E-SUPPLEMENT FOUR: THE PROCESS OF PROPERTY DEVELOPMENT

The Sequence

In this E-Supplement, which relates particularly to Chapters Two and Three , the stages in the development of a scheme by a private sector, commercial development company are outlined along with identification of the main ‘actors’ that is professionals involved in the development process (as illustrated in Figure 3.2 The Development Process, in the book, and the range of those involved in Photo I.3.1, in the illustrative material on the web for this chapter). The roles of the other land-use professionals are described in more detail in Chapter Sixteen, which also discusses the nature of the planning profession further. Whether the developer is in the private sector or working for the government, the principles and stages are very similar. Indeed the line between public and private, and between planners and developers has become more blurred, than when the taxonomy of the ‘development process; was previously ‘mapped’ (Ambrose and Colenutt,1979). But today there are still key processes, sequences and indeed conflicts and collaborations that need to be outlined. As with many dynamic processes many people are involved all at once, and the different stages and events described may happen in a slightly different sequence depending on the nature of the development (Ratcliffe et al, 2009).

Are the planners the developers?

There is often confusion as to the difference between the planners and developers. They are broadly two different groups, the developers being mainly the private sector people who initiate, co-ordinate and implement new building schemes, and the planners inter alia are those who exercise control over these schemes to ensure they comply with the public interest (Ambrose,1986). However, this picture is too simplistic as there are examples of private developers and local authority planners co-operating and entering into a 'partnership scheme', for example on large shopping developments, so they are not always completely separate in professional practice. Also local authorities may act as developers themselves particularly in the past in respect of housing and amenity developments.

Whilst Cadman and Topping (1995) include within the term 'developer' the property company who put the scheme together, the investor financing the scheme, and the builder Lavender (1990) argues that the term is usually reserved for the property development company itself, or the investor on whose behalf they are operating. Thus the developer is seen to be the individual or organisation who initiates a construction project: and therefore does not include the builder, designer, user, or planner. As has been seen the planner often takes the role of 'development controller' although in urban regeneration schemes the planning department may take on a more proactive, entrepreneurial role too.

Prince Charles has laid much blame on the architects and planners, but some would say that he should be attacking the developers, whom he seldom mentions (Prince of Wales,1989; Hutchinson,1989 and his ongoing Prince’s Foundation for the Built Environment and his related Architectural Institute in Regents Park). The architects in particular are heavily constrained in the designs they put forward by the requirements of their clients and the all-prevailing cost factor. The scheme may be directly financed by pension funds, insurance companies, trusts, or by the future users in a commissioned development. They will naturally be concerned that their shareholders and investors money is being invested wisely. Many insurance companies have their own in-house property advisors these often being surveyors and valuers who ensure that the 'portfolio' of property investment is well balanced, and that any actual development project is carefully evaluated. There may be an actual human need for better facilities in an area, but the extent of need is not the main criterion, as developers are interested in making a profit from the scheme. This is why on the accompanying diagram, 'The Development Process', Diagram 3.2, the first box is not the decision to develop, but rather the analysis of the property investment situation, as property (to the market) is no more than a commodity like racehorses and oil. But if they do not take into account and respond to human need they are unlikely to find themselves with a viable scheme.

Feasibility

Before proceeding, the developers might carry out a feasibility study as to the financial viability of the proposed development. This will involve bringing in the specialist skills of a development surveyor and property researcher for this purpose, possibly using the in-house expertise of one of the large London companies of chartered surveyors, who produce property market analysis reports. They will also need to consult with the local authority planners to find out what the zoning and overall policy is for that area. It is likely that in large or controversial schemes, planning consultants for the developers will produce a planning brief setting out the proposals as a basis for negotiation. The local planning authority may have already have drawn up its own development brief or policy statement as to what is acceptable in the area: particularly if they are located in an area such as certain parts of London where there is already demand to develop, and 'site finders' are scouring every square inch of the territory looking for development potential. The planning authority and developers are unlikely to see eye to eye at their first meeting but by a process of negotiation they can move closer towards defining a scheme which would be acceptable to both parties (Grover,1989).

Planning application

As explained in the first half of this chapter, in considering whether or not to give the scheme planning permission (Box III) the planning authority is not only concerned with the nature of the development itself, but with the additional traffic and car parking it is likely to generate, and with the visual townscape impact. Whilst developers are concerned with their specific site and want to get the best return from it, the planners are more likely to see the site in question in a wider context. Planners do not look at a site in isolation but in relation to its effect on the surrounding area,and consider the impact of this new development on the existing mix of uses. Are there already too many offices in this area? Would the use of the site for shops preclude its use at a later date for more social uses and provisions of facilities which are lacking? Would the development of a particular site prevent surface mineral extraction at a later date? Planners are therefore concerned with balance and adjusting all the land uses together, The fact that it is profitable to the developer does not necessarily mean that it is right from a town planning viewpoint. Likewise the planners may designate an area for development, but if the developers are not interested because of lack of potential profit then development sites may wait for years to be realised (Photo I.3.2, in the illustrative material on the web for this chapter).

Delay in gaining planning permission can cost a development company millions of pounds in interest payments, for *'time is money'*. In some cases a scheme may go to public inquiry to deal with objections from the general public; or to appeal if the scheme is refused and the developer appeals to the Secretary of State. One should not see the planners and the developers as necessarily being adversaries, in some cases the local authority and the developers will enter into a partnership scheme together. The local authority planners have powers which can help the developers such as land assembly and compulsory purchase, and the developers have expertise in getting the scheme off the ground which are of use to the local authority. It depends, to some degree, on the location, and more particularly the region, as some areas are keen to attract developers whereas in the South East planners can afford to be more choosy as there is so much competition between developers for the right to develop on different sites and will want to know which developer can offer the most favourable planning gain benefits to the community-. It has even been suggested that the planners ought to hold auctions and sell the right to develop to the highest bidder, as in California.

Undertaking the Development

When it comes to the design and building of the scheme a whole range of other property professionals come into play (boxes IV and V). First there is the architect who designs the scheme, it unlikely to be just one person but a whole team of skilled people. Interior architects and designers are also likely to have an important role, particularly if it is a shopping mall type of development to create the right lifestyle image for the consumers (Fitch and Knobel, 1990). The planners, both public and private, will be involved in respect of the overall layout and the relationship with surrounding buildings, particularly if the development is in, or adjacent to a conservation area. Car parking, goods vehicles servicing, public transport, and the overall circulation, access, and general road layout all need to be integrated within the scheme. This will involve the specialist skills of transportation planners, and also ultimately of highway engineers. The design process is likely to go on for many months, because of a thousand and one constraints and the question of the cost factor. Quantity surveyors in particular are responsible for costing out the 'price' of the building. The actual cost of materials and construction is only a small part of the final value of the property. There is also the cost of the land, the initial acquisition of the site, which can be a very substantial part of the overall investment outgoings. The value of the development once built is dictated more by market forces than by construction or land costs. There may be statutory requirements for public participation and community consultation on the scheme, and there is usually likely to be a level of public opposition to larger schemes.

The property lawyer will deal with easements (rights of way), and the restrictive covenants which are private legal controls against certain uses or types of development on the land. There may be a confusing maze of freehold and leasehold land titles to be dealt with. Separately professionals who specialise in building contract law, and 'project management' will need to sort out the contracts, tenders, and all the legal details of dealing with the large numbers of people, contractors, and suppliers involved in building the scheme.

Once the architect has worked out the design, the quantity surveyor must work out the cost, and the project manager in control must put it out to tender and bring the contractors in to build it. There is a multitude of detailed design factors and legal factors which must to be taken into account. The actual construction will involve a wide range of professionals such as civil and structural engineers, heating and ventilating engineers, etc, and also a vast range of building trades workers and labourers, all with their foremen, managers and back up administrators. The land surveyor also has an important role both at the beginning in setting out the site, and at the end when the development is completed, at which time it is likely that the Ordnance survey people will send someone along to check the details of the new scheme to be included on their mapping data system ready for the next revision. However it is also likely that they will have been sent copies of the new layout beforehand.

Disposal and management

When the development has been built it has to be let or sold (Box, VI). Following this the building and site have to be cared for, and managed. Again this is the job of the surveyor (Cadman and Topping,1995, Scarrett,1983, Stapleton,1986). There are the maintenance aspects to be considered, but beyond this janitorial role there are the other financial and legal matters to deal with too. A building is not just bricks and mortar but an ongoing investment, so matters such as rent reviews, dealing with existing tenants (such as chain stores or commercial office takers) and on-going letting policy have to be managed. In larger schemes specialist facilities management professionals may be utilised. At a later date questions of alterations or redevelopment of the scheme, or indeed the question of whether the original client owner wishes to sell his interest in the property and invest elsewhere. The vast majority of all office and shopping developments are not owned by the users, but are rented to them, the freehold, or head lease belonging to a variety of financial interests including insurance companies, pension funds, and investment consortiums, and sometimes affluent individuals. Thus the cycle starts again. But the speed of the process depends on the demand for development and the policies of the planners.