

Enabling town centres to adapt to change

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What I will cover

Theme: How to get investment back into our city centres.

Focus: Asset management

Three parts to my presentation:

- The context
- A process
- A product



Part 1: Context

Setting the scene ...



I assume you already know this

Some retailers are still not surviving at all

Some don't need shops at all

Some don't need as many shops as before

Many want bigger footplates - in bigger places

Major players care about their neighbours = pick lists

Less than 50% sales now on the High Street

More retailers adapting with

- Click and collect
- Digital connections



choose a life less ordinary

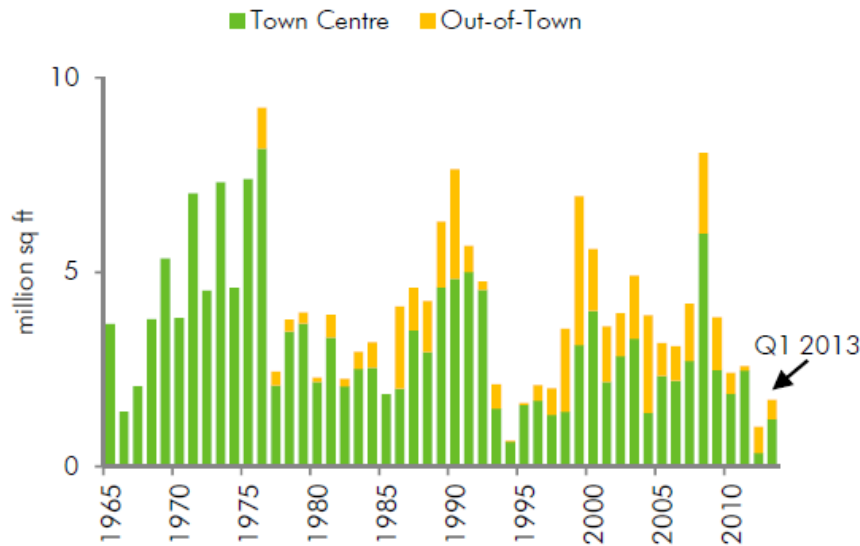


Development is not the only fix

Some Mega Malls in mega-places (Croydon!)

Retail Parks are improving

Town centre schemes can have consequences



Source: CBRE, PMA



In too many town centres ...

...too often, we have too many shops, offering:



Poor productivity (small units)

Poor experience (environment, parking)

Poor service (Biz rates, parking charges etc)



...and we are seeing...

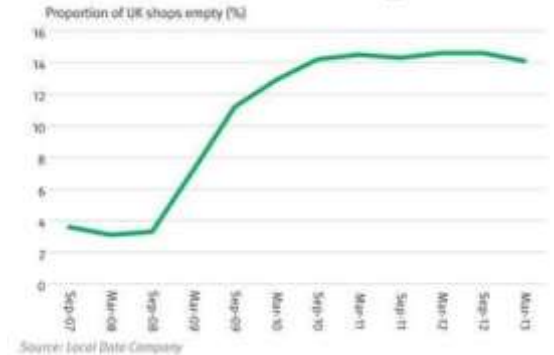
...in many centres:

High vacancy or poor quality line-ups

Little investment/development

Newer/fewer tenants taking up space

...but the recession has taken its toll on the high street



In future, the town centre ...

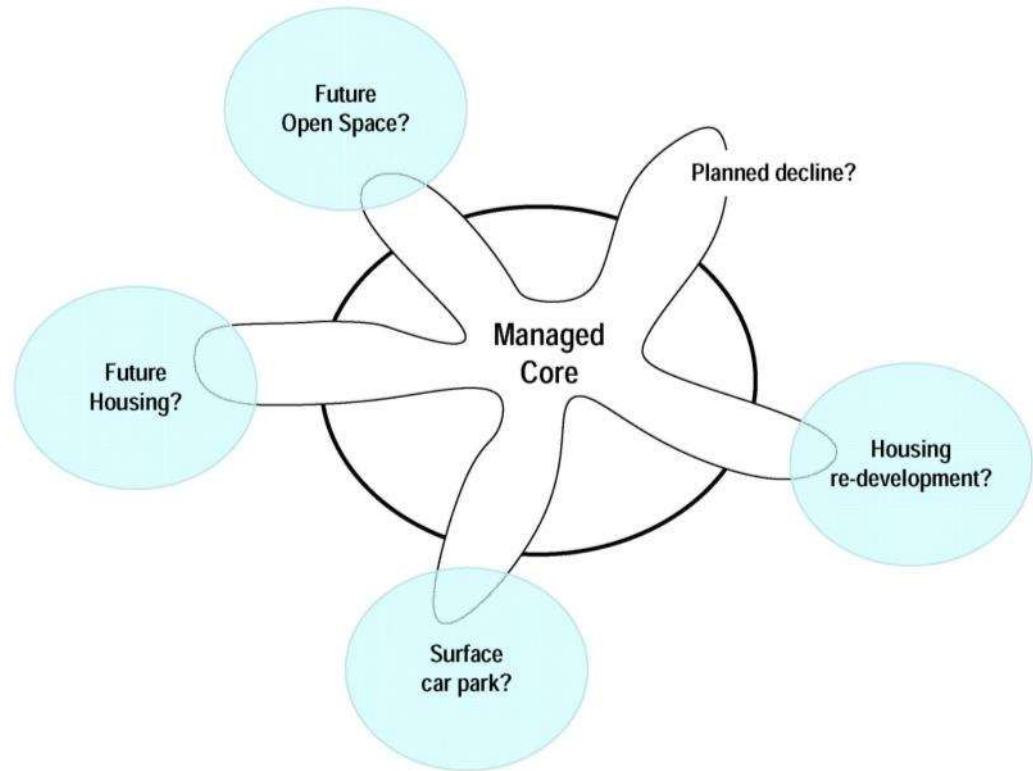
...will be more about:

- Living
- Leisure
- Learning
- Local services & enterprise



Challenge 1: Restructuring

The periphery
and
The core



Challenge 2: Adaptation

Town Centres and Shopping Centres



FM v AM

We need to understand the difference between:

Facilities Management
and
Asset Management



Town Centre Management

TCM is Facilities Management:

- Public Realm improvements
- Shop front upgrades
- Security and cleansing
- Events
- Town Teams



Occupiers are at the heart

BIDs important but can't deliver structural change



Asset management is about ...

Control of a critical mass

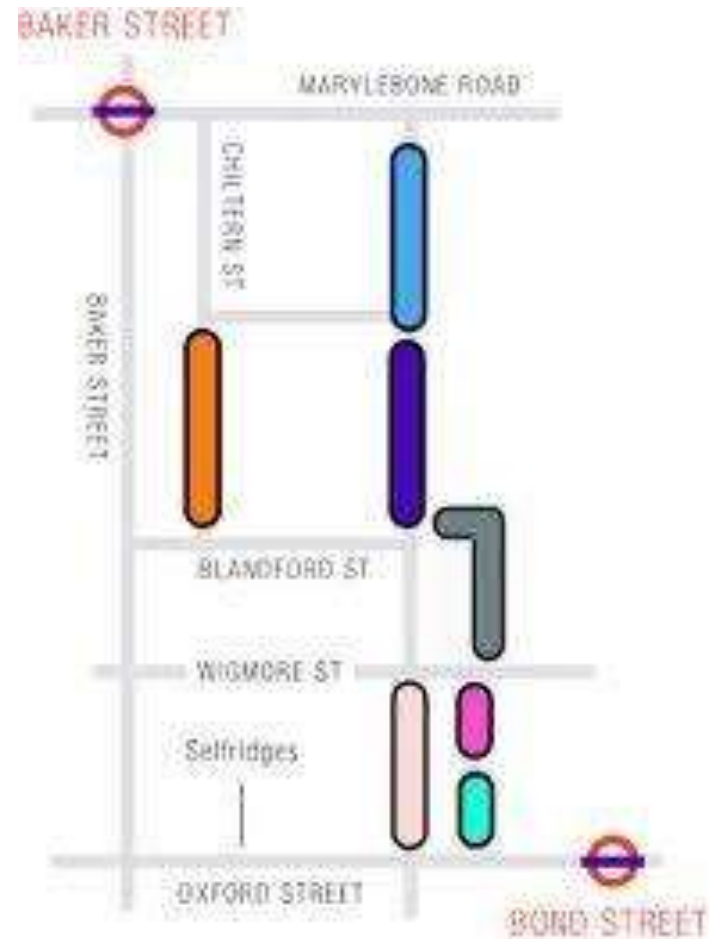
Curated occupier line up

Rapid response

Ability to adapt any stock

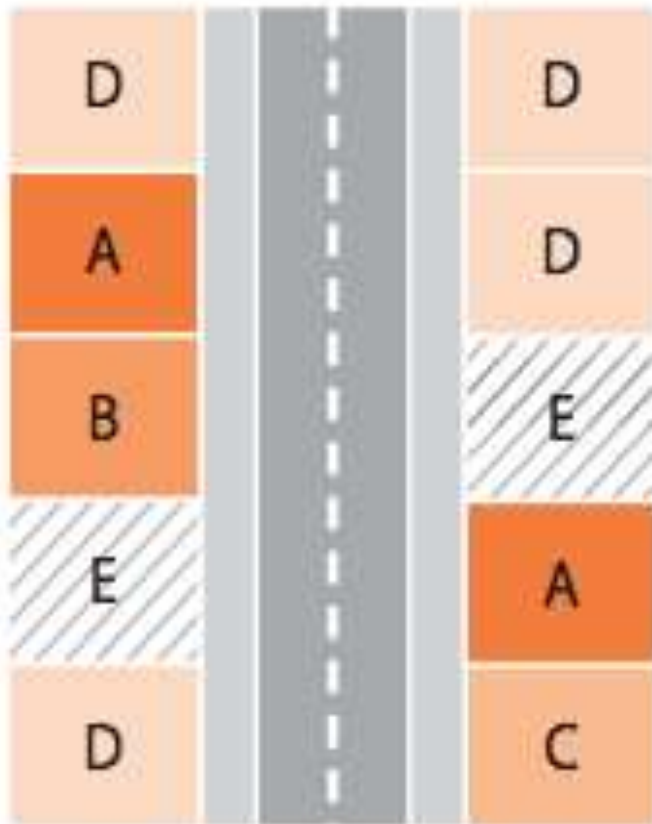
Destination management

Investors are at the heart

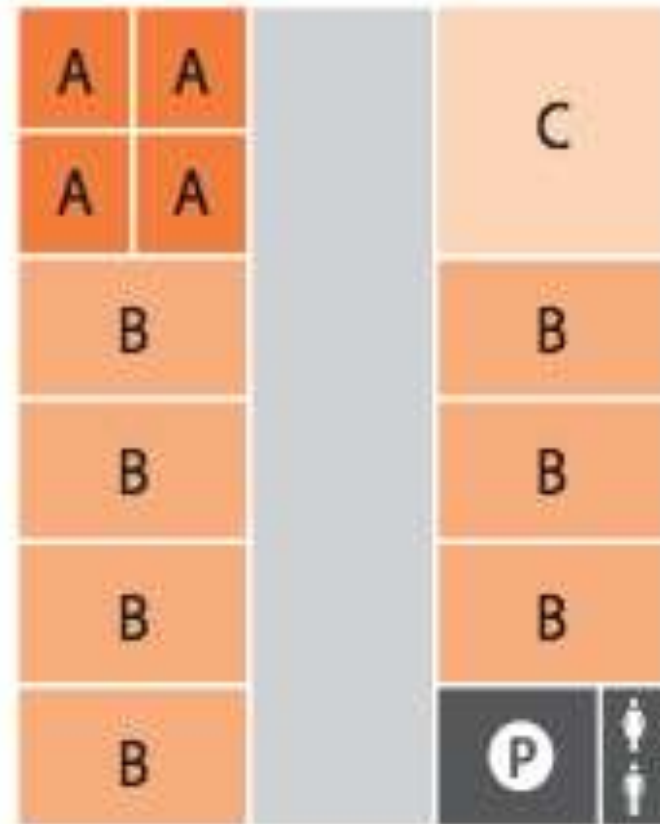


Asset managed change

Struggling high street



Successful shopping centre or high street



Where the market does this

Our 20 case studies included:

- London: Regent Street, Marylebone High Street, Shaftesbury's "villages"
- Some New Towns: Cwmbran, Corby
- Assembled: Liverpool Ropewalks, Folkestone High Street

Overcoming **fragmented ownership** means:

- Stock can be adapted
- Occupation can be curated



Part 2: A regeneration process

Town Centre Investment Management (TCIM)



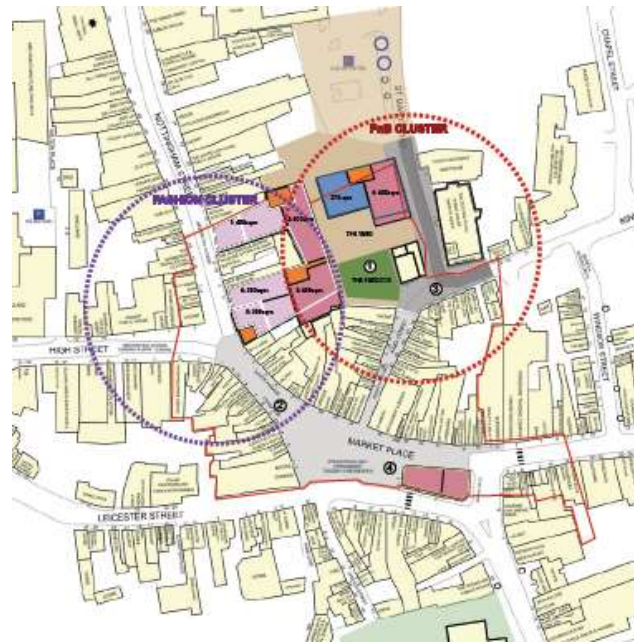
Pooling core assets

A critical mass of assets
of mainly freeholds

This allows:

- Investment plan
- Deliverable vision
- Curated offer

And overcomes fragmented ownership



TCIM process



Critical mass of property assets assembled by:

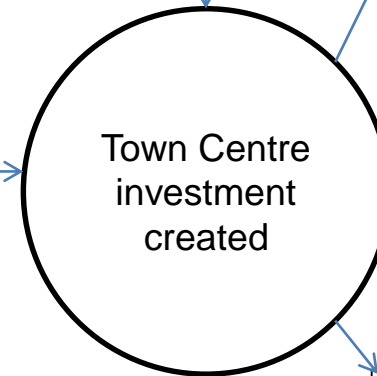
1. Voluntary pooling
2. Acquisition or
3. CPO

Investor capital for development / refurbishment and capital investment

Need for TCIM identified in a Business Neighbourhood Plan/AAP

Local Authority agrees to support plan

Investor partner is selected to implement TCIM



Rental income covers operational expenditure

Town centre asset management team to manage and undertake operational work. This team would be highly performance managed



Testing the approach

At PBA I worked with Citicentric and Bond Dickinson:

- Developed the TCIM concept
- Collected 20+ case studies
- 3 pilot feasibility studies

www.towncentreinvestment.com



Pilot Studies

Three towns:

- Dartford
- Melton Mowbray
- Weston-super-Mare



Involved real places

- 40-60 freehold and other property interests
- £25m-35m investments



Part 3: A regeneration product

Town Centre Investment Zones



Why Zones?

The need for **alignment**:

- Too many initiatives – BID, Town Team, Partnership, Neighbourhood Forum or Town Council, Housing Zone, Council services

The need for **focus**:

- One plan
- One board
- One set of investable propositions



Zones would involve

A defined area:

- TCIM area; or
- Larger area

With:

- A strategy by the stakeholders for the area
- A plan – Neighbourhood/AAP/Master/plan
- Support by key players – BID/Council/owners
- A single town centre governance structure



Incentives needed

Councils should lead but ...

- Are already overstretched and underfunded
- With limited skills – focus on facilitation
- Must have political leadership to deliver

Government can help:

- Supporting restructuring and adaptation
- Some funding for delivering pilot schemes



Thank you

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Extra slides

Legal Structures for implementation

- The creation of a new investment vehicle model will need to be market tested with potential investors/development parties to ensure the structure is attractive enough to attract private sector funding.
- There are a number of structures available for use – the key to the success of a TCIM model will be ensuring that the delivery structure is:
 - Tax efficient for private sector investors
 - Financially attractive in terms of returns
 - Robust - any TCIM model must not be vulnerable to changes in control, policy and budgets.



Joint public/private venture?

- The creation of a new entity is most appropriate model if the relevant local authority wishes to participate in one shape or form and also to attract private sector funding to the model it will allow the relevant local authority and private sector partners to collaborate and work jointly to achieve the objectives of TCIM.
- Need to consider procurement, vires (public sector power to participate) and governance issues.
- The key will be to refine the relevant JV partners' commercial objectives and the extent of the participation in any TCIM model.
- The legal structure is little more than an envelope in which the key contractual and commercial rights and obligations are contained.



Exercising compulsory purchase powers

Is there a "compelling case in the public interest"

- i. Evidence of a need for action and clear Vision
- ii. Planning Framework – must provide regeneration support through CPO
- iii. Business case and Funding – whether and how the council proceed – demonstration of deliverability
- iv. Acquisition – by negotiation if possible
- v. TCIM Vehicle creation and Asset Management
- vi. Investor selection and Governance
- vii. Review



Compulsory Purchase – timeframes

- Time for CPO process to be determined by Secretary of State ~ 40 - 46 weeks
- Time period from start to finish ~ 18 Months
- Once confirmed CPO must be implemented within 3 years
- Compensation if not agreed can be claimed within 6 years



Compulsory Purchase – risks and issues

- Challenge: satisfaction of the well being test
- Timeframes
 - Long duration from start to finish
 - Period of time for compensation claim creates commercial uncertainty
- Cost
 - Compensation on market basis plus up to 10%
 - Blight

