



# Planning as market maker: How planning stimulates development in continental Europe

This briefing summarises research conducted for the RTPI by the University of Liverpool. The research examines three case studies from continental Europe – Hamburg, Lille and Nijmegen – where planning plays a positive and proactive role in shaping development.

## Who should read this?

Anyone with an interest in improving outcomes from the built environment in the UK, including planning professionals, policy makers and researchers with a concern for how to increase the quality and quantity of development, and those interested in the relationship between proactive planning and positive economic outcomes for places.

## Key messages for policy and practice

The research examines how public investment in planning can be used to stimulate development in the private sector. Planning approaches which improve the quality of places, such as coordinated transport infrastructure investment or land assembly tools, have the effect of increasing the demand for land in those locations. Where planning is used to coordinate the development of this land, development can be forthcoming at high levels of both quantity and quality.

## Breaking deadlocks

Planning can coordinate action in situations where cooperative working between multiple stakeholders is necessary to stimulate development or meet social and economic objectives. The ‘first mover problem’, when planning intervenes to reduce risk or ensure fair share of rewards, is an example of the role planning can play to encourage development and draw in private sector investment.

For example, if there exists excessive demand for housing in a location but land is held by multiple owners, planning can provide the solution by utilising tools, such as the pooling of property rights, which enable the development of plans that can allow supply to meet demand.

## Building coalitions

Assembling coalitions is often an essential precondition to marshalling the development process. The durability of such coalitions is dependent upon the belief of members that they have more to gain as part of the coalition than by acting alone. This might occur through the translation of shared interests into a formal agreement and a strategic vision that outlines achievable outcomes and how their added-value will be shared amongst partners. This idea can be extended to include cooperation between metropolitan areas.

## Market making

A behavioural shift towards a model that sees planning act as a ‘market maker’ does not imply a shift in the ethical goals of planning in favour of economic objectives. These case studies demonstrate that planning interventions that boost demand and value go hand-in-hand with those that produce great quality places, such as good public and active transport provision, the supply of green space, and high quality design.

However, only planning which is well-resourced and politically-supported can deliver these kind of outcomes. Too often in the UK we leave outcomes from development to chance, and are left with lower quantity and quality from development.



## Wider context

### The value of planning

The UK Government has set-out its key economic priorities to boost national productivity and ensure that economic growth is sustainable. Planning is an underused tool that can help achieve these goals, as the RTPI has been examining in its programme of work on the value of planning.

For example, we know that many of the outcomes produced by good planning are essential for a strongly performing economy. Good transport connectivity between homes and jobs provides greater economic opportunity and supply in the labour market.

Places which support healthy lifestyles can produce more productive labour forces. Moreover, developing inclusive, safe and cohesive places can reduce the need for public expenditure on services like health and social care, crime prevention and security, whilst supporting stronger local economies.

Greater investment in the kind of proactive planning that is too-rarely seen in the UK but is much more common in continental Europe can play a leading role in delivering the kinds of places that can boost local economic outcomes.

## Main findings

### Empowered planning

In the cities examined in the case studies in this research, planning has been empowered with legislative, cultural and financial support. The results can be seen in terms of development quality and quantity, providing the foundations for sustainable, positive economic outcomes. Where planning is charged with positively engaging with the market, this enables responses to inconsistencies and market failures which a more passive, regulatory model of planning is ill-equipped to deal with.

### Coordinated planning

Nijmegen in the Netherlands illustrates how planning can be used to lead and coordinate development through the use of specific mechanisms that guide and stimulate the market.

'Land-readjustment', a term used in the Netherlands to refer to a specific form of planning whereby land rights are temporarily pooled to deliver infrastructure or collective area-benefits, delivers individual benefits to private land-owners that significantly outweigh those garnered from acting in isolation.

In this model, risk is reduced for the public sector without the need to engage in resource intensive compulsory-purchase procedures, and the processes involved in bringing private land-owners into cooperation often creates healthy coalitions which are able to share knowledge and ensure that the development closely reflects the interests of stakeholders.

### Leading with planning

In Hamburg in Germany, a strong guiding role for planning points to ways in which large scale developments can be used to channel private sector innovation and delivery to achieve higher overall development quality.

As a result of the Länder (regional state) and the city developing a strong planning institution that was able to undertake upfront land assembly and infrastructure provision, planning was able to shape the form and structure of development in the area, encouraging a density and quality which met the economic aspirations of the region.

### Planning coalitions

Lille in France shows how planning institutions can be empowered to use strategic foresight and incentives for cooperation to overcome institutional deficiencies which might otherwise prevent coordinated development across jurisdictions.

Coalition building, whereby neighbouring authorities pool resources in order to share out investment that would be greater than they could achieve in isolation, is crucial for the successful results achieved in the region.



Strong planning institutions and tools, devolved funding, and local leadership that encourages strategic spatial planning is central to the delivery and maintenance of this model.

### **Achieving better outcomes**

This research shows that such approaches to stimulating urban development can produce better quality, more sustainable built environments.

Much recent research that explores the relationship between planning and the wider economy has used a neoclassical economic framework to investigate the 'costs' of planning. This type of analysis points to the constraints that planning is said to place on development, and so economic growth. This analysis has been influential in some policy circles, contributing to the characterisation of planning as an overbearing regulatory function which suppresses economic growth and contributes to our collective inability to provide sufficient housing at accessible prices.

This is a false understanding of both what planning can achieve, and how land and property markets actually function. This research, which draws instead on behavioural economics, illustrates that in reality only strong planning institutions, where planning professionals are well resourced, empowered, and supported, can routinely deliver more positive outcomes for places.

Taking a wider international perspective points to the kind of outcomes that enhance economic performance through the creation of great places, and how this requires more planning, in particular proactive planning.

## **Implications for policy**

### **Support locally-devised approaches and devolved decision-making**

Devolved decision making allows more planning solutions to be devised locally. Those currently involved in pursuing and delivering greater devolution settlements in the metropolitan regions of England should focus on how they can use planning most efficiently to deliver better built environment outcomes.

As part of this, sharing best practice via digital forums could support the transfer of policy and planning approaches within and between regions and nations of the UK, as well as across Europe. This will be essential supporting stronger local responses to planning and development issues.

Since the General Election of 2015 and the Scottish Independence Referendum, the process of devolution of greater political powers to the various regions and nations of the UK has continued. One of the core functions that a new arrangement of British city-regions should have is greater control over the ability to be more creative and strategic, with pooled resources for urban planning.

In this context, ensuring continuity across and between territories will be essential if development of the built environment is not to be disrupted and piecemeal. It will be important to monitor the effects of this potentially highly variegated approach to the scales at which planning power is vested.

### **Re-consider the use of development agencies**

Development agencies provide the chance to integrate public and private interests, especially in the case of large-scale or stalled developments. This research identifies the common role development agencies can play in kick-starting and managing development.

The Town and Country Planning Association's call for a reappraisal of the New Towns Act to create development corporations, as well as the Labour Party's Lyons Review, arrived at similar conclusions to the UK Government regarding the potential value of incorporated bodies to lead the development process.

This research similarly points to the ways in which some of the UK's continental neighbours have used development corporations/agencies to guarantee a consistency of focus in strategically important developments.



### **Move from 'instrumentalism' to strategic planning in area development**

While strategic planning has appeared and reappeared on numerous occasions during the post-War era, in the UK it has tended to focus on the broad spatial pattern of development (for example, across a region) rather than taking a strategic view of the form taken by specific local developments.

The strategic dimension in local area development should be informed by such factors as the use value of the built environment, the resilience of development to shocks (economic or broader issues such as climate change) and the role of architecture and urban design in raising living standards. The kind of behavioural shift illustrated by the case studies included in this research, from goal-specific regulation to strategic intervention, could contribute to achieving these aims.

### **Further research on the implications of local government reform**

The reforms affecting local government across the UK are likely to have profound effects on the behaviours of local actors, including the creation of more autonomous and entrepreneurial local authorities in some cases covering city-regional territories much greater in size than the inherited boundary settlement.

This research points to the dilemmas these increased powers and spheres of influence create. The degree to which the changing landscape of local government in the UK prompts a corresponding change in focus in how development is stimulated and supported, including the role of planning, should be a priority for further research.

### **About the research**

This briefing is based on research conducted by Dr Alex Lord, Dr Phil O'Brien with Dr Olivier Sykes and Dr John Sturzaker of the University of Liverpool, commissioned as part of the RTPI's Small Project Impact Research (SPIRe) fund. The research included a literature review and interviews with local leaders in the case study locations.

The full report is available on the RTPI website at: [www.rtpi.org.uk/planningasmarketmaker](http://www.rtpi.org.uk/planningasmarketmaker)

### **About the RTPI**

The Royal Town Planning Institute holds a unique position in relation to planning as a professional membership body, a charity and a learned institute. We have a responsibility to promote the research needs of spatial planning in the UK, Ireland and internationally.

More of the RTPI's work on the value of planning can be found at: [www.rtpi.org.uk/valueofplanning](http://www.rtpi.org.uk/valueofplanning)

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