would otherwise not do so, or ensure higher quality development, where mediocre development might otherwise occur.

What are the advantages of public interest led development?

In most cases, PILD involves public-sector land acquisition and assembly, often followed by infrastructure provision, and where required, remediation treatment. Serviced land can then be split up into different parcels and sold on to private developers. As this suggests, PILD is primarily applicable to major development or regeneration areas, rather than small individual sites. Direct control of land ownership puts the public sector in a much stronger position to ensure well-integrated and properly coordinated development than where this is left simply to planning control. Moreover, there is [evidence](#) that PILD can speed up the pace of development, because it enables a greater range of developers to be involved in any development project (including small and medium-sized companies) and because the provision of serviced plots means that developers can start almost straightaway. As importantly, PILD is also an effective means to capture any value uplift from urban development through purchasing land at a fair price that takes account of all the public investment needed for major new projects, and in due course, recouping at least that investment through land sales.

What examples already exist of public interest led development in Scotland and the UK?

PILD was widely practised in the UK in the decades immediately after the Second World War, with the model used to build new towns and redevelop many obsolete or bomb-damaged town and city centres. Although less frequently used now, excellent case studies of PILD can still be found among some of the projects driven forward by urban regeneration companies in Scotland, and the Homes and Communities Agency south of the border. The redevelopment of [Dundee Waterfront](#), led by Dundee City Council is one of the best examples in Scotland today.

What examples already exist of public interest led development elsewhere in Europe?

PILD is widely used in continental Europe where most of the recent exemplars of new major urban development have been created using this approach. Three excellent European examples are Hammarby-Sjöstad in Sweden, IJburg in the Netherlands and Vauban in Germany, all reviewed in the Scottish Government's research on [Delivering Better Places in Scotland](#) (2011). Other continental examples which indicate what could be achieved in Scotland by such a fresh approach are [Hafen City in Hamburg](#) and [Malmö's Western Harbour](#).

What skills and expertise might the public sector need to develop?

PILD requires particular skills and expertise, such as development experience and market awareness, which are no longer always available within the public sector. By definition, it involves some form of risk sharing with the private sector, which evidence suggests may well be welcomed by many private-sector developers and investors, especially in regeneration areas. This makes careful risk management one of the essential skills in making PILD a success.

What funding packages might be employed to achieve public interest led development?

PILD requires up-front public investment, which could be financed from the sale of bonds or from other [potential investment sources](#). Indeed, with their 'triple A' credit rating, Scottish local authorities are in principle well placed to raise funds at competitive rates of interest. The LRRG thought that, when combined with their land, property and planning powers, this meant that local authorities were quite capable of initiating PILD, should they be encouraged to do so by the Scottish Government. Different models of public-private partnership, as set out in some detail in a recent [RICS Scotland paper](#), could be also employed as appropriate, to draw in substantial private-sector finance for actual development. Moreover, over time, profits from land sales could be used to finance new projects, making PILD self-sustaining.

Why not leave major urban development and regeneration wholly to the private sector?

In recent decades, major urban development in Scotland, as in much of the UK, has tended to be private-sector led, and involve fewer and fewer companies. But this has led to strong criticism that we are simply not revitalising or enlarging the physical fabric of Scotland's towns and cities well enough or fast enough. As Scottish Government's Council of Economic Advisers said in 2008, much of what has recently been built in Scotland "is a missed opportunity and of mediocre or indifferent quality. 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". Rather than expecting the private sector to take on all the risk of major urban development, a shared approach in which the public sector plays an important leadership role, is more likely to produce greater benefits for all.

Does this mean all development in Scotland would in future be public-sector led?

No – PILD would be expected to focus on selective major urban development or regeneration projects, where public-sector leadership can add real value in bringing development forward faster, ensuring effective infrastructure provision, capturing significant land value uplift and creating more attractive places. In many other parts of Scotland, small-scale development would continue much as before, although it would no doubt be influenced by any important lessons that might emerge from greater use of PILD.