



# All Party Urban Development Group

[www.allparty-urbandevelopment.org.uk](http://www.allparty-urbandevelopment.org.uk)

## CALL FOR WRITTEN EVIDENCE

### WINTER 2009 INQUIRY:

### MINIMISING TRANSACTION COSTS IN URBAN DEVELOPMENT

**WRITTEN EVIDENCE DEADLINE:** 18 December 2009  
(to [c.webber@centreforcities.org](mailto:c.webber@centreforcities.org))

**FINAL REPORT:** w/c 22 February 2010

### PURPOSE

The All Party Urban Development Group's seventh inquiry will analyse transaction costs in urban development and make recommendations about how these can be kept at acceptable levels.

This call for evidence will be followed by the publication of a questionnaire that will seek to gather views from developers, local authorities and public agencies about where the key transaction costs are occurring in the regeneration process. Please check the Group's website for updates.

### BACKGROUND

Transaction costs are the costs of coordinating and enforcing the terms of a transaction. In urban regeneration, these can roughly be classified as any costs not directly related to the production of a site. For example, a site's construction costs would not be categorised as a transaction cost, but negotiations between developers and local authorities about planning or design changes would be.

As previous All Party Urban Development Group inquiries have highlighted, transaction costs can be a large part of the overall cost of a development. And, if viewed as disproportionate, they can discourage investment from the private sector. The Barker Review (2006) and the Killian Pretty Review (2008) both made recommendations about how these costs can be reduced, but reforms have been slow to come about.

Planning system delays are one of the most common examples of transaction costs. Others include putting together financing arrangements and dealing with procurement rules. Transaction costs are unavoidable, but they can become excessively high and can end up imposing an unnecessary burden on public and private sector actors. With investment resources set to be more constrained in the years ahead, it is now more important than ever for partners involved in regeneration to concentrate on minimising transaction costs to increase the viability of investments.



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## **THE INQUIRY:**

We hope that all interested stakeholders will respond to the questions set out below.

1. A development project can be viewed as a process involving three key areas of activity: financing, planning and delivery. Where do the key transaction costs arise in this process? And what specific shape do they take? Please structure your responses according to the phases of regeneration identified and provide specific examples where possible. For example:
  - i. Financing: what kinds of transaction costs occur in structuring joint financing arrangements between the public and private sectors? What kinds of costs are involved in accessing grant funding whether from Europe or elsewhere?
  - ii. Planning: what are the key transaction costs involved in pre planning application discussions between developers and the public sector? What are the key transaction costs involved in obtaining planning permission? What kinds of transaction costs occur through public sector tendering processes?
  - iii. Delivery: what kinds of transaction costs occur in delivering and in enforcing the agreed terms of projects? Do the ways in which the tax system (particularly stamp duty land tax, SDLT) interacts with such projects give rise to excessive costs?
2. Are there any other transaction costs that should be taken into account? What specific form do these take? And to what extent are they disproportionate? Please provide examples.
3. Have transaction costs increased or decreased over the past 10 years? Which specific types of transaction costs have changed? Why?
4. What kind of impact can transaction costs have on a development process? Please provide examples.
5. What management approaches or partnerships arrangements can be used to help minimise transaction costs? Please provide examples from the UK and overseas where possible.
6. The Killian Pretty Review analysed the planning process and set out a series of options for how it could be speeded up. Did the review miss anything? How would you rate the government's response to the Killian Pretty Review so far?
7. What other types of reforms could be introduced to help minimise transaction costs or remove unnecessary costs? For example, what kind of changes or clarifications to procurement rules would help? Are there ways in which the SDLT rules should be clarified or simplified in the complex urban regeneration context?
8. In terms of improving the operation of the property development and urban regeneration process, what should be the top priorities for whichever party is in power after the next election?



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## **INFORMATION AND SUBMISSIONS**

**Written evidence must be received no later than 18 December 2009.**

To submit written evidence to the inquiry, please contact:

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For further information on the All Party Urban Development Group, please contact:

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