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# **Public Real Estate Development in Queensland: Local Government as Developers**

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## **ABSTRACT**

Public sector real estate development is common in many parts of the world such as the USA and the Netherlands. However, in Australia, the nature and extent of such development does not appear to be known. This article presents the results of an investigation into the extent and nature of real estate development by Local Governments in Queensland, a state where private sector values are often assumed to prevail. The study provides an overview of what types of real estate Councils have developed and how much they have developed over the last 10 years. Such development is widespread in Queensland with at least one-third of Local Governments having developed land. Councils often develop because of a perceived failure of the private sector to provide development adequately or as an entrepreneurial means of achieving public interest goals. However, there is also evidence that Councils are acting like private developers, acquiring land from the private sector and disposing it at open market values. There is an opportunity to learn from the experience of these Councils if local planning is to enter a more proactive approach to shaping urban outcomes.

**KEY WORDS:** Public real estate development, Local Government, land use planning, Queensland

## **Introduction**

In market-based economies real estate development is usually the domain of the private sector. When one thinks of real estate developers it is typically of private sector players in an industry that is quite diverse in scale and actors. But what about the public sector involvement in real estate development — to what extent does the public sector become involved in land development? Large scale city and state involvement in real estate development is common, with initiatives such as the Sydney Harbour Foreshore Authority and Landcom defining a public interest in directing and developing land. However, less known about the involvement of smaller scale Local Governments in real estate. The role of Local Government has been traditionally to regulate and shape development using zoning, development approval

and planning schemes. The division between the interests of the private and public sectors becomes blurred when Local Government develops its own real estate for revenue.

Over 35 years ago Stretton (1970) argued for greater direct involvement by public authorities in metropolitan land development, and over the last few decades Local Governments in Australia have needed to become more business-like in their activities (Robinson, 1995). However, little is known about the scale and nature of public real estate development by Local Governments, or indeed its very existence, a gap which the present study starts to fill. This article presents the results of an exploratory investigation into the extent and character of public land development in Queensland by local Councils and joint development partnerships with private real estate companies or public sector organisations. Do Local Governments in Queensland carry out real estate development? If so, why and what is its extent and nature? Amongst other things, the study shows that such development is a common activity in Queensland. Councils often develop because of a perceived failure of the private sector to provide development adequately or as an entrepreneurial means of achieving public interest goals. However, there is also evidence that Councils are acting like private developers, acquiring land from the private sector and selling it at open market values. There is an opportunity to learn from the experience of Councils if local planning is to enter a more proactive approach to shaping urban outcomes. The conclusions suggest directions for further research into issues raised by this exploratory study.

#### Public Real Estate Development

Real estate development in the public sector has a long history in North America emerging as a response to a variety of pressures affecting municipal governments in the late 1960s and early 1970s. Decaying urban centres and a push for economic revitalisation in the city core forced many city governments to take on the role of land developer in order to facilitate urban renewal. Public sector real estate development was generated by several things at once in this context including: responsibility for local economic development, selection of projects that could be finished on time, federal aid packages and control over the risk of development (Frieden, 1990). In order to facilitate this approach, negotiation based development was utilised as a means to engage the private sector into developing public interests. Thus, city planners negotiated with developers to take on projects that normally would not be undertaken in the private sector. The trend of municipal governments developing their own real estate has increased in North America since the 1960s (Dowall, 1990). This has involved two forms of development. First, cities and municipalities have taken on property developments as sole agents and have run the process from start to finish by themselves. Secondly, and more commonly, the public and private sectors have entered into partnerships to develop public land. The expertise of the private sector is combined with the needs of the public sector and the risk is shared between parties. The benefits of this approach for the public sector include an increased tax base, public amenities provided by private development and more control over what is developed. Private companies often enter into this type of joint development because it can offer choice public real estate, and competition from other developers is suppressed (Dowall, 1990). North American literature suggests the problems associated with Local Government development of real estate are numerous. Given the wide range of sizes and capacities of Australian Local Governments, these

problems may also be relevant to the Australian context, although presently no research exists in this context. Simons (1994) argues that the public sector lags seriously behind in its skill level and expertise resulting in suboptimal management of public lands, and putting the public sector at a disadvantage when dealing with developers in joint projects. Often cities are seen to have given too much to developers on joint projects (Frieden, 1990). In addition, large public developments or joint projects pose problems for planners in the public sector, with the regulator and developer being the same entity. Generally, the public sector is not set-up for development and does not have the basic tools for real estate management (Simons, 1993) though this lack of expertise has not stopped the continued support in North America for joint development projects.

The international literature provides four substantive areas of real estate management expertise required in the public and private sectors:

- . organisation of a real estate department with staff and expertise;
  - . real estate information management: a database of property and land value;
  - . the presence of explicitly stated objectives, decision rules and written policies;
- and
- . real estate development activities: leasing, land banking and joint development.

In Australia, there has been considerable development by public authorities at the State and Territorial level, though little has been written about this from of scholarly perspective. In the early post-World War II period various State housing departments including Queensland's Housing Commission (Hollander, 1996) carried out development.

The Australian Capital Territory has had an active land development agency through various mutations from the National Capital Development Commission to the present ACT Land Development Agency. More significantly, in the 1970s the Federal Labor Government initiated its Land Commission Program setting up Urban Land Commissions with various Australian States: NSW (1975), South Australia (1973), Western Australia (1975), Victoria (1975) and Tasmania (1975). The Program had a strong social agenda that included redressing high housing costs and capturing the unearned increment gained from the conversion of land to higher value uses (Troy, 1978). Today, most States and the ACT have land development agencies that evolved from earlier established agencies through a variety of mutations and/or amalgamation with other authorities. These are now major developers but with more commercial orientation and reduced social agenda compared to the Land Commissions, though with an agenda that includes well designed, coordinated and sustainable development. Queensland steadfastly refused to participate in the Land Commission Program and has never established a public land development agency mostly taking a pro-private sector development and anti-interventionist ideological position. However, from time to time the idea re-surfaces. It would be interesting in this context to see if development by Local Government in Queensland has occurred or even flourished. Worldwide, there has been an increasing tendency to entrepreneurialism in the public sector which has impacted management practices in Local Government (Pierre, 1999; Ruhil et al., 1999; Warner & Hebdon, 2001). In Australia, Robinson (1995) sees Local Public Real Estate Development in Queensland Governments becoming more entrepreneurial in their activities in response to a variety of pressures including the decrease of State level funding and the need to provide local facilities. Activities

include joint venture projects for the provision of infrastructure, increased use of market-based mechanisms such as developer contributions to fund urban facilities and infrastructure, and the increased reliance on private construction of public facilities in exchange for increased development rights. Perhaps such pressure has also led Councils to dabble in real estate development.

In the realm of housing provision similar pressures have led State governments to urge Local Government to take on a more active role (Gurran, 2003). On the ground, this has seen some metropolitan Councils undertake more proactive approaches that show innovation and leadership including:

- . mechanisms to retain existing affordable housing;
- . levying developer contributions for affordable housing;
- . inclusionary zoning;
- . financial assistance for low cost housing providers to comply with building standards; and finally
- . measures to facilitate new housing developments.

These include joint development ventures with public entities as in the case of the Brisbane Housing Company (Gurran, 2003). Despite the pressures the modern economy has placed on the public sector to become more entrepreneurial, there are other good reasons for public sector land development. In his seminal work on the Australian city first published in 1970, Stretton (1989) encourages planners to get actively involved in the physical development of cities. He suggests that the public sector needs to actively control and influence the development process in areas of residential, commercial and industrial development. In doing this, the public sector needs to build what the private sector does not, such as low cost housing and urban renewal. Stretton emphasises that the public sector in metropolitan areas needs to compete directly with the private sector to influence the quality, price-supply conditions and location of development. He suggests “they should deal enough in each of these markets to achieve the influence they need on prices, and on the location of work and housing and services” (p. 340).

To what extent has public development occurred in Australia? A literature review in this area reveals that there is very little written on public real estate development in Australia. Presently, there is no literature evaluating the public land development process in Queensland. Placing public deal-making in the broader context of a well developed public property management system can both reduce the costs and increase revenue for Councils. A precursor to such evaluation is a survey of the extent and nature of real estate development by Councils. Our literature searches reveal no studies documenting the extent and/or nature of public real estate development in Queensland, yet Queensland provides a pertinent case study because it is a rapidly developing state in which private sector values are perceived to be prominent. Does this mean that there will be little or no real estate development by Queensland Local Governments?

The issues raised provide a basis for the research questions and methodology of this exploratory study. Its aim is to investigate the character of public real estate development in Queensland. Do Local Governments in Queensland carry out public land development? If so, what is its extent and nature? Is it done for public interest objectives or to increase Council revenue? The specific research questions this study seeks to answer are:

- . Does public real estate development by Local Governments occur in Queensland and if so, how common or widespread is such activity? What kinds of real estate are developed?
- . What are the reasons real estate is or is not developed?
- . What are some of the characteristics of the real estate developments process including the frequency of sole Council developments compared to joint development schemes? How is land acquired? What is the price at which land is disposed of? Do Councils borrow money to develop land?
- . Which departments within Council are responsible for conducting the developments and to what extent are skills sourced internally or externally? To what extent is planning involved?
- . Do Councils have policies in place to guide the process?
- . Have Councils had any reaction, negative or positive, from private sector developers?

### Methods

This study is based on a confidential mail out questionnaire survey designed around the research questions set out above. It was sent to all but one of Queensland's 125 Local Governments (Shires, Town and Cities) in 2003. We decided to leave Brisbane out of the survey as it is an exceptional Council in terms of size and complexity for Queensland and its consequent potential to influence the results of this study. Gurran (2003) has already provided some work on Brisbane's experience with joint venture projects. An initial telephone survey sought to establish if any real estate development had been carried out by Councils, and preliminary indications from the telephone survey suggested that it was virtually non-existent in the State. Individuals telephoned were reticent to discuss the issue until referrals were made and a snowballing process started which led to further contacts with actors who had been involved in development activity. Real estate development is a contentious and sensitive matter and suspicion of any researcher motives may have been involved. Three pilot interviews were conducted and were used to help design and test the questionnaire.

A study of this kind poses other difficulties. For example, Councils vary considerably in size; the staff structures and responsibilities vary in Councils; and the staff length of service, and resulting corporate memory for land development history is also varied. The scale, style, nature of, and reasons for development could vary considerably between Local Governments. This complicates finding the correct person to send the questionnaire to, and also in the design of the questionnaire. The mail out was preceded by a phone call to establish the best person in Council to whom to send the questionnaire, though in all cases they were sent via the Chief Executive Officer. The time period coverage for the survey was also limited to the previous 10 years. Achieving a high response is difficult given the above factors, possible suspicion, as well as the high pressure and limited resources many Council staff are operating under. With follow-up calls and a second mail out, a response rate of 49 per cent was achieved. Public Real Estate Development in Queensland 241 Responses were received from Councils across the spectrum of population sizes as can be seen in Table 1.

The questionnaire was designed to balance brevity and comprehensiveness. To standardise interpretation, 'real estate development' was defined for the study to be the production of residential lots and/or buildings, industrial lots and/or buildings,

commercial–retail lots and/or buildings and tourist/accommodation lots and/or buildings. Respondents were asked to not include public facilities such as sporting facilities, transport facilities or interchanges, libraries, restrooms and so on. However, the distinction can be fine, and so as to not preclude any other important initiatives, in a separate section of the questionnaire respondents were provided an opportunity to report any other development activities they might consider as development. To facilitate completing the questionnaire, and thereby maintaining the response rate, respondents were asked to provide approximate estimates (such as percentages on a bar scale), rather than spend time and resources obtaining exact figures. For this reason, and because the response rate was 49 per cent, the results presented here should be seen as indicative only. Percentages are rounded up to whole figures except where small percentages are involved (i.e. less than 5 per cent).

## Results and Discussion

### Do Councils Develop?

Real estate development by Local Governments is common in Queensland and may even be highly underestimated given the 49 per cent response rate to this survey. Of the 61 Councils which responded to the survey, 44 had developed real estate in the previous 10 years. Councils that have developed real estate will be referred to as ‘developing’ Councils and those which have not, will be referred to as ‘non-developing’ Councils. At the very least then, 35 per cent of Queensland Councils had developed land, a surprising amount given our original assumptions and the initial reticence of Councils to report such development in early casual telephone inquiries. Moreover, there is a latent ‘potential involvement’ in development with almost half (eight) of the non-developing Councils’

Table 1. Size range distribution of Councils and whether Councils developed real estate

Council population size range (June 2002 est. <sup>a</sup> )	Number of Councils in size range	Number of Councils responding	Number of responding Councils which developed real estate
50–999	13	5	4
1000–1999	14	4	3
2000–4999	33	15	11
5000–9999	17	7	4
10 000–19 999	22	14	11
20 000–49 999	10	9	6
50 000–99 999	8	5	3
100 000–499 999	8	2	2
Total	125	61	44
Over 500 000 Brisbane City—not surveyed			

<sup>a</sup> Source: Australian Bureau of Statistics (2003).

respondents indicating they thought their Council would be interested in developing real estate in the future. Most of the developing Councils (73 per cent<sup>1</sup>) also indicated a likelihood of further development in the future.

Development is not the preserve of either large or small Councils and is instead carried out by Councils across the spectrum of population sizes (Table 1).

#### What do Councils Develop?

The volume of real estate developed by Councils is, as reported in this article, possibly underestimated because 6 of the 44 ‘developing’ Councils were imprecise in specifying the quantity and type of development they had undertaken. Almost all the reported development involved the production of allotments (2054 development units in total). Because of imprecision in reporting it is possible that up to six of these development units were buildings. For this article no distinction is made between lots and building units and both will be referred to as development units. By far, most of the developed real estate was residential (Table 2). Seventy per cent of developing Councils had carried out some residential development which in total represented 83 per cent of the total reported development output. Industrial development accounted for 16 per cent of output and 59 per cent of Councils had undertaken this type of development. Commercial, tourist/accommodation and rural residential combined accounted for less than three-quarters of a per cent of development units.

Most Local Governments were relatively small scale developers although the scale of operations varied widely. The amount of residential development Councils undertook ranged widely in size from 2 to 580 units with the median and mean at 32 and 80 units, respectively. Only five Councils (or 6 per cent) developed at or above the average. Industrial developments showed a narrower range from 7 to 48 units with the median and mean at 14.5 and 16, respectively. Many Councils had diverse development activities with almost half (20) of the developing Councils carrying out more than one type of development. The largest developer produced 580 residential development units as well as eight industrial units. Analysis of the data by population size of Councils is constrained by the imprecision of some Councils in reporting the amount of development they undertook. In terms of the most common types of development, residential and industrial, such developments were

Table 2. Public real estate development: type and output

Development type	Total output (No. of development units)	Per cent of Councils developing	Range (No. of development units)	Median	Mean	Per cent of total output
Residential	1705	70.5	2-580	32	80	83.0
Industrial	333	59.1	7-48	14.5	16	16.2
Commercial	3	6.8	1	1	1	0.1

Tourist/ accommodation	4	9.1	1	1	1	0.2
Rural residential	9	4.5	4-5	4.5	4.5	0.4
Total 2054						100

Public Real Estate Development in Queensland undertaken by Councils across the population size spectrum. However, industrial development is slightly more common in smaller Councils: 27 ‘developing’ Councils had carried out industrial development and six of the seven developing Councils with populations less than 2000 had carried out industrial development. Although there appears to be a tendency for larger Councils to develop more, small Councils can also be large developers: one Council under 1000 population had produced 110 residential units and 48 industrial units. Why do Councils Develop or not Develop?

Councils cited a variety of reasons for developing real estate and respondents, being able to cite more than one reason, on average cited 2.3 reasons (Table 3). Some of the reasons cited (Table 3) indicate a perception of the private sector failing in some way. Most Councils developed real estate “to attract growth to the Council” and “to provide development the private sector does not provide any or enough of”. For example, one rural Council reported selling lots for one dollar to rejuvenate the town population. The primary condition of purchase was that something be built within a six-month period. All of the lots were sold and developed. Less commonly it was done “to provide cheaper development”. Only one in five Councils reported developing “to generate income for Council” suggesting that purely financial motives are not primary. Rather, the responses suggest that Councils are being entrepreneurial for public interest or planning related reasons. Real estate was developed to attract growth to Council, to influence the pattern of development in an area, to provide environmental or community facilities and to provide cheaper development. One in five developing Councils had carried out development as part of a land use planning strategy, that is, to influence the pattern of land development in an area.

Table 3. Reasons cited for getting involved in development

Reason	Councils citing reason (%)
TO ATTRACT GROWTH TO THE COUNCIL	70
TO PROVIDE DEVELOPMENT THAT THE PRIVATE SECTOR DOES NOT PROVIDE ANY OR ENOUGH OF	67
TO INFLUENCE THE PATTERN OF LAND DEVELOPMENT IN AN AREA	21

(e.g. building a shopping centre to attract other development)	
TO GENERATE INCOME FOR COUNCIL	21
OTHER (to fund community facilities, to provide housing not met by current market, to provide work for employees, to rectify a problem, opportunity to preserve substantial balance areas with environmental values in public ownership at minimal or no costs to the community, to facilitate the provision of a community facility, promote economic development and create jobs, improve quality of residential development, to satisfy a need in the Council)	21
TO PROVIDE CHEAPER DEVELOPMENT	16
TO DISPOSE OF PROPERTY ACQUIRED BY VARIOUS MEANS (e.g. rates arrears, severance, remnants)	14
TOTAL (respondents were able to cite more than one reason)	230

No. Councils = 44; No. reasons cited = 101.

Other activities not defined as real estate development that Councils reported also provide evidence of Local Government entrepreneurialism in achieving public interest goals (Box 1). Both developing and non-developing Councils are taking proactive approaches to activities such as heritage conservation, community housing and land use planning. The extent of such activity is probably underestimated as this was not a focus of the questionnaire but an opportunity for respondents to report other activities they deemed relevant.

Returning to the reasons cited for developing real estate, there is little difference between Councils based on their size. For example, Councils seeking to attract growth could be large, middle sized or small. The only notable point is that only Councils having 4000 or more people cited generating income as a reason. The largest developing Council, with 580 residential units and 8 industrial units, demonstrates that individual Councils may develop for a range of reasons. In this case the reasons included: to dispose of property acquired by various means, to influence the pattern of land development in an area, to attract growth to the Council, to generate income for the Council and to improve the quality of residential development.

Box 1. Other activities reported by Councils

Activity	Reports by developing Councils	Reports by non-developing Councils
<p>Heritage conservation: Restoration of heritage buildings sometimes coupled with economic objectives such as provide employment. One Council provided another party supplementary funding for establishment of local dairy industry heritage centre</p>	6	4
<p>Community facilities: The provision of community facilities was undertaken by several means—direct provision, providing land or funding for, or developing land for such purposes. Facilities include airport facilities, child care, entertainment theatres, swimming pools, medical centre and camping centre redevelopment. Some Councils also developed or provided land for developments that combined community facilities with some commercial use, for example, a library and information centre with cafe and offices</p>	6	2
<p>Land use planning: Purchase appropriately located land for future public facilities to influence the</p>	2	

location of future development/land use pattern		
Community/aged housing: Provision of aged housing or retirement villages or land therefore. Funding sources include grants. Entering agreement with mining company for provision of housing	3	1
Economic development: Purchase land in industrial estate for release to qualifying businesses. Providing land for industrial development		2
Planning for future development: Buying land for future development, making plans for future development	2	
Total number of Councils reporting activities	17	8

As mentioned, most of the developed real estate is residential. Because most developing Councils carried out more than one type of development and because they provided more than one reason for developing we have to look at the Councils which undertook residential development only for an explanation of why they undertook development. These Councils, 12 in all, carried out residential development for all the reasons cited in Table 3. The most frequently cited reasons were “to provide development that the private sector does not” (50 per cent), “to attract growth” (50 per cent) and “to generate income for Council” (33.3 per cent). Only two of these 12 Councils developed residential real estate “to provide cheaper development”. Thirty per cent of respondent Councils did not develop real estate in the nominated timeframe (last 10 years). The reason most of these non-developing Councils (65 per cent) cited for not developing real estate was that the private sector meets the development needs of the community adequately (Table 4). There is also an attitude that it is not Local Government’s business to be involved in development, that is, “development should be left to the private sector”. Still, only one in four non-developing Councils hold this view, and so it cannot be said that a private sector

ideology is prevalent and that this view is a major constraint to Local Government involvement.

There are no obvious differences in the reasons given by the non-developing Councils' respondents who indicated they thought their Councils were likely to be interested in developing real estate in the future and those who thought they would not. In both cases the most common reason (62.5 and 67 per cent, respectively) given for not developing was that "the private sector provides development adequately".

#### Who is Involved in the Development Process?

The vast majority of Councils (75 per cent) undertook development on their own rather than in partnerships and relied mostly on in-house resources with some outsourcing of skills for specific stages or components of the project. With respect to joint venture partnerships, one-quarter of the Councils had entered into agreements with private or public sectors. Of these, 9 per cent of all developing Councils worked with private sector partners only, 7 per cent with other public sector entities only, while 7 per cent worked with both public and private sector partners (one respondent did not indicate). Generally, those working with partners carried out only

Table 4. Reason cited for NOT getting involved in development

Reason	Councils citing reason (%)
PRIVATE SECTOR PROVIDES DEVELOPMENT ADEQUATELY	65
OTHER (no need because of low growth rate, lack of funds, financial reasons)	29
DEVELOPMENT SHOULD BE LEFT TO PRIVATE SECTOR	24
COUNCIL HAS LIMITED EXPERIENCE OR LACKS EXPERTISE TO CARRY OUT DEVELOPMENT	12
THERE ARE TOO MANY RISKS IN DEVELOPMENT	12
TOTAL (respondents were able to cite more than one reason)	142

No. Councils = 17; No. reasons cited = 24.

part of their developments in partnership. Only one Council carried out all its development in partnership (with a public sector) and the most development any Council carried out with a private sector partner was 80 per cent. In terms of output (number of development units), joint venture partnerships with the private sector take on a more prominent role. Most output (61 per cent of units) resulted from Councils

working alone. However, joint venture partnerships with private sector partners resulted in 38 per cent of output while only about 1.3 per cent of output came from joint ventures with public sector partners. Development requires the organisation and application of diverse expertise. The development process is complex and highly variable following a variety of individualised paths (Gore & Nicholson, 1991; Ganderton, 1994). It may involve any or all of many different tasks including land assembly and acquisition, survey, market research, financial appraisal, master planning, engineering design, civil engineering and other construction, approvals, marketing and sales. Many of these have subtasks or may be required at different stages of an individual development. Some stages such as layout of a development may undergo numerous iterations. The importance of any individual task varies with each development and each task requires a range of skills. There is considerable inter-council variation in the way each Council approaches the sourcing of skills for the process. Thirty per cent of the Councils undertook all aspects of the development using in-house skills. Another 34 per cent outsourced one task (or part thereof) while a further 18 per cent outsourced two tasks (or parts thereof). Only two (4.5 per cent) Councils outsourced all tasks while another two outsourced most of the tasks—one outsourced part of several tasks and one outsourced parts of all tasks.

Engineering departments most often take a lead role in the development process while planning is less prominent (Table 5). For example, seven Councils indicated that engineering was solely responsible for development while planning was solely responsible in one case only. More commonly, however, responsibility was shared across departments, that is, in 57 per cent (25) of cases.

Table 5. Departmental responsibility for developments: share of responsibility in development

Department	Mean share of responsibility (%)	Range of share of responsibility (%)	Number of times indicated as solely responsible (i.e. 100% share of responsibility)
PLANNING	15	0–100	1
ECONOMIC DEVELOPMENT	19	0–100	3
PROPERTY MANAGEMENT	9	0–100	2
ENGINEERING	44	0–100	7
OTHER (Sport & Recreation, Executive, Works, Finance, Legal,	24	0–100	6

Customer & Community Services, Corporate Services, Commercial Activities, Administration)			
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No. Councils = 44.

Engineering played a role in 20 of the cases and planning in 14, suggesting that planning nevertheless makes an important contribution in team situations. A separate real estate section within the Councils is rare or non-existent: in a few cases the property management section takes a role and in one there was a steering team from all departments. Other Aspects of the Development Process Councils differed in the way they acquired the land they developed (Table 6). Two out of three Councils acquired all their land by one means only while about a third used two or more ways to acquire land. Relatively small amounts of land are acquired as arrears on rates fragments of open space contributions, compulsory acquisition and other means. In some instances the disposal of land so acquired is the reason for their development (Table 3). In general, Councils tend to be entrepreneurial when it comes to land acquisition for development, purchasing it directly from either the public or private sector (Table 6). About 27 per cent of Councils purchased all their land from the private sector while about 32 per cent purchased all their land from the public sector. In terms of output however, most of the real estate output (64 per cent) is on property purchased from the private sector. Though purchasing land from the public sector is more common than from the private sector, developments thereon are smaller with only 26 per cent of production happening on land acquired from this source. It would seem also that most land developed through partnerships with the private sector occurs on land acquired by the Council rather than land acquired by the partner implying that the Council acquires the land but seeks the expertise of the private sector in developing it. It does not seem to be that Councils are seeking a partner and their expertise to develop land they already hold in public ownership. Stretton (1989, p. 340) suggests public interest operators may be able to attract lending more readily than profit seeking enterprises. However, the vast majority of Councils (86 per cent) did not borrow money to fund their developments. There is no indication, either, that

Table 6. How Councils acquired land for development; proportion of land acquired by various means

Method of acquisition	Mean per cent acquired by method	Range of per cent acquired by method	Per cent of output
ARREARS ON RATES	4	0-70	(0) 0.0
FRAGMENTS OF	1	0-20	(0) 0.1

OPEN SPACE CONTRIBUTIONS			
PURCHASE FROM PRIVATE SECTOR	37	0–100	(64) 63.6
PURCHASE FROM PUBLIC SECTOR	43	0–100	(26) 26.7
COMPULSORY ACQUISITION	3	0–100	(4) 4.0
ACQUIRED BY DEVELOPMENT PARTNER	1	0–25	(1) 1.3
OTHER (already owned, development lease, reclamation)	16	0–100	(4) 4.3

No. Councils = 44.

borrowing is more likely to occur for larger scale developments since the 14 per cent of Councils which did borrow were responsible for only 12 per cent of the output. This is probably because developments can be staged and funds reinvested. The pattern of those which borrowed seems random—not related to other factors indicated so far.

While developing land “to attract growth to the Council” and “to provide development that the private sector does not provide/provide enough of” are the most often cited reasons for developing land, the product is, nevertheless, usually sold at open market value. Values are subjective estimates of worth (Adams, 1994, p. 18) and so statements about the disposal value of land must be treated with some caution. One respondent even noted on the questionnaire form that there is no market in their Local Government Area. Fifty-nine per cent of developing Councils<sup>2</sup> sold all their development output at open market value. When examining the total output, the high amount of development sold at open market value is more pronounced: 90 per cent of lots were reportedly sold “at open market value” while only 7 per cent were sold at “somewhat below market value” and about 3 per cent at “far below market value”. There is some evidence that developing small amounts of property at below market value is a strategy at least partially intended to promote economic development. All of the 14 Councils which sold part, or all, of their developed property at “somewhat below market value” or “far below market value” cited “to attract growth to the Council” or “to promote economic development” amongst the reasons they carried out development. This is probably the case in smaller Councils: all of the 11 Councils

which sold more than 50 per cent of their output below market value all had populations well under 20 000. Most developing Councils (86 per cent) did not have an official policy or strategic plan for property purchase and development. Most (five) of the seven policies that were reported to exist were linked to a Council's Planning Scheme.

Among the risks of development by local authorities are the community reactions and also those of private developers who may feel there is unfair competition or perhaps conflicts of interest within Council. The respondents were asked to gauge the extent to which private real estate developers have reacted (positively or negatively) to Council developing real estate. The survey indicates that the respondents' perceptions are that there is little or no negative reaction, and there is a moderate amount of positive reaction from private developers. For the purposes of the survey reaction was defined to include newspapers, letters to Council, gossip, comments, telephone calls and so on. Negative reaction was gauged on a five-point scale from "No negative reaction" to "A great deal of negative reaction" (5). Responses ranged from 1 to 4 with the mean at 1.4. Eleven respondents reported some negative reaction (point 2 or over) and four respondents reported at point 3 (moderate amount) or over. Positive reaction was also gauged on a five-point scale from "No positive reaction" (1) to "A great deal of positive reaction" (5). Responses ranged from 1 to 5 with the mean at 2.5 or just under "a moderate amount of positive reaction". Twenty-five reported some positive reaction (point 2 or over) while 20 respondents reported at point 3 (moderate) or higher. There is some data to tentatively suggest that a negative reaction by developers may influence the decision to not develop again (Table 7).

## Conclusions

This article has presented the results of an exploratory investigation into the extent and nature of real estate development by Local Governments in Queensland. It found that such development is common, that most Councils that have developed are likely to continue doing so, and that almost half of those that have not developed real estate are likely to do so in the future. Development is carried out by large and small Councils and most development is relatively small scale. A pro-private sector ideology cannot be said to be a major obstacle to the involvement of Councils in development now or in the future since only a quarter of four respondents from 'non-developing' Councils reported a Council view that development should be left to the private sector. Most Councils which did not develop real estate indicated that this was because the private sector was seen to provide development adequately. Almost all the real estate produced was in the form of allotments rather than buildings or land and buildings. Residential land was the most common product with industrial land a considerably distant second. There is considerable inter-council variation in how the process is undertaken though it is often done solely by Council rather than in partnership, using mainly in-house resources and skills and often driven by the engineering department. Planning rarely takes a lead role. Councils often develop because of a perceived failure of the private sector to provide development adequately or as an entrepreneurial means of achieving public interest goals. They may undertake real estate development or other entrepreneurial activities to attract growth, or to fund facilities or to influence the pattern of development in an area. However, there is also evidence to suggest that Councils are acting largely as private developers; buying land from the private sector and developing it alone or more rarely with private sector

partners, mostly for residential purposes, and then disposing of it at open market value. This suggests that commercial motives are probably more significant than is indicated by the fact that 20 per cent of the respondents indicated that their Councils developed real estate “to generate income for Council”. If there is to be a move further towards a more proactive planning approach of the kind envisaged by Stretton (1989), then it is significant, to the extent that some Councils are being

Table 7. Relationship between Councils’ developer responses and whether they would develop again (n = 44)

Council	Per cent likely to develop again	Per cent not likely to developing again	No response
All developing Councils (n = 44)	73	20	7
Councils with 2 or more points on the negative response scale (n = 11)	54	36	9
Councils with 2 or more points on the positive response scale (n = 25)	68	24	8
Councils with 3 or more points on the positive response scale (n =20)	70	20	10

entrepreneurial to achieve planning related goals, that much of the practical groundwork already exists. While we are mindful of Simons’ (1993,1994) concern about public sector skill base and preparedness for executing development, the present study shows that many Councils are already developing real estate and this means their experience is valuable. Councils have tested their skills, have dealt with the risks and pitfalls and some already have policies in place to guide the process. In the field of housing provision local Councils already show leadership and skill (Gurran, 2003). There are lessons to learn not only from examples of innovative approaches to achieving public interest goals but also from the expertise developed by those involved in development for financial gain. Thus, one important need for future research is to uncover and disseminate knowledge from such experiences. A second need is to expand on the findings of and questions raised by the present exploratory study. While Council respondents to this survey suggest there is little negative

developer reaction and moderate positive reaction to public real estate development, what do developers think about this? Why are planners not more involved in the public real estate development process? How prevalent is real estate development at the national level? Case studies of developing Councils are required to help unravel the complexity of factors at play which this questionnaire-based approach, with its methodological constraints described earlier, could only partially illuminate. A third and final need is in the area of development of policies to guide Local Government real estate development. Such policies could deal with issues such as potential conflicts of interest, engagement with joint venture partners, acquiring land and disposing of real estate.

The study has several broader policy implications. To the extent that revenue-driven development may have been generated by the withdrawal of State funding (Robinson, 1995) driven by a non-interventionist, neo-liberal agenda, it is ironic that it may have driven Councils to be more interventionist and proactive in how they carry out their activities, even competing with the private sector. Some Councils have been highly proactive in using real estate development to achieve public interest goals, that is, undertaking proactive planning of the kind envisaged by Stretton. However, the study shows that the actual planners and planning departments are not very much involved in the Local Government public land development process. Why this is the case is not only worthy of future investigation but also of some concern given the skills and public interest perspectives planners would bring to such projects. The findings of this article should also allay some of Queensland's long-lived trepidation towards the establishment of a State level public real estate development agency as exists in other Australian States. This study shows that development, far from being an abnormal activity for governments is almost the norm and appears to be a natural function of Local Councils. Private sector developers do not appear to be opposed to public real estate development. The Local Government experience and expertise both in terms of commercial ability and knowledge to achieve public interest goals lie untapped for the formation of any future such agency in Queensland.

#### Notes

1. Three did not answer this question.
2. One Council only did not complete this section of the questionnaire.

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