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Urban Development Agency Models

A comparative study of current best practice

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Important notice

- Due to the time constraints involved in meeting the reporting deadlines required, this report has not considered all areas which might be relevant. We have identified those areas which came to our attention where we consider further investigation may be required.

- The scope of our work was limited to a review of documentary evidence made available to us. We have not independently verified any information given to us relating to the services.

- We cannot guarantee that we have had sight of all relevant documentation or information that may be in existence and therefore cannot comment on the completeness of the documentation or information made available to us. Any documentation or information brought to our attention subsequent to the date of this report may require us to adjust and qualify our report accordingly.

- In preparing this report we have relied upon information and explanations provided by selected interviewees. We have not performed any work on the accuracy and completeness of their comments any more than assessing the reasonableness alongside other information gathered.

- We have not carried out anything in the nature of an audit nor, except where otherwise stated, have we subjected the financial or other information contained in this report to checking or verification procedures. Accordingly, we assume no responsibility and make no representations with respect to the accuracy or completeness of the information in this report, except where otherwise stated.

- To the extent that our report touches on points of law it should not be taken as expressing an opinion on any matters of law.

20 November 2019

M Lewin
Department for Enterprise
St George's Court
Upper Church Street
Douglas
IM1 1EX

Reference: OA/SB/lh

Dear Ladies and Gentlemen

Subject: Urban development agency models

We have been instructed by the Department for Enterprise to report on development agencies in accordance with our engagement letter dated 24 April 2019.

This document has been prepared only for the Department for Enterprise and solely for the purpose and on the terms agreed with the Department for Enterprise in our engagement letter dated 24 April 2019. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else

In the event that, pursuant to a request which you have received under the Freedom of Information Act 2015 (as the same may be amended or re-enacted from time to time) or any subordinate legislation made thereunder (collectively, the "Legislation"), you are required to disclose any information contained in this report, you will consult with us prior to disclosing such report. You agree to pay due regard to any representations which we may make in connection with such disclosure and to apply any relevant exemptions which may exist under the Legislation to such report. If, following consultation with us, you disclose this report or any part of it, you shall ensure that any disclaimer which we have included or may subsequently wish to include in the report is reproduced in full in any copies disclosed.

Yours faithfully

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1

At a glance – our views

At a glance - our views

Establish a Development Agency that is autonomous, in corporate form and accountable through transparency and trust

Provide the Development Agency with sufficient powers to achieve its strategic goals, set within an agreed master plan

Coordinate multi-agency and Government initiatives to maintain economic development

Identify strategic redevelopment areas and provide the framework to deliver cost neutral development outcomes

Establish and maintain a flexible fiscal & funding environment in which development is economically viable

A Development Agency for the Isle of Man

Full Autonomy

Establish a Development Agency that is autonomous, in corporate form and accountable, with freedom to make commercial decisions within a framework.

Development Powers

Provide the Agency with enough power to achieve its' strategic goals, including compulsory purchase.

Reduced cost Development Zones

Providing specific incentives and assistance to ensure development costs are minimised. Project by project concessions to attract development.

Divested Budgeting

Availability of 'lump sum' budgets to allow for effective and efficient resource allocation by the Agency.

Development Agency

To develop brownfield and other sites with a focus on Douglas

Re-invigorate the Central Douglas Masterplan

Establish a holistic master plan including housing, commercial, transport links and environmental issues.

Non-Exec Board

Include Board members from other agencies to help cross co-ordination, but include non-exec subject matter experts.

Staffing

Agency staff drawn from a mix of civil servants and private business. Independent personnel policies from Government.

Finance

Access to Government mezzanine finance where capital funding is not available in the private sector. Consider concessions in the taxation of land and property income.

Development incentives…

Reduced rates and taxes

Lower central government taxes and local government rates for certain types of development

Mortgage Interest relief

Support home-buyers to stimulate the residential market

Fast-track planning

Make planning decisions quickly and expand permitted development

Car parking

Reduce requirements for car parking spaces so development can provide higher returns to developers

Relaxation of use classes

Relax restrictions on the types of activity that are permitted in certain areas

… and impediments

Land registration and building control fees

These fees can deter land transactions and development

Community Infrastructure Levy (CIL)

When introduced, the levy will be another cost for developers to overcome

Section 13

Affordable housing and other social benefits are not always suitable to all development sites and limit economic viability

Property and land tax

Increased taxes have directly limited the economic viability of certain developments

Any or all of the above could be introduced or relaxed across the Island or within specifically designated **development zones**.

What steps can Government take to make development easier?

Investment portfolio

Government has an investment portfolio that indirectly invests in development projects off-island. The seed or top-up finance that Manx development projects require could come from these Treasury funds.

An Isle of Man investment fund could provide financial returns and may also attract interest from private investors

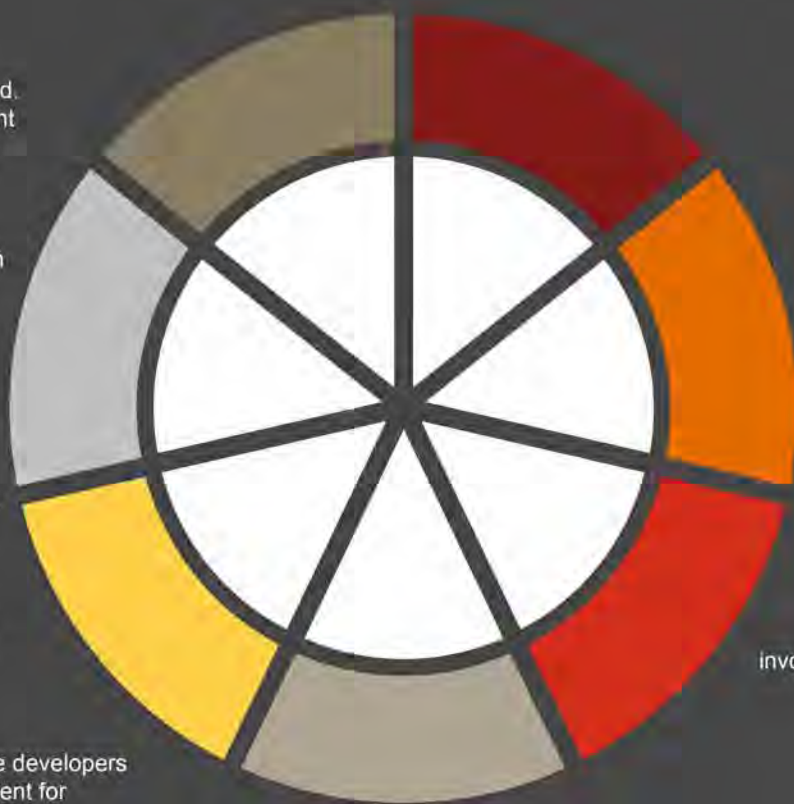
Business development

A lack of data on the number of HNWIs on and interested in coming to the Island limits Government and the private sector's ability to develop effective strategies to attract this market.

Lengthy licence application processes for regulated businesses and the perception that Government is not fully aware of current market dynamics frustrate businesses in their efforts to locate to the Island.

Tendering process

Requiring multiple bids for a project deters private developers from making speculative approaches to Government for development ideas. The process can take more time than a developer has before it must seek other opportunities.



Disposals at an undervalue

The requirement to obtain Tynwald approval to sell land and property at a price below a pre-determined value minimises the scope for Government departments to make timely or long-term, commercially beneficial asset disposals and can politicize disposal activity.

Lease lengths

By granting bespoke and flexible leases, for example with regard to length and break clauses, Government can help developers and businesses seeking sites or premises to enter agreements that best suit their needs. This will help them have confidence that their investment will be given the time to generate a positive return, assist them in obtaining any finance they might need, or allow them to respond sooner to the evolving nature of their business and market.

Joint Ventures

The risk that private developers must shoulder can be shared through joint ventures. Greater Government involvement in such partnerships can make the risk profile of development projects more palatable and therefore encourage private developers to progress plans that otherwise would not be feasible.

Planning

A lack of dedicated and sufficient resources within the planning application processes (and all its constituent phases) results in lengthy processing times.

A phased approach?

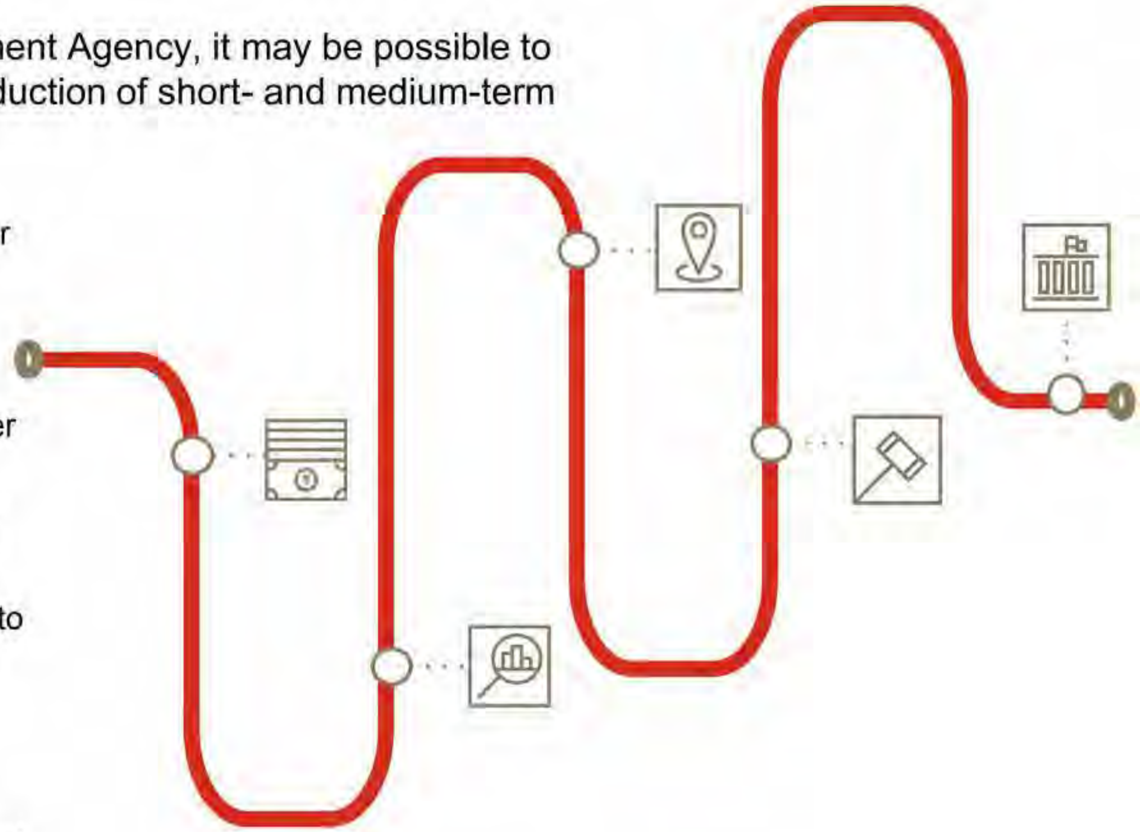
Before the creation of a specific Development Agency, it may be possible to encourage development through the introduction of short- and medium-term measures.

A phased approach could stimulate the market for development while the ground is laid for the creation of a Development Agency.

It will be necessary to assess which policies or incentives will have the most impact, in what order they should be implemented and how easily or quickly they can be introduced. Comments from interviewees in the preparation of this report did indicate that there was a need for many of the internal government processes and bureaucracy to be addressed early on, even as part of a formal medium-term programme to establish a Development Agency.

Care must be given to ensure that a phased approach does not represent a lack of commitment to a step-change in attitude towards development by the Government.

Stakeholders will need confidence that short-term measures will lead to long-term goals.



2 Executive report

Executive report

1 *Establish a Development Agency that is autonomous, in corporate form and accountable through transparency and trust*

To establish both strong bonds of confidence between Government and the private sector, it is critical that any development agency in this area is provided full autonomy in the way it works, but with the cost of full accountability to the public.

Given the complete commercial nature of the Agency, it must be allowed to be free to make commercial decisions as it sees fit, but do so in a framework that provides the Government and Tynwald with a degree of 'ex post' oversight.

Establishing an executive board of highly skilled and experienced members, governed by non-executives with local connections can provide that structure.

2 *Provide the Development Agency with sufficient powers to achieve its strategic goals, set within an agreed master plan*

It is important that the Development Agency is not hampered into inactivity through significant bureaucracy and 'red-tape', but balanced with the right for others to challenge key, large scale, infrastructure related decisions.

Concern was raised that previous attempts to develop specific urban areas had failed due to the inability to decide upon a course of action. The Agency must have sufficient authority and power to deliver on a collaborative, holistic master plan for urban redevelopment, that is designed with the input of key public and private interested parties.

Executive summary

3 *Identify strategic redevelopment areas and provide the framework to deliver cost neutral development outcomes*

A number of key sites remain undeveloped as a result of the cumulative effect of development costs that make the site uneconomic.

Government must consider the different levies, fees, rules and requirements across all areas of planning and development and understand the full impact on development viability.

The Agency must be able to apply to Treasury for concessions and dispensations on a project by project basis to attract development that both fits the Master Plan and is economically viable to complete.

4 *Establish and maintain a flexible fiscal & funding environment in which development is economically viable*

A key barrier identified in our research to maintaining activity in the development of urban areas is the fiscal and funding framework.

As well as providing specific incentive and assistance to ensure development project costs are minimised, private investment activity increases as post tax returns increase. Whilst this is function of overall economic activity, the taxation of land and property income is also key.

Where capital funding is not available in the private sector, Government should consider the use of its own investment funds to provide funding where there is a higher economic return and/or an urgent development need to stimulate economic activity.

By creating a separate legal corporate entity, Treasury has options to establish different tax treatment over its revenues and gains, thereby creating a more favourable environment in which development can be undertaken.

5 *Coordinate multi-agency and Government initiatives to maintain economic development*

Urban redevelopment and property development can only proceed within an active growing economy.

A number of current development initiatives are fuelled by funding capital provided through the residency of high net worth individuals matched with the need for premises from new businesses.

An urban development agency will only be able to meet its commercial goals in an economy that demands that redevelopment, or if Government takes on redevelopment as an infrastructure investment.

3 Detailed information

1. Introduction

- the need for change on the Isle of Man

The Select Committee of Tynwald on Unoccupied Urban Sites was established in April 2018 and was tasked to "investigate the options available to encourage and prioritise the development of unoccupied or previously developed urban sites ahead of building on green fields".

It described in its report that recent trends in the use of urban and rural space on the Island had seen jobs migrate from town centres to business parks on the outskirts, particularly in the Douglas area, and had seen large residential estates spring up on greenfield sites and in the countryside. The Committee recognised that it is "more straightforward and commercially attractive to develop on green fields, which has resulted in fewer brownfield new builds in towns available for purchase.

These trends define the problem to which this report responds. It is an issue that affects all parts of the Island but, as the Committee highlights, it is most acute in Douglas, the capital of the Isle of Man.

Douglas is the largest town on the Island, with more inhabitants and jobs than any other Manx town. Home to the Island's main port and headquarters of international companies, it is in many ways the "shop window" for the Island.

Throughout the town, however, there are a number of prominent brownfield sites, many of which have remained vacant and undeveloped for years or even decades. Such sites include the former "Summerland" site, at the northern end of the promenade, Villiers Square at the southern end of the promenade, the former Victoria Street prison and the former Park Road school, the Castle Mona hotel and various plots near Douglas quay. Their location and ownership are various – development is not a problem of government or the private sector alone.

While these sites are stark examples of the absence of development, the need for regeneration is apparent in the many aging buildings, both residential and commercial, across the capital that are unable to meet the demands of our modern society and economy.

Neither the Victorian and early twentieth century buildings that are ubiquitous near the seafront nor the offices designed for the Island's financial sector of the late twentieth century are suitable for the open-plan, technology-dependent and rapidly changing styles of living and working that people and businesses across the world increasingly expect.

The question of urban regeneration, however, can never be answered once and for all. Land use is cyclical in nature: today's new-builds will become tomorrow's development sites, and, as society and the economy evolve, the repurposing of land and property will always be necessary.

With this in mind, development can only be best coordinated with consideration not only of current trends but also of those of the future.

1. Introduction

In November 2018, Tynwald approved recommendation 2(iii) of the Select Committee's report, accepting that "Tynwald is of the opinion that urgent action should be taken […] to set up a Development Agency in partnership with local government and the private sector".

In response to this recommendation, the Department for Enterprise has asked us to research examples of development agencies and outline the potential framework for one in the Isle of Man.

Consideration of the structure of such an agency, its relationship with the public and private sectors, its access to funding and its overall objectives are all key to establishing an effective and efficient mechanism for delivering continued economic development that promotes employment and stimulates physical urban regeneration now and in the future.

Based on the research we have carried out into urban regeneration and development agency models, and interviews we have conducted with members of the Island's development community (including private developers, estate agents and public officials), this report makes the following five recommendations:

1. Establish a Development Agency that is autonomous and accountable through transparency and trust
2. Provide the Development Agency with sufficient powers to achieve its strategic goals, set within an agreed Master Plan
3. Identify strategic redevelopment areas and provide the framework to deliver cost neutral development outcomes
4. Establish and maintain a flexible fiscal and funding environment in which development is economically viable
5. Maintain economic development through the coordination of multi-agency and Government initiatives.

2. Establish a development agency

The Isle of Man does not have a development agency. No Government department or body is solely responsible for facilitating, promoting or coordinating the physical regeneration of the Island's urban areas. Yet the need for development has become increasingly apparent as brownfield sites lie vacant across Douglas and new buildings are built on the outskirts of towns. Whatever the root of the problem, existing practice has not been able to remedy the situation.

Successful development cannot take place without coordination: development never ends and must respond to ever-changing demands. The examples of development that we have studied show one key element to bring about change is the ability of development bodies to create a vision, plan and coordinate development.

In establishing an agency with a defined remit and objective, responsibility for development will be established and accountability will ensue.

It was widely accepted among our interviewees that a development agency could provide the stimulus needed to bring about positive change to the Island's urban landscape. Many felt optimistic that there were great opportunities for development but for too long the Island had not been able to capitalise on this enthusiasm.

> "*…it has become clear to me that our traditional methods of supporting regeneration of land and property are not operating as effectively as they could.*
>
> Alf Cannan MHK, Minister for the Treasury, February 2017

How can an agency best respond to the challenge?

A development agency on the Isle of Man will be successful only if it is structured appropriately. Models of development bodies vary dramatically in their scope and operations and in section 4 of this report we present analysis that shows the breadth of this variety.

A recurring theme from our interviewees was the importance that any development agency on the Isle of Man must have true separation from Government. It is our opinion that a corporatized, commercially focused agency would be able to act with the flexibility and speed that is typically out of reach of Government.

An existing development agency that serves as the best example for the Isle of Man to consider is the Jersey Development Corporation, notwithstanding some of its public criticism and concern. In fact, its historical 'failings' and ineffectiveness provide the Isle of Man Government with opportunity to fine tune and improve upon its structure and governance.

2. Establish a development agency

The European Union has identified a number of examples of best practice in the governance of agencies[1]. The following are some of its recommendations and observations that are most relevant to a development agency on the Isle of Man and which could be used in its design:

- Composition and membership should include subject matter experts, relevant stakeholders and public representation
- Board members from other agencies could help cross-coordination of strategies and work plans
- Extensive political membership makes agencies inefficient and ineffective
- Chief executives should be appointed for a limited period and should only be dismissed through a formal process. The chief executive should be appointed by the "initial creator" of an agency
- Agencies should have managerial autonomy (within an agreed framework budget) from their related ministry, regarding their finances, personnel and internal organisation
- Hierarchical oversight should come from one department or ministry and an agreement between it and the agency should specify their respective roles and expectations
- All agencies should be governed by a yearly performance agreement, formulated between the agency and its responsible ministry, which should contain the main objectives for the next year, financial framework, indicators to measure performance and any special tasks of the agency
- Performance should be regularly scrutinised by parliament and parliamentary committees via detailed examination of agency performance agreements, work programmes and annual reports and the questioning of chief executives
- Agency performance should be as widely as possible scrutinised by the general public, meaning all agency performance agreements and reports should be published and made available on the Internet, all reports should have a short and non-technical summary and clearly link to budgets. We recognise the potential for some information to be commercially sensitive and allowance therefore made for selective disclosure, but we recommend transparency and openness at their fullest extent possible
- Performance should be regularly (and ad hoc) independently audited and not be limited to traditional elements of financial management and the proper use of public money but also consider administrative efficiency and effectiveness

1. Policy Department on Budgetary Affairs, Directorate General Internal Policies of the Union, *Best practice in governance of agencies – A comparative study in view of identifying best practice for governing agencies carrying out activities on behalf of the European Union*, 2008

2. Establish a development agency

Considering the responses from our interviewees and examples of agency best practice, a development agency on the Isle of Man must be autonomous, commercial and yet accountable. A replication of the four Executive Agencies of the Department for Enterprise would not provide the development agency with sufficient distance from Government and autonomy. We recommend minimal political 'interference' and oversight to provide stakeholders the confidence that the agency has the capability to succeed on its objectives.

- A development agency on the Isle of Man should be **a body corporate.** As an Isle of Man company, the agency would have its own legal persona and be able to enter business relationships in its own name and without the processes and conditions that apply to government bodies

- The **Treasury Minister** should be the sole **shareholder** with the power to appoint the company's directors for fixed terms

- To promote independence and with the aim of attracting talent, **apolitical executive directors** should be recruited from off island and have the freedom to operate without political interference

- **Non-executive directors** should provide strategic oversight, include no more than one political member and have expertise in relevant areas, such as property development and finance

- To promote accountability and transparency, the agency should publish **annual reports** containing **independently audited financial statements** and information on its activity and strategy.

3. Provide the powers for development

In addition to a good governance structure, a development agency will need the right tools in order to bring about change.

The plan

First and foremost, the agency will need a vision, strategy or plan to implement. At a high-level, this already exists in *The Isle of Man Strategic Plan 2016*. Douglas will potentially be well-placed to implement a more locally-focused and site-specific plan once the *Area Plan for the East* is finalised. Furthermore, the *Central Douglas Masterplan*, approved by Tynwald and Douglas Borough Council in 2015, has identified the character areas of the town centre and has created a vision for how each could be used.

It is advantageous for a development agency that such plans already exist. Strategic development plans are political in their nature and in using an agreed-upon plan, the development agency will avoid conflicts that may arise in their design and be able to focus on its implementation. In Jersey, such separation of duties can be found in the way that a “Regeneration Steering Group” has the responsibility for translating master plans and development briefs proposed by the Minister for Planning and Environment into workable and viable development plans. It then passes these development plans to the States of Jersey Development Company, which takes responsibility for their implementation.

Our interviews revealed there was consensus that the Central Douglas Masterplan was good but bringing it to life had been challenging. Given the broad support the Masterplan has, it would be a sensible and useful tool for a local development agency.

In addition to spatial planning, a common theme from our interviews was the need for clarity from Government on its economic direction and, more specifically, the type of business that it wanted to attract. Our respondents felt that when these intentions were made clear, local developers and any development agency would have more confidence to invest in adaptation and development works to meet the needs of the chosen market.

Finally, no plans should remain static: as conditions change, so should long-term strategies. To that end, the plans to which a development agency works should be reviewed and updated at regular intervals, potentially on an annual basis.

The Area Plan for the East, when finalised, must be flexible and adaptable in order to accommodate changes in the economy and in societal trends.

The people

The agency will require talented and experienced individuals. To attract the appropriate calibre, the Government should be willing to provide the resources for an attractive and internationally competitive remuneration package, probably including performance-related bonuses.

A number of the respondents to our interviews described to us how there was a lack of ambition in development projects on the Isle of Man, both in the sense of the style and size of individual projects but also in the vision that could exist for the Island’s urban areas.

3. Provide the powers for development

The recruitment to the agency of directors with experience in other jurisdictions and regeneration projects would not only lead to more ambitious projects from within the agency but also could encourage the local market to respond similarly. Stakeholder confidence in the agency's leadership which stems from its calibre, experience and vision is required to create the environment in which the agency can succeed.

The powers

Our research and interviews have highlighted an array of tools that that could be used to facilitate development, along with a number of barriers that impede regeneration. The use of such tools or the alleviation of such impediments could become the powers that a development agency exclusively could use in its own projects, could be applied within development zones or could be introduced Island-wide without the need for a development agency.

Indeed, a number of our interviewees highlighted a concern that the creation of a development agency itself may not be able to have any positive impact on development on the Isle of Man if other issues are not addressed as well.

Financial

Development projects will almost always have to prove themselves to be financially viable. Point 5 of this section looks at this aspect in greater detail but changes in the following areas could reduce costs or stimulate the market in such a way as to make development an economically appealing option.

- Interviewees told us that the 20% rate of **property and land tax** (increased from 10%) directly led to the collapse of nascent development projects on the Island. A reduction in this tax could have an significant and immediate effect on improving economic returns to investors.
- The proposed introduction of the **Community Infrastructure Levy (CIL)** was cited by interviewees as another cost that developers will either have to bear or pass on to customers, thus potentially rendering development too expensive. It is vital that funds raised from this levy are invested locally to the sites from which they are raised.
- **Land registration and building control fees** could be reduced where development is considered most needed. One interviewee raised concern at how the recent changes to land registration fees were introduced. Changes that are sudden and not consulted upon can destabilise an environment and deter investment.
- Greater levels of **mortgage interest relief** for individuals would incentivise them to purchase property and thereby stimulate the residential market, making the case for investment in property on the Island more convincing.
- The **rates system** could be used to make certain types of activity or certain areas more attractive to businesses or residents but would require close cooperation with local authorities.

3. Provide the powers for development

Policy

- A common theme from our interview respondents was the adverse effect that the requirements of **"Section 13" agreements**, particularly regarding affordable housing, had on the viability of development projects. Greater freedoms, such as exemptions or reduced requirements, would allow for more profitable land use and thus a better financial return to investors.
- **Use classes**, the categories of activity permitted within properties or areas, could be updated or relaxed in order to facilitate business activity and ease transitions from one type of commercial activity to another.
- Approaches to **car parking** in Douglas must be addressed. Low availability deters businesses from being based in the town and how car travel and associated infrastructure, such as electric car charging points and park and ride schemes, are incorporated into travel strategies is not clear. It is critical that any master plan developed takes a wider holistic view of urban living trends, urban transport networks and can easily adapt as society changes.

  The expectation that residential property requires high levels of car parking was noted in our interviews as inappropriate, particularly considering that many residents of apartments in Douglas do not have a car. Recognition that urban residents are more likely to be transient, moving to and from the island more readily, is key to a successful master plan.

  Where car parking must be provided near the seafront, the expense of digging below ground and building sea-proof structures to accommodate 100% parking provision can be prohibitively expensive.

Procedural

- The slow speed of the **planning process** was raised by a number of interviewees. Some were also frustrated by the extent of the criteria that must be met before planning approval can be granted.

  To overcome this issue, presumed planning consent for certain types of development could be granted to specific plots or areas, or applications from such an area could be prioritised and be "fast-tracked" in the planning system.

  To tackle "bottlenecks" or resource constraints within the planning process, an innovative solution was brought to our attention by one interviewee: private sector organisations had provided funds for additional planning officers to be appointed (temporarily) to assist with a backlog of planning applications caused by a lack of resources.
- A number of other procedural issues concern the **internal procedures of the Isle of Man Government** and Tynwald's own activity. More information on these is provided in point 6 of this section.

4. Identify what to develop

The scope of development agencies' responsibilities varies significantly and it will be necessary to decide exactly what a development agency on the Isle of Man should be tasked with developing.

Our research and interviews have made it clear that a development agency on the Isle of Man should not be responsible for the management of all public land and buildings, i.e. all "operational" property. While such a body may have its merits (not limited to the context of development), the development agency would have greater focus if it were solely responsible for excess land and buildings. Some interviewees called for greater transparency in regard to public land and property. For instance, a publicly accessible register of operational property, including details of its expected term of life and use thereafter, could help developers make more effective and cost-efficient development plans.

4. Identify what to develop

Consideration must be given to the geographic focus of a development agency's work on the Isle of Man. While there is need for regeneration across the Island's urban areas, the agency should prioritise Douglas for the following reasons:

- Ahead of other areas, Douglas has the most comprehensive and up-to-date development plans, namely the Central Douglas Masterplan and The Draft Area Plan for the East. The fact that these plans are already in place (in contrast to other areas), in itself speaks of the importance that development specifically should take place in the East and in Douglas before other areas. These plans could be used by the development agency as an agreed framework as soon as it is created.

- It is widely accepted that the problem of brownfield/greenfield development is most acute in the capital and so this is where the work of an agency is most needed.

- Douglas is home to the Island's port and many international businesses. Addressing the development needs of the Island's most outward-facing town will help boost the Island's profile and attract visitors, new residents and investment.

- All of the respondents to our interviews agreed Douglas should be the focus of the agency's work, at least in the beginning. There was a suggestion that Douglas is really the Island's only urban area and therefore the only place where urban regeneration could occur.

Although the development agency would focus on Douglas, it should have the ability to take action Island-wide should a specific issue or client request have the need.

The agency could benefit from the use of dedicated "development zones", delineated areas or plots in which certain development policies apply. These could include the relaxation of otherwise more stringent requirements or the entitlement to certain rights or funds that are not ordinarily available.

Comprehensive Treatment Areas (CTAs), provided for in the Town and Country Planning Act 1999, would be examples of or form the basis of locations in Douglas where development zones might be useful. The Draft Area Plan for the East identifies four CTAs within Douglas. The legislation concerns land acquisition in those areas. Other legislation may be required to allow for greater powers within development zones.

5. Create a flexible fiscal and funding environment

Urban regeneration can fail (and be necessitated) due to difficulties in raising long-term investment. A report on urban regeneration in the Mediterranean by the Priority Actions Programme (part of the United Nations Environment Programme)[1] noted that it is key "to use public funds as catalysts to be complemented by non-public sources" and that "a wide range of economic instruments are available, but in the end the very basis of urban regeneration is to rely on the development of economic opportunities."

A development agency on the Isle of Man will have to address how it can help solve the question of investment in property and infrastructure on the Isle of Man and what role it can play in promoting and providing funding and finance.

Funding and financing

In 2014, Siemens, PwC and Berwin Leighton Paisner issued a report that provides city decision makers with inspiration to "create new approaches to private investment, and to make cities investor ready."[2] In that report, they draw an important distinction between "funding" and "financing":

"Understanding this difference is an important part of analysing and then communicating the fiscal challenges that cities face and then developing options to address them in a way that attracts investors.

"Financing represents the time shifting of costs incurred. Say a developer borrows to construct a project and doesn't start to repay the loan for 5 years. In this case, the cost of the project has been time-shifted into the future through financing. However, financing does not set out how the funds to repay the loan will be earned.

"In contrast, funding is the means by which the project's costs are repaid, regardless of the period to which these costs are time-shifted. For redevelopment, this generally means identifying the long-term revenue stream necessary to pay back the funds initially invested."

Our interview respondents commonly raised the concern that the availability of commercial bank finance was a blocker to property development. There is a perceived issue centred around banks' willingness to provide finance for property development often due to the current state of weak pre-lets.

Some suggested that Government could help in this regard and provide seed or top-up finance for projects where there is insufficient commercial finance. The agency should have sufficient internal financial skills to assess the economic viability of the projects and have the powers to call Government for funding within pre-set limits and prices.

1. Priority Actions Programme, *Guidelines For Urban Regeneration In The Mediterranean Region*, 2004

2. Siemens, PwC & Berwin Leighton Paisner, *Investor Ready Cities: How cities can create and deliver infrastructure value,* 2014

5. Create a flexible fiscal and funding environment

Grants could vary depending on the size and complexities of the project, its overall economics and its urgency.

Our research has highlighted that the current system of grants, loans, incentives and taxes is complicated and requires simplification. The lack of awareness of the Treasury's land development tax holiday among private developers cited by the Deputy Assessor of Income Tax in his evidence to the Select Committee of Tynwald on Unoccupied Urban Sites also indicates that the system is not effectively communicated, accessible or understandable.

With regard to grant funding, the agency should be provided with the access to funds and the power to offer grants to property developers, corporate and private. The agency will therefore judge the quality of the applications against key criteria and issue grants accordingly.

The system could be established in a way to cover all manner of redevelopment costs and be designed to encourage particular outcomes, such as environmentally conscious construction.

An Isle of Man Real Estate Investment Fund

An innovative investment solution could lie in the use of Treasury's funds that are currently invested in investment portfolios off-Island, some of which support the types of development projects that are needed on the Isle of Man.

An investment fund for development projects on the Isle of Man could also invite investment from institutional investors, corporate organisations, HNWIs and even retail investors. It is possible that the idea of "local money for local development" could attract significant popular support from among the Manx population.

The fund, managed by an independent fund manager, could provide not only a direct return based on individual project success, but also stimulate economic activity through the projects it supports and thereby generate employment and fiscal returns that further strengthen the economic environment.

A development agency on the Isle of Man could approach the local investment fund for the finance needed to support development projects that require seed or top-up finance.

The States of Guernsey have recently adopted this strategy and committed to a £25m investment in the "Guernsey Investment Fund". The fund, managed by Ravenscroft Fund Managers, targets investments that have a focus on Guernsey or that benefit the development of Guernsey.

5. Create a flexible fiscal and funding environment

Beyond investment

Facilitating the entry of private capital sources requires a mix of non-financial actions beyond direct investment, such as enacting supportive policies, standards, and regulations.

A key consideration brought out in our local research was the recognition that greater economic activity overall would provide in itself the drivers for and rewards of redevelopment.

There was specific identification of the number of high net worth individuals (HNWI) resident on the island and their propensity to invest locally. Concern was raised that without a strong inflow of wealth and persons, a key input into property development is missing.

Whilst this is outside of the agency's specific remit, it points to the need for a broader approach to the matter. Government must understand and measure the linkage between HNWI residency, general economic activity and the tax multiplier impact of that and the subsequent demand for high quality property. The actions and strategic plan of locate.im alongside a growth focused 'tax cap' strategy was a common theme from respondents.

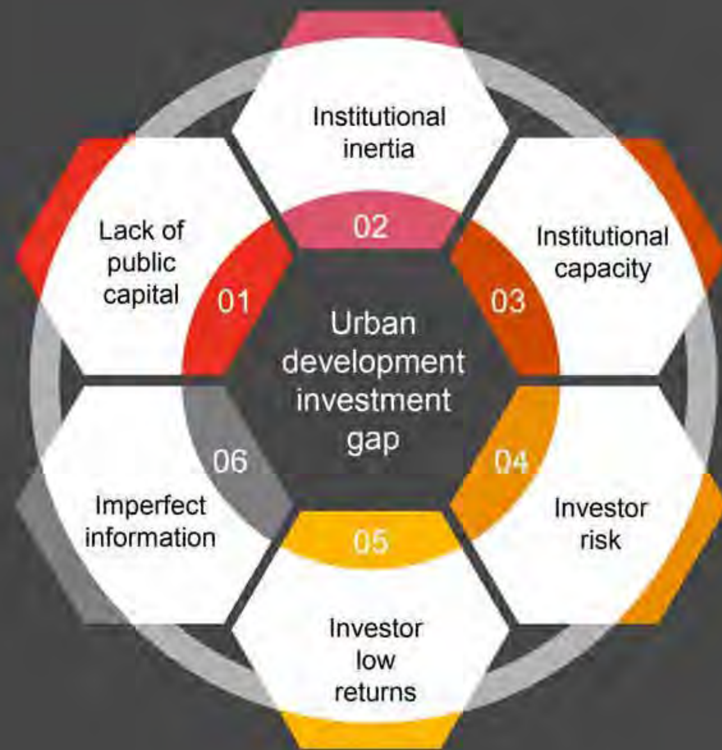
Treasury could also establish a separate fiscal framework for the agency so it can provide greater returns to Government and encourage otherwise marginally viable development to take place. This however would create a distinct difference between private and 'public' development projects.

5. Create a flexible fiscal and funding environment

The Coalition for Urban Transitions has identified six barriers that contribute to an investment gap in urban development[1]:

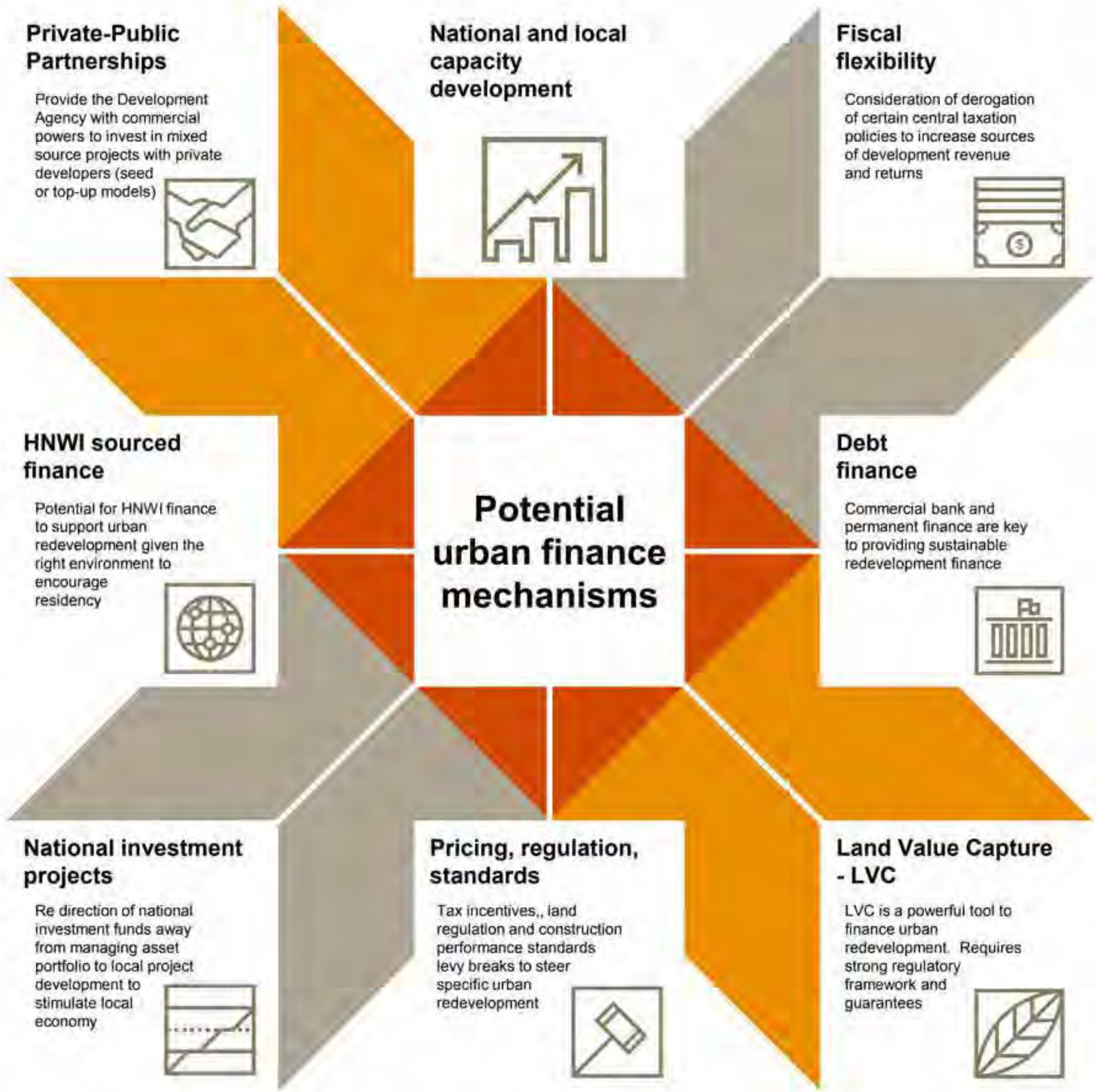
1. **Lack of upfront public capital.** Government lacks the upfront capital to fund its investment priorities.
2. **Institutional inertia.** The difficulty of changing investment patterns due to institutional, governance, and contractual/financial features present in the market.
3. **Institutional capacity.** National, regional, and municipal governments cannot initiate projects or act as bankable counterparties due to legal, regulatory, technical, and skills limitations.
4. **Risk.** Investors perceive a significant risk of losing their investment due to a variety of risk factors.
5. **Low returns.** Investors forecast that an investment will generate insufficient returns, for example through debt repayments, asset appreciation, or other income streams, relative to other sectors and asset classes.
6. **Imperfect information.** Investors possess insufficient information on the opportunities that exist, and how worthwhile an opportunity may be.

Private investors will be drawn to urban development investments where a sufficient return on capital is forecast, based on project income flows or low risk government debt repayments based on other fiscal revenues.



1. Floater, G., Dowling, D., Chan, D., Ulterino, M., Braunstein, J., McMinn, T. *Financing the Urban Transition: Policymakers' Summary. Coalition for Urban Transitions.*

5. Create a flexible fiscal and funding environment



Floater, G., Dowling, D., Chan, D., Ulterino, M., Braunstein, J., McMinn, T. *Financing the Urban Transition: Policymakers' Summary. Coalition for Urban Transitions.* (adapted)

6. Develop through coordination

It became clear during the course of our interviews and from discussions with officers of the Department for Enterprise that there are current government practices that are not conducive to development and which may be contributing to the problem of brownfield sites not being developed.

It is possible that in addressing these issues, for which a development agency may not be required, some of the obstacles to development on the Island will be overcome. This will ensure that any future efforts take place in a context that is designed to encourage development.

Tendering process

Requiring multiple bids as part of a tendering process prevents private developers from making speculative approaches to Government with their own development plans because even if Government is favourable to the plan, other bids for the same project would need to be invited. The tendering process in general can take more time than a developer has before it must seek other opportunities. Respondents noted their frustration with the lack of pace of the process, wishing instead to 'get on with it', often as a result of the allocation of finite capital and finance within their businesses. A development agency may be exempted from taking this approach and have the freedom to make commercial transactions quickly.

Disposals at an undervalue

The requirement for Tynwald to approve the sale of land and property at a price below a pre-determined value minimises the scope for Government departments to make timely or long-term, commercially beneficial asset disposals. Whilst the requirement for government to achieve value for money for the public purse is key, this requirement was cited to politicize and slow down disposal activity.

Lease lengths

By granting bespoke and flexible leases, for example with regard to length and break clauses, Government can help developers and businesses seeking sites or premises to enter agreements that best suit their needs. This will help them have confidence that their investment will be given the time to generate a positive return, assist them in obtaining any finance they might need, and allow them to respond sooner to the evolving nature of their business and market. As a corporate entity in its own right, with assets held in its own name, a development agency could grant leases, with appropriate break-clauses, securities or any other features it sees fit, to achieve its strategic objectives.

6. Develop through coordination

Joint Ventures

The risk that private developers must shoulder can be shared through joint ventures. Greater Government involvement in such partnerships can make the risk profile of development projects more palatable and therefore encourage private developers to progress plans that otherwise would not be feasible. A development agency could have the freedom to become a partner in projects, share those risks and returns of the development and provide either the seed or final capital to secure the project. The joint venture model would also allow the agency to provide technical expertise, if required, or provide the infrastructural development input into a site required to ensure its marketability and economic viability.

Planning

A lack of dedicated and sufficient resources within the planning application processes (and all its constituent phases) results in lengthy processing times. A lack of available flexible resources to manage the throughput of work effectively and efficiently was commonly cited as a barrier to effective timely redevelopment.

Business development

A lack of data on the number of high net worth individuals on and interested in coming to the Island limits Government's and the private sector's ability to develop effective strategies to attract this market. Respondents called for recognition of the HNWI contribution to on-island economic activity and for a more holistic policy as part of the economic strategy.

There is concern around the length of time the licence application process takes for regulated business and there is a perception that Government is not fully aware of current market dynamics, as a result of which businesses can be frustrated in their efforts to locate to the Island. A bureaucracy simplification project should be considered to ensure the Island is an easy place to do business.

6. Develop through coordination

A phased approach towards a development agency

Many of the policies, incentives and recommendations mentioned previously in this report do not require the creation of a development agency. They can also be introduced over a shorter timeframe than it will take to formally establish an agency.

It is possible that Government will want to make short-term and medium-term changes with or without a view to establishing a development agency. Such a “phased approach” has the potential to stimulate development on the Island in the short-term while the ground is laid for a development agency to be established. Indeed, the introduction of certain policies could make the agency’s work in its early years less bureaucratic and more effective.

By way of example, short-term changes may include new tax incentives, the identification of priority development sites, and allowing the reallocation of Government funds, held within its investment portfolio, to be used as seed capital in development projects.

Medium and long-term changes may include new legislation, site preparation and the incorporation of transport and environmental strategies into new streamlined planning processes.

However, there are disadvantages to consider with a phased approach.

Gradual changes may be viewed with scepticism by key stakeholders in the market place, such as private developers and the population. They may not believe that short-term changes will be followed-up by the more significant changes that would likely provide the confidence and impetus needed for development projects to become economically viable.

By the same token, the introduction of new policies or incentives that are not broad in scope (such as changes in use classes) may be viewed as “sticking plasters” rather than long-term reforming solutions.

Piecemeal solutions could be seen to not demonstrate a commitment from Government to effect a major shift in its approach to development. Brownfield sites that have already remained undeveloped for decades could continue in that status for years to come.

A phased approach, therefore, would need to include the goal to which Government is working (which may be the introduction of a development agency), and a timeline of events and policies that leads to that goal. The phased approach should then be clearly communicated and publicly available.

4 Comparable jurisdiction examples

Comparable jurisdictions

In this section, we provide examples of development agency models from across the UK, the Channel Islands and Northern Ireland. The scale and powers of these models vary but each can provide examples or lessons from which a development agency for the Isle of Man could learn.

A recurring theme from the examples of development that we have studied is that successful development requires some form of coordinating structure as well as dedicated financial resources. The finance that has led to the success in the models we have seen has typically come from central government and, where geographically applicable, from the European Union.

Given the variety of the jurisdictions that we have reviewed, not all of their development agency models are suitable to the Isle of Man. Development agencies are generally responsible for areas that are far greater in size than that of the Isle of Man and can comprise vast, formerly industrial districts. Naturally, the geographic scope of most development agencies means they encompass numerous levels of government and a diverse range of businesses and socio-economic conditions.

A development agency in the Isle of Man would not cover a geographically large area and the scale of post-war deindustrialisation that particularly afflicts areas of the UK (and which is often the focus of regeneration) is not the same on the Island.

Of the models that we have seen, the Jersey Development Corporation is the best example of a development agency that the Isle of Man should consider when establishing its own agency. This is not to say that the JDC has had historical challenges and issues, nor that its framework is a perfect model, but more that Government can use it as a basis on which to improve. Through its commercial focus and governance structure, the JDC has expertise and flexibility but remains accountable to the public. Its does not have the far-reaching powers like those of an Urban Development Corporation, which would be extremely controversial in any small, island community, but is able to make decisions, use financial resources and effect change in line with strategy and vision.

Urban development progression

Urban development entities

Comparative strengths and weaknesses

Strengths	Weaknesses
Guernsey Seafront Enhancement Project	
• Public opinion is incorporated into development initiatives and can feed into wider development strategies. • Little financial risk or administrative burden. • Does not require any long-term commitments.	• Does not extend to sites that may be larger or potentially more contentious, profitable or considered in need of development. • Only concerns publicly-owned sites.
NHS Property Services Limited	
• Surplus assets may be liquidated relatively quickly. • Risks associated with development projects, including investment and management are fully removed.	• Losing ownership of assets mitigates scope to ensure development. • Financial return is limited wholly to the sale of the asset. Not very forward thinking. • May be difficult to ensure that development takes place in a coordinated manner, in line with strategic aims.
Local Enterprise Partnerships	
• LEPs give the private sector a prominent position in encouraging and shaping development activity. • Public and private sector representatives are given a forum to work together.	• The opinions of LEPs could be ignored by local authorities and funding decision-makers; their scope is limited to recommendations. • It may be challenging to identify and include appropriate private sector representatives, and, combing them with public sector representatives may make decision making difficult.
Titanic Quarter Limited	
• Optimises the potential for private investment. • Private sector has freedom to operate on a large scale. • Relationship between government and developer can be defined at the outset.	• Developers may feel restrained by any government involvement. • Depending on a sole private developer presents risks to the entire development project. • Private developers may not act in the same interests as government.

Urban development entities

Comparative strengths and weaknesses

Strengths	Weaknesses
Jersey Development Company Limited	
• JDC has a commercial structure and operational freedom from government that enables it to respond quickly to opportunities and attract confidence from third parties. • Broad financing options. • Financial returns are reinvested for the benefit of the local population. • The sole focus on the delivery of development projects removes scope for potential conflict connected to the elaboration of broader development plans.	• Ownership of public assets attracts high levels of public scrutiny, which has the potential to jeopardise commercial interests. • Governmental support may result in perceived and/or actual market interference or favouritism. • Government retains risks associated with any failed development.
Urban Development Corporations	
• Significant power allows UDCs to enforce developmental plans. • These forms of entity give developers significant confidence because of their political force.	• Development may not meet the economic, social and environmental needs of local populations. • Use of powers like compulsory purchase are controversial and viewed by some as unfair.
Urban Regeneration Companies	
• URCs provided a focus to attract inward investment. • As they are independent, URCs have flexibility to promote their own vision for development.	• Heavy reliance on public agencies for funding. • Limited powers of their own.

Guernsey Seafront Enhancement Programme

> **"The response to this process was incredibly positive, with over 350 ideas being received by the public. Alongside this public engagement, 35 firm expressions of interest were received.**
>
> *States of Guernsey media release, March 2019*

Worthy of mention as a similarly sized jurisdiction is a current programme underway in Guernsey. The States of Guernsey's "Seafront Enhancement Programme" has identified six government-owned sites in coastal St Peter Port that could be put to new use. The sites include, by way of example, green spaces, a disused open air swimming pool and the end of a harbour pier, and although they are perhaps smaller than sites currently identified for development on the Isle of Man, the way in which government is involving the public in their development could guide an approach locally.

The States of Guernsey has launched a website dedicated to the six sites that allows users to view images, videos and details of each site and be immediately directed to provide an idea for how the site could be used. Launched with the support of States politicians and media attention, the project has been well-received and has successfully captured the interest of the local population.

The States approach is based on their current structural approach to urban redevelopment for St Peter Port and its environs. There is no internal body or devolved entity that has specific responsibility for coordinating redevelopment, but rather a more project-by-project approach as redevelopment needs are identified.

There is no current formal strategy or policy to liquidate excess assets, nor consolidate and separately manage them: hence this strategy is a simple informal approach. This style of public engagement will help Guernsey authorities better understand how communities view and use areas in the capital, which should feed into other development plans and strategies, including those of a larger scale.

NHS Property Services Ltd
- vacant space handback scheme

NHS Property Services

In 2013, NHS Property Services Limited, a new company owned by the Secretary of State for Health, began managing certain NHS properties across England (as and when it inherited them from decommissioned Primary Care Trusts and Strategic Health Authorities). In its latest annual accounts, the company reports that it is responsible for around 10% of the entire NHS estate in England and has assets of over £4.6bn. It provides a strategic management role, acting as a landlord, modernising and acquiring facilities, and selling facilities that the NHS no longer needs.

Redundant sites and buildings belonging to the NHS's various trusts are identified and included in a national register of surplus land and buildings. These assets can be sold or leased, with the proceeds from which returning to the public purse.

This disposal strategy is relatively simple and transparent and can be effective in quickly liquidating assets and divesting their owners of responsibility. Such a model used locally would require relatively little, if any, administration or legislative preparation. If the vendor wishes, sales could take place under certain conditions such as that the sites are developed in a certain way, within certain timeframes or in accordance with other specifications. Consequently, this allows the vendor to substantially reduce its risk with regard to the assets' development.

However, total loss of ownership or control could restrict Government's ability to ensure that development, more broadly, takes place in line with previously articulated strategies and area plans. Any financial return to the Government may be limited to only what can be achieved on sale. Government would have few options if a site's development stalls or fails to begin.

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NHS Property Services realises value, re-invests in the NHS estate and delivers for our customers throughout England. We aim to provide best in class property solutions and facilities management services to the healthcare system and be recognised for our customer focus and operational excellence.

Strategic Report, NHS Property Services Annual Report for the year ended 31 March 2018

Local Enterprise Partnerships

Introduced in the UK in 2010, Local Enterprise Partnerships (LEPs) are private sector led partnerships between businesses and local public sector bodies. Following a review in 2013, LEPs were given substantial powers, including new government funding, in order to encourage local economic development.

One such LEP is the Liverpool City Region LEP (LCR LEP). Under its constitution, LCR LEP's partners have "joint responsibility for market stimulation and making recommendations for the commission of relevant economic activity". It is not a corporate entity, is not able to enter into contracts itself and makes no funding decisions. Its board, comprising a majority of private sector representatives and a minority of local authority representatives, advises on the strategic merit of programmes and projects in the context of the growth strategy for the region.

Funding decisions rest with the Liverpool City Region Combined Authority (a representative body of mostly local government entities from across the region), on which also sits the LEP.

"

Local Enterprise Partnerships have increased private sector involvement in economic decision making, encouraged greater collaboration between public sector leaders across administrative boundaries, and ensured that effective investments are made across areas in growth priority projects.

HM Government, Strengthened Local Enterprise Partnerships, July 2018

Without doubt LEPs give prominence to the private sector as part of a development process while recognising the role of local public authorities in that process. As a result, they are not as agile or as powerful as UDCs but are arguably better placed to respond to the local needs of both the private and public sector.

Local Enterprise Partnerships contd.

The current economic development agencies established by the Department for Enterprise are akin to Local Enterprise Partnerships in the UK.

The respondents to our research all agreed that a Development Agency given the strategic objective of encouraging and stimulating urban redevelopment as well as management of excess governmental land and buildings would not work.

Whilst LEPs, and the Development Agencies established in the Isle of Man can bring together public and private sector individuals and corporate interested parties, the structure lacks the key powers and authority to quickly deliver on its objectives and exercise on truly commercial, unpoliticised decisions.

In discussions with respondents, reference was made back to the Douglas Development Committee and its lack of action, due in part, to the wide membership across many interested parties each without power or influence to achieve any of the key objectives.

Titanic Quarter, Belfast

Belfast's Titanic Quarter, situated in Belfast Harbour, is one of Europe's largest urban waterfront regeneration projects. In 1998, Belfast Harbour Commissioners (BHC), a statutory corporation independent of government, granted development rights of the site to Harcourt Developments Limited, a private Irish company. Harcourt Developments has established a number of companies, including Titanic Quarter Limited, responsible for the development of the Titanic Quarter. BHC leases the land to the developers under a master agreement.

However, disputes over the BHC's effective right of veto to development plans and the sharing of infrastructure costs led to tensions in the two parties' relationship. In 2016, disputes were settled through the conclusion of a memorandum of understanding. Since then, Harcourt's Titanic Quarter development companies have been significantly restructured and privately refinanced.

The Titanic Quarter has seen major regeneration over the last 10-15 years and demonstrates the capacity of the private sector to take on such works. It highlights, however, risks associated with a high degree of dependence on a sole private developer. Without the right development agreement, working relationships with public bodies can become strained, and the progress of development subject to the wider commercial success of the developer.

"

Ten years ago, Titanic Quarter was a very different place. The area, which once thronged to the sound of 35,000 shipyard workers and was the epicentre of Northern Ireland's industry, had largely fallen silent. Today, Titanic Quarter is Northern Ireland's stand-out global investment project, a transformative development acting as a bridgehead for new investors and new industries such as film and TV production.

Pat Doherty, Chairman of Titanic Quarter, October 2015

Jersey Development Company
- and Jersey Property Holdings

JERSEY DEVELOPMENT COMPANY

The States of Jersey Development Company Ltd (JDC), a development company owned by the States of Jersey, is responsible for the development of the St Helier Waterfront and regeneration of States-owned property which is no longer required for the delivery of public services.

It originated from the Waterfront Enterprise Board ("WEB"), a government-owned company established in 1996 with the responsibility for the elaboration of development plans and the delivery of development projects for the land and shore areas of the St Helier waterfront. The consolidation of these dual roles attracted criticism and, in the words of a 2010 report by property consultants DTZ, public perception was that the WEB - "has not performed well in the delivery of its mandate, that the Waterfront lacks a coherent vision, the delivery of completed developments has been too slow, and many buildings poorly designed".

The JDC was established to replace the WEB: unlike the WEB, the JDC has no policy-making function or remit to develop master plans. Its sole purpose is to deliver policies agreed by the States of Jersey. The Company mission is to create "dynamic, innovative and sustainable new environments for people to live, work and invest, ensuring all developments are in the interest and contributing to Jersey's bright economic future".

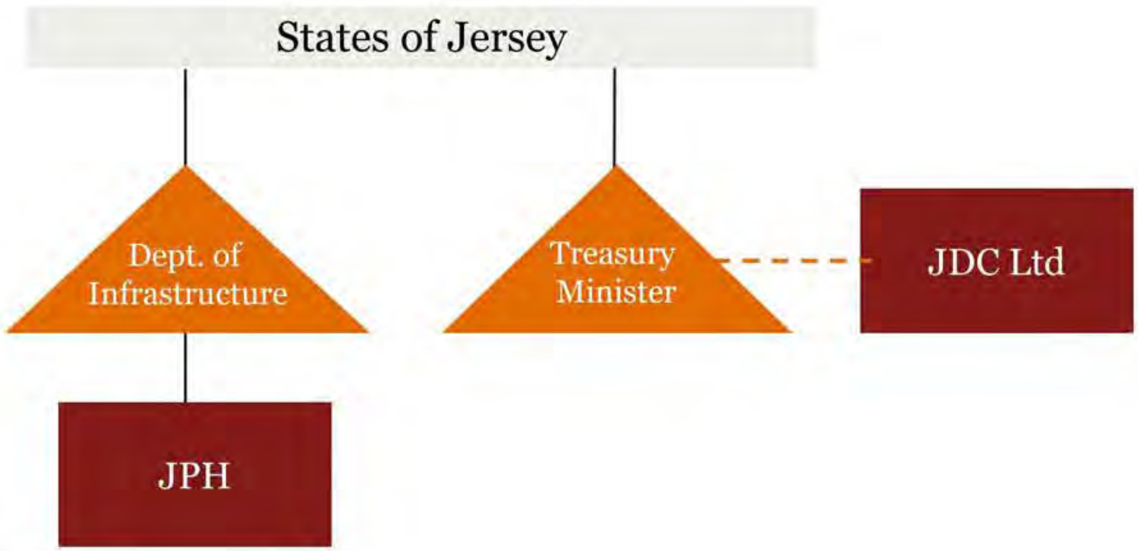
The buildings and properties which JDC has been tasked with developing were transferred to it by the Government-owned Jersey Property Holdings (JPH). A part of the Department for Infrastructure, JPH was established to provide efficient and effective management of over 500 operational public properties.

JPH's remit is to therefore act as a landlord to the States across its whole property portfolio and also to identify and manage any excess property; i.e. land or buildings empty or inefficiently deployed. Typically JPH has transferred assets to JDC at market value.

> **"The Company's development activities stimulate the local economy and support employment. In recent years the Company has placed construction contracts totalling more than £80 million.**
>
> *Nicola Palios, JDC Chairman, March 2019*

Jersey Development Company
- and Jersey Property Holdings

JPH has been criticised for a lack of efficiency and absence of property strategy. Of its four objectives set in 2005 (create a new structure, develop a property strategy, introduce charging mechanisms for departments and establish a property board), only the first had been achieved over a decade later, resulting in an inability to translate into practice the States' objectives. A report released in June 2018 on the subject by the local Auditor General suggests a failure to commit to working in a corporate manner presented JPH with substantial challenges.



The relationship between JDC and the States of Jersey is set out in a Memorandum of Understanding (MoU), the purpose of which is to ensure the appropriate conduct of JDC and to lay out an accountability framework. The MoU emphasises a "no surprises" approach and expresses the desire to foster strong working relations between the Minister for Treasury and Resources and JDC, based on a mutual understanding of expectations.

Jersey Development Company
- and Jersey Property Holdings

The JDC board comprises seven members: two executive directors and five non-executive directors. A remuneration and nominations committee of the board recommends the appointment of directors but the decision to appoint non-executive directors rests with the States Assembly, with the exception of the minister's appointee. The current managing and finance directors are both qualified accountants and have been board members since 2011 and 2012, respectively. They have professional experience in the public sector and in banking and property development.

Remuneration is set by reference to what the open market generally offers to directors of comparable status, responsibility and skills in comparable industries, by using surveys prepared by independent consultants.

The determination of the executive directors' remuneration is a decision taken by the non-executive directors, but the case of the managing director requires shareholder approval. Any changes to the level of remuneration paid to non-executives are agreed in advance by the minister. Despite this, JDC has been subject to significant criticism after executives received increased bonuses and salaries despite declining profits between 2013-2014.

Jersey Development Company – selected financial information

£'000s	2017	2016	2015	2014	2013
Profit for the year	6,747	2,033	897	2,783	3,997
Dividends	-	-	(1,000)	(816)	(816)
Exec salary	(303)	(285)	(270)	(260)	(243)
Exec bonus	(60)	(58)	(36)	(44)	(42)
Non-exec fees	(123)	(85)	(80)	(100)	(100)
Net assets	**57,516**	**50,769**	**48,737**	**48,840**	**46,873**
ROCE	**11.7%**	**4.0%**	**1.8%**	**5.7%**	**8.5%**

Source: The States of Jersey Development Company Ltd annual reports

Jersey Development Company
- and Jersey Property Holdings

JERSEY DEVELOPMENT COMPANY

Where practical, JDC follows the Corporate Governance Handbook, based on the best practice principles of the UK Corporate Governance Code. JDC is independently audited annually and parliamentary scrutiny panels have, on a number of occasions, regularly appraised the work of JDC and its development projects. Parliamentary scrutiny has given robust challenge to JDC and its operations, particularly with regard to access to information. This in itself, however, is viewed by some proponents of JDC as problematic, since disclosure of commercially sensitive information has the potential to jeopardise the company's commercial interests and therefore impact its flexibility and profitability.

In accordance with good governance practice, the board of JDC is subject to an annual performance assessment, from which recommendations for improvements are made.

The yearly self-assessment critically appraises the performance of the Board and its committees. For instance, in 2017, it was suggested that JDC increased board focus on risk management and mitigation. Additionally, the Board carries out an annual review for assessing the independence of Non-Executive Directors.

The 2017 financial statements (the most recent publicly available) for JDC show that its assets are security for the private loan finance raised. Profits generated by JDC from property development are invested back into working capital for future developments, infrastructure and regeneration projects or paid to the States Treasury via a dividend. Ultimately, the receipts from JDC's development activities are reinvested for the benefit of the public.

The JDC has been exempted from paying income tax in Jersey as its profits are used wholly and exclusively to improve and extend public infrastructure and works for the good of the public and of the Island. All other development companies that benefit from rental income or property development profits are subject to tax at 20%.

Development projects for which JDC has been responsible include the International Finance Centre, a collection of six standalone buildings that will provide 470,000 sq. ft. of modern office space. The first of those buildings was completed in March 2017 and sold in 2018 for £43.7 million, generating a profit of £10.9 million. JDC has also converted a former college building into 187 residential units, all of which have been sold. In a joint venture with a French construction company, it is currently building a further 280 residences with restaurant and retail space on St Helier's waterfront.

Urban Development Corporations

Following the period of post-war de-industrialisation in the UK, Urban Development Corporations were identified by the Thatcher government as a model to use for the regeneration of urban areas that were vast and posed complex challenges. As statutory bodies, they were given considerable powers, including with regard to planning, compulsory purchase, and the ability to provide grants and incentives to private developers. The London Docklands Development Corporation is perhaps the most notable example of the scale on which UDCs operated and the degree of transformation they created.

UDCs had defined lifespans and they have all now been phased out. They remain an important example of a development agency and, with their considerable powers and ambition, the scale on which they can transform landscapes.

Criticism of UDCs focused on the extent of real benefits to local populations that development by UDCs brought about. Their new cityscapes were often designed for skilled or commuter workers and the cost of living and housing ultimately rose. The opinions of local residents and their local representatives were not always balanced with the aims of developers.

A development corporation of this ilk in the Isle of Man would signal Government's comprehensive support for a step-change in its approach to development and give private developers confidence that objections to their plans could be overcome. Its concentration of power, however, would likely be highly controversial and ensuring the economic, social and environmental interests of all stakeholders would be difficult to manage.

> “ **Urban Development Corporations are the most important attack ever made on urban decay**
>
> *HMSO, 1988*

Urban Regeneration Companies

"There are already hugely encouraging signs that Sheffield One is changing the face of Sheffield. The economy is diversifying, with the city centre reinforcing its role as a key location for knowledge-based industries. A vibrant city centre is being created with an increase in city-centre living, a growing city centre housing market and upgraded hotel and cultural facilities.

European Institute for Urban Affairs, Sheffield One Evaluation: Final Report, 2007

Urban Regeneration Companies (URCs) were adopted by the UK government during the early 2000s. They were independent companies set up by, and with the agreement of, local partners and were designed to coordinate the delivery of urban regeneration projects where a combination of existing agencies, including local authorities, could not have the desired effect. Typically, they were focussed on geographical areas subject to a market and/or other institutional or operational failure that was impeding development. They had the long-term goal of using public sector investment in such a way as to maximise a positive market response.

Sheffield One, a URC established in 2000, sought to build a new, vibrant city economy based around enterprise, culture, learning and commerce. Sheffield One was a company limited by guarantee with 12 board members from the public, private and community sectors, as well as an executive team of 8. Sheffield One is widely regarded as a success, having helped decrease unemployment and diversify the economy.

URC designation and branding provided a focus for regeneration and a useful and productive mechanism for attracting external funding, but the URCs did not receive any additional funding beyond that committed by their contributing parties. The government chose to incentivise supporting URCs by introducing policy whereby any businesses making contributions towards the running costs of URCs were able to treat these as deductible expenses when computing their business profits. These parties, including Regional Development Agencies (RDAs) as well as Local Authorities, were relied on too heavily for their core funding and required long term support for their running costs. RDAs, the larger scale predecessor to LEPs, acted as bodies which helped fund and identify regional economic priorities for URCs. RDAs were 9 non-departmental public organisations created for the purpose of development across England's Government Office regions. An agency of this form on the Isle of Man would be difficult to introduce due to its sheer scale in terms of funding and power.

5 Appendices

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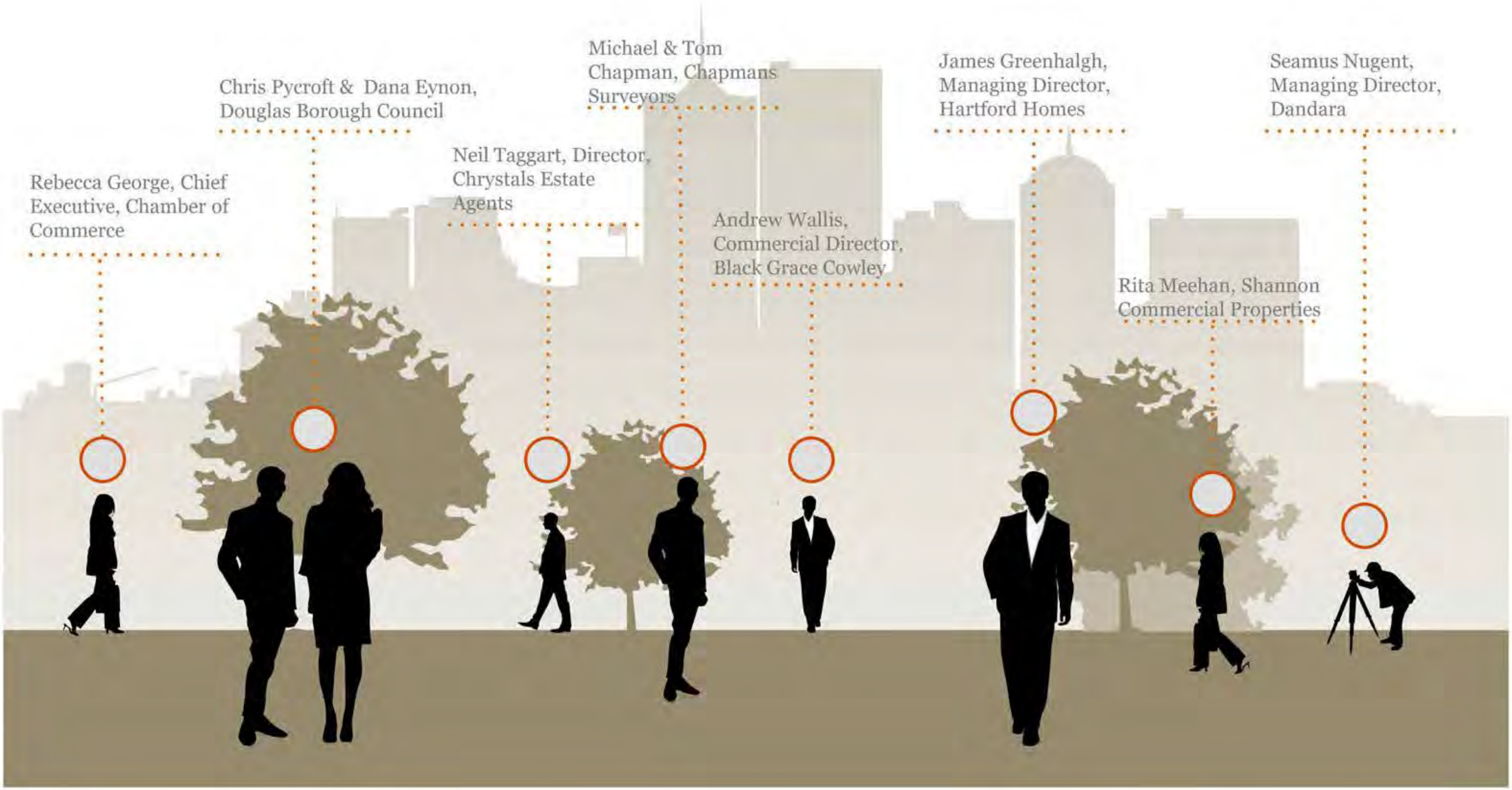
A city’s environment is shaped not only by people who have an important influence, but by everyone who lives or works there

Robert Cowan

Appendix A
Interview respondents



Appendix B
Glossary

Term	Definition
Accountability framework	A set of common norms and guidance for establishing, implementing, and monitoring ethical supply chain commitments
Auditor General	A senior civil servant charged with improving government accountability by auditing and reporting the government's operations
BHC	Belfast Harbour Commissioners
Corporate Governance	A system of rules, practices and processes by which a firm is directed and controlled
Department for Infrastructure	A primary unit of executive government responsible for public infrastructure
JDC	The States of Jersey Development Company
JPH	Jersey Property Holdings
LCR	Liverpool City Region
LEP	Local Enterprise Partnership
MoU	Memorandum of Understanding
NHS	National Health Service
Primary Care Trusts	An administrative body responsible for commissioning health services

Appendix B
Glossary

Term	Definition
Regional Development Agency	A body which helps fund and determine regional economic priorities for URCs
Scrutiny Panel	A panel which examines policies, actions and spending carried out by various entities
Secretary of State	A Cabinet Minister in charge of a government department
States Assembly	The parliament of Jersey
Statutory body	A non-constitutional body which is set up by parliament
Strategic Health Authorities	Organisation within the NHS responsible for developing and improving health services in local areas
UDC	Urban Development Corporation
URC	Urban Regeneration Company

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