Public Private Partnerships in Urban Regeneration

Best Practice from the UK

The Role of Design and Masterplanning in Housing Market Renewal

Prof. C.H. Bovis

Framework Policy

- 2003 – 2015 Sustainable Communities Plan
- Urban Regeneration
- Low Demand for Housing
- Market Renewal Fund - £ 1bn
- Pathfinder Areas

Pathfinder Areas

1. Birmingham and Sandwell;
2. East Lancashire;
3. Humberside;
4. Manchester and Salford;
5. Merseyside;
6. Newcastle and Gateshead;
7. North Staffordshire;
8. Oldham and Rochdale; and
9. South Yorkshire.

PPP Stakeholders

- UK Government (Department for Communities and Local Government - DCLG)
- Local Authorities
- Masterplanners
- Private sector

Attributions

DLGC	Funding / investment
Local Authorities	Land and real estate assets
Private sector	Development investment

Modus Operandi

- Institutional PPP
  - Creation of JVC
  - Establishment of a LLP
- Contractual PPP
  - Development Agreement
  - Licence Agreement

Procurement Process

- Negotiated Procedures with prior publicity
- Restricted Procedures (2 rounds)

  - average gestation 22 months
  - complex and expensive process
    pre-qualification
    selection on detailed plans and urban design
  - average bid cost £ 950 k
  - no legal issues

Contract Award

- Selection of single Preferred Partner
  - Formation of JVC or LLP

- Selection of multiple Preferred Partners
  - Creation of Developers Panel
  - Framework contracts

  - Common theme
    - Masterplan and Urban Design

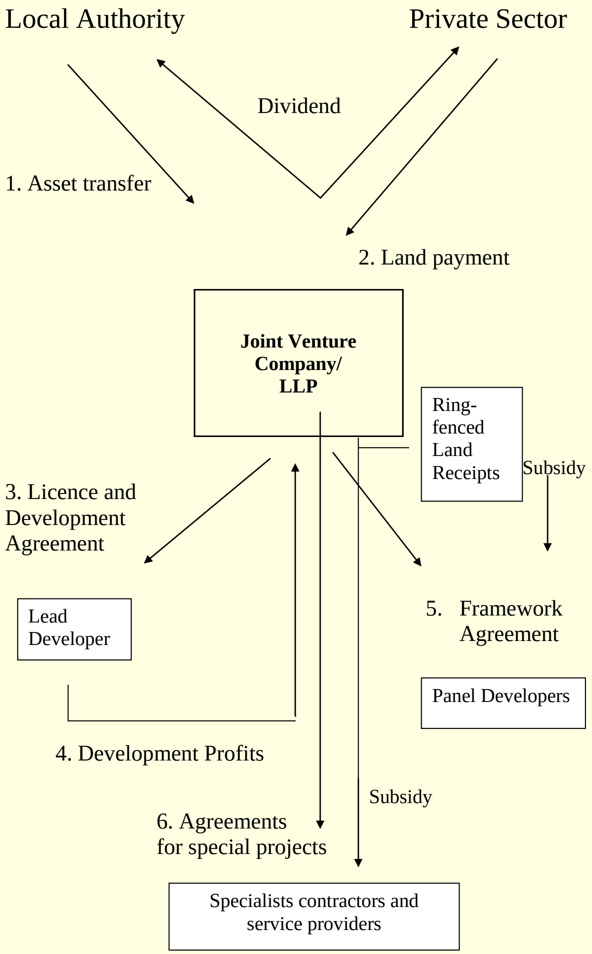
Operational Issues

- Risk management
  - Agree Risk Matrix
  - Agree Profit/loss sharing
  - Agree Land Values
  - Agree Dispute Resolution
  - Agree Outputs
  - Agree Exit Strategy

The Parties to the PPP

Local Authority	Local Community	Private Sector
Share-holding: (49%) Voting: equal Profit-sharing: equal	Share-holding: N/A Voting: non-executive capacity	Share-holding: (50%) Voting: equal Profit-sharing: equal

PPP Structure and Function



Development Stages

1. Land Assembly
2. Architectural Design and Masterplan
3. Asset transfer to JVC at market value
4. Land payment
5. Land Value Ring-Fenced
6. License and/or Development Agreements
7. Development
8. Profit sharing / dividend

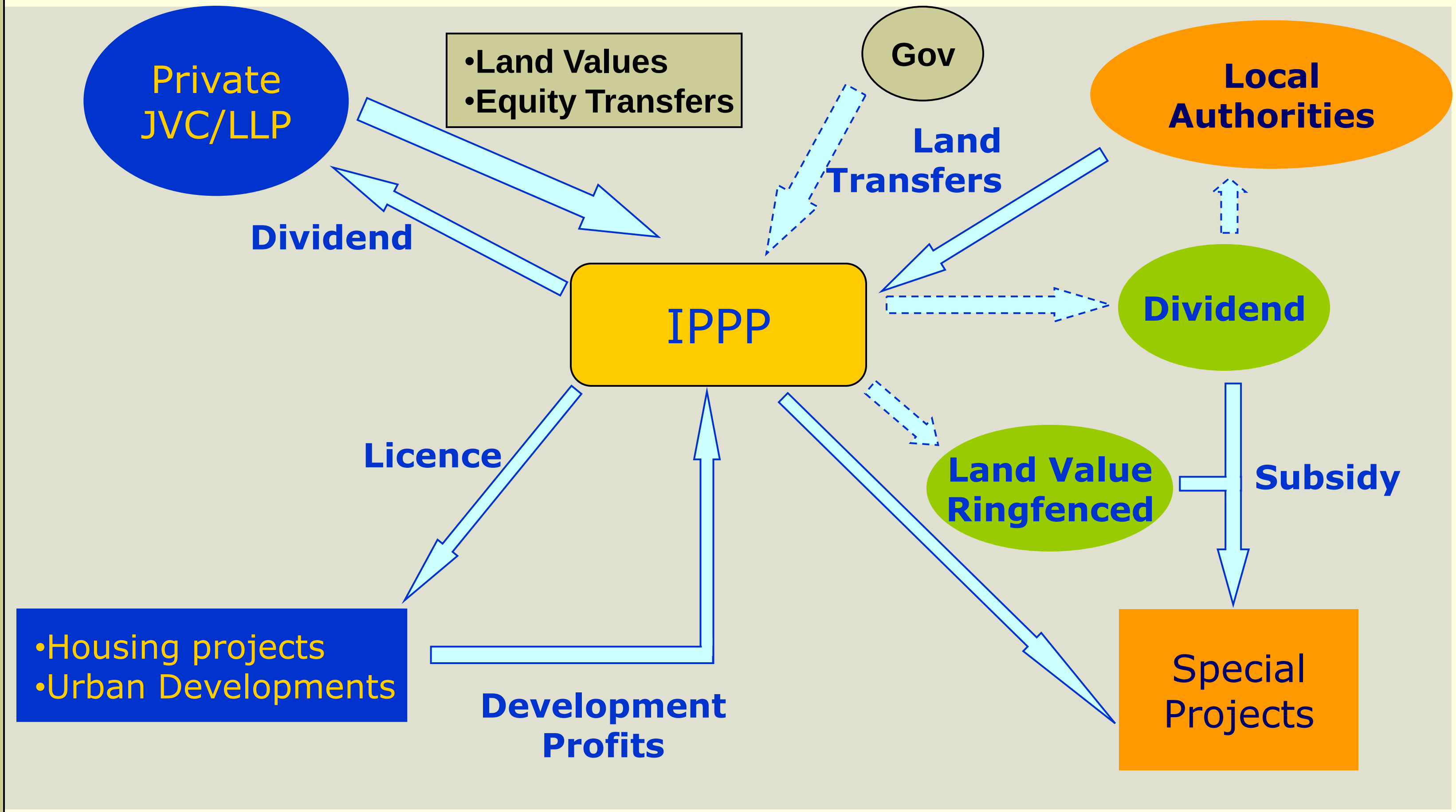
The Benefits of a JVC

- innovative and best practice model for the procurement and delivery of economic and urban regeneration.
- deliver multiple strategic objectives relating to economic regeneration, housing and well being of the community
- provide equal profit sharing and substantial revenue receipts to the local authority in the form of dividends which are not subject to set-aside requirements.
- guarantee full market value of public assets provided by local authorities.
- self-finance, design, build and facilitate the provision of special turn-key projects, the provision of community and recreational amenities and of commercial and retail developments, without the need of public funds.

The risk to the Pubic Sector (Local Authorities)

- Local Authority assumes minimal operational risk from participating in the JVC
- Local Authority has equal voting rights
- All financing, front-funding and work-in-progress requirements are undertaken by the private sector
- JVC provides for Land Redemption, to the extent that any land undeveloped, within a certain period, will revert to the ownership of local authority at no cost.
- JVC is subject to independent and external audit annually in accordance with the Companies Act

51%	Ownership	49%
2	Directors	2+1 independent
50%	Voting Rights	50%
50%	Profit Share	50%



Conclusions

- Urban Regeneration PPPs 15-20 years-long
- Deliverables measured by contract outputs and reference to Masterplan and Urban Design
- Appropriate risk allocation
- Incentivisation of both public and private sectors
- Value-for-money ensured by
  - Profit sharing
  - Overage clauses
  - Market value of public assets