[redacted]

From: John Parmiter [redacted]
Sent: 13 December 2017 17:02
To: Londonplan
Subject: London Plan consultation system

Dear London Plan team

I have an important amendment to promote to **Policy SD8** B.2 see changes in italics:

2. develop policies through strategic and local partnership approaches - *and in support of Business Neighbourhood Plans* - (Policy SD9 Town centres: Local partnerships and implementation) to meet the objectives for town centres set out in Policy SD6 Town centres to support the development, intensification and enhancement of each centre, having regard to the current and potential future role of the centre in the network (Policy SD7 Town centre network)

The reason for this is that the Plan is weak on exploiting the potential of BNPs generally but especially for town centres. Business neighbourhood Plans have the power to be very focussed, can channel the energies of both the residential and business community in resolving quite localised isses. These plans get put to a referendum vote and so can achieve a mandate for change tat no other comparable planning document can; and become part of the development plan.

yours

John Parmiter FRICS FRSA MRTPI
Director
Future High Streets
www.futurehighstreets.com
[redacted]

[redacted]

From: John Parmiter [redacted]
Sent: 13 December 2017 16:54
To: Londonplan
Subject: London Plan consultation system
Attachments: TCIZ report v5.pdf; Living on the High Street final.pdf

Follow Up Flag: Follow up
Flag Status: Completed

Dear London Plan team,

I have a couple of important amendments to suggest to **Policy SD6**: see text changes in *italics:*

B. The adaptation and restructuring of town centres should be *promoted* in response to the challenges and opportunities presented by multi-channel shopping and changes in technology and consumer behaviour, including improved management of servicing and deliveries.

C. The potential for new housing within, *in vacant and under-used upper floors* and on the edges of town centres should be realised through higher-density mixed-use or residential development, capitalising on the availability of services within walking and cycling distance, and their current and future accessibility by public transport. Residential-only schemes in town centres may be appropriate outside of primary and secondary shopping frontages where it can be demonstrated that they would not undermine local character and the diverse range of uses required to make a town centre vibrant and viable.

The reason for the changes in B are set out in the groundbreaking work I have led in relation to overcoming fragmented ownership; I have worked with the Mayor and LB Barking & Dagenham in pursuing a feasibility study in Barking town centre - see attached report **Town Centre Investment Zones**, published by the British Property Federation.

The reason for addition to C is that the potential for releasing housing in vacant and under-used upper floors could be significant. See our report **Living on the High Street**, which applies many of the same principles for fixing the retail floor, as set out n the TCIZ report.

many thanks

John

John Parmiter FRICS FRSA MRTPI
Director
Future High Streets

www.futurehighstreets.com
[redacted]

[redacted]

From: John Parmiter [redacted]
Sent: 13 December 2017 17:08
To: Londonplan
Subject: London Plan consultation system
Attachments: TCIZ report v5.pdf

Dear London Plan team

I have an important amendment to promote to **Policy SD9** C2, in *italics*:

C.2. take a proactive and partnership-based approach to bring sites forward for redevelopment, supporting *town centre investment management solutions through* land assembly in collaboration with local stakeholders including, where appropriate, through the compulsory purchase process

The reason is that redevelopment is not the only solution. The groundbreaking report on overcoming fragmented ownership through Town centre Investment Management - see attached - published by the British Property Federation, on which i was lead author, needs to be taken seriously. The Mayor has approached me in the past, as in Barking to explore the feasibility of this approach.

yours

John Parmiter FRICS FRSA MRTPI
Director
Future High Streets
www.futurehighstreets.com
[redacted]

TOWN CENTRE INVESTMENT ZONES

Getting investment back into the high street

Real estate

Report of the Fragmented Ownership Group

Contents

Foreword

Securing successful town and city centres remains high on the national – and local – agenda. Since the 2011 Portas Review, much activity has centred on facilities management – like "crime and grime" issues – which is welcome and beneficial, but is unable to tackle underlying structural problems in many town centres. We still see chronic vacancies, poor quality occupier line-ups, tired environments and overall poor customer experience in many places – making it impossible to attract the investment needed for improvement.

But this is not just about expanding the range of shops available for consumers. Town centres can and should be a vital social centre for communities. They can be an engine for economic growth through the encouragement and empowerment of new local businesses. And they could also provide a significant amount of space for urgently needed housing – which would have the added benefit of bringing to life locations that often become inhospitable ghost towns in the evening. All of this suggests that we need to be looking for fundamental structural change in our town centres: they need to be about more than retail and they need to be helped to adapt to this fundamental change in role.

This report is based on the findings of a detailed study (available in a separate technical report), funded by the Department for Communities and Local Government (DCLG) and matched by three pilot councils. It examines how investment can be encouraged into town centres to bring about a change of role from being purely retail focussed to becoming social centres, engines of economic growth and new, exciting residential locations.
The central barrier to this change of role – and the focus of this report – is fragmented ownership. The solution is the adoption of an asset management approach – Town Centre Investment Management (TCIM).

Using over 20 case studies, where an asset management approach has proved successful, and applying the principles to three pilot feasibility studies which appraise real properties in Dartford, Weston-super-Mare and Melton Mowbray, the study tests the viability of the concept and its funding potential, concludes that it can be made to work and proposes that it be adopted and taken further by both national and local government. The report also shows that localism, Business Improvement Districts and Business Neighbourhood Plans can be utilised to build consensus around the need for significant structural change.

Finally, the report aligns the TCIM asset management approach with the other town centre initiatives, by proposing the concept of Town Centre Investment Zones to provide better focus for investment and more effective leadership for town centre regeneration.

I am most grateful to the Steering Group for their wisdom and encouragement, to DCLG for funding, to the officers of the three pilot authorities for their assistance, funding and support; and, of course, to Peter Brett Associates and their collaborators Citicentric and Bond Dickinson, for the content.

Liz Peace, Chair, Fragmented Ownership Steering Group

1. Meeting the town centre challenge

There are significant macro-economic forces putting pressure on our town centres (the pace of which is increasing), including polarisation, retail portfolio restructuring, changing consumer behaviours and aspirations and, not least, e-commerce and the internet.

The result is that many retailers need fewer outlets (and in fewer towns, focused in bigger boxes, often in bigger centres); some retailers are not surviving at all; some don't need physical space; and major players increasingly care about their neighbours, dictating 'pick lists'. As a nation we have too many shops.

Together, these trends are posing challenges to the ability of town and city centres to deliver space suited to demand, to secure a better occupier line-up and improve overall customer experience.

These trends also accentuate the growing challenge of our town and city centres to successfully adapt. There are too many town centres where vacancies are high, performance is sub-optimal, the experience is poor and with too many shops (and often too many are too small). Many parts of our town centres look tired and much of the environment is simply not delivering an enjoyable customer experience. Relying on "facilities management" will not deliver the necessary degree of change.

While our High Streets have been shaped by the past they are now trapped in their current configurations and are often in poor shape to face the future. We need new solutions, especially to the core obstacle of fragmented ownership. Land assembly is also a barrier to the delivery of growth and new homes in town centres.

Shaped by the past, trapped in the present, threatened by the future.

The retail/leisure/property/investment sectors are agreed that the future[1] of town centres is no longer mainly about shopping. It is more likely to be as much about leisure, living, learning and local services, as well as business.

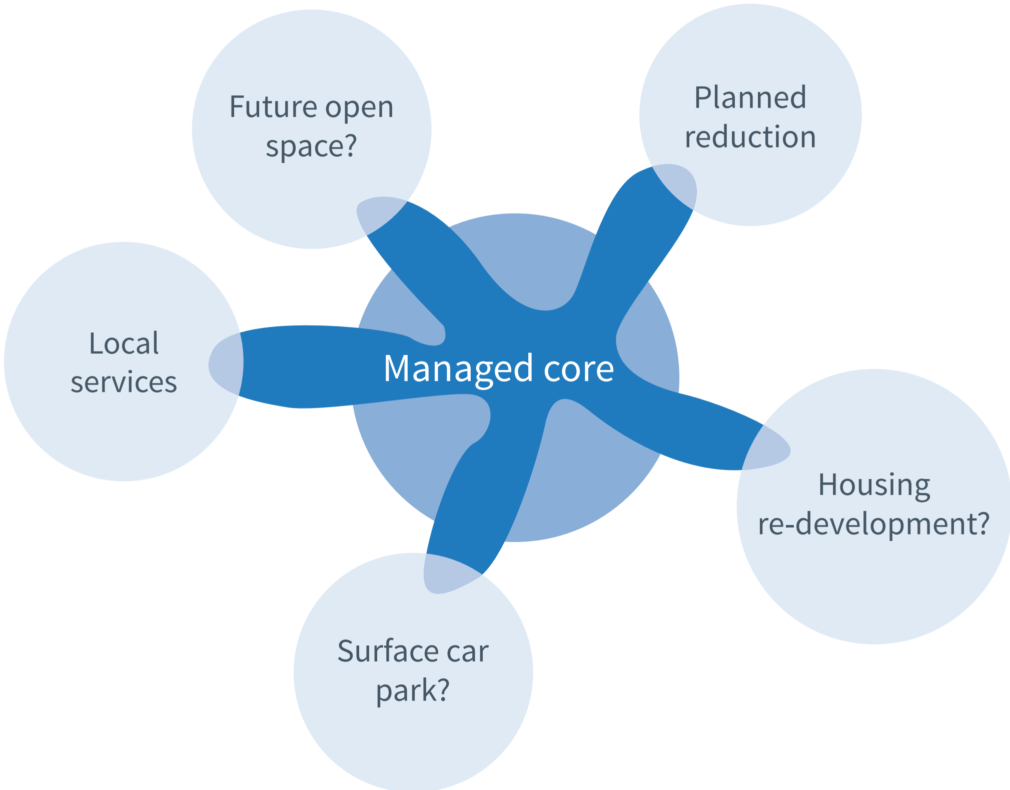
At the heart of this report is the development of a model to overcome the barrier of fragmented ownership and at the same time create a basis for attracting investment back into the High Street. This will be done by then managing that investment alongside other town centre initiatives, such as Business Improvement Districts (BIDS) and business neighbourhood planning.

2. Restructuring town centres

Town centres tend to have a core and fringe. Often there are simply too many shops, especially at the fringe, where the centre may be too strung out with areas dominated by vacant or underperforming units. The core may be underperforming and needs to be part of a wider healthy centre. These two dimensions of a town centre may need different solutions.

In some town centres there is a need for reducing the fringe, where we have an over-supply of poor quality stock (that is often not fit for purpose), to achieve a stronger, better-managed town centre core. That will require re-structuring, potentially on a significant scale. Town centre restructuring requires that local authorities tackle the problem in two ways.

The first is to decide on the extent of, and then manage more proactively, a newly defined core. The second is to look at possible new uses for the fringe areas that are no longer to be managed as part of the town centre core. This could involve conversion to housing, in particular, and/or employment, open space, education, and local services.



This restructuring process could be managed through use of the planning system, possibly Local Development Orders, or though redevelopments for other uses that may well create value that could be captured and used to support the adaptation of the town centre core. This report concentrates primarily on the first issue. We do, however, comment on its relationship to managing new uses, as part of the reconstruction of the fringe.

3. Adapting town centres

Town centres are struggling to adapt to change. Moving from a struggling to a successful High Street is illustrated in the Policy Exchange's 2013 Report[2]. It shows how the current jumble of stock (where most of the units are in fragmented ownership) is adapted to deliver a well-managed occupier line-up with improved performance and offering a better customer experience:

Source: Policy Exchange, *21st Century Retail Policy : Quality, Choice, Experience*, 2013

Struggling high street vs successful shopping centre or high street

Struggling high street **Successful shopping centre or high street**

Fragmented ownership also encourages short-termism, a focus on immediate investment outcomes, and without regard for wider impacts; it disables joined-up thinking and action. It prevents adaptation being delivered. So, what needs to happen is a pooling of a critical mass of freeholds in a given area, together with some leasehold and other interests, to form a new investment entity.

This gives sufficient control to implement the required degree of change through asset management. Existing businesses are not necessarily affected, as the process of transformation will be influenced by lease expiry patterns.

Pooling can be achieved in three main ways, or a combination of all three:

- Voluntary pooling by the asset owners themselves, especially where there are some significant blocks of ownerships already;
- Acquisition of assets – not necessarily the businesses – by the new investment vehicle itself, or the council;
- As a last resort, compulsory acquisition by the supporting local authority.

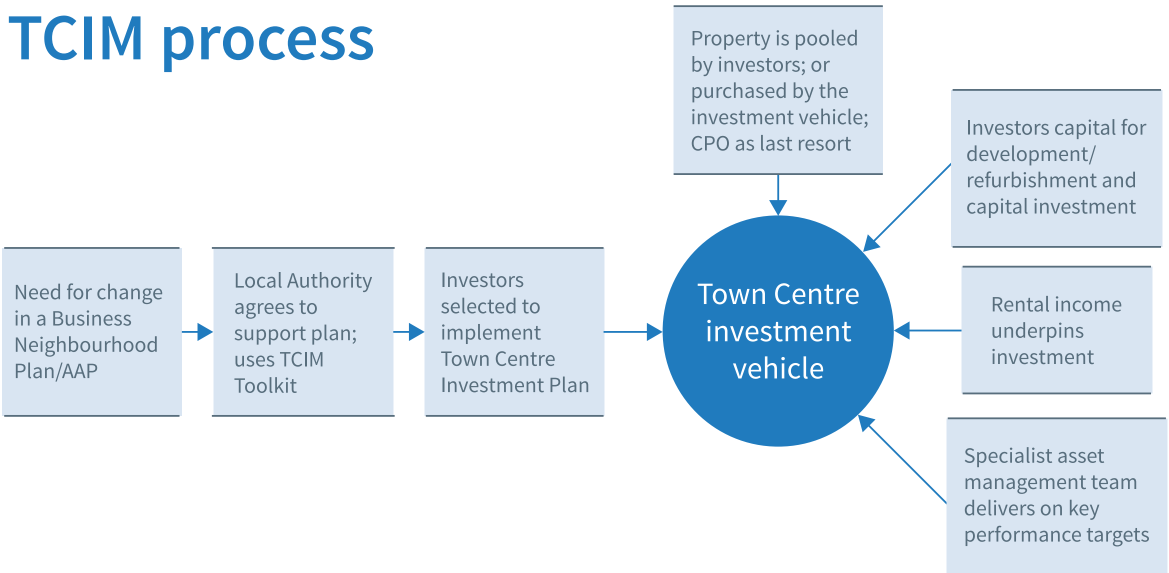
4. Town Centre Investment Management

The approach to pooling assets – which we develop in the Technical Report – we have called Town Centre Investment Management (TCIM). This has two main objectives: to overcome fragmented ownership and enable adaptation through asset management. This is achieved by a degree of control that enables their physical adaptation, the curation of the occupier mix and the destination to be more effectively marketed; all because the assets can be asset managed as part of a single entity.

Town Centre Investment Management involves the pooling of a critical mass of property assets into an investment vehicle that allows the stock to be adapted, the mix of occupiers to be curated, the investment to be asset managed and the destination to be more effectively marketed.

The new investment entity can be a partnership, company or Real Estate Investment Trust (REIT). As an income-producing investment vehicle it can attract fresh funds back into the town or city centre and hire expert asset managers.

TCIM process



In this diagram, a need for change is identified by local investors and businesses, as well as the local community, through a Business Neighbourhood Plan; equally it could be via an Area Action Plan (AAP). The council can support the plan through local leadership, land assembly and helping set up the new investment vehicle.

5. New housing and economic growth

Town centres – both in their core as well as in fringe areas – are accessible places suitable for densification and accommodating more housing. They are particularly suited to meeting the needs of both younger and older age groups. Consequently, increasing investment into a well-managed town centre will contribute substantially to housing provision, economic growth and the evening economy.

There is considerable scope for combining the restructuring and adaptation of our town centres, which is principally focused on street-level floor activities, with developing new housing on upper floors. The core area is likely to be the focus of intensification, while the periphery is more likely to be suited to larger-scale new housing projects.

In 2014 the Greater London Authority (GLA) commissioned a report to address the twin issues of retail reconstruction in town centres and the need to find more land for housing. The report[3] advocated the Mayor's support to be directed at those London town centres which have the potential for intensification, which are under threat of decline as a result of structural change and where there is the commitment and capacity to deliver intensification. Town Centre Investment Management was one of the solutions recommended as a means of overcoming the common obstacle to assembling sites for housing in town centres as well as retail/commercial uses.

Ponders End, Enfield, Maccreanor & Lavington Architects

More recently, London First's Redefining Density Report[4] concluded, in relation to London's town centres, but which could apply to town centres elsewhere, that:

There is great scope to make better use of land in town centres, particularly given the evolving nature of local demands. Changes in consumer expenditure and behaviour, driven in part by the impact of the internet and multi-channel shopping, as well as by the growth of large shopping centres, pose a number of challenges to many town centres, especially the mid-sized centres. In some instances there is surplus retail space and/or the space needs to be reconfigured. Well-designed housing, complemented by leisure and community facilities, can breathe fresh life into many of these centres.

6. Leadership, localism and implementation

Leadership

A pre-requisite for developing a strong town centre is the support of the local authority, with strong political leadership and competent executive skills, who can take the lead in plan-making – a Town Centre AAP or masterplan – and land assembly.

A BID, which is a locally funded and accountable organisation, can play a very supportive role in advocating change. It can have an important part to play in the facilities management of a town centre but are unlikely to deliver structural change.

Localism – gaining consensus for change

The preparation of a Business Neighbourhood Plan would offer significant advantages for the TCIM approach. This is because of the involvement of both business and local residential communities, resulting in a statutory development plan and the delivery of a mandate for change via a referendum.

Also, the local community can make Neighbourhood Development Orders (NDOs), effectively granting consent for physical and land use changes in the neighbourhood plan area.

Implementation

The successful implementation of a strategic plan requires a focussed approach to attracting investment and implementation, which would include:

- A planning framework for the town centre;
- A governance structure to guide its implementation;
- The setting up of an investment vehicle (by the promoters);
- A standardised prospectus for investors and funds;
- The appointment of specialist asset managers, working to set objectives and targets.

The “end-game” is achieving a more compact, defined prime retail core in the town centre, with more mixed-uses and with peripheral areas made over to other complementary uses, particularly housing.
A framework for developing a TCIM approach is set out at in Appendix 1.

7. Attracting investment

Attracting funding is fundamental. There have been consultations with funds, property companies, asset managers and other stakeholders. Two of the themes that have come back are:

1. Investors like High Street retail. It has delivered good long-term performance and yields remain keen for the right stock. The main investors understand the risks involved.
2. Investors like the TCIM model. It offers investors new opportunities where there is control, scale, as well as growth potential through active asset management.

Also, there seems much support, particularly through scaling up the funding opportunities, in some form of “national” fund. This could cover a number of town centre projects, with a total value of over £250m. The benefits include economies in set up costs, widening investor sources and greater focus for those investors.

Local – or Local Enterprise Partnership (LEP) wide – funding partnerships might also be possible for smaller towns. This could involve local authority pensions funds more directly, the new UK Wealth Funds, recently announced by the Chancellor.

The TCIM investment vehicle would be set up by the local authority or the vehicle promoters themselves. The investors would provide the money to acquire the properties and the vehicle would hold the assets, however they have been pooled. Specialists (either in-house to the fund, or appointed) would asset manage the investment to agreed KPIs. Facilities management would be local.

Funding considerations

The Technical Report concludes that suitable investment vehicle models already exist and that partnerships, companies or REITs are likely to be the most appropriate structures. It explores the legal issues issue in some detail, as well as the range of funding considerations, which includes strong local authority leadership.

Keys to the success of funding will be ensuring that the delivery structures are tax efficient – the structure will need to be tax transparent at the vehicle and investor level; attractive to private sector investors – the model must be capable of producing sufficient returns for investors to balance the level of risk, involving robust financial modelling to include set up costs and fees; and robustly asset managed – specialists will need to work to a robust programme and agreed KPIs. In addition, the structure must be flexible and must not be vulnerable to changes in control, policy and budgets.

The prospects for larger-scale funding would be greatly assisted if the local entities have been set up in a standardised way – through an agreed form of Investment Prospectus, for example. It is also important that the initiative has Government support, through some form of accreditation.

8. Pilot studies

The study tested the TCIM concept in three pilot town centres – Dartford, Melton Mowbray and Weston-super-Mare – drawn from a Call for Pilots exercise, which resulted in 41 nominations from over 300 parties. The three represent different typologies and geographies: Dartford, between central London and a regional shopping centre; Melton Mowbray is a market town with a rural hinterland; Weston-super-Mare is a coastal community. All face challenges of adaptation and have fragmented ownership constraints.

The detailed proposals and financial appraisals of each pilot town centre opportunity have been made available to the Steering Group and the three pilot local authorities. However, these are commercially confidential. The summary results are in the Technical Report.

In each feasibility, real properties were selected in an agreed Study Area. The proposed transformation proposals were appraised and a business case made. The main points to draw from these feasibility studies are that:

- About 40-60 property interests provided critical mass in these locations – this represents at least 75% of the freeholds in the relevant study area;
- Yields and rental income improve by taking assets into a single entity that can be asset managed;
- The acquisition and adaptation costs of implementing a TCIM approach in these locations ranged from £25m to 35m; and
- The pilots could deliver commercial returns.

The study concluded that the TCIM approach was unlikely to attract external funding for most individual projects. Rather, being one of a basket of opportunities was far more likely; though locally-based funding is being explored for Melton Mowbray, given their range of stakeholders.

The studies – and consultations generally – also demonstrated that the task of getting such an approach off the ground will need encouragement from Government. There is also a need for greater awareness, among local authorities and their communities, of the merits of a TCIM approach.

The set up costs can be significant and probably only possible as part of a wider initiative, which in turn is only likely if the investment sector gears up and Government encourages it.

9. Case studies

The Technical Report includes over twenty case studies. These are examples of where asset management has delivered significant investment and positive results on the ground – seen in the performance of the centre (or destination) and improved customer experience. The case studies include high profile London examples such as Regent Street and Marylebone High Street, new towns with un-fragmented centres, regeneration schemes such as Ropewalks (Liverpool) and Old High Street Folkestone, together with examples of successful food and beverage clusters.

Left: Queensway, London (proposed)

Right: Old High Street, Folkestone

While some of the most conspicuous are in London, these should not be dismissed as simply examples of gentrification or creating a boutique niche that isn't supportable elsewhere. While these are places where asset managed destinations happen commercially, there are some important principles that are transferrable to apply the TCIM approach elsewhere.

The study has taken the lessons learnt from the case studies and applied them to the pilot study locations and into the study conclusions:

- The need for a critical mass of freehold assets to create a dominant position;
- The advantages of single control and creating a tradable investment;
- The ability to adapt the stock to meet demand;
- The need for focussed, specialised, asset management skills;
- The ability to curate the occupier mix and to adapt to market changes rapidly;
- The importance of clear investment objectives and outcomes that can be delivered;
- The recognition that an asset managed approach can add value to the value and viability of the housing around it.

The case studies demonstrate the strong underlying commercial drives to an asset-managed destination under single overall control. The objective of the main study was to apply these to locations where it was unlikely to happen unaided: The conclusion is that these principles can be applied directly to less commercially favourable locations, as part of a structured process.

10. Town Centre Investment Zones

The need for focus and alignment

Although the pilots have provided evidence that TCIM could work, the study and wider consultations suggests that it will not be easy to mobilise candidates. Local authorities will inevitably be cautious about a novel concept and whilst they already have the necessary powers and many town centre related services, they may lack a coherent plan or focus.

Quite separately, other groups may have started to take advantage of a number of existing initiatives with varying degrees of success. Specifically, the business community may have created a Business Improvement District, or the residents or businesses may have begun the process of setting up a Business Neighbourhood Forum. And there is also the possibility that the LEP may become involved – with the potential for some funding.

This plethora of initiatives, many of which have different objectives and boundaries, can dissipate energy and overall effectiveness. Together with any lack of focus on the part of the local authority, it will certainly deter potential investors who will be looking for clear leadership and direction. Consequently, we believe there is a need for greater focus for investment and a better alignment of initiatives in order to enable stronger town centre leadership and more effective, co-ordinated, action from all stakeholders.

Town Centre Investment Zones

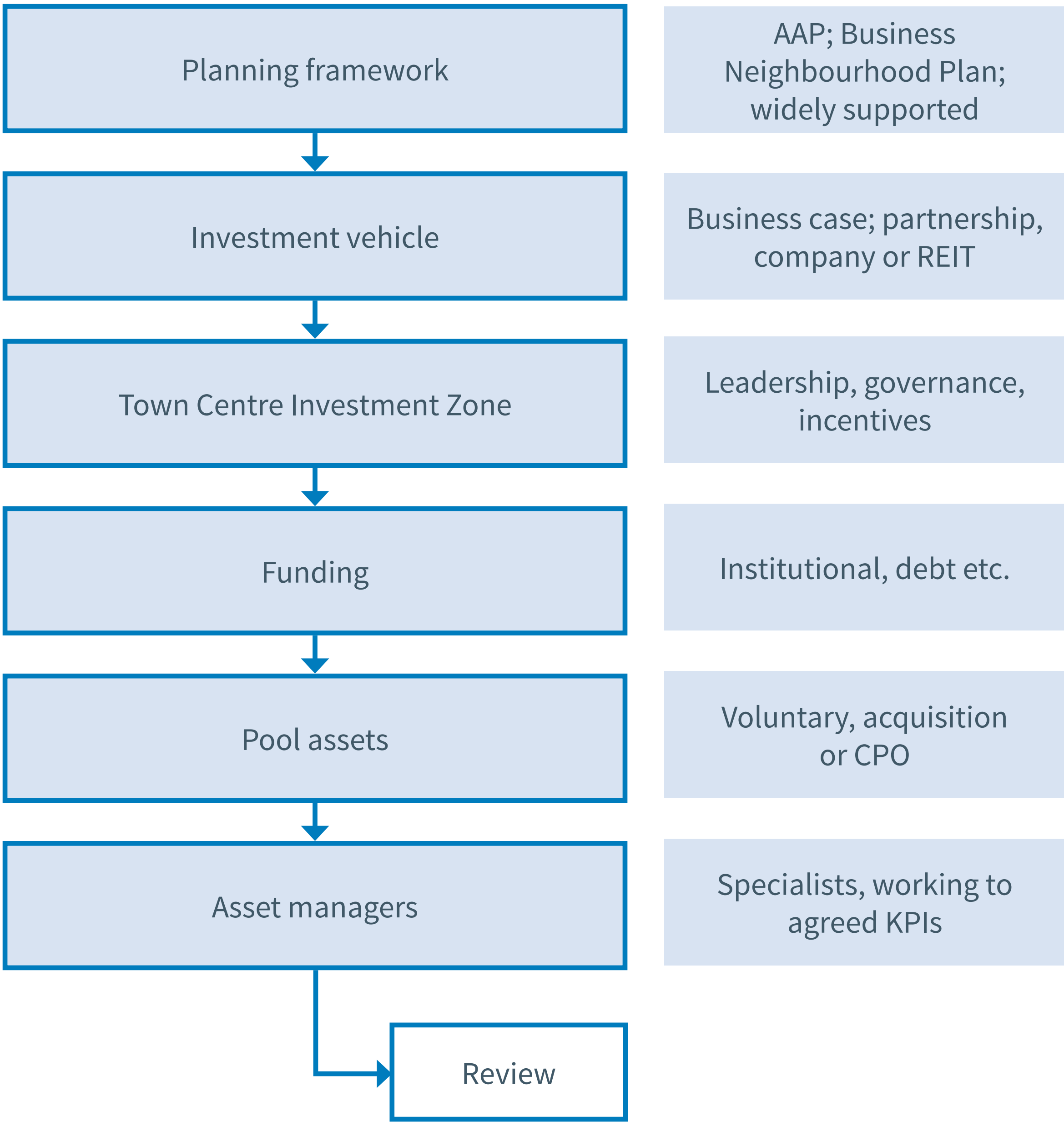
We recommend establishing an area to known as a Town Centre Investment Zone (TCIZ). This Zone could comprise the TCIM area alone, or some larger area that achieves an alignment of all the relevant town centre initiatives, particularly if some of the peripheral areas might benefit from reconstruction. The promotion of a Zone should be in the hands of the local council but there should be some clear criteria for designation that would be set by central Government, such as:

- Adoption of the TCIM approach;
- A clear strategy that brings together local initiatives and council services;
- A master plan, Business Neighbourhood Plan (or AAP) in preparation;
- Support of the local BID, or other group of local businesses; and
- An agreed, single, town centre governance structure.

Incentives

Whilst the existence of a TCIZ would provide coherence for all those involved and a clear signal to potential investors that the local stakeholders are fully aligned and mean business, it would be highly beneficial to the future success of the area if TCIZ badging also brought with it certain concessions such as those that have been given to Housing Zones and Enterprise Zones. These would have to be agreed with central Government, especially if any form of fiscal or business rate based incentive was involved. Such concessions would significantly increase the attractiveness of town centres for new investment which would, in turn, deliver the adaptation and restructuring that is needed.

Getting investment back into the high street: summary



11. Conclusions

1. The absence of any well established methodology for bringing together, under single asset management, the fragmented ownership of properties in town centres is one of the causes of their failure and underperformance.

2. Single or collective ownership and management of properties, which we have called Town Centre Investment Management (TCIM), is undoubtedly effective, as evidenced by many shopping centres and the case study locations, where there is single or majority ownership.

3. Our investigation, using the three pilot study towns and the case studies, has shown that this form of asset management (TCIM) could lead to more effective adaptation, thus delivering improved occupiers, a better response to change and consequently improved performance and an enhanced customer experience.

4. A well-managed core area under single control will make the whole town centre more attractive to investors, particularly from the institutions.

5. TCIM will only ever be effective if it has the full support of the relevant Local Authority – necessary to provide local leadership - and their communities. Business Neighbourhood Plans and BIDs should be harnessed to support the concept. LEPs, where relevant, could also play a part.

6. The first key step is for the major players (LA, BID, Business Neighbourhood Forum, LEP, and perhaps some of the principal property owners) to promote a Town Centre Investment Zone (TCIZ). The boundary might simply be the TCIM area or including peripheral areas to be re-designated for alternative uses such as housing.

7. This group - or whoever is taking the lead - should then draw up a strategic plan (Business Neighbourhood Plan, AAP or masterplan) based around a strategy or vision for the town centre. Then to draft an investment plan to implement it. This will require setting up a TCIM investment vehicle, a (standardised) investment prospectus and decisions about governance.

8. The property assets (normally freeholds, not necessarily the occupying tenants/ businesses) that need to be brought into a TCIM scheme can be pooled by (in order of preference):

   a) Voluntary pooling by owners.

   b) Direct purchase by the TCIM vehicle, led or facilitated by the local authority.

   c) As a last resort, compulsory purchase. And it would assist if the scope of CPO guidance was more specifically supportive of the TCIM approach.

9. Once the investment plan is agreed, it should be possible to raise funds from potential investors:

   a) It is essential that the TCIM vehicle should show that sufficient returns will be generated to offer a consistent and reliable income stream to funders;

   b)Large investors may find a single town centre project too small and would prefer a larger – possibly a national Town Centre Investment Fund – covering a number of destinations (target £250M+), or a smaller basket of towns. But other investors, particularly local authority pension funds, may see attraction in smaller scale (say regional or local) investments;

   c) Whatever size fund is set up, it is essential that facilities should be managed locally while the investment is managed by specialist asset managers, to agreed key performance indicators and investment targets.

10. Town Centre Investment Zones offer significant advantages to the main stakeholders:

    - Government: facilitating private investment;
    - Local Authorities: a revival in their local economies, improving performance and local service;
    - Communities: improving local facilities, services and customer experience;
    - Investors: a source of investment opportunities;
    - Retailers and occupiers: providing opportunities that match demand.

11. TCIZs are likely to need encouragement, as well as some special concessions, from Government (similar to Enterprise Zones, Housing Zones and Neighbourhood Plans), to become effective and achieve the step-change in performance and customer experience.

12. Recommendations

Our recommendations focus on four high-level outcomes:

- Town centre investment;
- Improved performance and experience;
- Housing delivery; and
- Empowering local business and communities.

Our recommendations fall into three main groups:

Process

1. The Government should provide further financial support to the pilot study TCIM proposals so that they can be developed into funding prototypes, as exemplars of how to make them attractive to funds and so help reduce entry costs for future candidates.

2. TCIM should be endorsed and promoted by DCLG as one of the solutions to address failing or under-performing town centres, possibly through a Written Ministerial Statement.

Funding

3. Further work should be undertaken, led by DCLG with the support of the private sector, to encourage the setting up of a Town Centre Investment Fund, involving a number of town centre investment opportunities.

Implementation

4. Government should promote the concept of Town Centre Investment Zones as the means of giving town centre investment real focus and to align leadership, local services and initiatives to the overall benefit of the performance and experience of town centres.

5. DCLG and Treasury should encourage investment in town centres by developing a package of special concessions that could apply to TCIZs.

6. DCLG should consider specific support for TCIM, as part of their further response to the recent CPO review.

7. Local Authorities should use the Town Centre Investment framework, to establish where and how TCIM would be effective and feasible as a solution to underperforming town centres; and whether a Business Neighbourhood Forum or Business Improvement District might support the initiative.

Appendix 1: Town Centre Investment Framework

From the experience of working with the pilot town centre authorities, the following route map (and some key questions) are suggested for applying a TCIM approach:

Town selection: is there strong local authority leadership?

Town/city centre: is it a suitable TCIM candidate?

Strategy: is there clarity around the centre's planned future?

Location: where will TCIM have the most positive impact?

Boundary: which properties will deliver critical mass?

Transformation: what kind of change is required; is it agreed?

Interventions: what specific physical changes are needed?

Referencing: what are the ownerships and lease expiries?

Valuation: what are the acquisition costs (plus compensation)?

Business case: what are the investment returns; set up costs?

Funding: what are the sources; ratio of internal to external?

The investment entity: what vehicle and when to set it up?

Investor selection: how is an investor to be selected?

Acquisition: voluntary pooling or acquisition; fall-back?

Implementation: Which asset manager and to what KPIs?

Review: how long before reviewing strategy and actions?

Appendix 2: Steering group and authors

Steering Group

The Steering Group, which provided oversight of the study, was chaired by Liz Peace. Membership included: Alexander Nicoll, Intu; Andrew Hannan, DCLG; Edward Cooke, BCSC; Shanaaz Carroll, ATCM; Hannah Mills, DCLG; John Duxbury, M&G; Levent Kerimol and Alison Mayer, GLA; Martyn Chase, Stanhope; Stephanie Larnder, DCLG; with additional input from Robin Matthews, Moorfield and Sara Ensor, RBS.

The British Property Federation provided the secretariat: Sam Downes, Policy Officer, with Ian Fletcher, Policy Director; and Stephanie Pollitt, Lizzie Lambert and Phoebe Rountree.

Report authors

Peter Brett Associates, development and infrastructure consultants: John Parmiter, Project director, with support from Peter Keenan and Cathy Hall; Craig Becconsall, Director of Design and Regeneration and Ioanna Psatha, Urban Designer; James Brown, Director of The Urbanists, advised on proposals for Weston-Super-Mare.

Citicentric, specialist property development consultants: Mark Rymell, Director, on development and asset management; and Nigel Riley, Director, on land assembly issues and financial appraisals.

Bond Dickinson, Solicitors: Verity Waington, Partner, on real estate and regeneration; with Jonathan Bower, Partner, on land assembly issues.

Wider consultation

As part of the TCIM Thought Leadership initiative PBA consulted: Hermes, Aviva, LandSec, Delancey, Crown Estate, Standard Life, Milligan, Ellandi, Realis Estates, Brookfield, Plus Shops, Insite, Capital & Regional, Hammerson, Hark, Town Centre Securities and Intu Properties, who all provided valuable feedback.

Download the Technical Report at www.peterbrett.com or www.bpf.org.uk.

[1] 'Beyond Retail: Redefining the shape and the purpose of town centres', 2013
[2] Policy Exchange, '21st Century Retail Policy: Quality, Choice', Experience, 2013
[3] GLA, 'Accommodating growth in town centres: Achieving successful housing intensification and high street diversification', MaccreanorLavington, Peter Brett Associates, 2014
[4] Savills for London First, 'Redefining Density', September 2015

British Property Federation
St Albans House
5th Floor, 57-59 Haymarket
London
SW1Y 4QX

T 020 7828 0111

info@bpf.org.uk
www.bpf.org.uk

Living on the High Street

Releasing the potential for 300,000 homes from vacant and under-used upper floors in town and city centres

Report from:

Future High Streets
with
Bond Dickinson
Citicentric
The Urbanists

November 2017

Executive Summary

Past research has highlighted the potential of vacant and under-used floors over shops to deliver more housing. The orginal project – Living Over the Shop (LOTS) - was based on mainly individual unit conversions and a grant regime administered by an agency. It failed.

The reasons why shops so often have vacant upper parts remain. They need to be understood so that new solutions can be developed to solve them; this report does that. The core approach is tackling the problem on a larger scale and in a way that attracts private investment.

This report follows on from the ground-breaking work around Town Centre Investment Management[1] (TCIM), an approach which promotes revitalization of the ground floor mix. By extending the impact on the ground floor to the upper floors, the dormant potential of upper floors can be released.

The TCIM approach involves pooling a critical mass of assets into an investment vehicle, adapting the stock, curating the mx and actively managing the destination. By incorporating a housing accommodation into the overall business case the future of the upper parts can integral to a revitalisation project.

Source: The Urbanists

There are however, limits to how far the approach can deliver new housing. There are viability thresholds, below which a more grant-oriented regime may be necessary. This report sets out the potential, the legal framework and the viability considerations.

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1 Published by British Property Federation January 2016

1. Introduction

Vacant and under-used upper floors in our town and city centres is estimated to have the potential to create over 300,000 homes[2]. But efforts to release this potential have failed in the past. Given one of the Government's highest priorities is solving the housing crisis this scale of potential needs to be explored again.

But it's not just about numbers. Our town and city centres need revitalizing at ground floor level as well. Town centres benefit from new people living in them. And housing developments can kick-start regeneration.

This paper explains how an innovative means of town centre regeneration and revitalization can release the housing potential in vacant and under-used upper floors. In doing so, spaces that pay little or no biz rates can become homes paying council tax.

Fig1: Putney High Street

[2] Living Over the Shop [date]: research report

2. The problem

Why are so many upper floors either under-used or empty? Here are 10 reasons:

1. Shops want more space, especially shopfront display space.
2. Many retailers seek to optimize ground floor space for sales and display and so use significantly cheaper (Zone D) space for ancillary functions.
3. Shop space is more valuable than the entrance to the upper floor space – so one is sacrificed for the other.
4. As the entrance is taken out to expand the frontage and the upper floors are left empty or, with an internal stair, used for storage – or even first floor trading as in Fig 1 – but any remaining space tends to remain vacant.
5. Taking out the upper floors from useable occupation reduces business rates – a significant burden for many traders.
6. Upper floors without a separate entrance can't be accessed independently.
7. Residential entrances from service roads/yards at the rear can be unattractive and can also interfere with deliveries and servicing.
8. A shop can't easily expand into a neighbouring building as it is likely to be owned by another party. Fragmented ownerships is the typical pattern on our high streets.
9. Investors like shop rents. The extra frontage space is Zone A, the most valuable.
10. Investors tend to like clean investments. A shop with no complications is likely to have a keener yield, and more investor interest, than one with less ground floor space and residential tenants to manage. The service charge regime can also be more onerous with residential tenancies included.

These commercial pressures are powerful. The challenge is to both harness and address them directly so that the potential of vacant and under-used upper floors can be realised for housing.

3. The potential for housing

Grant Thornton was commissioned (by the then Office of the Deputy Prime Minister) to evaluate the Living Over The Shop initiative over 12 years ago. They concluded that shop upper parts and empty commercial space could be converted into up to 300,000 homes. Others[3] think the potential could be 500,000.

Fig 2: LOTS Report for ODPM

While some of that stock might be the 1960s vacant offices that are now being converted under permitted development rights, there is no reason to suppose that the overall potential is any lower, now that average shop vacancy rates have risen from about 6% to over 12%. Business rate burdens have also increased.

4. Housing and town centre regeneration

Town centres are in trouble. Reports[4] from the *Portas Review*, through *Grimsey*, *Beyond Retail*, *21st Century Retailing*, *Hope for the High Street* and countless others chart their poor condition.

Housing is key to renewal and regeneration of the "ground floor". This has been explored recently in detail, for the London Mayor, for example; the lead author was part of the team that produced Accommodating Growth in Town Centres:

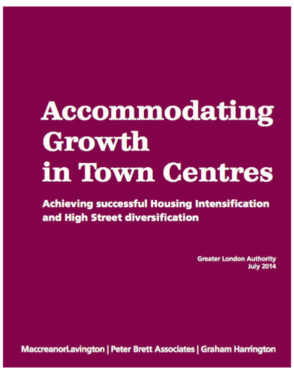

Fig 3: Report for Greater London Authority

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[3] Ann Petherick - Living Over the Shop pioneer in the 80s and 90s
[4] For a fuller list and bibliography see appendix 4

5. Town centre challenges

Most experts are agreed that the future of our town centres is likely to be more about living, learning, leisure, local services and employment, than simply shopping. Housing is good for town centre revitalization. There are two main town centre challenges to overcome, in both of which housing can play a major part in overcoming:

1. Restructuring; and
2. Adaptation

1. Restructuring

Many town centres have too many shops. Reducing the peripheral stock down to a well-performing core can release sites for housing development. Passive town planning and fragmented ownership are holding back this potential. But that is a subject for another topic!

Town Centre Redevelopment (TCR) has been the mainstay of post-war restructuring but such schemes are going to be far fewer nowadays[5]; though historically they included very little housing, there are signs this is changing. What's now needed is town centre restructuring[6]:

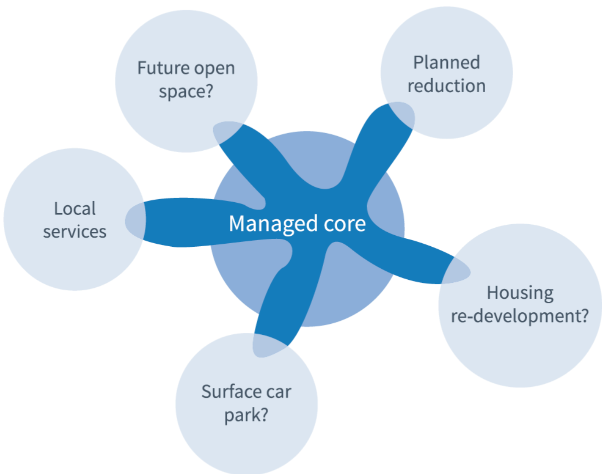

Fig 4 Reducing the periphery

[5] Colliers 2016 Midsummer retail reports estimates that 9m sqft of schemes will not get built
[6] Town Centre Investment Zones, British Property Federation. 2016

2. Adaptation

The main stock of town centre property needs to be adapted to respond to the acute economic and behavioral pressures, to be fit for modern purposes. Overcoming the barrier of fragmented ownership has already been conceived and tested in relation to the "ground floor" problem: ***Town Centre Investment Management*** (TCIM)[7], a concept pioneered by the lead author.

Conceptually the model seeks to change a struggling high street into a successful one through asset management:

Fig 5: Transformation concept. Source: Policy Exchange. 21st Century Retailing

The upper floors and vacant sites in such struggling high streets represent a huge reservoir of potential housing.

This work, which was the subject of a Thought Leadership paper published by Peter Brett Associates and which led to contact, and discussions with, over 1000 parties, including major investors. The original ideas were then honed into an Update. The paper won the B2B Thought Leadership award in 2014:

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[7] John Parmiter was a partner at PBA at the time

Fig 6: PBA Thought Leadership paper - Update

Housing-led developments are now more likely to drive new town centre renewal than shopping centres. The solution to the “upper floor” problem simply requires an overt application of the same principles, though potentially implementable on a smaller scale.

So, while housing is the key to renewing our town centres, it is fragmented ownership in those very town centres that hold back the housing potential; what housing developers refer to as land assembly problems. However, too many Councils seem too timid, politically, to tackle this. Thus, town centre regeneration shares the same principal barrier as releasing upper floors: fragmented ownership. Therefore, we have to address both the ground and upper floors together.

6. Old solutions

Despite the ‘significant potential' of the **Living over the Shop** project that was initiated by Government over a decade ago, there was little appetite among commercial organisations or housing associations to act: ‘*This potential will be hard to release and the costs may be prohibitive. The market is wary of the programme'* explained the consultants.

In part, this was because of the housing “products” available at the time and because the project saw a new agency as the solution, giving out grants. But officials admitted that one of the barriers was “…*the complex ownership patterns in high street property.*” A press article reporting of the project’s failure is at appendix 1.

In our view the most significant reason was that the project did not address the fundamental obstacle: fragmented ownership. The word “the” in the Living over *the* Shop project is telling - because so long as the solution is seen in terms of its application to individual units we don’t believe it can succeed.

Other initiatives that have either fizzled out or failed in the past include Northern Ireland’s ***Town Centre Living Initiative***, which involved grant funding in areas where local councils had a regeneration strategy that included town centre living.

7. New opportunities

Political

In the intervening decade we have seen a radical deterioration in the quality of our town and city centres. A community’s town or city centre is now high up local political agendas. This provides a new political impetus added to the Government’s ongoing highest commitment to solve the housing crisis.

Demographics

In the last 10 years we have seen a significant increase in the appeal of central area living. Accessible locations in towns and cities appeal to younger workers and retiring (but active) down-sizers alike.

Investment

Accessible, pleasant, central areas are attractive to the growing private rental sector (PRS) and student housing providers. These are active sectors – but they need a scale of opportunity that is far bigger than individual plots. There is now a well established rental market and model (ASTs).

Planning

We have new Localism opportunities, though the ability of local communities to prepare (Business) Neighbourhood Plans, which, if well prepared, can give a mandate for change and a statutory basis for implementation (and any intervention).

8. Creating an investment solution

The underlying reasons behind the vacancy of an individual unit are simply too strong, as outlined in section 2. What needs to be tackled is the principal underlying barrier – fragmented ownership – and creating a scale of units to get critical mass.

The key to successful adaptation of town centres is the amalgamation of enough units to make it practical and viable. This needs to be done by pooling a critical mass of property assets – say 10 – 20 or a street block. This is on a smaller scale than that needed to achieve a transformation as envisaged by Town Centre Investment Management. Nevertheless, it provides a working model.

Town Centre Investment Management (TCIM)

The TCIM approach is one of the most recent and developed approaches to overcoming fragmented ownership has been further developed and tested with collaborators Citicentric and Bond Dickinson:

Fig 7: Town Centre Investment Zones report

This work, which included collating over twenty case studies and three feasibility appraisals in various town centres, has been written up in the British Property Federation's report on Town

Centre Investment Zones, published in early 2016[8]. This report concluded that the approach was feasible.

The focus of this report was on the “ground floor” problem. The key to revitalization was seen as the ability to attract private sector funding by the creation of a significant sized investment, in a new vehicle, holding enough properties to enable transformation to be effected. In this way, the oversell performance and economy of the town centre would be enhanced. In “ground floor” terms this enables the stock to meet demand and for the occupiers to be curated.

Essentially the TCIM process entails pooling a critical mass of property assets to enable the stock to be adapted. This might be voluntary (probably unlikely on the scale envisaged), or by a major stakeholder purchasing them (say the investor or Council) or, where there are stragglers, by compulsory purchase.

The Report’s recommendations have very recently been taken up in Collier’s 2016 *Midsummer Retail Report*[9] and are integral to the current work of the Government’s Future High Street Forum’s Restructuring workstream.

9. Practical outworking

Critical mass

In “upper floor” terms what is needed is the pooling of a critical mass of assets (just as with the ground floor, though the scale may be significantly less).

Pooling

A significant section of the street’s freehold assets are pooled; only the freeholds and selected leaseholds may be required initially. In this case the ground floor shops are rationalized into lettable denominations.

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[8] John Parmiter (now Future High Streets) was the lead author

[9] The report advocated “… a broader policy which brings vision and takes hard decisions. Whether its through formal structures such as Town Centre Investment Zones or….”

Adaptation

The critical mass needs to be sufficient to enable:

- the ground floor to accommodate a suitable residential entrance, as part of the restructuring of the shop units (amalgamations etc); leading to -
- a single core, paced further back in the building, to access -
- the upper floors which can then be converted *laterally*.

This can be illustrated from a feasibility study we carried out recently with urban design consultancy The Urbanists:

Fig 8: Introducing selective enhanced entrances to upper floor conversions.
Source: The Urbanists

Appendix 2 sets out more typical scheme details. In that case the conversions were not lateral but cores were introduced to serve multiple properties.

The old entrances to the upper parts are removed to enable this. In their place are inserted larger (better) residential entrances, spaced so as to lead to a new core at the rear. Those cores then service laterally converted apartments on all floors. This achieves better quality and efficiency in housing layouts.

Investment vehicle

The Town Centre Investment Zones Report sets out a range of options, including a company, partnership and REIT.

Enlivenment

The ground floor enlivenment will involve some loss of frontage. In good locations, that loss needs to lead to an increase in value (rental or capital) overall (in ground and upper floor accommodation) that can compensate for that “loss”.

In poorer locations, as in the feasibility used here, the loss of some ground floor frontage is part of the solution to an excess of shop floorspace in the first place.

The effect is to achieve the transformation of the whole street, or even the town centre, in trading, living and environmental terms, especially when coupled with public realm improvements that enhance the overall living conditions of the area. Improving the sense of pace enhances the attractions of living in that place. We have explored this potential in a recent study:

Fig 9 Before …

Fig 10: …and after. Source: The Urbanists

The authors have carried out a number of feasibility studies in very different towns, such as Newport (Wales), Melton Mowbray, Dartford, Weston-super-Mare and Barking. These feasibility studies examined real assets in defined study areas, testing the financial feasibility of carrying out the level of acquisition and adaptation to achieve the degree of transformation necessary to enhance the potential of the town centre involved.

10. The transformation process

The process is the same for “ground floor” transformation - through Town Centre Investment Management, though potentially on a smaller scale

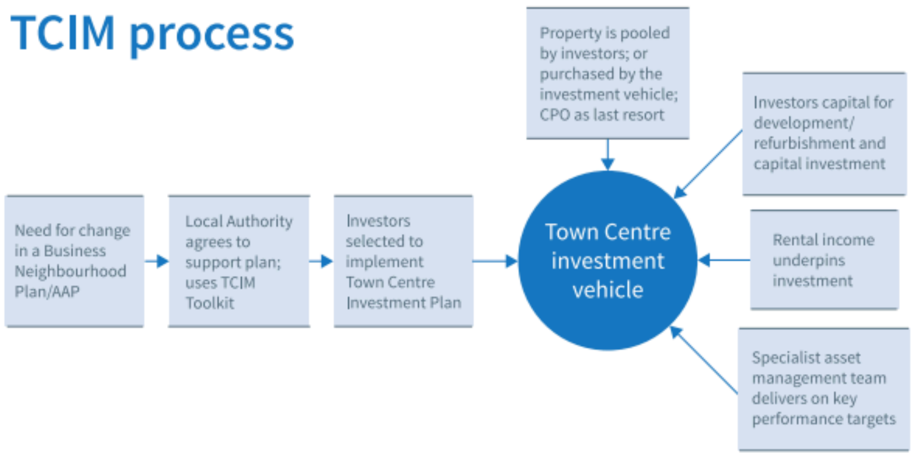


Fig 11: TCIM process

This process is fully explained in the Technical report to the Town Centre Investment Zones[10] report.

Town Centre Neighbourhood Plans

The opportunity afforded to local communities (both business and residents) by Localism to prepare a neighbourhood plans is a significant one. A Business Neighbourhood Plan can be prepared by the combined business and residential communities; it has a number of advantages, IF done well (and too many are not):

- it gives focus to the town centre
- it can galvanize local support for change in an agreed vision for the future of the town centre

[10] Technical Report [insert link]

- the plan becomes part of the statutory development plan, an essential basis for any intervention
- the plan gets voted on – providing a mandate for change
- the plan, being "bottom up" planning gives local politicians (and Ministers) comfort when local authority powers are needed to implement the changes being promote

11. Other potential solutions: grant funding

In Wales, the Government's Vibrant and Viable Places programme concentrates on grant funding. This has been very effective in Newport (S Wales), for example, where it has also enabled the resolution of excess weak/vacant ground floor space at the tertiary end of Commercial Street:

Fig 12: Commercial Street, Newport

12. Feasibility

If significant number of conversions are to be delivered via the market there needs to be commercial rationale for doing so, i.e. a commercially viable development. If the conversion is not viable then public subsidy in some form will be necessary.

Cost of conversion

There can be high costs of conversion per square foot/metre due to necessary regulation (building regulations) and difficulties adapting an existing property, potentially with other occupants in place. Regional variation in costs. However, in locations where the construction costs are relatively lower the end value is also probably similarly lower.

In our view, a typical construction cost of £200 per sq. ft. is a good starting guide. In addition, other costs could include professional fees and profit (profit - necessary only if undertaken by a commercial operation). These factors can add say 20% to 30% to the base construction cost. Therefore, total unit costs of £250 per sq. ft. for a commercially driven conversion that would satisfy the housing standards say of a HA/RP would not be unrealistic. On the basis of a "typical" size for a one bed, two-person flat, of say 500 sq. ft. the costs of conversion would be circa £125,000.

The upper parts that are typically being converted are, in some circumstances, subject to commercial rates payable. The conversion to a residential use would result in a loss of part of this income to the local authority, netting off Council Tax gains.

Value created

At a basic level the calculation is that for a scheme to be commercially viable the value created has to exceed the costs of the conversion plus the existing use value "destroyed" by converting the upper parts.

The reported average monthly rent for a one bed flat in the UK is circa £750. Gross yields (outside London) are currently and very generally circa 6% to 7%. This would result in completed value of a converted one bed flat in the region of £128,000 to £150,000.

Demand

Not all the vacant or under-used premises are where people want to live. Value is a product of demand.

Though, often, social housing is allocated in accordance with priority housing list as opposed to pure choice of potential tenants / buyers.

Other benefits

i. Council tax: The creation of new residential units will result in the payment of council tax. Council tax is payable on the basis of eight bands nationally (A to H in England). Band A is for the lowest value properties. Most of the units to be created are likely to be in the lowest two bands. The average council tax level for Band A properties in England is £845 pa and Band B £986. However, some people are exempt from Council tax and some receive a discount. Therefore, the precise financial benefit for local authorities of new conversions is not readily calculable.

ii. New homes bonus: Central government matches Council tax received on new homes built. Currently, this is for a period of 6 years although the regulations going forward are out for consultation and the details of the scheme could change. Local Authorities are obliged to use the bonus for new housing development.

iii. Expenditure in local economy. New housing created in town centres results in an increased population living towns. The new residents tend to spend a significant proportion of their income in the town, so bolstering the local economy and assisting in the creation of an enhanced retail and service offer in the town centre.

Conclusion

There are locations, especially in outer London, good towns in the South East and the regional cities where the conversion of upper parts to residential is commercially viable. In these circumstances the market should, over time, deliver more residential units. However, there will still be cases where upper parts are ripe for conversion but the normal economic incentives still do not deliver change. Local authorities might have to step in on a case by case basis.

In many parts of the country however, the economics of conversion are simply not viable with low house prices/rents resulting in end values less or very close to the costs of conversion. In addition, it is a technical challenge to convert upper parts. Usually requiring the services of an outside professional team. In many cases the existing passive investor/landlord is simply not willing or able to undertake the work required. Additional help or incentives might be required.

In those areas of the country where there are low house prices, and where there is a need to convert upper parts, then a suite of incentives and assistance will be required if significant change is to be made. In some cases the costs of intervention will be very high for the output created. In these circumstances we would probably need to call it regeneration and involve a heft subsidy and assist as even the addition of a council tax and new homes calculation will not square the viability circle.

14. Legal considerations

1. Commercial Leases

Where there is an existing lease over the commercial (typically ground floor) elements careful attention must be paid to the existing lease, in particular:

a. Does the commercial lease grant rights (whether or not exclusive) over parts of the building that now need to be shared by residential occupiers? If so, the lease will need to allow for other occupiers to also use those spaces and services;

b. Where the lease provides for a service charge regime, how will that dovetail with residential occupiers sharing some of the common spaces and services? If a management company and/or managing agent are to be engaged for the residential scheme it may make economic sense to give them a role for the entire building – does the commercial lease allow for that? Rights and remedies for recovering service charge from commercial occupiers exist within a different statutory and legal framework to that of residential leases.

c. Insurance – in most cases the landlord will be insuring the building and re-charging a proportion to the occupiers. The commercial lease and proposed residential lettings/sales documents should be considered carefully to ensure the freeholder is not left with a potential insurance rent void between the two sets of occupiers;

d. Pay careful attention to the user and nuisance provisions of both the commercial lease and proposed residential lettings/sales documents. Depending on the nature of the commercial, noise/smells emanating from it may be ordinarily deemed a nuisance to the residential occupiers. Likewise, the coming and going of residential tenants (particularly through shared access-ways) may interfere with the commercial occupiers use of those areas. The building may lend itself to separate access/parking/loading areas but often that is not the case with that space at a premium and needing to be shared by both sets of occupiers;

e. If the interrelation between the residential and commercial leases (and how they deal with shared access for example) is not examined carefully there is risk that one or both interests become un-mortgageable. Practically speaking, fragmented ownership can make matters like fire escapes and routes for utilities challenging.

*2. **Disposals**:*

The residential and commercial elements should be capable of legal separation to afford maximum flexibility for re-finance and sale. All of the points 1 above are relevant to this but particular attention should be paid to the Landlord and Tenant 1987 Act (1987 Act) and other residential tenant's rights, which ordinarily do not apply to commercial units, in particular:

a. In respect of qualifying properties the 1987 Act gives qualifying residential tenants a right of first refusal in respect of disposals which include the whole or part of a building. The statute is widely drawn when it defines relevant disposals (as it covers both legal and equitable interest) and includes not only freehold and leasehold sales to the obviously residential block or parts of a block but may also be caught by such disposals of common areas and facilities enjoyed by the residential tenants. In addition on a strict interpretation of the 1987 Act the disposal of a commercial unit can fall under is provisions. With reference to the comments at 1 above as to shared common areas, this presents a potential obstacle and cause for delay in the sale of the commercial elements of the scheme. Where the 1987 Act right applies, at the very least, the residential tenants will enjoy the benefit of several months opportunity to exercise the right which may severely hamper any commercial investment sale. In addition, breach of the 1987 Act carried with it potential criminal sanctions;

b. The Commonhold and Leasehold Reform Act 2002 gives qualifying tenants the right to manage relevant parts of their block (regardless of how effective the current management regime is). Exercise of this right may be incompatible with the methods of management expected by commercial occupiers and, again, could hamper any commercial investment sale;

c. The Landlord and Tenant Act 1985 gives tenants right to challenge service charges. The Act, amongst others, required charges are only recoverable if reasonably incurred and carried out to a reasonable standard. In addition, in certain circumstances it is not possible to recover cost incurred 18 months after expenditure and tenants have rights to inspect landlord's accounts and similar. This is distinct from the framework within which commercial lease service charges operate but may prove an impediment to the management of an effective mixed-use service charge regime;

d. Outside of the right identified at (i) above, qualifying tenants (broadly speaking, no more of the building being 25% commercial use) have a right to acquire the entire building and not just the residential elements, albeit the freeholder is entitled to a leaseback of commercial parts (following which the former tenant will become their landlord!) and compensation for their loss of interest. Again, this could affect ability to sell and desirability for investors to the extent it may have an adverse impact on valuation.

e. In certain circumstances residential tenants are able to forcibly enfranchise a building under the provisions of the Leasehold Reform Housing and Urban Development Act 1993. Compensation is payable for this and an effected landlord can chose to take a lease back of commercial premises.

3. Regulatory requirements:

Tenant safety – typically the Grade A retail space will command the frontage – with staircases often having been removed, alternative access needs to be installed (eg new stair towers to the rear of a property) making safety an issue given the nature of location of some of the underutilised properties. Alternatively if access is for example between two shops, then building regulations requirements for fire proofing of single exits, and stairwells can be prohibitive.

15. Conclusions

1. More housing across the country is desperately needed. This is another way of delivering it.

2. More housing can be created that is suited to target sectors (starter homes, down-sizers, young professionals, students, social housing etc).

3. This approach enables the creation of investment opportunities for both housing and retail/leisure, as per TCIZ Report conclusions.

4. The introduction of more town centre housing leads to better performance of, and enjoyment of, our town and city centres, as well as better on-going management and condition of town centre stock

5. Releasing vacant and under-used floors can make a positive contribution to public finances

6. There are viability constraints on the delivery of such housing in areas where values are too low. In those areas some form of grant regime – or regeneration justification – may be necessary.

Appendix 1: Article from Inside Housing

Closing time for Living Over The Shop project

4 November 2005 0:00 am | Updated: 10 June 2008 7:35 pm | **By Keith Cooper**

Government plans to convert unused space above shops into hundreds of thousands of homes has suffered a serious setback after its own research warned...

Government plans to convert unused space above shops into hundreds of thousands of homes has suffered a serious setback after its own research warned the project could be too risky, Inside Housing has learned.

And in a further blow to the programme, the only organisation dedicated to championing the project has been forced to close after its government funding dried up.

Consultancy Grant Thornton was commissioned by the Office of the Deputy Prime Minister to draw up plans for a new agency that would advise on how empty commercial space could be converted into up to 300,000 homes.

Its unpublished report, seen by Inside Housing, revealed that despite the ‘significant potential' of the project there was little appetite among commercial organisations or housing associations to act.

The total cost of running an advisory agency for three years would be £2 million, it concluded, there were significant risks and the costs could outweigh the benefits.

‘Our study has identified the significant potential for the use of under-utilised assets above shops,' the report said. ‘This potential will be hard to release and the costs may be prohibitive. The market is wary of the programme.'

Ann Petherick, the former project director of independent organisation Living Over The Shop, said she had been forced to close the organisation in June.

‘I am getting owners of properties approaching me and I am having to turn them away. There is nothing I can do to help them as I haven't got the resources.

The whole thing has collapsed in a heap.'

Ms Petherick said she was now waiting to hear whether the ODPM had accepted her offer to come up with an alternative model for an advisory agent.

Ian Fletcher, director of residential property at the British Property Federation, said the need for an advisory agency was identified by a task group led by former regeneration minister Lord Rooker.

‘From the commercial property occupiers it is predominantly a hassle to bring property forward and you need an element of hand holding to take the hassle off the commercial organisations' hands,' he said.

An ODPM spokesperson said the department recognised that flats above shops could help revive town centre living.

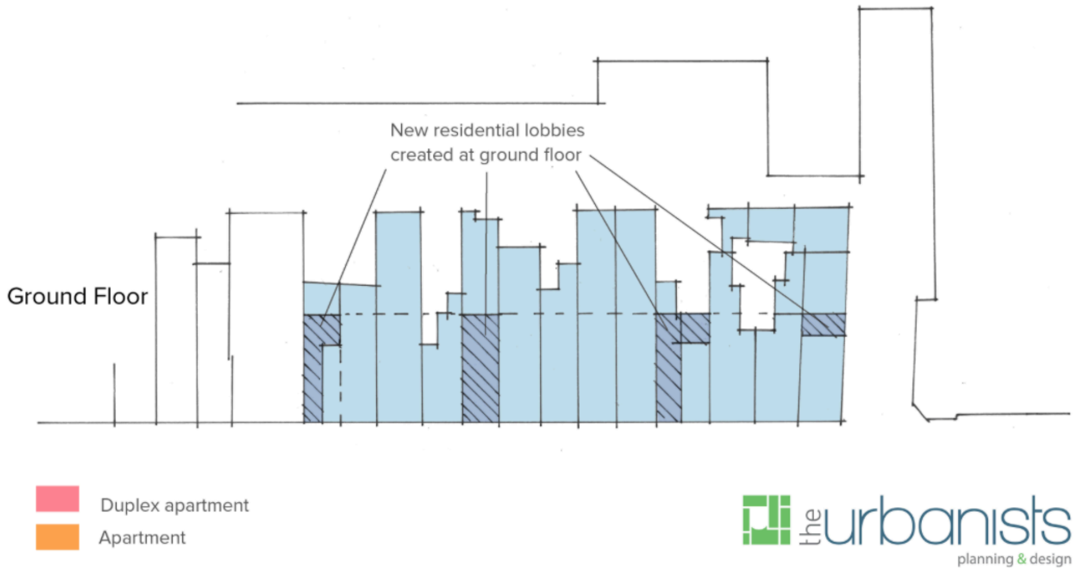
‘There are however a number of barriers preventing this potential from being realised, including the complex ownership patterns in high street property,' he said.

The ODPM was still examining how those barriers might be overcome, he added.

Appendix 2: Scheme illustrations

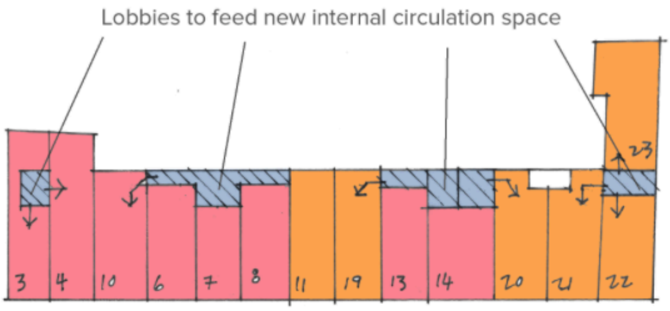

Existing condition


Proposed conversions, reducing residual entrances, while adapting retail stock

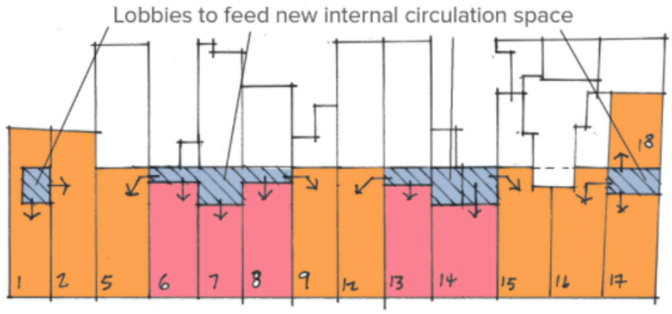


Ground floor plan, showing selected entrances

Second Floor

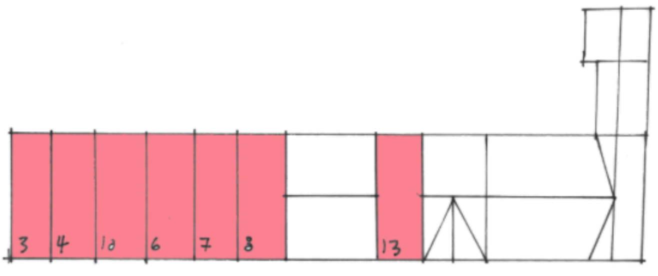


First Floor



Fewer cores enable access to more apartments

Third Floor




Section

Appendix 3: Research listings and bibliography

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Appendix 4: About Future High Streets

John Parmiter FRICS FRSA MRTPI directs **Future High Streets**, a social enterprise committed to seeing the regeneration of conventional shopping areas by:

research - exploring new ideas and solutions, collating case studies and publishing best practice

consultancy - applying innovation and best practice by promoting projects that deliver positive change, for developers, investors and local stakeholders

advocacy - writing, speaking, blogging, networking and influencing through social media; and

advisory - helping local authorities and communities prepare town centre strategies that will deliver real change

We work collaboratively with place-making, property and other professionals to fix broken and underperforming town centres as well as planning new destinations.

John is a surveyor, planner and urbanist; and an experienced professional, with over 35 years experience of retail and town centre development promotion and policy advice. He has advised retailers, investors, developers, local authorities and government. He has held senior positions at Hillier Parker (now part of CBRE), where he founded the planning department; at Turley's, where he opened the London office and chaired the board; and most recently at Peter Brett Associates (following a merger with Roger Tym & Partners) where he developed the Though Leadership paper: **Town Centre Investment Management**. The campaign won the national B2B Thought Leadership award in 2014.

In his career he has advised the Crown Estate as part of the Regent Street Strategy team in the mid-90s; RBK&C on a strategy for High Street Kensington (with Urban Initiatives); for Canary Wharf on London's Shell Centre; for Waterhouse on the Brewery Square scheme in Dorchester; London's Mayor on town centre retail policy; on town centre strategies for the local authorities covering town centres as varied as Bedford, Folkestone, Waltham Abbey and other places.