



HOW TO GET MORE HOUSING ON OUR HIGH STREETS

High Streets
&
Residential

Public and private sector perspectives on the challenges, opportunities and solutions

Introduction

Retail habits are changing rapidly. Fewer shops drive a need to repurpose retail buildings and land. Housing is often seen as the obvious replacement for retail uses, both because of a general housing shortage, but also to restore vibrancy and footfall to more narrowly defined shopping districts.

There are some excellent previous studies on how to get more homes on to our high streets, including for example a report by the Federation of Master Builders¹, and an inquiry by the Housing, Communities and Local Government Select Committee².

What previous work shows is that there is no one-size-fits-all solution, but a suite of different housing regeneration options that will be suitable and differ from place to place. These might include refurbishment, conversion, and new development for rent (build-to-rent) and sale.

Whatever option is suitable there is often a presumption that residential values will support a change of commercial space into homes. In places with strong housing markets that will be true but in many town centres that are struggling, residential values may not support development activity. The question then becomes what public policy interventions can help?

The British Property Federation and Gowling WLG were pleased to convene a recent discussion round table under the Chatham House Rule and chaired by the former Housing Minister, Mark Prisk, to explore this most topical of issues, looking at some of the challenges, opportunities and possible public policy solutions. We were grateful to gain public and private sector experts' perspectives.



1 Federation of Master Builders. Homes on our High Streets, 2017

2 HCLG Select Committee, High Streets and Town Centres in 2030, 2019

Private sector perspectives

Physical constraints – The best and most cost-effective option for smaller towns may be to bring space above shops back into use or convert town centre fringe retail units to homes. Car use dependency can have an inverse relationship with the size of towns – in smaller towns public transport can be poor and residents often need their cars to get to work, for example. Trying to repurpose a place is therefore not just about the change of use, but the ancillary uses, such as off-street parking that may be needed to support the change.

Risk and investor needs – Pension funds tend to want to avoid development risk and seek steady income to pay pensions. They also want scale, and therefore some aggregation of opportunities may be required.

Viability of new development – Sale and rental values often do not cover the construction or refurbishment costs of moving from commercial to residential use. There is an extra challenge for existing landlords in recognising that in moving from a commercial to residential use some write-down of existing use values may be necessary. Greater density can help viability but may also increase risk.

Ownership and obtaining vacant possession – The fragmented ownership of our town centres makes it difficult to assemble scale opportunities for residential development and the process of gaining possession of commercial premises for redevelopment under the 1954 Landlord and Tenant Act is challenging.

Planning – There are some unhelpful local plans and policies. For example, an insistence on large residential unit sizes to cater for families, in places where families are unlikely to want to live. Also, planning discussions in some areas end up being dominated by affordable housing contributions, rather than thinking about what best will support the town centre.



Public sector perspectives

Politicians face challenges in gaining local support for town centre regeneration. A town centre that is being excavated is ugly and that hurts trade, alongside the disruption caused by development. It can be politically risky to support a redevelopment that might fail and leave a hole in the town centre for a long period.

Disparate ownership can make site assembly challenging, and all of that is on top of the normal discourse between the community and local council that can accompany major planning decisions.

The challenge of selling a vision of change to residents is time-consuming and the benefits may be years away, leading to a potential mismatch between political and regeneration time horizons.



The intricacies can also heavily consume scarce planning resource and may involve complex negotiations over legal and other points, for example compulsory purchase.

There may be an impact on councils' short and long-term finance. In the short term, the potential loss of business rates, car parking charges, etc. In the longer-term, possible permanent lower income from council tax on residential, rather than business rates on commercial.

There is a fear of “getting it wrong”: to go through so much pain and ultimately fail to attract footfall and new occupiers. The legacy of poor town centre redevelopment can endure for generations.

Opportunities and solutions

Our experts discussed how public and private sectors might help each other, and where public policy might also offer more support. There was agreement that a better understanding of “the other side’s” agenda was needed.

- Investors/developers need to understand that local authorities have lots of competing pressures on time and resources. Town centre regeneration/adaptation is important, but so are lots of other things.
- Investors/developers therefore need to make genuine efforts to understand local authorities’ strategic objectives. They are not generic.
- Investors/developers need to look at the suite of interventions that local authorities have, which could include investing their own land, compulsory purchase order (CPO) powers and acting as the highways authority.
- Local authorities need to understand that town centres can no longer be retail-led. Demand for retail space will be less and retail districts commensurately smaller. Local authorities need to let some areas ‘go’. Town centres need a mix of uses, some of which may be uneconomical for the private sector to deliver on its own.
- Both the public and private sectors need to accept that the planning system will never keep pace with retail change. Therefore, there is a need to empower local authority planners to be more flexible about the application of planning policy.



Opportunities and solutions

To support town centres there are some potential targeted regulatory and tax reforms that might help beyond the obvious, such as business rate reform:

- Government could provide greater guidance on supporting density in town centres.
- New “Town Centre Investment Zones”¹ could be defined, with powers to simplify planning (e.g. exemptions from local policy on use class, density), enhanced CPO powers, SDLT relief and other tools to facilitate adaptation.
- Reduced VAT on residential repairs and management would help stimulate refurbishment, conversion and renting.
- Council tax on new units is applied once the building is complete and on Build-to Rent developments means landlords are facing costs during their letting up period.
- A review of the Landlord & Tenant Act 1954 should be undertaken, with a view to making it more supportive of town centre adaptation (e.g. streamline the process for securing vacant possession).
- Some political risk can be avoided by using other structures, such as development corporations, regeneration and local housing companies. Where Local Enterprise Partnerships work closely with Homes England the support can be very good.
- More generous compensation for those affected by CPOs might help to facilitate site assembly.
- More efficient use of car parking space. This may mean moving away from demised space towards a “right to park” and greater flexibility in design to allow parking to be converted to other uses.
- There was a need for greater technical support for local authorities and planning capacity, perhaps through Homes England, or the High Street Task-force.



1 See the Report of the Fragmented Ownership Group: <https://www.bpf.org.uk/sites/default/files/resources/TCIM-summary-paper.pdf>



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