



## Place Identity Dwelling Summary Report, March 2016

### Main objectives and context

The project objectives were to find mechanisms to prioritize architectural design (in its most inclusive format) in raising the ambition and future direction of suburban housing provision in Scotland to:

- examine the relationship between architectural design and volume house-building;
- determine new mechanisms for ensuring the integration and longevity of design quality in the procurement of volume house-building; and
- examine the potential use of design principles which identify common place-specific and environmentally-responsible criteria.

The Scottish Government is committed to improving the quality of the built environment (*Creating Places - A policy statement on architecture and place for Scotland*) yet no empirical evidence exists to unequivocally prove that the policy has had any demonstrable impact on the everyday physical quality of the built environment. We consider this unacceptable in a nation which proclaims the societal importance of architecture where, in effect, all our city edges are becoming the same. In particular, the continued acceleration of anonymous but market-friendly volume house building estates across Scotland suggests that the development of the suburbs has largely escaped critical scrutiny given that volume house-builders continue a populist but architecture-bereft sprawl across the landscape. Such developments pay no heed to the *genius loci*; the particular physical or cultural character of a place. Nor do house-builders seek to address the diverse and important emerging issues which contemporary housing raises including place making and place identity; changing family structures; the super-ageing population and digital health; passive drying of domestic laundry, energy creation and energy conservation. In these ordinary environments life takes place in the most routine and potentially life affirming ways. This is where many of the EU 'urban transformations' will take place, to accommodate current and new trends and pressures (I.e. Cultural diversity, absorption of economic risk in development, changing life/work patterns). So, they are an important ground for trying and implementing significant, lasting and societally shaping innovation.

### An account of the insights resulting from the programme

Seminar 1 'Context, Value & Ideals' sought to elicit whether any sense of shared values could be identified between the various stakeholders linked in the volume housebuilding chain; from land purchase, through building, to ownership. The primary question arose 'to whom does the value accrue?' of any uplift in design quality embedded at the genesis of a housing development project - when the builder as developer's primary goal is to recapitalise his asset and reduce his interest payments for land, infrastructure and building as quickly as possible. That the housebuilder as developer has no vested interest in the long term value of his product was put in stark contrast by Professor Lawrence noting that longer-term aesthetic and symbolic values are key to resident satisfaction '...the age of the fabric, the neighbourhoods and cities gain value simply because they are 100 years old' and that '...the length of residence of people is a key determinant in residential satisfaction'. Length of residence is also, to a degree, governed by adaptability and the capacity of well-proportioned rooms to be configured in different ways. This is something that historic examples, with more adequate space



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provision, accommodate. The UK has the smallest M2 total house area and most expensive per bedroom number in Europe. Reconfiguration of spaces, contingent on changing circumstances or aspirations, is often difficult to achieve without extension or significant structural alteration. Communities are therefore less stable and are less driven towards the benefits of collective cohesion such as investment in shared spaces for recreation and general wellbeing. As Professor Van Gasteren observed 'If a house is in a place you like, you are more willing to invest in changing and adapting it to your needs. A fine balance is therefore desired between spatially adaptable and affordable house types (people stay in them longer) which, in turn, should embed more long-term shared community values (people have a vested interest in quality amenity spaces). In the Netherlands there is greater municipal land ownership, which makes the investment in and maintenance and security of open public space easier to co-ordinate and manage, otherwise 'People are very afraid of open public spaces – It can create problems'. He further observed that 'It is very important that the houses are very connected to the open space – Each house sees it as their own garden, but everyone can come in to it'. This may not be a value which translates to the UK but spatial forms which represent collective purpose need to find a place within the present monocultural suburban model.

It was also argued that a sense of shared community values should be built-in through the procurement process – from design through construction to inhabitation. Professor Lawrence highlighted the co-operative and collective housing 'movements' as the fastest growing sector – a third sector – in Scandinavian countries. Although concerns were raised that consumers may not be familiar enough with the issues, particularly relating to well-designed places, Professor Lawrence gave examples of workshops where prospective communities were invited in to manipulate full-scale models of dwellings - to at least convey the value of adaptability at the scale of the single dwelling.

The idea of adaptability and stable communities is of course an anathema within the present volume housing procurement model. As Professor McLachlan noted '...the idea of whole-life housing is not welcomed by the developers as they want you to buy another house, preferably one of theirs' yet she also observed that circa 70% of those in the market for a brand new house would not consider buying into a new development. This presents a market opportunity for better quality housing but if architects are to deliver it they need to better articulate the benefits of their professional skills to the market. Professor Romice, recognising the flux of the market, then set-out the importance of predictive modelling – '...studying trends and cross-referencing geographic, social and economic information into physical form is essential'. As Professor Lawrence noted 'It (the complex housing problem) is about trans-disciplinarity: putting competencies in the disciplines together to use the best 'knowledges''.

Seminar 2 extended the theme of values into building considered from both a Scottish and wider European perspective. Lars Christian Uhlig showed 'Am Horn' in Weimar as model of integrated constructional, social and cultural thinking. It was the City of Weimar and its University who drove a 'demonstrator project' agenda in partnership. In Scotland it was the Scottish Government in partnership with MacTaggart & Mickel Housebuilders who championed testing a demonstrator for PAN 76 'Designing Streets' in the re-visioning of Polnoon, Eaglesham. Both projects relied on existing land ownership by the partners coupled with 'space for design' – Enough time in the procurement process to prefigure good place-making as part of the planning approval process. It is this 'space for design' that Matthew Benson from Rettie & Co. then demonstrated as extremely difficult to integrate within the present mainstream volume housebuilding procurement model.



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Andy Wightman broadened the dysfunctionality of the housing market to a national scale and supported the need to recalibrate the value presently embedded in property to reduce borrowing and debt. The problem of property prices outstripping income growth and the broad ambition of 'Place Identity Dwelling' were then coupled in discussion to focus thinking around a possible new funding model which could deliver both better designed *and* more affordable places to dwell. Work was commissioned to speculate on a new funding model which integrated the values and ambitions discussed above and using 'Polnoon – Before & After' as an exemplar control project to test its financial consequences for the primary stakeholders – Landowner, Builder & House Purchaser.

Seminar 3 revisited the dwelling values that, given time, a good architect can transform through a considered design process. Stephen Proctor demonstrated a careful iterative approach to creating place-specific suburban neighbourhoods and communities. At Polnoon the introduction of one new typology – the corner house – was employed to realise a much better sense of a contained coherent place. This move, coupled with shared surfaces, contributes towards a strong feeling of the collective and an impression that the new Polnoon community enjoyed shared values. To engender this through design extended the delivery of the project by 12 months, resulted in a greater number of dwellings but ultimately proved 20% less profitable to the developer through the increase in infrastructure costs. Less profit to the housebuilder is characteristically where the complex problem of procuring well-designed suburbia has to-date proved intractable. It is this confrontation, where design values meet market values, that Rettie & Co's new funding model addresses by potentially creating 'the space for design'.

## **Main outcomes and (expected) impact**

'Thoughts on a New Funding Model to Deliver 'Design-Led' Housebuilding' sets out principles which remove certain borrowing and risk from the house builder's balance sheet. The Objective was to explore whether an alternative approach to financing of residential development could be designed, which emphasised place-making and quality of design rather than land value as its fundamental driver:

- The model focuses on deconstructing the traditional Scottish & UK model of housebuilding whereby a single balance sheet (usually the house builder) takes the full capital costs of land, infrastructure, place-making and construction.
- Under the present system, house builders will typically seek a return of 25% on costs or 20% on GDV (gross development value) as compensation for compounding all these costs and associated risks on their own balance sheet. This cost is then passed on to purchasers through the mortgage market.
- Acknowledging that a major obstacle to the building of new homes is the high, up-front capital cost of land and infrastructure, the model proposes replacing the capital land receipt with a Land Utilisation Fee or land Bond to compensate the landowner (primarily Local Authorities for the purposes of this model) for promoting land to be used for design-led development.
- The Land Utilisation Fee would be index-linked and potentially have a leasehold security making it a highly collateralised and attractive financial instrument for local authorities to hold.



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- This model then proposes funding high quality infrastructure and place making via a “Municipal Infrastructure Bond” (MIB). This could be funded via on-lending from Local Authorities or the capital markets and would be serviced via a further annual charge to householders, possibly within the council tax regime.

- The house builder would now tender for the land on the basis of build quality and design rather than land price and would be compensated via a margin paid on the cost of the bricks and mortar, with the potential for incentives on sales or otherwise as the site dynamics demanded.

Houses would then be sold using the mortgage market but with the asset now subject to the land utilisation fee/land bond and the municipal infrastructure bond payment. In essence, this approach applies a much more efficient use of funding structures to delivering the standard house. By removing the cost of land and infrastructure from the housebuilders balance sheet, the 25% return on cost charged by the housebuilding market can be saved and recycled.

- The report tests whether the contribution of annual charges plus the now much lower mortgage amount resulting from the removal of the up-front land cost and infrastructure costs could offer a lower overall annualised cost for householders combined with the delivery of better designed, larger homes.

A primary question resultant from the above clearly relates to how we might recognise, evaluate and enforce ‘good’ design and Malcolm Fraser touched on this by concentrating a discussion around lessons from history, specifically common utilitarian values, orientation, connection between inside and out, shared space and so on – an approach very much in line with the Dutch exemplars Prof, Van Gameren illustrated in the first seminar.

The expected impacts are primarily societal and long term through the creation of better and more affordable places to dwell. In the intermediate term we expect to inform Planning Policy; by way of clearer procedural guidelines for assessing design quality, Land Ownership Reform may be bolstered by a funding model which encourages affordable community developments, Scottish Construction will be encouraged to upskill when the evaluation of competitive tender is focussed more on build quality, Architectural Practice will upskill by greater exposure to place-making problems and Lending Institutions may become more inventive with lending products.

## **Key recommendations for end user / policy communities**

These are primarily addressed in the proposed funding model however realising those requires engagement with key stakeholders to address; new legal frameworks, financial lending models, infrastructure provision, design quality assessment and new policy development and administration issues.

## **Planned follow up activities**

Early discussions around the project outcomes have begun with Government ministers and the Scottish Futures Trust. The project ‘Housing Futures’ – part of the ‘UN Habitat’ agenda have approached the network to discuss conference themes and a presentation of the work in September 2016 at the AMPS Conference ‘*Policy, Planning, Design: Local Government Housing Initiatives in a Time of Crisis 08-09 September 2016 Liverpool*’. The network is establishing an ongoing connection as ‘Critical Sub-Urbia’ as part of the Geddes Institute centred at the University of Dundee and will apply to SU11 for follow-up funding to help frame-out and take forward the key recommendations requiring addressed above.