



PROPERTY AND PLACE DRIVERS

for a Green Well-Being
Economy

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CONTENTS

5 Executive summary

10 Introduction

12 PART 1: THE ROLE OF THE PUBLIC SECTOR

22 PART 2: PROPERTY AND A CHANGING ECONOMY

30 PART 3: INVESTMENT TO FINANCE CHANGE

36 PART 4: PLACE BASED OPPORTUNITIES AND CHALLENGES FOR
DELIVERING MIXED USE NEIGHBOURHOODS

54 Conclusion and next steps



EXECUTIVE SUMMARY

Scotland has to quickly establish a green ecological solution to the way we all function and this requires an interdependent approach. Delivery cannot be controlled by one party but is reliant on everyone doing lots of things because everything is linked. A key part of NPF4 policy is its promotion of an 'urbanism' approach to deal with our climate emergency. This means we need mixed use places where our needs are met by goods and services being conveniently accessible to where we live. The key challenge is whether urbanism principles can be applied at different scales? Most urban places are readily walkable but can suburbs and villages become mixed use places and transformed to fit the ecological agenda? It is these peri-urban locations where the greatest challenges lie.

To meet and respond to the climate emergency it is not just about building new urban typologies but how we adapt what we already have and make the best use of

our existing places. This means examining how suburbia might have a greater intensity of uses and activity. For Scotland to have a green well-being economy, a 'dormitory suburb' can no longer function as a sleepy place.

Neither can we just narrow our focus to a neighbourhood scale as there will always be influences well beyond the project's red line boundary. Therefore, any proposal has to give due regard to urban and regional inter-actions. Good places have diverse constituent elements that need to be inter-connected to provide a range of goods and services.

This is a complex assignment that is essentially called a 'whole systems approach' requiring spatial planning with a whole range of inputs to examine regional frameworks that bind together a range of economic and social activities.

PART 1: The Role of the Public Sector

1. To achieve a 'green well-being economy' the public sector needs to continue to be involved beyond policy and strategies. It needs to be a prime mover and play a part in investment and production
2. Changing to a 'green well-being economy' needs significant levels of orchestration in a very short period. The public sector has to provide strong clear motivational leadership to change cultural practices
3. To become an 'entrepreneurial nation', the Scottish public sector needs to act as a 'municipal entrepreneur'
4. The element of public sector participation is dependent on political choice but infrastructure investment and access to finance has to be provided by an 'enabling state'
5. Change can only occur by the public sector investing in people with multi-disciplined skills and experience who work collectively
6. To change habits and behaviour a strong collaborative culture has to be established
7. To achieve quick radical change the public and private sector must come together in a real investment partnership

PART 2: Property and a Changing Economy

8. A good Scottish economy should be well balanced with big and small activity
9. Covid recovery, Brexit and geo-politics are major issues and challenges for Scotland. These need to be structurally addressed at the same time as moving to a 'green well-being economy'
10. Post covid working could see more hybrid working with impacts on workspace requirements and the quality of that space
11. Investors are unlikely to change their focus on prime well connected locations and assets comprising of high quality of accommodation and specification
12. Businesses recognise the importance of being close to their networks. Face to face engagement and exchange is unlikely to be replaced by the video
13. Hybrid working also could have an impact on future housing design and/or creating flexible serviced space in a mixed use block
14. Measurement of economic performance is now moving to include wider matters than the worth of capital
15. 99% of all Scottish registered businesses are defined as small. Some 12% of businesses are self-employed which is slightly lower than the UK average at 15%
16. Hybrid working could mean people might choose to live further rather than closer to their place of work. Super commuting is a possible choice for those only working 2 or 3 days in an office

PART 3: Investment Finance Key Points

17. It is important to understand the differences between real estate 'development' and 'investment' criteria as well as the types of funds that support such activity
18. Investment funding is largely long term 'patient capital' that seeks growth prospects with lower returns than speculative development activity
19. Institutional investment is concentrated on prime locations. Secondary locations present a greater funding challenge
20. Institutional investors are now recognising the importance of adopting Environmental, Social and Governance (ERS) principles
21. The scale of project is an important funding consideration. Investment funding concentrates on larger scale activity
22. Infrastructure funding inevitably requires 'patient capital'
23. One of the Scottish National Investment Bank's 'core' investment strategies is to "invest where the private market is failing to invest". However, as a long term investor its focus is more likely to be able to support infrastructure rather than the short term interests of business start-ups
24. SMEs appear to have some confidence in growing post pandemic and are likely to be environmentally aware and willing to embrace net zero operations. However, accessibility to funds for SMEs are not evenly spread across the UK, thereby needing some assistance from the public sector
25. Good accessibility to funds that are affordable is essential to increase the effective contribution of businesses to the local economy
26. European mutual and municipal banking structures allow businesses to thrive in many parts of Europe. An 'entrepreneurial nation' could be greatly assisted by local innovation and production but this will need support from local funds
27. Municipal banks with a balanced board representation provides a greater opportunity to increase connections between local production and local investment

PART 4: Place-based Opportunities and Challenges for Delivering Mixed Use Developments

28. Focus for commercial development is centred on prime urban areas
29. Edge of town office, industrial and retail parks are not encouraged under NPF4
30. NPF4 policy seeks denser urban forms of development with a lower reliance on private transport. This is a radical change to suburban typologies that have been preferred by a significant amount of citizens and developers for many generations
31. A 20 minute neighbourhood needs a population of between 5,000 and 7,000 people if it is going to provide health and education services along with other daily needs of its population. A suburban typology will roughly require twice as much land as an urban density to achieve the principles associated with a 20 minute neighbourhood. New neighbourhood developments are an important development policy but there needs to be other scales and typologies
32. An urban density will require apartment living. The challenge is to establish demand for families to live in flatted accommodation rather than suburban style housing
33. Large scale housing can attract commercial supporting uses but these are currently focussed on car convenience
34. A place-based proposition seeks to replace the traditional zonal approach in planning
35. Emerging demand for high street space is coming from hospitality, beauty therapy and other leisure based services. By increasing foot fall there is potential for some retail to return but this is dependent on how the use classes order is applied
36. The Scottish Use classes order is 25 years old and reflects a zonal approach to planning. The use classes order requires updating to fit a mixed use neighbourhood approach

37. NPF4 policy is effectively an urban regeneration approach that seeks to focus new development towards the re-development of brownfield land rather than in green fields. Some regions will not have the same regeneration challenges and have limited development land available
38. A brownfield regeneration approach often requires infrastructure / enabling works. Such initial works are invariably undertaken either by the public sector or on its behalf
39. Infrastructure goes beyond a site focus particularly in the provision of 'heat networks', distribution capacities and storage
40. Brownfield vacant and derelict sites are usually located in areas of low market demand where values can be lower than the cost of development. Therefore such locations often require supporting subsidy
41. Brownfield sites can have fractured ownerships which require 'site assembly'. Such action often needs the use of compulsory purchase powers to be exercised. The use of CPO powers has been somewhat mixed due to their rules, methodology and inevitable resulting delays. The Scottish Government has given a commitment to providing a new CPO law within the current programme for government.
42. Mixed use development requires a careful synthesis of interests both in terms of achieving 'quiet enjoyment' of one's premises, being good neighbours both in daily routine practice and in the legal definition of property interests, rights and obligations
43. Suburban activity is driven by perceived safety, security and convenience whereas urban living can be thought of as chaotic and unpredictable. A change to a different lifestyle needs sensitive promotion and market re-positioning. A move to more urban living could take a generation to deliver
44. Compared to comparable European cities, Scotland's public transport network takes longer and commutes fewer people from home to work. To compete with such cities a significant investment is required to achieve reliable, comfortable and affordable fast transit for people to get to their places of work
45. Places such as Germany, the Netherlands and Scandinavian countries have exemplar mixed used neighbourhood developments. In Germany exhibition themed programmes such as the International Building Exhibition (IBA) provide an excellent example of taking experimentation to customary practice. With great skills and motivation the IBA principle could be applied in Scotland to give focus to our quest for a 'green well-being economy'
46. Creating new 20 minute mixed use neighbourhoods is a large scale development and investment proposition. This will be undertaken by only a few developers possibly in some form of partnership with a public organisation. The 'master' place investor will create the neighbourhood framework such as project servicing and infrastructure with subsequent finer grain of plot development being undertaken by a variety of developers including private companies, housing associations, community enterprises and individuals. Such multi action should be implemented under appropriate codes and regulations by the 'master place investor' to achieve a blended quality of place.
47. Real Estate is responsible for around 40% of the planets carbon emissions therefore repurposing buildings and places and improving how we deal with waste is of paramount importance
48. Too many buildings have been demolished after 25 / 30 years but financial investment assessments are changing such as different public partnership approaches and the disappearance of 25 year lease arrangements
49. The circular economy principles needs to be applied to material components and services as well as the structural fabric.
50. Property maintenance should be planned rather than being reactive

If we want mixed use neighbourhoods it needs to reflect customer demands and preferences. Of course many of those preferences need to be reshaped to be consistent with climate emergency requirements.

Gestures of mixed use by a token shop under an apartment block will not change anything. Customer experience now goes well beyond retail requiring places to include a variety of hospitality and lifestyle services. Such services, along with a range of public service provision, may well see increased 'foot fall' potentially stimulating a return of some retail offers as well as new complimentary activities.

The notion of neighbourhoods being places of leisure and high on hospitality might not wholly fit with some people's notion of what a mixed use neighbourhood might look like. The greater the activity the greater the challenge will be in minimising potential tensions between uses such as housing and bars. Such matters have to be carefully planned, mitigated through design and opening hour regulations.

Essentially, mixed use developments are much more challenging to deliver than zonal based development. The labyrinth of multi property interest has always created challenges for investors with buildings and spaces designed in such a way that potential disputes are minimised if not avoided. Property rights and obligations have to be very clearly defined. Such things are complex challenges with additional risks attached which rather explain why markets have a preference for simplicity.

The planning system will need to adapt to a place based neighbourhood development approach but it needs to be aware that places operate at different scales. It is not feasible to expect smaller scale developments to provide all amenities and people will need to travel further afield to access their requirements.

The Use Classes Order is not well suited to reflect the required inter-action of uses and will certainly need amending to reflect the policy objectives.

The proposals for walkable productive neighbourhoods are being promoted all around the world. Such a typology working will always work best in urban places where infrastructure is in place and effectively new development is contributing and helping to transform what is already there. However, development in brownfield settings will need underlying value to achieve viable proposals and attract private investment. Viability should not just be seen as a technical solution to a 'dirty' site but how the whole neighbourhood currently operates, what types of service and provisions are offered and what is its value?

A Scottish green well-being economy is a worthwhile proposition which will be realised with everyone acting as co-investors and co-creators. Such a challenging objective will not be successful through policies but real action. That is acknowledged by the Scottish Government and co-operation is the only way to make it work.

INTRODUCTION

This paper has been prepared to inform the report 'Investing in our Place: delivering the Place Principle in mixed-use development'. The report was commissioned by Scottish Enterprise to assist in the delivery of mixed-use development. The focus on neighbourhoods, their development and renewal, is regarded as an important policy element in contributing to a greener, fairer and healthier Scotland.

This evidenced based contextual paper examines the important aspect of moving from policy to implementation by examining and reflecting on the economic and real estate factors that should be considered and addressed when seeking to deliver recent policies such as the National Strategy for Economic Transformation, the Fourth National Planning Framework and the Transport Strategy (NTS/STPR2). In effect it discusses the pre-conditions that need to be considered by place investors if there is to be effective mixed use developments compliant with the Place Principle and which will help deliver National Planning Framework 4 and other Scottish Government Strategies.

The Scottish Government's key underlying strategy is geared towards addressing the 'climate emergency'. The drive towards net zero carbon emissions by 2045 is effectively a 'non-negotiable position'. It has to be achieved and we have little time to get this right. Just over 20 years may seem a reasonable period but it will take every moment of that period to transform the way we live and work. It will require citizens to adjust their daily habits, it will require businesses to change their production, their operational processes and how they engage and trade with customers. It will also significantly impact on the way we create, organise and invest in property and our places. This is a substantial radical challenge.

Government policy and strategies highlight vision, mission, and goals but as the Scottish Government readily acknowledges, ultimately, it is only outcomes that count.

Therefore, it is the doing bit that we must get right and setting out the economic approach is important. Setting out their National Strategy for Economic Transformation, the Scottish Government is looking to create an economy that is rebalanced through the encouragement of micro and smaller businesses that are innovative, agile and entrepreneurial in their response to our climate challenges. Their argument is that a well-functioning economy is one that is balanced, inclusive and fair allowing opportunities for everyone without being prejudicial to our environment.

The Scottish Government recognises that there's a need to change our individual and collective habits and behaviours. This requires a significant change in how we function and what we value. There are lots of things to improve. The OECD league table on productivity highlights that Scotland has consistently remained in the mid-table for some 20 years – 16 out of 37 countries. Productivity is inextricably linked to connections such as investing in infrastructure, particularly technological, skilling and improving access to markets. Such connections can only operate when there is a co-operative working between all the interests whether the public sector, markets and citizens.

“As a country we will be judged on the outcomes we deliver, not the strategy we write. Words and intentions matter, but only actions deliver change.”

Kate Forbes MSP
Cabinet Secretary for Finance and the Economy
Foreword to National Strategy for Economic Transformation
2022

The Economic strategy is being promoted through five programmes:

- **An ‘Entrepreneurial Nation’ -** where significant emphasis is placed on Scotland becoming an ‘entrepreneurial nation’. Entrepreneurial action is usually through small scale risky interventions where there is untapped, often unproven, market demand requiring innovative production models. In essence, entrepreneurial practice is doing something new or different to conventional practice. Such activity largely operates within a short window of opportunity requiring nimble athleticism to jump quickly into action. Being often risky, lacking in evidential support, promoters of innovation often have difficulty in raising funds. To transform to an ‘entrepreneurial nation’ some hand holding support will be required.
- **Widen Scotland’s economic activity -** by participating in new market opportunities that create ‘new well paid jobs’ and contribute towards net zero targets. To some degree property investment can be anticipatory, but given the radical policy shift, investment is more likely to be responsive to the accommodation requirements of emerging new market operations.
- **Greater productivity and innovation** – to be achieved from ‘businesses, industries, regions, communities and public services’. Such productivity and innovation improvements will include the making and remaking of places and buildings. With existing places comprising of multi-fragmented ownership interests, re-modelling existing places will require some significant forensic investigation, co-

ordination, leadership, promotion and investment. Commercial investment has always had an element of speculation but changes into unknown territory require a guiding hand. That hand needs to come in the form of shared commitment from public partners.

- **A well skilled and trained workforce** that can respond to the proposed structural economic changes. A place based approach to transformation requires the input of multi-disciplined skilled and experienced teams. In the public sector we’ve seen a significant reduction in budgets and staff. Skilled people have been lost and it takes time to gain the requisite skills and experience to make informed decisions. However, time is very limited to set the right direction for transformational change to a zero carbon economy.
- **A future economy provides high levels of employment with good levels of pay as well as reducing ‘structural poverty’ and poor health outcomes.** This focus on disadvantaged communities where there are often tracts of vacant and derelict urban land that requires a collaborative approach to fix what remains an existential issue in post-industrial areas of Scotland. Enabling public infrastructure investment interventions will encourage private investment to operate in locations that markets have previously avoided.
- This introduction highlights that there are some serious challenges to move from the Scottish Government’s mission to realising a ‘green well-being economy’. It certainly will not happen overnight and it certainly will not happen without an incredible amount of goodwill and co-operation from all parties.

PART 1: THE ROLE OF THE
PUBLIC SECTOR TO
DELIVER A WELL-
BEING ECONOMY

A policy context outline to address the climate emergency

The Scottish Government wishes to promote the 'Place Principle' as a key planning tool for moving towards a 'green well-being economy'.

The 'Place Principle' has been largely driven by environmental, social and health matters although in reality it applies to everything that we do. The Planning (Scotland) Act 2019 underpins the focus on place based approach by confirming the purpose of spatial planning: "to manage the development and use of land in the long term public interest". Investing in the delivery of great places is fundamental to this purpose.

Building on that legislative purpose, Scottish Government wishes to see an integrated policy approach that draws up policy proposals on development and investment contained in National Planning Framework 4, the National Strategy for Economic Transformation, the Transport Strategy (NTS/STPR2), energy strategy and other related matters.

Scotland's National Planning Framework 4 is at the forefront of developing a planning delivery framework for addressing the wider ambitions of Scottish Government.

While the NPF4 represents a broad vision of what is required, it also forms part the statutory development plan that will also include local inputs. This policy framework is just the start of the delivery process. Planners also need to be part of the investment team where the state plays a collaborative helping hand in delivering the exacting and radical proposals for making Scotland a greener, healthier and more equal nation.

The NPF4 refers to the creation of a Scottish green well-being economy which is an ambitious goal but this needs more than policy to shape the way the economy and how citizens are able to function. The NPF4 is likely to have a radical impact on markets as we move towards a zero carbon economy. New ways of operating need to be quickly understood and executed. A key challenge is how do we deliver policy into practice?

The Scottish Government in their National Strategy for Economic Transformation and the National Planning Framework 4 proposals require a radical change to create a 'green well-being economy'. Getting people and businesses to change their habits and behaviour means that such a radical change will require significant leadership and commitment.

The Scottish Public Sector is the Champion Promoter and Participant

“almost nothing that government does is considered to fall within the production boundary, Government spending is seen purely as expenditure and not as productive investment. What that spending might be regarded by some as socially necessary and by others as unnecessary and better done by the private sector, neither side has made a robust case for government activity as productive and essential to creating a dynamic capitalist economy. Too often ideology has won over experience.”

The Value of Everything, Mariana Mazzucato, 2018

The public sector is geared to carrying out statutory matters such as regulation and service provision. Investing and delivering speculative development, even when argued as a public good, is not seen as the traditional role of the public sector.

Professor Mazzucato argues that the public sector should be recognised as a ‘value creator – inventing, not just spending’ which, she argues, needs a switch from facilitation to ‘co-creation’.

The economy, like a giant ship tanker, needs time to change direction and needs a pilot to chart the way. In this context, that pilot is the Scottish public sector with all its emerging policies and strategies requiring society and business to address the planet’s climate emergency. Change normally takes generations but to achieve zero carbon by 2045 we need to be quicker. This means impactful state intervention which is not just about acting as the policy maker but as a leader, promoter and investor.

A National Strategy for Economic Transformation to change economic practice

The Scottish Government’s National Strategy for Economic Transformation <https://www.gov.scot/news/scotlands-national-strategy-for-economic-transformation/> published in March 2022 is for a period of ten years which is only the start of the transformational journey. The NPF4 plan period until 2045 is a sensible time frame to plan and invest in radical change. Given the complexities and externalities in an economic system, flexibility is required to ensure strategies are constantly monitored and adjusted to deliver a zero carbon Scotland by 2045.

The National Strategy is supported by a raft of economic evidence and analysis and while Covid recovery was recognised, it is still too early to accurately determine its full impact along with inflationary impacts resulting from external events such as energy prices and the war in Ukraine. Forecasts suggest that it is entirely possible that the UK economy will

be in recession with a potential stagnation period over a number of years. Therefore, a relatively short term national strategy could be vulnerable to significant external impacts and related risks.

Over the last 120 years there have been greater periods of economic crisis than stability and for this reason it is important to take a long term investment view in the planning and shaping of our economy. Such a long investment period allows long term borrowing to cover and smooth the rises and falls of economic activity.

A Strategy to be Entrepreneurial

The National Strategy promotes Scotland as an 'Entrepreneurial Nation' equipped with levers such as public development banks, growth 'accelerators' and 'catapult' networks. Whatever the terminology, a great deal of support will be required to generate a change in enterprising practices.

To bring about an enterprise culture, the public sector involvement also needs to be an investor as well as an enabler. This includes creating investment structures, establishing an efficient infrastructure network and creating wider access to sustainable funds. As Scottish Government highlights, the public sector can't do everything but it can focus on the things that others struggle to do.

It is clear that radical change to the way our economy functions needs co-operation from the public sector, private investors and community participants. The notion of strengthening smaller scale activity and motivating innovation by building of an entrepreneurial nation makes some sense.

With sensible regulation and collaboration for a green mission, the corporate sector has the capacity and wherewithal to organise and take care of itself. The corporate sector is already engaged in Environmental, Social and Governance – ESG – processes recognising that this is the global direction for international businesses. Also customers are now more informed and supportive for the move towards a net zero carbon world.

While corporates have the resources to respond to change, smaller operations inevitably find it challenging. Small businesses are often compromised in accessing markets and financial capital. By definition, entrepreneurial activity is small activity with lots of individuals and small groups trying to be innovative but often lacking in resource to move their idea to action. Inevitably to stimulate that action a supportive state is needed. Therefore, the first move to achieve an 'Entrepreneurial Nation' is for the public sector to become an entrepreneur.

An 'Enabling State' as the Economic Throttle

The public sector is already acting as an enabler with such things as 'Catapults' and 'Accelerators' but the objective of zero carbon economy will need public investment in many other things directly or in partnership with private investing and action making stakeholders. Such action requires some speculation and risk taking to induce confidence in wider participation from both small and larger participants.

Public sector involvement was very evident in post war Britain through regeneration initiatives and new town development. At that time the public sector, had little

option but to commit towards a delivery path through long term investment and participation. It wasn't just about borrowing long term funds but generating both leadership and a public workforce with the necessary competencies. The technical and delivery skills and experience employed in government agencies and local authorities were substantial. A change in political direction saw the erosion of public budgets, skills and an emphasis on policy and regulation rather than investment and action. Climate emergency measures give us little choice to apply a similar approach to that experienced immediately post war.

Building up teams of skilled and experienced people will take time. 'Business accelerators' and 'angel investors' are examples of a supporting environment and such an approach along with education and training programmes will need to be rolled out for wider groups and across different geographies.

A Collaborating and Partnering Public Sector

“The Scottish Government and the business community should take urgent action to develop a new collaborate partnership on the strategy for Scotland's economic recovery”

Towards a Robust, Resilient Well-being Economy for Scotland: Report of the Advisory Group on Economic Recovery, (page 41) June 2020

In their report 'Towards a Robust, Resilient Well-being Economy for Scotland, <https://www.gov.scot/publications/towards-robust-resilient-wellbeing-economy-scotland-report-advisory-group-economic-recovery/> June 2020, the Advisory Group on Economic Recovery (AGER) suggested that there was a greater need for increased connectivity between government bodies and agencies to assist in knowledge, understanding and opportunities. Essentially this is a call for greater collaboration so that practice can inform policy rather than policy directing practice.

While government may support activity through investment in infrastructure, the AGER report interestingly suggested that the state may seek to hold stakes in businesses particularly where it can provide greater supportive assistance between education and work.

A Triple Helix Model to stimulate a knowledge economy

The AGER advocated greater levels of partnership between private sector investment and the public sector. This advice was recognised within Scottish Government's Economic Recovery Implementation Plan (August 2020) Importantly, the AGER suggested that the Scottish National Investment Bank could fill the role of meeting the need for an investment institution as the hub of Scottish economic functioning and supporting the move to a net-zero economy and society by 2045.

The AGER report also advocates that the National Investment Bank should invest in 'place based projects' and innovation.

This support is likely to include universities, digital infrastructure providers and the third sector.

The AGER report makes it clear that the economy “can only thrive if there are successful and supportive relationships between business and government.” It is suggested that there is a need for a “Team Scotland” approach that involves a “broad collaboration between policy officials, regulators, funders, higher and further education, innovation centres and the private and third sectors”. Such a call is a focus around achieving a knowledge economy through the exchange of skills and experiences.

“Team Scotland” was subsequently re-cited within The Scottish Government’s The Scottish Government’s National Strategy for Economic Transformation. The Cabinet Secretary for Finance and the Economy is looking for ‘bold, ruthless and laser focussed’ action to bring about ‘systemic change’. The Cabinet Secretary acknowledges such change needs leadership and a ‘relentless’ focus on delivery.

The AGER report argues that this is required to attract the “right kind of partners and investors to Scotland”. It suggests that following the pandemic as well as the need to achieve a net carbon green economy and society, it is highly likely that the Scottish Government will have a greater stakeholder interest in both large and small Scottish commercial activity.

The Advisory Group’s work suggests a ‘Triple Helix’ model of innovation where public sector organisations, universities and commerce work together to stimulate a knowledge economy and deliver public

benefit. This regional approach could, in certain locations, be well suited to place based initiatives and stimulate entrepreneurial practice. To quickly recalibrate economic practice towards a zero emission world, a Triple Helix approach should be considered as an appropriate model which could sit at regional and sub-regional level effectively acting as the agency for change.

The AGER recommendations on greater levels of partnership working and the Scottish Government having a greater stakeholder interest in both large and small commercial activity, raises a fundamental question as to what extent should the public sector participate in economic matters?

The public sector is more versed in statutory regulations and providing public services. Local economic development inevitably requires a degree of risk taking. While the private sector can deliver many things, they can be too unwieldy and disaggregated to orchestrate, champion and lead change. Such change to a green economy needs quick impetus through decisive leadership from a single organisation albeit working collaboratively. Such a body might take the form of an explicit Triple Helix model entity which has democratic representation as well as others with business and community focus.

The ‘Prime Moving’ Public Sector

Moving to a green well-being economy as quickly as possible requires the public sector to play the role of ‘prime mover’ to lead, promote and invest in a range of public interest benefits associated with a green well-being economy.

There is plenty of precedent for the public sector taking the prime mover position. Regeneration and new build development have been led by Urban Development Corporations, Urban Regeneration Companies as well as development agencies such as Scottish Enterprise and its predecessor Scottish Development Agency.

However, unlike previous regeneration initiatives delivery now needs to move from a ‘top down’ approach to greater collaborative action with private and community interest involvement. This form of delivery is being undertaken in the Clyde Gateway URC regeneration project <https://www.clydegateway.com/>.

Level of Public Sector Participation

While the public sector needs to lead and orchestrate it also needs to determine at what level it should participate.

In carrying out its leadership role, public sector organisations will need to adopt commercial entrepreneurial practices to encourage and enable wider investment participation. The challenge is to balance a commercial approach at the same time as maintaining the planning purpose highlighted in the 2019 Act of ensuring developments and their use is ‘in the long term public interest’. Given the need to create urban green solutions on brownfield sites, the risks have to be carefully managed. This will require development partners to be engaged at an early opportunity to help

inform and shape investment with their knowledge, skills and experience.

The NPF4 policy is seeking to guide activity towards brownfield regeneration activity with the majority being located in low valued areas. Such brownfield sites are often vacant and / or derelict highlighting that there is little demand for market activity. By closing off supply in green field settings doesn’t necessarily follow that developers will automatically switch to brownfield alternatives as each opportunity requires diligent investigation as to its potential economic viability. Investors are driven by clarity and unknowns are inevitably deemed as high risk. Such unknowns will include technical assessments including potential contaminants, ground stability etc. It will also include an assessment of the market values within the area. Low demand is associated with low value thereby adding to the risk matrix. Such circumstances are inevitably common in brownfield regeneration settings and more often than not require a supporting role from the public sector to help promote and support investment.

Public Sector investment

With a substantial call on the public sector’s financial resources, the raising of funds remains probably the largest challenge for the public sector.

However, taking fundamental measures to save the planet means funds need to be sourced. As the AGER points out these might include prudential borrowing, loan guarantees, bond issues etc. Other funding proposals may include the use of local authority institutional pension funds and more radically a devolved banking structure of mutual and municipal lending organisations potentially through the National Investment Bank. It is acknowledged that all of these options will be complex but radical action requires radical measures.

Need for Multi-disciplinary delivery experience and skills

While planning policy has established visionary principles, there is now a requirement for multi-disciplinary professional teams with significant skills and experience to deliver projects. Unfortunately a significant amount of development skills and experience have been lost in the public sector as a result of budget cuts and a general move towards a more strategic policy position rather than development action.

Continental European good practice is delivered by multi-disciplinary built environment teams that have practical day to day knowledge and experience of planning, design, property investment and development.

In the UK this in-house expertise has largely been transferred to the private sector. While expertise may be purchased on a project by project basis, a prime moving public sector organisation acting as principal client must also have well informed experienced people to lead and direct operations. It must also have good people to communicate and engage with a raft of interests namely those that live, work and invest in the neighbourhood as well as developers and funders.

The Options for Prime Mover

The public sector, depending on political commitment, priorities and resource allocation, can undertake the role of prime mover by way of a number of options.

1. Acting as the principal project champion – this option maintains power in all crucial decision making and requires the public sector organisation to be first

in and last out. Having such control the state needs to take a reasonable amount of risk although some risk can be shared with other participants. In acting as the champion, the state needs to employ a collegiate approach bringing together a wide range of interests in addition to developers. An essential part of the team, particularly in existing neighbourhoods, is to ensure that citizens and groups play a full role in the project. Maintaining control is a traditional municipal model of delivery often used by well-resourced development agencies. However, to achieve consensus, early engagement with communities and commercial organisations is a crucial part of getting decisions right.

2. Initial Prime Mover Transferring before Project Action – where the public sector organisation acts as an enabler by undertaking pre-contract activity such as land assembly, master planning and obtaining planning in principle. The public organisation may undertake enabling works to clean up the site along with other site preparation and infrastructure services. Once the site is deemed to be marketable, the land assets and risks are transferred to a third party to undertake the development. Such an approach is fairly common practice by Scottish local authorities and other organisations. This approach enables the public sector to set the development parameters, conditions and then looks to others to implement the works along with associated risk. Transferring the asset while passing some risk also means losing an element of control although such loss of control can be mitigated through contractual terms and conditions.

3. A Joint Venture with the Public Sector participating in some action

making. This option is a blend of the above options. It certainly carries additional risk by participating as a joint venture partner but it also maintains an element or even a golden share of control in the project. Where the public sector has multi aims and objectives from a project, this blended option provides a more pragmatic realistic approach. Typically, the public organisation may be the land owner whereas the private partner brings funds and expertise. Such an approach is sometimes referred to as a Local Asset Backed Vehicle (LABV) which has been employed by a number of public organisations carrying our regeneration projects in England.

Key Points

1. To achieve a 'green well-being economy' the public sector needs to continue to be involved beyond policy and strategies. It needs to be a prime mover and play a part in investment and production
2. Changing to a 'green well-being economy' needs significant levels of orchestration in a very short period. The public sector has to provide strong clear motivational leadership to change cultural practices
3. To become an 'entrepreneurial nation', the Scottish public sector needs to act as a 'municipal entrepreneur'
4. The element of public sector participation is dependent on political choice but infrastructure investment and access to finance has to be provided by an 'enabling state'
5. Change can only occur by the public sector investing in people with multi-disciplined skills and experience
6. To change habits and behaviour a strong collaborative culture has to be established
7. To achieve quick radical change the public and private sector must come together in a real investment partnership



Figure 1. Clyde Gateway East

PART 2: THE ECONOMY
AND PROPERTY
INVESTMENT

An Economy with a Good Structural Balance

A good economy is one that has good structural balance. All economies can suffer as a result of external shocks but those economies that have good balance are more likely to be protected from the severest impact.

Economic growth is expected to recover from the Covid crisis and at some point it is hoped that global stability will return after the current war on Ukraine. Over the next two decades, China and the US are expected to continue to dominate markets with Europe seeking to maintain its position as a leading economic participant.

It remains to be seen what the full impact of Brexit has on UK's ability to compete and grow its economy compared with its competitors. Research undertaken by LSE <https://ukandeu.ac.uk/wp-content/uploads/2022/01/Expecting-Brexit-1.pdf> highlights that it may take some 10 years before the long-run impacts of Brexit become clear and how such Brexit impacts on UK regional inequalities. Such externalities present multiple challenging risks and unknowns for investors.

The three external shocks of Covid, Brexit and geo-politics have come at a time when the climate emergency requires us to radically change direction. This increases the challenge but, as some have argued, it creates an opportunity. Global financial institutions are aware of a short term need to transition from owning carbon generating assets and to avoid losses from disinvesting in such activity. For this reason, central banks are globally creating stress tests to identify the risks that the climate emergency will place upon the lending institutions that they regulate. Climate stress tests on top of other economic strains mean that lenders have to be properly capitalised, building capital buffers to absorb against credit, liquidity and operational risks as well as militating against extreme external shocks.

There are lots of complex issues to address when planning for an economic transition to a zero carbon world, but at the same time we also need to get our economy rebooted and growing while adjusting the structural balance of sectors, participants and locations.

Post Pandemic Economic Recovery

In 2020, the Scottish Government established an advisory group to consider how Scotland could economically recover from the Covid pandemic. The group was asked to consider how through economic recovery, a transition can be made to a 'greener net zero well-being economy'. This also included an examination on the sectoral and geographic differences and challenges.

In the foreword of the report there was a reminder of inequalities that were highlighted by Covid. While many people have worked from home during the pandemic, these people represented 90% of the top 50% of earners while 90% of the bottom 50% of earners couldn't work from home. The draft National Planning Framework 4 raises the issue of equality - *"Planning should respect, protect and fulfil human rights, seek to eliminate discrimination and promote equality."* (NPF4 Policy 4 Human Rights and Equality).

Changes in working practices have a material impact on the way people not only work but live. It has an impact on their accommodation requirements, whether they are working with their hands or their head. Self-employed manual work is highly mobile requiring small premises or maybe even working from a shed/store/garage at home. Such activity while convenient for the self-employed person might be less so for neighbours. Such matters illustrate how quickly economic circumstances can change

and what influences these might have on property, our places and environment. All of these matters have an impact on planning policy and the need for adopting an element of discretion, flexibility and adaptability in policy arrangements and the way the Use Classes Order is applied.

Notwithstanding changes flowing from economics or pandemics, the one thing that is known is that our work and customs need to change as our over consumption of materials and our habits are having a substantial impact on our natural resources and endangering the future of our planet.

A number of the draft NPF4 policies are predicated on the need for Scotland to become a net zero country. It sets out broad proposals for society to adapt by living and working in a more efficient and localised way seeking to reduce our dependency on such things as private transport and our energy consumption.

NPF4 sets out to reshape our economic functioning but this can only be achieved by understanding how that system operates and how it might be sympathetically flexed to adapt to necessary change. Such an operational system is never static, neither are markets perfect, nor do they operate within a vacuum.

Post Pandemic Impact on Working Environments

Investing in a post Covid period, businesses and property investors are assessing what lasting impact the pandemic experience may have on their operations and assets. Large corporations, particularly in Europe and the US, are considering ways of managing a 'hybrid' method of working. Not all businesses are expected to adopt a hybrid method not just because of operational

logistics but also the need for in-person interaction. Small companies are less likely to operate hybrid working patterns than larger corporate entities.

Evidence, thus far, suggests that businesses have an expectation that office workers will be in the office 2 to 3 days per week. In other words people will be expected to work in the office most of the time but not all of the time.

Even before the covid pandemic, businesses were aware that their commercial space was not being efficiently used. Additional inflationary pressures on operational expenditure, particularly energy costs, along with potential changes in working patterns is expected to lead to businesses evaluating their future property requirements.

This could include 'hot desking' and hybrid working space although it doesn't always follow that there will be a demand for less floor space accommodation as businesses are expected to respond to a growing employee demand for better quality accommodation that provides enhanced work environments, wellness benefits and a greater opportunity to inter-act with fellow workers.

In terms of future demand for office accommodation, suggestions have been made that demand growth will come from those engaged in technology, media and telecommunications.

Big and Small Companies

According to Scottish Development International there are some 364,000 private sector enterprises currently operating in Scotland of which 99% are small or medium-sized enterprises that provide 1.2m jobs.

Economic activity from small / medium operations has to some extent arisen as a result of the financial crisis. It is estimated that those people who are self-employed represent 15% of the total UK workforce (ONS). Scotland has the lowest proportion of self-employed in the UK at 12.4% - 329,600 people (SG 2020). Higher skilled self-employed people represent around 50% of the UK self-employed sector.

In 2020, an IPSE report estimated that the self-employed sector made an annual UK GDP contribution of £316bn. 16% of the sector comprised of those in artistic, literary and media occupations. Other skilled self-employed groups include managers and proprietors, healthcare, design, information technology, telecommunications, sport and fitness, business, research and administration. All these activity groups have grown in recent years, most do not need corporate style accommodation, are likely to be largely lower in covenant status [risk of meeting tenant obligations] and likely to be flexible in their accommodation requirements.

It remains unclear as to how many people have deliberately chosen to be self-employed or whether this was as a result of being made redundant. In Scotland roughly three quarters of the total workforce is within the private sector and one quarter in public service. According to SG Labour market survey between 2004 and 2019, Scotland has witnessed an increase in higher skilled jobs whereas low skilled jobs have declined.

Good Places are Important for Investors

While small is very important, Edinburgh, Glasgow and Aberdeen are all in the top ten of UK cities that attract direct foreign investment. Such investment is focussed on digital technology, agriculture/food and

services industries. However, it is not only about what Scotland is good at but also that we need to have good places and a positive outlook. Edinburgh is increasingly being acknowledged as having an entrepreneurial spirit with good potential for growth as well as having better quality of life indicators than elsewhere in the UK. By being a great place and having an appetite for creativity and innovation we need to plan for greater demand that will follow that reputation and success.

Measuring Place Based Economic Success

According to the Fraser of Allander Institute, <https://fraserofallander.org/scottish-gdp-guide/#well-being>, the 'Nominal Gross Domestic Product' – current prices - of the Scottish Economy in 2019 was estimated at £168bn. This, along with the Gross Value Added – GVA assessment, are traditional methods of measuring economic performance. However, a broader assessment of a nation's performance is now becoming more established recognising that there is more to a good life than the worth of capital.

To attract economic investment means more than having a welcoming attitude to investment and having a well-educated and trained workforce. It also requires having the right accommodation, access to services and a good environment to work in.

Increasingly, investors are recognising that the best places to invest are those that provide greater opportunities to be greener in their operations as well as having good levels of 'well-being' for their workforce. Like greening matters, the well-being of employees has become increasingly important particularly where there is a scarcity of skills and general shortages of labour. Recognising this shift in

emphasis, the United Nations has a 'Human Development Index – HDI - <https://hdr.undp.org/en/content/human-development-index-hdi>. This index acknowledges that national performance measurements should not be purely measured by economic growth but the capability of its people. The index incorporates three elements: (i) a long healthy life (ii) well educated (iii) a good standard of living measured by Gross National Income (GNI).

The Office for Economic Cooperation and Development – OECD – also has a measurement of a country's economy known as the 'Better Life Index' <https://www.oecdbetterlifeindex.org/#/111111111111> which has a wider measurement that includes an assessment of housing, income, jobs, community, education environment, civic engagement, health, life satisfaction, safety and work life balance. Such measurements are synonymous with many of the place making agenda attributes highlighting a broader assessment of what is required to enable people to live well.

With such performance indicators one can see that a country's performance is moving towards a whole systems measurement, an 'asset based approach', rather than determining worth by Gross Development Product.

In addition to the Better Life Index, the OECD also measures performance by 'regional well-being' <https://www.oecdregionalwellbeing.org/>. Similar to the Better Life Index this well-being index measures income, jobs, housing, health, access to services, environment, education, safety, civic engagement and governance, community, and life satisfaction. Scotland performs well in comparison to other parts of the UK in terms of engagement,

community and life satisfaction but is deficient in housing, safety and health matters. Such deficiencies should inform policy priorities.

Location of Economic Activity

It is essential for a well-functioning competitive economy to have accessible opportunities for business. Such a competitive environment is essential for equality purposes and to enable our economy to be structurally balanced. Entry to markets can be challenging both in terms of having adequate financial support and the right type of accommodation at an affordable price.

An increasing global migration towards good cities is now well established. However, we also need to ensure that our other towns and cities are as vibrant as our best. This requires lots of investment commitment to infrastructure connectivity and establishing and maintaining good place environments. Such components of value need to be aggregated and distributed to create great inter-connected places in the right locations.

Working Environments are not just about the Employer's work space

While there has been a focus on the impact of commercial space as a result of 'hybrid working', there is less consideration as to the environment required for home working. Well before the Covid pandemic, 'Live Work' accommodation was promoted but this has rarely been embraced by residential developers other than in urban loft style apartments. In practice, rather than specifically designing work spaces within residential accommodation, developers simply encouraged purchasers to acquire larger properties where a room could be used for office purposes.

If hybrid working is going to be the norm then what, if any, impact will this have on designing dedicated space for work purposes? In the past many 'Live Work' accommodation has effectively turned the work element into additional residential space – which has been an issue for planning authorities. Given technological advancements then space for work does not have to be particularly large but technological apparatus will continue to be important to enable quality connections to work colleagues and their network.

Space for 'Hot Desking' within a Residential Neighbourhood

In the context of a new 20 minute high density neighbourhood, particularly in apartment blocks where space may be at a premium, it might be that rather than having home working space within the home, there

could be flexible accommodation within the block. Such a community form of a business centre space needs to have charges that are reasonable and affordable.

Such a concept of hot desk working spaces may not be overly different to a student working in a University Library or people informally working in a coffee shop. Having spaces within the neighbourhood will provide a greater opportunity for social inter-action which may improve networking as well as having some additional well-being dimension. Such concepts are already being promoted in Scotland. <https://towntoolkit.scot/business/scotland-loves-local#libraries-as-coworking-hubs-troon-dunfermline-and-elsewhere-2>

Importantly, it would allow residential accommodation to function as a 'home'. Such inter-active innovative models are potentially more prevalent in creative industries where sharing ideas have always been encouraged. Such spaces may avoid digital and fuel poverty for those working from home on lower incomes. In addition, having studio work spaces within a community can act as a social good recognising that home working may have an isolating detrimental impact on individual health and productivity.

Move to Quality Accommodation rather than Quantity

Having quality healthy sociable environments is not just something that is required in a home or neighbourhood setting. Corporate organisations are expected to continue to demand high quality properties in prime locations to satisfy employee expectations

The Importance of Exchange and Interaction

as well as being buildings that meet business objectives and, as some suggest, act as 'trophy buildings'. Such prime corporate locations are largely going to be in major metropolitan cities all connected by efficient transport networks.

In addition to well-designed buildings that are in well-connected locations, it is expected that flexibility will be a key consideration. It is not just about having hot desk arrangements but having access to meeting spaces, private suites all of which are served by top class technology and services.

Covid brought about changing habits and behaviours for office and other workers. People found that they could be even more productive working from home and not having to habitually commute highlighted some significant life style benefits. However, some employers are keen to see a return to traditional working practices as there are inevitable concerns over monitoring and measuring remote performance and productivity especially those undertaking skilled work. In addition, employers see remote working as a breaking of business networks and exchanging knowledge and experiences. Such matters of performance and productivity may also be subject to perception rather than reality but nevertheless they can shape practice.

It is unclear as to whether pre-covid working practices will return or some form of flexible 'home working' pattern will continue. However, there is an expectation that some organisations will embrace a form of hybrid working as customary practice.

Such an approach could mean that businesses will wish to re-organise their space specification requirements and generally improve their working environment. In short, it is expected that future office space is likely to be driven by quality rather than quantity.

It is difficult to predict where workers behaviours and business owners' objectives will end up. To a large extent this will depend on the type of businesses. Businesses that thrive on informal exchanges then office based working is likely to prevail. This expectation of creative working spaces is highly prevalent in technology and media based industries some of which can operate at small scale.

Businesses are not expected to give up on the ability of firms and their workforce being in places that are close to each other. Technological exchanges may have substantially increased but the traditional face to face engagement is unlikely to diminish.

The business world recognises that engagement with external parties and having access to amenities and services means operating within a relatively dense place. The question arises as to what value will businesses place on being in the centre of dense urban places? While property analysts suggests such traditional trading practice will remain, others suggest that with hybrid working, demand for smaller space requirements will increase and such space doesn't necessarily have to be located within central business locations. However, what is clear is that wherever the location, a major consideration will be access to amenities, parks, cafés and excellent transport connectors. Such requirements are consistent with the vision for well-connected mixed used neighbourhoods.

Proximity of Work to Home

While some people may seek to live closer to their work and others will seek to utilise the convenience of public transport, there is no evidence that the reliance on private transport will be reduced. Moreover, some argue that as a result of hybrid working it may well be that commuting will come from further afield. The argument being that if a person only travels to work 2 or 3 times per week they will be prepared to put up with additional travelling times to trade the benefit of living in a more remoter part of the country for the majority of the time. The trend for 'super commuting' has grown over recent years with people living out of suitcases in the middle of the week. This is not just for business executives but has become very prevalent in jobs where there is significant mobility required or the jobs are scarcer. It is not anticipated that even with a changing green economy such factors will disappear.

Key Points

1. A good Scottish economy should be well balanced with big and small activity
2. Covid recovery, Brexit and geopolitics are major issues and challenges for Scotland. These need to be addressed at the same time as moving to a 'green well-being economy'.
3. Post covid working could see more hybrid working with impacts on workspace requirements and the quality of that space
4. Investors are unlikely to change their focus on prime well connected locations and assets comprising of high quality of accommodation and specification
5. Businesses recognise the importance of being close to their networks. Face to face engagement and exchange is unlikely to be replaced by the video
6. Hybrid working also could have an impact on future housing design and/or creating flexible serviced space in a mixed use block
7. Measurement of economic performance is now moving to include wider matters than the worth of capital
8. 99% of all Scottish registered businesses are defined as small. Some 12% of businesses are self-employed which is slightly lower than the UK average at 15%
9. Hybrid working could mean people might choose to live further rather than closer to their place of work. Super commuting is a possible choice for those only working 2 or 3 days in an office

PART 3: INVESTMENT TO FINANCE CHANGE

Investment focus is not restricted to now but should consider the future

A key task to any development or investment proposition is to ensure that financial support is in place and sufficient to cover the project proposal. The first challenge is for all stakeholders to understand the differences between 'property development' and 'property investment'. This may seem obvious but it needs to be clear what is being delivered, how long will it take to be delivered and how will the asset be managed and maintained into perpetuity?

Development is essentially an 'in and out' activity with an exit taking place on completion for works and receipt of income. A good example is house building for private sale which is a development activity. Investment, while often including the development element, is about a long standing stake in the property. Good place making therefore needs good investment practice because it is the investor that invariably manages the place and not the developer. A housing association is not a property development activity but property investment. For this reason, it is the investor who needs to determine the quality of the proposal and its specification to reflect its future use and management. Such matters can, at times, be overlooked.

The financing of development and investment is also different. Financing development being a short term activity has short term financial arrangements. Development is often speculative activity and therefore carries elements of risk and uncertainty. Such risk and uncertainty is priced as part of the development analysis. Funding such activity is relatively short term and the proportion of debt finance will be determined by the level of assessed risk. A risk assessment will also determine the pricing of the debt sometimes referred to as the cost of finance.

Investment risk may also be speculative but is seen as longer term with returns on investment assessed by both present conditions and the future potential growth of the investment over a specific period. Such growth will be assessed both in terms of rental and capital growth. Long term funds are often referred to as 'patient capital' with relatively low levels of internal rates of return compared to that of developers. Institutional funds are typically undertaken by pension funds, mutual funds, insurance companies, sovereign wealth etc. These funds tend to operate by pooling investment resources.

In simple terms, property / 'real estate' is an asset class, a commodity that can be assessed for performance and risk against other investments. A simple rule for an investor is not to have too many eggs in one basket as this potentially creates too much risk exposure. Increasingly, institutional investors are moving to investments that contribute towards a net zero economy and apply Environment, Social Governance (ESG) principles to their own operations.

Move to a Mixed Use Approach

The core sectors for institutional investors have traditionally been in retail, office and industry with residential now well established as part of that core interest. Other investments include more niche assets such as hotels, healthcare, including retirement housing and student residences. Such niche assets are likely to be important elements within a mixed use neighbourhood. While investors have traditionally favoured single use there is now greater interest in mixed use investment. Such mixed

use investments include prime locations such as Glasgow's Buchanan Street and the proposed upgrading of the Buchanan Galleries, St James Quarter in Edinburgh. Other mixed use town centre proposals are emerging such as those promoted in Dumfries <https://www.midsteepquarter.org/> and Paisley <https://www.renfrewshire.gov.uk/article/9885/A-Vision-for-Paisley-town-centre-2030>

Location remains a key consideration

Institutional funding is geared towards prime location class 'A' propositions. Given a longer term investment profile, institutional investors prefer new assets that are designed to the latest specification and quality amenity. Such assets are regarded as minimising risk of depreciation and having a long lifespan. The assets are located to attract national and regional tenants that operate at the larger 'corporate' scale.

The Scale of Investment is important

For institutions to become involved in mixed use developments, proposals need to be of sufficient scale or be part of a portfolio of projects. Furthermore, such projects need to be located in prime locations.

Mixed use projects are likely to be more complex in organising and delivery management. As noted, this should not present difficulties in good prime locations; however, mixed use projects in secondary and tertiary locations can be more challenging often requiring the involvement of a supporting public sector organisation.

Investors in secondary locations are likely to be undertaken by smaller operations and price the additional risk at substantially higher margins over a shorter time frame. Typically, venture capitalist funding largely from private investor capital will be profiled over 3 to 5 years, the term of a business plan. Such a funding method is rarely 'patient capital' and more focussed on the short term attractiveness of returns.

Medium or smaller investors are unlikely to be interested in small scale 'one off' projects but could participate where there was a blended risk portfolio. Equally, where there is equity participation from the public sector, this should reduce the risk and increase participation. Alternatively, some form of underwriting guarantee of loans from the public sector would also encourage investor participation in locations not normally recognised as investor compatible.

In summary, mixed use projects in prime locations are likely to attract both long term investment capital and development finance. However, in secondary locations, mixed use proposals are likely to require public sector inducements or partnering to reduce the level of investment risk.

Infrastructure Finance

Infrastructure can mean many things, but concentrating on 'hard' infrastructure, such as roads, sewers, energy and digital will require some involvement of the public sector and utility service organisations. Infrastructure extends well beyond a site and frequently beyond a neighbourhood. It is generally large scale and certainly requires a 'patient capital' approach. Such operations are likely to require collaborative working between service providers and the public sector. While public funds might be available for infrastructure activity, to get wider public interest benefits the public sector will often need to participate beyond the funding element.

The Scottish National Investment Bank

The Scottish National Investment Bank was established in 2020 to act as a development investment bank for Scotland. The bank's mission is to provide long term funds to businesses that can beneficially impact on the Scottish economy.

Importantly, the bank seeks not only to finance projects but through its involvement

create leverage opportunities for private capital funding.

A stated 'core' investment strategy of the bank is "to invest where the private market is failing to invest". This could be achieved through some form of collaborative approach to lever in private capital. However, the bank will still be required to function and operate on commercial lines with its assessment of risk and application of covenant criteria.

The Scottish National Investment Bank has a focus on 'patient capital' rather than short term funding facilities. The very fact that it is an 'Investment' bank and not a 'Development' bank highlights such a focus.

Given its stated mission and strategy, the bank is very much the investor for Scotland following the key mission and policy objectives set out by Scottish Government. The bank has indicated it will not provide, loan guarantees, it won't be bailing out distressed operations nor will it provide grant assistance. Its clear focus is to operate as an investment bank.

While it appears unlikely that the Scottish National Investment Bank will get involved in micro matters of project finance, its mission and long term approach suggests that it could act as an important orchestrator of infrastructure equity and debt funds particularly through a partnering approach that could lever in private funded participation.

Funding for Businesses and Entrepreneurial Innovative Action

While there are signs of change, the UK business banking system has traditionally not been a significant participant in funding innovation. However, there has been some improvement, albeit that there remains an imbalance of access to funds. This is largely driven by location and types of activity. Such inaccessibility is particularly pertinent in equity finance.

The British Business Bank seeks to provide financial support and start up loans for smaller businesses in areas where markets are not working very well. The Bank's 'Small Business Finance Markets 2021/22' report highlighted that following the pandemic, debt lending to small businesses had returned to pre-pandemic levels whereas equity funding had "reached record highs". However, there remains a disparity of opportunity with uneven activity across the UK. Most of the equity investment (around 70%) is centred on London and the south east region. This locational buoyancy mirrors that of institutional investment in prime locations.

Therefore, there is a clear indicator that while there might be some headline successes in small business investment it is driven by location and therefore not equally distributed.

The British Business Bank survey of small businesses found that businesses with employees were expected to grow in the next 12 months more than self-employed entities. It is these SME employers that are most likely to seek finance. Growth in such finance was significantly focussed on the British Business Bank's 'Bounce Back Loan Scheme'. Most of the focus for those seeking finance is on debt rather than equity funding. 68% of SME interviewed either didn't consider equity funding or were not interested in equity support.

Interestingly the survey highlighted that 57% of respondents had a good grasp of the commitment to a net zero carbon world by 2050 (UK deadline date – Scotland 2045). Some 57% of SMEs interviewed believed that their business needs to become more environmentally sustainable over the next 12 months. 80% of SMEs believed that being more environmentally sustainable would enhance their business reputation and brand, 69% thought it would make them more competitive, 55% believed it would reduce their business costs and 48% believed it would help to gain and retain talented employees.

Small and medium enterprises do appear to be positive about contributing towards the political aims and objectives of a net zero world and are generally positive about growing their business. However, the evidence shows that while there is support available to help these businesses, that support is not uniform across the UK. Therefore, one can assume in areas of disadvantage and low value, additional methods of funding and support will be required.

Small Medium Enterprise Mutual Co-operative Bank Funding

In the UK the public sector is largely focused on statutory matters such as regulation and provision of services. The public sector plays a largely advisory role in providing inputs to SMEs. A frequent challenge for SMEs and other social enterprises is having access to funds. This is a particular problem for 'start up' businesses. Given the National Strategy's mission for Scotland to be an 'Entrepreneurial Nation', it is incumbent that there is good accessibility to funds to support projects. In Europe one in three SMEs are funded by a co-operative bank. To achieve a dynamic productive Scottish SME sector, there is a need not only for support from the Scottish National Investment Bank but also a local banking structure mirroring that provided in many parts of Europe.

However, it is acknowledged that the UK banking has often a different approach to their European neighbours. The UK banking co-operatives emerged from customer co-operation whereas the European co-operative model was essentially a form of credit union established to support local production – e.g. Rabobank in the Netherlands <https://www.rabobank.com/en/about-rabobank/cooperative/collaboration-with-other-cooperatives.html>.

A similar co-operative funding approach could provide access to support for smaller businesses and enterprises. In simple terms, local production needs support from local funds.

Funding through Municipal Banking

In Europe there are many examples of Municipal Banking. Such State banking supports long term patient capital at low interest rates and is non-profit distributing. Such funds enable the public sector to act as a "prime mover" in investing in infrastructure and production.

European Municipal Banks tend to have an "executive board" that operates the bank and a supervisory board with board members appointed by municipalities (67%) and employees (33%). There is a "public legal obligation" with a dual bottom line of (i) profit (NPD) and (ii) serving the local community and local business. This is important governance requirement as it creates greater connection between neighbourhoods and investment.

Municipal banks are not speculative risk takers. They operate a cautious business model. Local tax paid by the bank is kept in the community generating an economic circle of local deposits, local loans, local profit and local tax. Such funds are used for housing, infrastructure and SME investment. All such approaches are important tools to promote and enhance the local economy.

Municipal funding was one method that assisted the Dutch National Planning Framework 3rd edition (VINEX) in achieving an increase in housing stock by 7.6% within 10 years.

Key Points

1. It is important to understand the differences between real estate 'development' and 'investment' criteria as well as the types of funds that support such activity
2. Investment funding is largely long term 'patient capital' that seeks growth prospects with lower returns than speculative development activity
3. Institutional investment is concentrated on prime locations. Secondary locations present a greater funding challenge
4. Institutional investors are now recognising the importance of adopting Environmental, Social and Governance (ERS) principles
5. The scale of project is an important funding consideration. Investment funding concentrates on larger scale activity
6. Infrastructure funding inevitably requires 'patient capital'
7. One of the Scottish National Investment Bank's 'core' investment strategies is to "invest where the private market is failing to invest". However, as a long term investor its focus is more likely to be able to support infrastructure rather than the short term interests of business start-ups
8. SMEs appear to have some confidence in growing post pandemic and are likely to be environmentally aware and willing to embrace net zero operations.

However, accessibility to funds for SMEs are not evenly spread across the UK, thereby needing some assistance from the public sector

9. Good accessibility to funds is essential to increase the effective contribution of businesses to the local economy
10. European mutual and municipal banking structures allow businesses to thrive in many parts of Europe. An 'entrepreneurial nation' could be greatly assisted by local innovation and production but this will need support from local funds
11. Municipal banks with a balanced board representation provides a greater opportunity to increase connections between local production and local investment

PART 4: PLACE BASED
OPPORTUNITIES
AND CHALLENGES
FOR DELIVERING
MIXED USE
NEIGHBOURHOODS

Property Development Priorities and Focus

In very simple terms property development occurs in three areas with different dynamics and often different participants:

1. urban centres with bespoke projects
2. suburban neighbourhoods / edge of town with more standardised projects
3. countryside beyond the settlement boundary often with standardised solutions

Continued Priority for Prime Urban Development

A key focus for commercial property development is usually in prime urban centres reflecting the demands of businesses including their workforce as well as their customers. Such locations heavily rely on public transport connections. In the last 20 years more residential accommodation has moved into prime urban centres but supporting public infrastructure such as schools and health services are less prevalent. The majority of the residential accommodation is geared towards small apartments usually for younger people either renting or owning.

Despite often being large developments, proposals in prime central locations can be less controversial than in suburban locations. There is less likelihood of community objections and proposals inevitably include the benefit of employment and contributions to the wider urban economy and functioning. Designated uses in urban areas have become increasingly more flexible with planning now recognising that single use zonal classifications are unhelpful. With the rise in demand for recreation and hospitality uses, urban places need to be recognised as places of vitality where a wide range of people wish to meet, consume and be sociable. This human behaviour is all part of people's mental well-being. That said, the interaction between such uses can cause tension and this is discussed later.

The role of Property Investment in the Circular Economy - New Build or Retro Renewal?

Various literatures highlight that real estate is responsible for just under 40% of the world's carbon emissions. Any rapid progress to a zero carbon world must give specific attention to our buildings and places.

Part of that attention is within what is referred to as 'the Circular Economy'. In real estate this will include buildings, infrastructures, neighbourhoods and how they use natural resources and avoid polluting and having other negative ecological impacts. This means repurposing buildings and places and improving how we deal with waste.

Ecologically, one would expect that we make buildings to last for generations. Throughout history, buildings have come and gone, some for good reason and others less so. In the post war era many buildings have been discarded although over the same period people have become more conscious of the need to preserve / conserve our heritage.

The Scottish Government wishes to see the adoption of circular economic principles as part of its climate emergency measures. In property terms this means re-purposing and upgrading buildings by finding new uses and activity but such an approach must be viable and economically sustainable otherwise such an approach becomes self-defeating.

While focus might be on the whole building and place, the circular economy is about micro managing all of the elements. In property terms a circular economy means not just the retention of the whole structural fabric of the building but having an efficient management regime whereby components and services are properly maintained and appropriately recycled at the end of their operational life. It also means appropriate waste management, sorting and recycling.

There is a need to improve how we care for what we've got as it is not headline grabbing and often regarded as a task for tomorrow.

Both the public and private sectors have been accused of taking a built obsolescence approach to design and specification. Buildings have been replaced after 25 to 30 years as a result of financial influences with investment assessments being considered over 30 year cash flow periods. Such an approach was applied to Private Finance Initiative (PFI) projects where residual values could be assessed on a site value basis rather than buildings. Similarly, traditional property investment valuations were largely based on landlord focused full repairing and insuring leases for a 25 year term without lease break and upwards only 5 yearly rent reviews. Such commercial leases allowed such property assets to be valued on the basis of the terms of the 25 year lease with 25 years being generally regarded as perpetuity.

This financial property investment approach to buildings has now somewhat changed with public private partnerships (PPP) being organised on the basis that there is an expectation of continued use beyond the partnership term and long leases are significantly less common with greater flexibility on letting arrangements now demanded by tenants.

That said, it is likely that the appetite to demolish and rebuild will continue particularly in prime value locations in order to meet demand preferences, fashion, regulation and other changing trends. Places such as the City of London has seen offices which we once thought were high now replaced with far higher structures. Some have architectural merit but how all these new buildings relate to their place is somewhat debatable.

To ensure that proper exploration is given to the re-using the building fabric, a proper technical and economic assessment for retaining the building should be demonstrated. Such an approach could be similar to that used for listed buildings. The important issue is to adopt the principle of re-use first but assessing proposals on a case by case basis and ensuring all criteria is explored, analysed and evaluated. Many post war buildings were either poorly designed or specified and are difficult to retrofit to meet the required building standards, working environments and be ecologically sustainable. Such matters are highly technical challenges and solutions need to reflect a building's capability of achieving long term economic, environmental and occupier comfort benefits.

As is the case for all good quality buildings and places, a key focus must be on place stewardship and property management. One reason for the replacement of vast parts of the schools and NHS estates was the failure in the past to commit funds and resource to good quality property management and planned maintenance. A reactive maintenance approach to estate management is technically and economically unsound.

Building and discarding is generally less of an issue in housing but the conversion and regeneration of property for housing purposes is still influenced by the imposition of VAT on works to existing buildings.

Suburban Car Focused Development

In suburban locations commercial developments could include a range of office, industrial and retail park uses where reliance is geared to private transportation.

Essentially a US development model with locations focussed on good accessibility to a road network. Industrial premises have moved from heavy to mainly light production enabling an increasing number of self-employed mobile businesses a base while operating over a wide geographical area. Business parks of low rise pavilions and 'sheds' [Class 4 & 5] became popular for those businesses that were largely service led with their mobile workforce moving from customer to customer. The biggest change in the last 20 years is the increasing demand for storage and distribution space. This is significantly fuelled by the UK's appetite for on-line retailing. Large scale distribution sheds are not located in mixed use neighbourhoods but inevitably require good access to our road network. While some distribution may go by rail the logistical challenge inevitably requires transit of goods by road.

In housing terms, suburbs have always been seen as safe, comfortable, convenient places for many people. Such places enable people to travel by car over increasingly greater distances to places of work and pleasure. NPF4 is seeking to make places greener by being less reliant on private transport. The suburban good life has been the choice of many generations but as a result of the NPF4 policy, this comfort, convenient and familiar lifestyle implies a radical change from a traditional typology to one that has greater density, less dependency on private vehicles and the inclusion of a mix of uses. Good communities are made up from strong social cohesion that also has a diverse range of elements and activity.

Streets in suburban neighbourhood centres have seen traditional independent retailing declining for some time. Some

of these streets have witnessed a demand for hospitality uses – cafes, restaurants etc. – along with beauty oriented services. On occasions there has been planning challenges for proposals to change from Class 1 Retail to Class 3 Food and Drink as well as 'beauty salon services'. A more diverse high street reacting to demand could potentially sufficiently increase footfall to enable traditional independent retailing to return to the high street particularly where customers prefer to see and try goods before purchasing. Certainly a greater diversity of uses is essential for the proper functioning of a mixed use neighbourhood.

The Power Of Car Convenience

It has been highlighted that the market already provides some goods and services within suburban locations but these tend to be based on the accessible convenience of private vehicles.

Whether it is defined as a neighbourhood or a small town, our modelling of a suburban typology suggests it is possible that people can walk 800m to obtain daily provisions. Whether they choose to do so will largely be dependent on whether there is parking provision. In other words if it is just as easy and pleasant to walk than drive then people might be prepared to change their habits.

However, if it takes 20 minutes to walk to the nearest provision, people might still believe it is more convenient to drive say 15 minutes to alternative sources of provision. The reasons being, first, people are conditioned to drive to buy goods as it is convenient practice. Second, by driving, they are not usually restricted by the amount of goods

that they buy as these can be transported by car. Shopping practices are rarely enjoyed and one major shop per week is likely to be preferable than multi day shopping. Third, if they choose to walk to buy goods then they will be limited by the amount they can carry for 20 minutes. This is particularly relevant for those who are older and/or have a health condition. If walking to buy goods has any chance of working then the whole experience has to be good and people will be prepared to undertake on multiple days during the week. Such a good experience is not restricted to environmental and health benefits but a chance to socially engage. In effect by stopping of for a chat or enjoying the park this will likely extend the trip beyond 20 minutes but if it is enjoyable then it is unlikely to be regarded as a chore.

Walkable neighbourhoods are more likely in denser well-connected places. Goods and services may be provided in good busy locations by corporate and independent providers but in lower valued areas there may be more independent commercial goods and service operators.

Traditional high street retailing has suffered as a result of competition from out of town large stores and the internet. The pandemic lockdown was the last straw for many retailers. Interestingly, some high streets in lower valued locations such as Larkhall still have an active independent retailing offer. Such places tend to function well as they are possibly less accessible to alternative locations, have stronger community ties and behavioural habits that see the acquiring of daily provisions as an opportunity to socially engage with many familiar people. This socio economic activity has been lost in many places due to the convenience of private transport and parking close to the door.

The challenge is whether one can re-capture independent commercial activity in a neighbourhood community block? How can such provisions compete with the likes of Amazon? Depending on location and customer profile, suppliers need to provide something different such as an excellent 'customer experience', be more niche in their offer and having an active community presence. In a place such as Larkhall in South Lanarkshire, <https://www.usp.scot/Town?mainTownName=Larkhall> has independent shops that appear to thrive as a result of similar customer loyalty and sociable experience. Traditional retailing can still work where there is good customer experience and an ability to directly engage with the retail vendor rather than holding the line for a faceless operative. Larkhall suggests that it is not about visual experiences but more about the offer and ease of access to its community and local hinterland.

It is expected that there is a better chance of a mixed use development working within an existing community with complimentary and new goods and service provision. In a new build location there is a need to establish a community which inevitably will take time. Equally, commercial activity in a mixed use new build development will require sufficient customers to maintain trade meaning that such provision will come towards the end of the project rather the beginning. The challenge of having a commercial presence at the end of the project is that occupiers may have already established the habit of going by car to other places. Fundamentally, the successful provision of goods and services relies on persuading people to change their established customs. Therein, lays the behavioural challenge for achieving a green well-being economy.

Large Scale Housing Developments Attracts Supporting Uses

In recent years housing development has become more dominant in the property development sector. This is partially as a result of planning policy allocating larger scale housing land for what have become or becoming new neighbourhoods. Such larger developments are attracting interest from retail and hospitality developers and operators seeking patronage from local households.

A recent example is a newly opened commercial development including food retail, 'drive thru' coffee offers and filling station at Haddington Retail Park on the eastern edge of Haddington <https://www.epic-reit.com/property/haddington/>.

While perhaps not being recognised as a 20 minute neighbourhood by planning policy makers, technically, such a provision highlights that there are many residents living in newly built housing within 800 metres of the retail park.

Other similar large scale low rise suburban housing projects have attracted retailers, hospitality establishments, dental practices and pharmacies. A key point is that many of these facilities were not necessarily planned but arrived opportunistically and usually connected by a good road network.

Therefore, the policy briefing requirements of a mixed use neighbourhood using the 'Place Principle' approach needs to be well specified to ensure that wider policy objectives are understood by investors. Policies and other development briefing documents should be clear as to what is a prescriptive code and what is guidance? The application of prescription should be underpinned by evidence and a realisation that too much prescription can be an impediment to development.

Mixed Use Neighbourhoods at Dense or Suburban Densities?

The question arises as to whether traditional low density neighbourhoods are consistent with the principles associated with a 20 minute neighbourhood? The NPF4 suggests that such a neighbourhood typology expects the majority of journeys to be by 'walking, wheeling or cycling' to obtain daily provisions. However the supply of such daily provisions requires sufficient patronage to achieve economic and operational viability. Exactly how many goods and services should be required on a daily basis is a matter that needs significant analysis.

Typically, health care services – doctors, dentists etc. - are likely to require a catchment of some 5,000 to 7,000 people. Providing healthcare services within a community will require additional resource not just in GP services but nurses and other allied healthcare services. A fundamental aspect of Scottish Government policy is to move to a greater focus on adopting a 'preventative' person centred approach to healthcare. This community based approach to healthcare will require investment at the neighbourhood level.

Such a scale of neighbourhood is also likely to have a primary school but not a secondary school. Accommodation and support services for people of a retirement age should also be included. Employment activity that has operations beyond daily neighbourhood service provision are likely to be relatively small scale. Such employment could be typically, technological, creative media, artistic based producers and professional / management services.

Theoretical Model of a 20 minute neighbourhood	Metres Walked	Estimated Gross Hectares	Estimated Net Hectares	No. of Dwellings	Estimated Population
Urban Density @ 65 dph	500	79	55	3,574	7,147
Suburban Density @ 35 dph	800	201	101	3,519	7,037

A Theoretical Model Neighbourhood Urban v Suburban

A simplistic modelling of a 7,000 person neighbourhood has been undertaken to establish the potential land take based on a 20 minute walk to daily provisions. According to NPF4, a 20 minute walk could cover some 800 metres. The modelling exercise considered 2 densities, one urban at 65 dwellings per net hectare and the other at a suburban density of 35 dwellings per net hectare. A net hectare in the urban model is based on 70% of the gross area. A net hectare in the suburban model is based on 50% of the gross area. The reason for a lower net area in a suburban model is that it is assumed more land would be set aside for landscaped space and associated commercial and civic amenities. For ease of modelling – although rarely in practice - it is assumed that the neighbourhood is circular.

The above modelling highlights that a neighbourhood with an urban density would require around half the amount of land that a suburban density requires. The urban assumed density of 65 dwellings per hectare has been promoted by a range of organisations such as the Improvement Service, RTPi Scotland, City of Edinburgh Council and the Town and Country Planning Association.

Clearly different density assumptions will produce differing built typologies. Such densities will be influenced by location and site specific circumstances. As a broad rule of thumb an urban density of say 3 to 4 storey tenemental flats is likely to produce a net density of around 100 dwellings per hectare. An example of this is the Crown Street Regeneration Project in the Gorbals neighbourhood of Glasgow. Suburban models of development are likely to be around 25 dwellings per hectare - 10 dwellings per acre. Therefore, one can assume that applying 65 dwellings per hectare, a 20 minute neighbourhood will be around 2/3rds apartments and 1/3rd housing. A suburban development at 35 dwellings is likely to be less detached housing than traditional house building forms but should get close to 2/3rds housing and 1/3rd apartments. One could imagine that an urban development will comprise of mixed use blocks whereas a suburban development is likely to have separate commercial premises to residential streets. Examples of this suburban typology can be seen in various large housing developments.

Of critical importance is the convenient distance to the public transport node. Typically one would expect to see the density increase substantially in and around the node. One would also expect people to walk significantly less distance to a public transport node / stop than for daily provisions.

A Master Plan is more than an Initial Design and Capacity Instrument

Masterplan Consent Areas (MCAs) can assist development delivery, establish clarity and help to define the inter-actions of uses in large scale mixed-use development proposals.

The need for a 'master plan' approach should be seen as more than establishing a creative vision at the planning application stage. It should act as an urban design / place making framework that along with the usual impact analysis, defines uses, how they function and inter-relate.

Such a framework setting out principles and detail on development phasing, infrastructure, uses and stewardship protocols all of which should be formed into a place development handbook. The term 'master plan' is somewhat unhelpful as it is not the master but a place framework that enables contributions from a wide range of stakeholders. It should also be capable of further development and enhancement through emerging new ideas and adjustments as required.

NPF4'S FOCUS ON BROWNFIELD DEVELOPMENT

The reuse of vacant and derelict land and properties can contribute to climate change targets and support biodiversity, health and well-being improvements and resilient communities by providing much needed greenspace, growing spaces and other community benefits.

Redevelopment for housing or businesses can also turn an under-utilised and latent asset into productive use and limit the need for urban expansion. The planning system should prioritise the use of vacant and derelict land and properties including supporting appropriate temporary uses where proposals for permanent development are unlikely to be imminent.

Pre-ambule to Policy 30, Scotland 2045, Fourth National Planning Framework [Draft]

The Scottish Government in their draft NPF4 policy state that they want to “proactively enable the reuse of vacant and derelict land and buildings”.

This urban regeneration approach seeks to focus new development towards the re-development of brownfield vacant and derelict land rather than building in green fields. Arguably, concentrating on brownfield locations can be more efficient in utilising existing infrastructure and other facilities as well as being less reliant on private transport assuming a good quality public transport provision is available.

Infrastructure is an essential component in getting Scotland to a green well-being economy. As a result NPF4 specifically promotes ‘Infrastructure First’ in order to address such things as ‘active travel’ and reducing our reliance on private transport. While one might expect infrastructure to be more prevalent in brownfield locations than edge of settlement locations, existing supplies could be short on capacity and quality thereby requiring renewal or upgrades.

The Scottish Land Commission has prepared a range of documents and guidance on transforming vacant and derelict land <https://www.landcommission.gov.scot/our-work/housing-development/transforming-vacant-and-derelict-land>

Property Development in Brownfield settings

Brownfield development has traditionally been called ‘urban regeneration’. Post war regeneration has attempted to re-energise our urban places some successfully while others have struggled.

Traditionally, regeneration programmes are usually led and supported by the public sector. The public sector typically carry out a series of development investment functions, including land assembly, master

planning, contamination and other enabling infrastructure works. All of these preparatory works are essential to create a clean platform for development to take place.

The Importance of Infrastructure Connections in Brownfield settings

The creation of a place making framework requires significant focus and investment in good quality infrastructure. Improving our cities, towns and neighbourhoods will not only need new infrastructure but it also needs to be managed and maintained if places are to thrive.

This means a commitment to sustainable transport, energy and digital communication. Without the infrastructure framework it is difficult to achieve good places as infrastructure is the ‘connection’ for all activity.

As previously noted, in brownfield locations infrastructure will need to be improved not just in capital projects but also in supporting public services, such as health, education, affordable housing, etc. While we have technologies to generate electrical power we also need the technology and capacity to distribute and store power which will require attention beyond the neighbourhood scale.

The expectation is that with the trend for hybrid working, there will be greater demand for domestic, neighbourhood and rural digital connectivity.

The provision of green infrastructure is complex and often unevenly distributed leading to variable production performance and inequalities of access. Many aspects of infrastructure cannot be resolved at neighbourhood level but will require national and regional strategies and public sector investment to address and co-ordinate

infrastructure provision and managing on-going supply capacities.

To address sustainable energy as well as reacting to energy security matters 'heat networks' need to be part of the place infrastructure framework. Currently, only around 2% of UK homes are connected to 'heat networks' <https://energysavingtrust.org.uk/what-district-heating/>

Heat networks work best in urban dense settings. While district heating might cover a larger area, community heating can supply smaller scale neighbourhood block development. All of these networks require planning, co-ordination and investment which is why master planning neighbourhoods and how they inter-connect is so important. Such matters cannot be resolved by somehow aggregating up individual developments, rather, the overall place needs to be modelled and planned to establish network supply that becomes disaggregated to the finer grain of neighbourhood blocks. Such matters require significant funding that will require support from the public sector as well as energy companies and developer contributions.

In the UK, traditional development has, by and large, been established through individual development project approaches. With large land supply releases and the move to prioritising brownfield land, it is quite clear that strategic urban design frameworks and detailed master plans are now essential place making tools not just in terms of how places might look but how they work and how they inter-relate and connect with their neighbouring places.

Developing in areas of Market Failure

The majority of brownfield vacant and derelict land is likely to be located in areas often described as places of 'market failure' or places of low market demand. A key

issue for all developers and future occupiers is the neighbourhood location and its property value. Even when all of the above legal, design and enabling works are carried out, regeneration projects often have to provide an element of subsidy to cover the difference between the development cost of production and the selling price of the product. Public subsidies and direct action were a common feature to underpin the viability of regeneration projects in the 1980s to the early 2000s with public grant initiatives such as 'GEAR', 'Leg Up' and 'Gro-grant'. Public subsidies for home ownership are now less common in Scotland with a greater focus being given to 'affordable housing' and community initiatives. However, brownfield mixed use developments, including mixed tenure housing will usually require some form of public subsidy support in places of low market demand. Without such subsidy, projects will be risky, marginal and likely to significantly limit developer participation.

Site Assembly and Servitudes on Brownfield Land

Brownfield urban land can often have fractured ownerships and other property interests such as servitude rights. Site assembly can be complex and time consuming and often requires public authorities to use their compulsory purchase powers. Such matters do not just relate to assembling land but also to ensure that all servitude rights of access are organised including service utilities. The public sector use of CPO powers has been somewhat mixed due to their rules, methodology and inevitable resulting delays. The Scottish Government has given a commitment to providing a new CPO law within the current programme for government.

Access to efficient Public Transport

NPF4 seeks to promote a 20 minute neighbourhood approach where people undertake greater daily social and economic activity at their local neighbourhood level. Having more local activity is an important aspect of reducing the level of private transport journeys which will contribute to the Scottish Government's carbon reduction measures. This can work in some places and not in others. Where people need to make journeys beyond their neighbourhoods then enabling people to travel by efficient, good quality, reliable and affordable public transport is essential. Investment in public transport networks is incredibly important to allow people to conveniently connect with other places whether this is for economic or social purposes. In a recent report, the Centre for Cities mapped how easily people can reach city centres by public transport https://www.centreforcities.org/story/mapping-the-30-minute-city/?mc_cid=496b869374&mc_eid=b18390881e

This 10 case study compared UK cities with comparable European cities. The study concluded that many of the UK's major cities lag behind their European cities in providing good quality public transport connections between home and employment and education facilities. One case study included Manchester. Manchester is recognised as a more progressive UK city that has invested in urban living. Nevertheless, the study reported that only 20% of Manchester's population could reach the city centre within a 30 minute public transport journey. Hamburg seen as a comparable city can get 40% of its population to its centre within 30 minutes. Interestingly, Glasgow can get 53% of its population into its centre within 30 minutes although this doesn't compare well with the 74% in Glasgow's comparable city of Lyon.

Such evidence highlights that in order to reduce a reliance on private vehicles, there needs to be a substantial investment in public transport in Scotland. Such public transport has to be focused on connecting the key economic urban centres and while there has been significant investment in our railways, many other connections require attention. Investment in public transport will inevitably need significant public investment which will be a challenge.

What would a Mixed Use Neighbourhood look like?

The Scottish Government has made it clear that we need to make rapid progress towards a net zero fair and equal society. A key part of these objectives is to revitalise local communities using place making principles such as the 20 minute neighbourhood and having a balanced offer of affordable housing irrespective of tenure and local places to work and play. A fundamental tenet of good place making is where mixed-use developments meet the needs of all age ranges and are flexible and adaptable.

In effect such a call is a return to places that were evident prior to the advent of the motor car. In essence, this place based walking neighbourhood proposal is the antithesis of a planned 1960s New Town approach of designing around car-born families.

Such places can be seen in many parts of Europe with Germany, Scandinavia and the Netherlands leading the way. All of these countries have an active public sector participating in projects and a long standing commitment to active travel.

Experimentation through Exhibitions

Often in Europe there is a significant exploration of built form modelling not just theoretical but practically applied through exhibitions. This active state approach provides a solid foundation to demonstrate how things can work and enables people to see for themselves how something less familiar might actually be a better way of living. Importantly, it represents an opportunity for collaboration with lots of people being involved in the process and providing an opportunity for the project to gain a coalition of support to bring about change.

The International Building Exhibition (IBA) programme <https://www.internationale-bauausstellungen.de/en/iba-history/> has been operating for over a hundred years. This long standing exhibition has been a consistent development laboratory which seeks to take visionary concepts and themes and apply them often in a local regeneration context. Exhibitions while been test beds for experimentation over a limited period, act as a focus to channel effort, funds and provide a shop window to get the public involved. Always based on differing local locations they help to simulate local and regional interest but their influence cuts across international boundaries. Part of the IBA ethos is how communities, businesses and landowners are involved in the development of initial ideas as well as the detailed development.

The fundamental aspect of the IBA approach is its focus on 'people and process'. Teams are highly motivated and communities substantially involved all by good management and strong leadership. The process is a place based approach and design led through international 'master

planning' competitions to get the best ideas. Themes have included urban renewal in Berlin (1980s), post-industrial transition at Emscher Park, Ruhr Valley (1990s), and environmental sustainability in Hamburg (2006-2013). The current exhibition in Stuttgart is based on a theme of 'urban development and financial models'.

The IBA programme is usually carried out over a seven year period with the pre-project activity typically taking some 3 to 4 year including community involvement, business engagement, research surveys and analysis, conference etc. Bringing parties together to make sure the project is executed on a sound footing is essential for successful project outcomes. An IBA programme comprises of multi projects with Hamburg having some 70 projects as part of its seven year programme.

There is no separate public funding for the IBA, with public budgets being allocated from a range of sources and blended with private investment.

The 1980s IBA Berlin exhibition was the inspiration for Glasgow's award winning Crown Street Regeneration Project promoted and managed by the Scottish Development Agency and its successor Scottish Enterprise. There are some interesting regeneration initiatives in Scotland at local government and community levels such as those at Cumbernauld, Dumfries and Paisley town centres. These locally focussed projects do depend on local support whereas in contrast the IBA approach is exhibition based with an international focus which inevitably attracts wider interest.

IBA27 Stuttgart theme of Productive Cities and Neighbourhoods

The IBA's current project focusses on IBA Stuttgart and has held a number of design competitions for various projects. One project at Backnang <https://www.iba27.de/en/backnang-west-neighbourhood-urban-planning-competition-a-dense-and-green-urban-quarter-for-everyone-and-everything/> attracted some 500 design proposals from designers around the world. The exhibition site is over 17 hectares and is being promoted as a 'productive neighbourhood'. Such principles align with those of the 20 minute mixed use neighbourhood being put forward in the NPF4. This includes utilising existing buildings and bringing these back into beneficial use - circular economy - as well as new buildings and enhanced landscape and other place making interventions all set on the banks of the River Murr. Such an approach is comparable in character and scale to the proposals for Stirling's Riverside Park which features as a Forthside case study within the 'Investing in Our Place' study.

Other IBA27 projects, also under the theme of 'productive' places, include an examination of the inter-relationship of market gardening/food growing with an adjacent industrial estate in Fellbach. <https://www.iba27.de/en/urban-production-in-fellbach-named-as-an-iba27-project/> This 110 hectare project examines the densification and transformation of industrial estates into a mixed use places and how future food growing and industrial production can co-exist and contribute both to local, regional and the national economy. The process includes significant involvement of land owners, commercial occupiers

and local community representatives. Such complex project planning calls for substantial logistical and time consuming engagement but this is regarded as an essential collaborative process yielding the best chance of success.

The IBA model of themed multi projects in various locations around Germany could act as an exemplar methodology for rolling out transformed neighbourhood development in Scotland. The urgency for change will require a quicker pace than that undertaken in the German model but nevertheless the IBA delivery principles are focussed on similar key topical themes, such as recognising the importance of well-motivated engaged people all of whom are working in a collaborative process to establish ecological solutions.

Mixed Use Dilemma

A challenge for mixed use development is what has recently become termed as 'sheds and beds' which is essentially about working out how neighbours can comfortably co-exist. Planning policy would typically separate land uses where tensions arise from unneighbourly polluting neighbours. Therefore, as zonal planning is becoming less common, buildings and places need to be designed to mitigate, if not avoid, the potential aggravation and tensions arising from urban inconveniences that might compromise a person's quiet enjoyment of their premises. This is difficult as urban life is chaotic and often unplanned. While this might be part of the urban vitality and character often enjoyed by students and other young people, such inconveniences are less acceptable to families and older people.

Such experience is fairly normal in large urban areas such as London. Land is scarce and building plots are tight requiring residential uses on upper floors and different uses at ground floor. However, it would be wrong to assume that mixed use is simply a block of apartments with a shop on the ground floor.

What is needed is a carefully thought out balance. Walking productive neighbourhoods require commercial and civic spaces as well as lots of housing. Commercial space has logistical challenges. They also need to have the right type of working environment to encourage workers to be happy and productive. Commercial space should not be considered as the left over space that doesn't work for residential.

While commercial space needs to be well designed and specified it is likely to cater for new start up demand with occupiers inevitably requiring affordable rental arrangements.

It is quite common in urban areas for residential and commercial developers to now enter into partnership arrangements to tackle mix used propositions. However, the challenge is how does one combine distribution space with loading and yard requirements within a good residential environment? Also, distribution and the ever increasing delivery network operate on a 24 hour per day basis again presenting challenges for residential occupiers. All these matters have to be considered within the design development stage such as separate entry arrangements, access routes, acoustic barriers etc.

While blocks may have conjoined property interests these need to be clearly defined and capable of separation. Co-proprietor obligations, insurances and commercial lease arrangements will be challenging for owners and occupiers.

There needs to be clear delineation in physical terms which enables heritable interests to be well defined and obligations allocated. Such clarity is a pre-requisite for property investors who will be concerned about asset management challenges and avoiding neighbour disputes all of which could be prejudicial to asset value. A single well defined entity is recognised and investment yields can be predicted. History highlights where there is a lack of clarity then investors are more than likely to consider other opportunities.

A key message must be that mixed use developments are not just about development but they need to consider all of the investment criteria and operator requirements and assess how they interact with neighbouring residential occupiers.

As a start point it may be that activities such as industrial spaces and distribution storage are not good neighbours with more neighbour friendly uses being promoted which are compatible with residential living. Such arrangements may be typically ground floor retail, café and bars with offices on the first floor acting as a barrier to apartments on the upper floor. Bars and other night time economy uses may need to have some opening restrictions. In new build situations there can be resistance to hospitality under residential accommodation but the test will be whether appropriate sound proofing can suitably mitigate the issue. Such arrangements are not particularly unusual in current urban settings. In many respects it wouldn't be appropriate to have prescriptive rules as some common sense discretion is required to treat proposals on their merits albeit that prime consideration must be given to residential occupiers having security and being able to enjoy quiet enjoyment of their home.

Types of Businesses Operating in Mixed Use Neighbourhoods

“Neighbourhood and local centres provide for a range of retail, business, entertainment and community uses for the people who live, work or visit the area. Your neighbourhood centre is where you find your local café, barber shop or dentist, a place for local communities to meet and take care of their daily needs.”

New South Wales Government, <https://www.planning.nsw.gov.au/Policy-and-Legislation/Planning-reforms/Complying-Development-Reforms/Neighbourhood-Centres>

The notion of neighbourhood centres in planning has been around for many years. They were seen as part of a hierarchy of centres for provisions and services. In the 1960s comprehensive redevelopment failed to provide such centres in places such as municipal peripheral estates leaving them short on goods and services. Similar lack of provision occurred in suburban districts but this was overcome by the ability to drive to the ‘convenience’ store. Property investors responded to that mobile demand and this largely remains the model of provision outside inner urban conurbations.

As with New South Wales, the key in establishing new neighbourhoods is to be able to attract demand for a form of provision that pre-dates the private motor vehicle. This means persuading the public to choose to patronise their local goods and services. To ask property investors to speculatively undertake the development of mixed use development outside urban places will be a challenge. However, with some flexible policy arrangements and a more collaborative approach, such a mixed use approach is possible providing there is sufficient patronage and locational value.

Investment Scale and Affordability

It has been stated that smaller independent businesses operate on relatively small turnovers and can rarely afford fixed costs arising from expensive accommodation. Also, conventional property investment practice might be difficult in places outside prime locations and the scale of commercial elements within a mixed use development could be challenging.

Typically, commercial investments are likely to have a minimum project investment of around £20 million. Projects that are smaller than this scale tend to be undertaken by individuals who have sufficient equity capacity to invest in such projects. Such equity capacity in unproven markets could be difficult. In some case it may be that 3rd sector enterprises can raise funds through grants and community shares although again there is likely to be a limited capacity for such undertakings.

There could be creative possibilities such as part ownership and the sharing of space. The key point is that in secondary and tertiary locations the accommodation needs to be affordable.

Unfortunately, cheap accommodation is difficult to provide in a new build situation unless favourable financial terms can be obtained. It is for this reason that such regeneration projects are often subsidised by the public sector. Thought should be given to how subsidies might be structured in a different manner to allow occupiers to share in an investment stake with the public sector perhaps taking a share. In other words the state is not providing a subsidy but enters into an investment proposition rather than a traditional grant subsidy.

The independent Economic Recovery report highlighted a need to assist operators with access to funds. As we previously discussed in continental Europe such assistance is provided through municipal and mutual co-operative banks that recognise the wider public benefit of ring fencing investment within the neighbourhood setting.

Creating commercial spaces within mixed use blocks is unlikely to follow conventional property investment practice. Rental levels within challenging market locations are likely to be relatively nominal. It will require patient capital where landlords have an expectation that over time the new place will mature and obtain a good reputation and patronage that can increase rentals levels and have good growth potential. Whether rentals are based on a notional comparable rental value or possibly based on turnover rents will be a matter for consideration. Whatever way is chosen it is possible that the public sector will need to participate either directly by ownership / part ownership or indirectly through some form of loan guarantee.

Neighbourhood Creation is a Large Scale Operation

The establishment of 20 minute neighbourhoods in brownfield settings are inevitably going to be large scale. Such projects should not just focus on the red-line boundary of the project site but see the 20 minute neighbourhood as extending beyond to include the potential transformation of neighbouring community elements. No neighbourhood should be defined by precise boundaries but should recognise the linkages with other places.

Large scale interventions are needed to justify infrastructure investment such as good quality reliable public transport services that connect with other neighbourhoods and urban centres. A suitable scale of population is also required to support the kind of goods and services that allow inhabitants to obtain provisions on a daily basis. An example of such a scale can be seen at the Crown Street Regeneration Project in the Gorbals. This project comprised of over 1,000 houses and associated commercial and civic uses. By 2012 the Gorbals had a population of some 8,500 people.

Such a level of population is reasonably consistent with that taken in the 20 minute modelling exercise in order to sustain goods and services within a given neighbourhood. It is acknowledged that neighbourhoods could be smaller and sustainable but this will be determined by how services, such as health and social care are delivered. For example, the highly regarded Vauban neighbourhood in Freiburg comprises of a population of 4,588 people at a density of 100 dwellings per hectare. Such places should not be regarded as self-sustaining as activity overlaps with other adjacent neighbourhoods and in the case of Vauban is served by the reliable city tram network.

Key Points

1. Focus for commercial development is centred on prime urban areas
2. Edge of town office, industrial and retail parks are not encouraged under NPF4
3. NPF4 policy seeks denser urban forms of development with a lower reliance on private transport. This is a radical change to suburban typologies that have been preferred by a significant amount of citizens and developers for many generations
4. A 20 minute neighbourhood needs a population of between 5,000 and 7,000 people if it is going to provide health and education services along with other daily needs of its population. A suburban typology will roughly require twice as much land as an urban density to achieve the principles associated with a 20 minute neighbourhood. New neighbourhood developments are an important development policy but there needs to be other scales and typologies
5. An urban density will require apartment living. The challenge is to establish demand for families to live in flatted accommodation rather than suburban style housing
6. Large scale housing can attract commercial supporting uses but these are currently focussed on car convenience
7. A place-based proposition seeks to replace the traditional zonal approach in planning
8. Emerging demand for high street space is coming from hospitality, beauty therapy and other leisure based services. By increasing foot fall there is potential for some retail to return but this is dependent on how the use classes order is applied
9. The Scottish Use classes order is 25 years old and reflects a zonal approach to planning. The use classes order requires updating to fit a mixed use neighbourhood approach
10. NPF4 policy is effectively an urban regeneration approach that seeks to focus new development towards the re-development of brownfield land rather than in green fields. Some regions will not have the same regeneration challenges and have limited development land available
11. A brownfield regeneration approach often requires infrastructure / enabling works. Such initial works are invariably undertaken either by the public sector or on its behalf
12. Infrastructure goes beyond a site focus particularly in the provision of 'heat networks', distribution capacities and storage
13. Brownfield vacant and derelict sites are usually located in areas of low market demand where values can be lower than the cost of development. Therefore such locations often require supporting subsidy
14. Brownfield sites can have fractured ownerships which require 'site assembly'. Such action often needs the use of compulsory purchase powers to be exercised. The use of CPO powers has been somewhat mixed due to their rules, methodology and inevitable resulting delays. The Scottish Government has given a commitment to providing a new CPO law within the current programme for government.
15. Mixed use development requires a careful synthesis of interests both in terms of achieving 'quiet enjoyment' of one's premises, being good neighbours both in daily routine practice and in the legal definition of property interests, rights and obligations

16. Suburban activity is driven by perceived safety, security and convenience whereas urban living can be thought of as chaotic and unpredictable. A change to a different lifestyle needs sensitive promotion and market re-positioning. A move to more urban living could take a generation to deliver

17. Compared to comparable European cities, Scotland's public transport network takes longer and commutes fewer people from home to work. To compete with such cities a significant investment is required to achieve reliable, comfortable and affordable fast transit for people to get to their places of work

18. Places such as Germany, the Netherlands and Scandinavian countries have exemplar mixed used neighbourhood developments. In Germany exhibition themed programmes such as the International Building Exhibition (IBA) provide an excellent example of taking experimentation to customary practice. With great skills and motivation the IBA principle could be applied in Scotland to give focus to our quest for a 'green well-being economy'

19. Creating new 20 minute mixed use neighbourhoods is a large scale development and investment proposition. This will be undertaken by only a few developers possibly in some form of partnership with a public organisation. The 'master' place investor will create the neighbourhood framework such as project servicing and infrastructure with subsequent finer grain of plot development being undertaken by a variety of developers including private companies, housing associations, community enterprises and individuals. Such multi action should be implemented under appropriate codes and regulations by the 'master place investor' to achieve a blended quality of place.

20. Real Estate is responsible for around 40% of the planets carbon emissions therefore repurposing buildings and places and improving how we deal with waste is of paramount importance

21. Too many buildings have been demolished after 25 / 30 years but financial investment assessments are changing such as different public partnership approaches and the disappearance of 25 year lease arrangements

22. The circular economy principles needs to be applied to material components and services as well as the structural fabric.

23. Property maintenance should be planned rather than being reactive

CONCLUSION

Scotland needs to quickly establish a green ecological solution to the way we all function and this requires an interdependent approach. Delivery cannot be controlled by one party but is reliant on everyone doing lots of things, acknowledging that everything is linked.

Immediately after WW2 we had a municipal age of development delivery, by 1980 this became the market age of delivery. We now need a synthesis where production and functioning comes from multi complimentary participation of the state, the market and communities.

The biggest change in the last 75 years is that the world's population has increased fourfold. The planet cannot be sustained by increasing numbers of humans and its consumption appetite. In recent years spatial planning has made relatively small adjustments in its policy approach but in order to address the climate emergency it now has a key role in bringing about radical change.

A key part of NPF4 policy is its promotion of an 'urbanism' approach to deal with our climate emergency. This means mixed use places where our needs are met by goods and services being conveniently accessible to where we live. The key challenge is whether urbanism principles can be applied at different scales? Most urban places are readily walkable but how can suburbs and villages become mixed use places and transformed to fit the ecological agenda? It is these non core locations where the challenges are the greatest.

To meet and respond to the climate emergency it is not just about building new urban typologies but how we adapt what we already have and make the best use of our existing assets. This means examining how suburbia might have a greater intensity of uses and activity. For Scotland to have a green well-being economy, a 'dormitory suburb' can no longer function as a sleepy place.

Neither can we just narrow our focus to a neighbourhood scale as there will always be influences well beyond the project's red

line boundary. Therefore, any proposal has to give due regard to urban and regional inter-actions. Good places have diverse constituent elements that need to be inter-connected to provide a range of goods and services.

This is a complex assignment that is essentially called a 'whole systems approach' requiring spatial planning with a whole range of inputs to examine regional frameworks that bind together a range of economic and social activities.

In part one of this report, the case is made that to contribute towards a 'green well-being economy', the public sector needs to play the role of 'prime mover' in both investment and the production phase of placed based activity.

In particular, it needs to do this because the planning policies make it clear that the emphasis will be on an urban regeneration approach where investment should be directed towards brownfield rather than greenfield development.

Outside, prime locations, private investment in mixed used development is much less active and its participation particularly in areas of low value will often need a supporting hand from the public sector. There are various methods that an enabling and investing public sector can operate. However, time is of the essence and the public sector is not currently set up to be the kind of property action player that it was back in the 1960s and 70s.

For this reason, common sense suggests delivery must be some form of co-creation approach where collaboration is essential. In the Forward to the National Strategy for Economic Transformation (2022), the Cabinet Minister for Finance and the Economy made this clear by saying "ours must be a country in which the public, private and third sectors respect each other's strengths, draw on each other's talents and work together to create and sustain an economy that works for all." Interestingly, one of the ways the Scottish Government is seeking to transform its economy is by being an 'entrepreneurial

nation! Such a strategy supports the argument for seeking innovation and increased productivity from lots of small locally based activity. This is consistent with the planning focus for mixed use walking and productive neighbourhoods. Such a strategy could achieve a better structural balance to the economy by having both small and larger participants.

Whether organisations are large or small, the pandemic has shaped a new method of working for some people. Generally referred to as 'hybrid working', there is an expectation that while there will be a return to workplaces for some of the time, this could see more people working from home and become conventional practice. It is clear that a more flexible approach is required with staff seeking better quality working environments that will not only enhance their own well-being but could improve productive working. It is too early to say whether conventional forms of working will win over a call for flexibility but significant lessons have been learned over the two year lockdown period and it is difficult to see a return to previous working customs.

Such hybrid working will change property requirements, both in terms of workspace and specification. Such an approach may well lend itself to proposals for mixed use neighbourhoods where people can work and interact in their own local settings.

Changes to small productive activity will require an examination of how we can improve access to funds for small businesses and enterprises. European banking structures are more geared to funding smaller businesses than the UK. Mutual co-operative and municipal banking organisations are common in places such as Germany, Netherlands and Scandinavia and many have board arrangements that provide local representation and funds that are ring-fenced within the neighbourhood. This local action supported by local funds is a sensible approach which is certainly worth consideration.

In many ways the corporate sector recognises the need to transform itself to a zero carbon

economy and they have the potential to access funds through a variety of networks. They are alive to the consciousness of their customers and the mood of citizens. Many are engaged in Environmental, Social Governance (ESG) processes as they recognise that they have to be seen to be doing something positive in contributing to climate change measures.

Prime real estate will remain the continued focus whatever the use. However, edge of town and more suburban development is where transformation is likely to be the greatest challenge. Policies seek radical change to suburban typologies with the emphasis on 'active travel' rather than travel by private vehicles.

20 minute neighbourhoods require sufficient population to enable the provision of goods and services to be viable. This means neighbourhoods need to be denser places with populations of between 5,000 and 7,000 if the daily needs of the neighbourhood population are to be met. While some have proposed low density 20 minute neighbourhoods such an approach will be more land hungry with an estimated doubling of the amount of land required to sustain the provision of goods and services. This is not wholly the intention of the NPF4 policy but such a low density approach is more in line with familiar suburban typologies and current customer preferences. The real challenge is whether people, particularly families, are prepared to live in more urban typologies that realistically means apartment living for a reasonable proportion of the population?

If we want mixed use neighbourhoods it needs to reflect customer demands and preferences. Of course many of those preferences need to be reshaped to be consistent with climate emergency requirements. Gestures of mixed use by a token shop under an apartment block will not change anything. However, any notion that rows of independent retail shops will suddenly emerge is also short on evidential trends where high street retailing continues to decline. Customer experience now goes well beyond retail requiring places to include a variety of hospitality and lifestyle services.

Such services along with a range of public services may well see increased 'foot fall' potentially stimulating a return of some retailing, particularly specialist offers that cannot be accessed from internet browsing or where customers prefer to feel and touch before purchasing.

The notion of neighbourhoods being places of leisure and high on hospitality might not wholly fit with some people's notion of what a mixed use neighbourhood might look like. The greater the activity the greater the challenge will be in minimising potential tensions between uses such as housing and bars. Such matters have to be carefully planned, mitigated through design and opening hour regulations.

Essentially, mixed use developments are much more challenging to develop than zonal based development. The labyrinth of multi property interest has always created challenges for investors and their legal representatives. Buildings have to be designed in such a way that potential disputes are minimised if not avoided. Property rights and obligations have to be very clearly defined. Such matters are complex challenges with additional risks attached which rather explain why markets have a preference for simplicity.

The planning system will need to adapt to a place based neighbourhood development approach. The Use Classes Order is well suited to reflect the required inter-action of uses and will certainly need amending to reflect the policy objectives.

The proposals for walkable productive neighbourhoods are being promoted all around the world. Many people point to such a typology working in more urban places where infrastructure is in place and effectively new development is simply contributing and perhaps helping to transform what is already there. However, development in brownfield settings will need underlying value to achieve viable proposals and attract private investment. Viability should not just be seen as a technical solution to a 'dirty' site but how the whole neighbourhood currently operates, what types of service and provisions are offered and what is its value?

This report points to successful relatively low value communities operating reasonably successfully with few vacant shops and many services provided. These places buck the trend of many small local settlements in Scotland and further research is required to understand why some settlements work better than others. Some suggest that convenience of connections is important. Where it is too much hassle to go to an urban centre then getting daily provisions and services locally will be preferred. Others suggest that successful small places are based on good quality goods and services underpinned by customer service allowing people to engage socially as well as economically. Some suggest that local places work better where property ownership stays local. This could be through owner occupation or more creative leasing arrangements. We also referred to places such as Germany where their local banking structure enables local funds to be placed in the same local setting. All these matters need to be further investigated in order to inform the final model of mixed use development that is appropriate for any specific location.

The paper highlights the work of the German International Building Exhibition (IBA) and its approach of experimenting around themes for different locations. Many of the recent IBA projects are highly relevant to the neighbourhood and renewal objectives being promoted in the NPF4 policies. The methodology employed in the IBA projects fits with the policy goals such as wider co-operation between the public sector, businesses and communities.

The IBA process allocates significant time to find solutions by bringing together what are often opposing views. Such an approach avoids the 'game playing' often found in planning applications in this country. While the IBA takes its time and only focusses on one expo over some 7 years, the challenge we are faced with is to do something in multiple locations and much quicker to meet a zero carbon world by the exacting target date of 2045.

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