

Investing in Communities

DAVID TAYLOR

Investment, developing sustainable communities—and sin—were among the topics at a roundtable during the MIPIM property conference in Cannes, France.

DOES MORE INVESTMENT automatically create better communities, or is there a conflict between what investors want and what average residents require for the longer-term benefit of their surroundings? And how can both groups work with city planners to the advantage of all stakeholders?

Tough questions like these were on the agenda at a roundtable event at the property conference MIPIM, held in Cannes, France, in March.

Aiming to help unravel these knotty problems at the roundtable were people with formidable experience in the property business.

“Does greed get in the way of practicality and making a good lifestyle?” asked Ian Watt, executive director of Old Mutual Properties Group, South Africa. Are people today leaving something of worth to future generations? “I think the investment community may be so intent on the profits they are going to make that they have lost sight of what it’s about,”



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he said. “Without a cohesive process, we’re going to forget that it is the community that uses the facilities. You can build anything that works on an economic formula, but if it doesn’t meet the community’s needs, then you can throw the formula away.”

Guy Perry, Warsaw, Poland-based president of design and development services company INVI, agreed, citing INVI’s experience on a current major project in Warsaw. “It’s a bit of a double-edged sword, though, because on the one hand almost all of the land has been purchased and we have good developers in place, yet on the other hand, land values have increased so rapidly that we are not getting the mix of activities we were hoping for,” Perry said. “For example, if we’re going to have certain things like sports fields, at €300 to €400 per

Roundtable Participants

Sherin Aminossehe, senior planner, HOK International, London

Alex Calderon, director, Axis, a Paris-based urban development/real estate advisory firm

Ken Dytter, managing director of Regeneration Investments, a London-based regeneration firm

Paul Finch, London-based editor of *Architectural Review*

Richard Garlick, editor of the U.K.-based *Regeneration and Renewal* magazine

Bill Kistler, ULI president, Europe/Middle East/Asia/India, based in London

Ben Kodisang, chief executive, Old Mutual Properties, London

Lorraine Landels, principal, Martha Schwartz, a Massachusetts-based landscape architecture firm

Rachelle Levitt, ULI executive vice president, information, and publisher, *Urban Land*, based in Washington, D.C.

Scott Malkin, chairman of London-based Value Retail, a property investment and development company

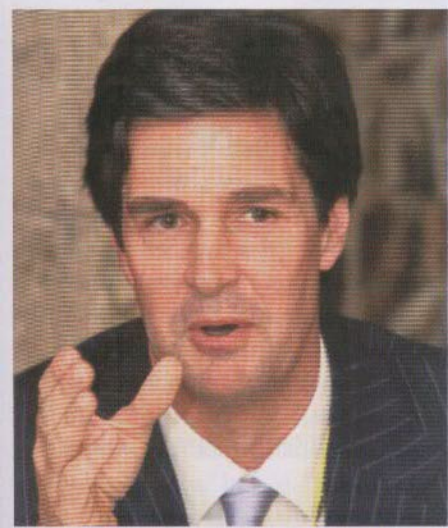
Guy Perry, president of INVI, a design and development services company based in Warsaw, Poland

Rick Rosan, ULI president, worldwide, based in Washington, D.C.

Richard Simmons, chief executive of the London-based Commission for Architecture and the Built Environment (CABE)

Sue Tosh, human resources, Old Mutual Properties Group, South Africa

Ian Watt, executive director, Old Mutual Properties Group, South Africa, and roundtable chair



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hectare [\$162 to \$216 per acre], it's very hard to implement those things." Consequently, Perry and his colleagues are finding schools cannot compete financially for property uses.

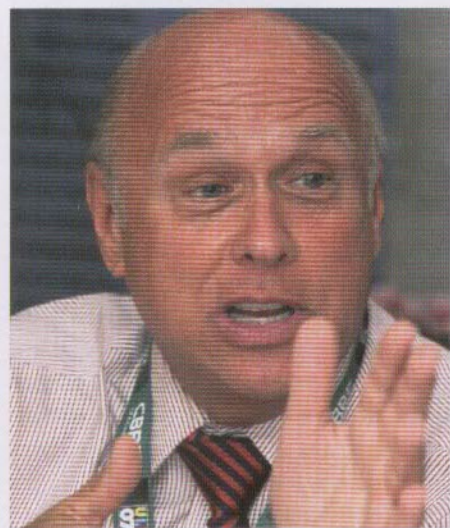
The other challenge is condominiums, for which prices have risen more than 350 percent over the past three years. "We had hoped to keep a mixed community with people of more modest means included, but we're finding that a lot of those people are now being priced out of the project. It's hard now to keep the balance; we've become the victims of our own success," noted Perry. The answer is to zone down some of the last parcels of the land to broaden the uses in the second half of the project. This flexibility, Perry

argued, helps to attract the best investors. "It's a simple development story that we see happening all over the planet," he said. Planning that is too strict will not allow projects to get off the ground, and no one can foresee what conditions will be like five years later.

India provides an example of the "ultimate democracy, where the poorest guy on the block has the biggest say," said Watt. A lot of land from the old cotton mills was made available for development and sold off, with developers looking to mix uses. "But suddenly, from the ground up, people said 'Hold on. That was government-owned land, and we don't see anything that's good for the poor people,'" he said. All the apartments are now bought and are quadrupling in price, so the problem of how to accommodate the poorer communities remains.

To Rick Rosan, ULI president, worldwide, the big concern is that most world governments, except those in places like China and Singapore, are abdicating their responsibility. "If you look around the world, the problem is that governments are universally broke in terms of supporting urban development," he noted. "I am always quite staggered when I go to Singapore, because this is a city where the government said 'We will decide how the city works because we own all the land. We will put the infrastructure in and tell you that you can't build here until you build there,' and they auction it off. It really is an extraordinary model, and you wonder whether China is trying to follow it."

India, on the other hand, was at the other end of the spectrum when Rosan visited recently. There, the government lets the private sector do what it wants, without making any efforts to add infrastructure, schools, or other facilities, or address other community needs. The U.K., also, despite a long tradition of planning, is still very much developer



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driven, Rosan observed. "It's a global problem, and unless we change governments to be more involved and say they will invest to make certain things happen, it's going to continue and get worse."

The U.K. Section 106 system, which allows a local planning authority to enter into a legally binding agreement or planning obligation with a land developer, is a way of getting developers to pay for things like schools, said Richard Simmons, chief executive of the London-based Commission for Architecture and the Built Environment (CABE). "But actually, the local private sector and public sector don't really have a channel of communication to come to a fair settlement," he said. "I've been involved in projects where locally elected councillors trying to do the best for their



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—ALEX CALDERON, DIRECTOR OF AXIS

community broke the bank and the development didn't happen.”

In California, said Rosan, an “exaction” is added on top of the price of building a house, sometimes on the order of \$30,000 to \$40,000 (€22,300 to €29,700). But the market will respond to demands, such as those arising from environmental concerns, said Rachele Levitt, ULI executive vice president, information, and publisher of *Urban Land*. “And if mixed income were popular for the market, then the market would provide for it,” she added.

The argument is essentially that developers have been more successful than they should have been in convincing governments to let them develop without interference, said Rosan.

Sherin Aminossehe, senior planner at HOK International, London, said she remembers discussing this very topic with a representative of a large engineering firm at last year's MIPIM. “I was saying how bad it was that in certain countries new communities were being built at such a fast rate without any thought to what was going on. And the representative said, ‘The problem with you, Sherin,

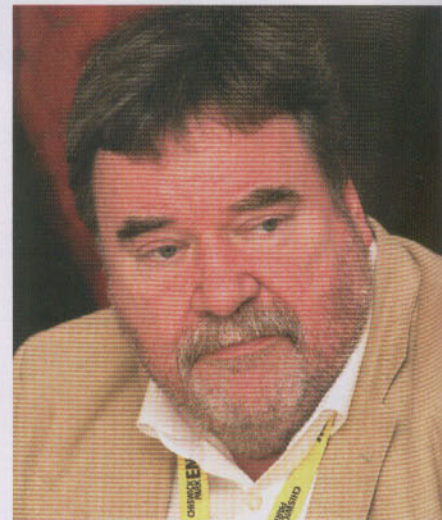
is that you're too young and too naive. If we didn't build badly now, our children wouldn't have any mistakes to correct and, thus, have any work to do,’” she said. On the government end, one problem Aminossehe sees is that policy makers struggle to keep up with development trends. One sustainable community document she saw recently would have been vastly improved if it had included definitions of what *sustainable* actually means.

For Alex Calderon, director of Axis, a Paris-based urban development and real estate advisory firm, the main issue is that cities are now just too big. “In primary and capital cities, projects that are supposed to be good for cities—like public transportation, affordable or workforce housing, more density, more mixed uses—are just more difficult to do right now,” he said. Cities are becoming less viable and less competitive for development. One answer might be to create a community land trust so that as prices rocket up, locals can benefit, too, suggested Richard Garlick, editor of the U.K.-based *Regeneration and Renewal* magazine.

In its Warsaw project, INVI will be creating parkland, but also doubling the population of a particular area of the city, Perry said. Yet it is the developer who has to maintain the public parts of the project because the city does not have the money to do so itself. “In certain places in central Europe, the private sector has to do everything,” he said. The worst sites are used to provide more modest and inexpensive housing, appropriate for younger people, as well as for those who earn lower salaries teaching in the local schools or working in shops. Of course, this is not an ideal situation, Perry admitted, but it is the only way to convince the landowners to actually build for that sector.

For Watt, this represents the “abdication” mentioned by Rosan—the disconnection between the developer and the public sector.

Scott Malkin, chairman of London-based Value Retail, a property investment and development company, said that what intrigues him is how governments can create an environment where civic leadership emerges—whether from the public or private sector. “My experience has been that wherever there is a strict hierarchy or an emphasis on traditional academic thinking, it stifles real debate and people just don't get involved,” he said. On the other hand, where there is little regulation,



“In China or in eastern Europe, they have gone from a system of complete Augustinian belief that almost anyone doing anything is essentially corrupt, to embracing them and saying ‘You can do whatever you like, and we will never regulate anything.’”

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debate is smothered because developers are too busy aggressively pursuing their projects. “I can see settings where really good people are simply pushed away or shut down.”

Ben Kodisang, chief executive of Old Mutual Properties, recently launched funds in South Africa that have a social responsibility component. How might this work for Africa's particular challenges? “It's not about us doing the job of government,” he said. “It's about making sure that the developments we do are relevant to the community and are what it needs.”

But Ken Dytor, managing director of Regeneration Investments, a London-based regeneration firm, said he believes developers have made enormous strides through public/private partnerships in addressing community needs. “When I set up Urban Catalyst eight or nine years ago, after I left British Land, half of the property industry stopped speaking to me, and the other half thought I was stark mad for setting up a company that was going to be a mixed-use, public/private partnership,” he said. “Now everyone's doing it. The industry has moved for-

ward tremendously." It is true, he added, that the planning system needs an overhaul and the way funds are committed to infrastructure investment should be examined, but these issues are being addressed, and the quality of design in the U.K., for example, has risen significantly. Sustainability is also now firmly on the agenda.

Perry said he believes this to be the case in places like the U.K., France, western Europe, and parts of the United States. "But I'm worried about what's happening in Asia, central Europe, and South America," he said. "In these places, sustainability is really not on the radar, and these are the places where growth is occurring. This is the battlefield, and right now we're in a crisis period."

So, which organizations could be catalysts for change? Malkin does not think it is going to be governments, because they invariably have specific ideas they want implemented in precise ways. It also will not be the private sector firms, because they make only pieces of cities better places. "It seems to me that it's about getting talent—getting people to work together to make a third place," he said. "Maybe ULI can be a third place, bringing people together."

More enlightened people need to get into government, maintained Rosan. In places like Mumbai, India, where the population is rapidly expanding, Rosan said he does not see the private sector alone providing any ready answers. What the development community is looking for is leadership, said Bill Kistler, ULI president, Europe/Middle East/Asia/India. ULI tries to share best practices and educate the public and people in the real estate field so they can become more intelligent voters, he said. Now developers are thinking this way, too, because the market is demanding it. Encouraging signs can be found in places like São Paulo, Brazil, said Perry, where the air quality is improving, mainly because 70 percent of the cars now run on biofuels. Also, many people—particularly the wealthier ones—live near where they work, though in large part because traffic infrastructure has become so bad, and no new railways have been built.

The reason there is no new infrastructure in many historic cores is that it is difficult to build there, said Paul Finch, London-based editor of *Architectural Review*—though London has found a way to overcome that problem.



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—LORRAINE LANDELS, PRINCIPAL OF MARTHA SCHWARTZ LANDSCAPE ARCHITECTURE FIRM

"For a lot of people in a lot of situations, the developer is essentially sinful," said Finch, providing a novel analysis. "It's an Augustinian view of the world in which anyone involved in property is in original sin. But as in any good Catholic country, with sin comes redemption and forgiveness. And that is why when a developer is put in jail because he didn't pay this tax or make out a check for some unspecified purpose to the local authority or the mayor or the political party, it is simply a form of redemption."

The alternative world view was that of Saint Augustine contemporary Pelagius, a man regarded by the Augustinians as a heretic because he believed people are born into a state of grace and are not sinful nor in need of redemption. People are virtuous: therefore, society's structures and organizations should assume that they will do the right thing without needing to be forced by regulations into doing it, said Finch.

"I think what we're seeing at the moment is these two views being played out," said Finch. "In China or in eastern Europe, they have gone from a system of complete Augustinian belief that almost anyone doing anything is essentially corrupt, to embracing them and saying 'You can do whatever you like, and we will never regulate anything.'" In the Eastern Hemisphere, however, developers are seen as needing large bankrolls to make contributions to the community, however one defines that.

Finch said he believes the answer to whether greater investment creates better communities lies in design because spaces, unlike buildings, are for everyone.

Lorraine Landels, principal of Martha Schwartz, a Massachusetts-based landscape architecture firm, agreed that the city belongs to the people, citing Copenhagen as one of the most successful at grasping the opportunities of high-quality public spaces. "In Copenhagen, the streetscape and the public space are designed first, before they do the architecture," she said. "Until we look at projects that way, we are going to continue to give too much prominence to buildings and architecture. Very few people use the buildings; everybody uses the public spaces." And landscape certainly is not something that is just tacked onto buildings, as Simmons said some architects believe.

So, does extra investment necessarily mean better places? In some parts of the developing world, the jury is out, especially during the current period of rapid growth. In others, extra investment can help, and the usual recipes for success include teamwork, public/private partnerships, design, and delivery. As with Tolstoy's adage that "Happy families are all alike; every unhappy family is unhappy in its own way," so it is with cities. Consequently, the development community must join forces with governments, citizens, and any other stakeholders in an intelligent framework to help increased investment equal better communities—especially in places where the "haves" are segregated from the "have-nots." Otherwise, members of the development community may be sinners forever. **U**

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