Urban Regeneration: a scoping study

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The Research Objective

- The objective of the study is to provide an overview of regeneration research which reviewed the principal dimensions of urban regeneration policy and practice, identifying how this has changed over time in order to inform decisions on a research agenda going forward.

- Realised through eleven core questions.

- Questions addressed under three key themes:

    – *The Evolution of Regeneration*

    – *Investment in Regeneration*

    – *Successful Regeneration*

What is Regeneration?

- Open to Numerous Interpretations

- Classic Perspective

  Reversing social, economic and physical decline in towns and cities where market forces alone will not suffice.

- Modern Perspective

  Creating *sustainable communities, raising value, promoting entrepreneurialism and developing innovative ways of attracting investment.*

- Distinct From Property Development

  Broad strategic view based on long term outcomes that address physical, social and environmental conditions in unison.

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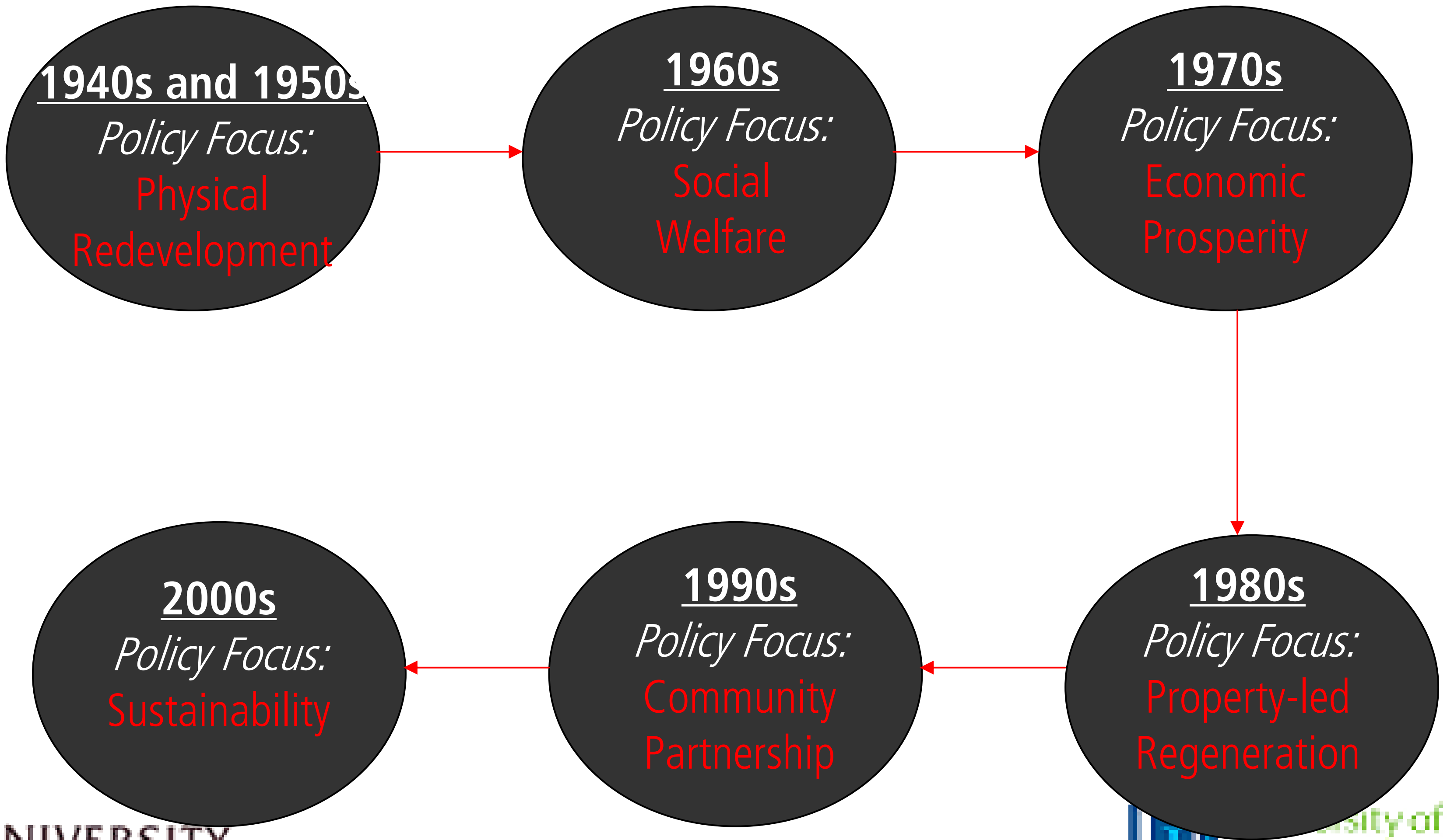
The Evolution of Urban Policy



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Thirty Years of Government Intervention in Regeneration

- 1977 The Urban White Paper – Policy for the Inner Cities
  - *A water shed in urban policy development.*
  - *The first systematic attempt by Government to understand the nature of urban decline.*
- 1980s Property-Led Regeneration
  - *Emphasis on flagship developments such as Albert Docks in Liverpool.*
  - *The major tools by which regeneration was to be achieved were Urban Development Corporations (UDCs) and Enterprise Zones.*

Thirty Years of Government Intervention in Regeneration

- 1990s Community Partnership
  - *Integrated approach to tackling urban decay with greater emphasis on local community involvement.*
  - *Key initiatives included City Challenge, Single Regeneration Budget and New Deal for Communities.*
- 2000s Sustainability
  - *Comprehensive and holistic perspective to obtaining social, economic and environmental well-being.*
  - *Key initiatives include The National Neighbourhood Renewal Strategy, The Sustainable Communities Plan and The Working Neighbourhoods Fund.*

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Determining the Success of Regeneration Initiatives

- Initial Emphasis on Output Evaluations:

  Number of houses built, floor space developed, land reclaimed, jobs created and investment secured.

- Focus has Shifted to Outcomes that Evaluate Social Exclusion Characteristics:

  Access to services, community well-being, crime, economic deprivation, education, health, housing, physical environment, work deprivation.

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The Role of Mixed-Use Schemes in Regeneration

- Mixed-Use is fundamental to the sustainability of regeneration schemes driven by a confluence of planning policy, social, economic and political pressures.
- Mixed-use challenges the orthodoxies of UK property investment – but attitudes are changing as knowledge levels improve.
- The creative mix of uses provides a robust income stream and combined with effective asset management is viewed as a value generator.

Attracting Private Sector Investment into Regeneration

- Increased pressure on public finances has intensified the need to attract enhanced levels of private sector investment into regeneration.
- The Urban Task Force Report (1999) advocated the creation of specialist investment vehicles to channel investment into regeneration.
- English Cities Fund was established to demonstrate on a functional level that regeneration schemes offer viable and attractive investment opportunities in the medium to long term.
- Anticipated growth in vehicle numbers failed to materialise with Igloo Regeneration Fund the only additional vehicle to enter the market pre-2005.

The growth in Regeneration Investment Vehicles (RIVs)

- The Comprehensive Spending Review (2004) was the catalyst for a new generation of regionally focussed Regeneration Investment Vehicles (RIVs) – Property Regeneration Partnerships (PRPs).

- Property Regeneration Partnerships are Asset Backed Structures into which Regional Development Agencies (RDAs) commit a portfolio of land/property for regeneration. This is then matched by a financial commitment of equal value by an investment partner.

- Four of the nine RDAs have developed asset backed vehicles collectively attracting circa £430 million of private sector investment.

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Regional Asset Backed Vehicles

Region	North East	North West	East Midlands	West Midlands
Regional Development Agency	One North East	North West Development Agency (NWDA)	East Midlands Development Agency (EMDA)	Advantage West Midlands
Regeneration Investment Vehicle	Buildings for Business	NorwePP	Blueprint	PxP
Year Formed	2004	2006	2005	2007
Investment Partner	UK Land Estates	Ashtenne Industrial Fund	Igloo/English Partnerships	Langtree Group/Bank of Scotland
Financial Commitment	£120 million	£140 million	£25 million	£160 million

Roll Out the Asset Backed Model to Local Authority Level (LABVs)

- The devolution in regeneration decision making has seen the Asset Backed Structure rolled out to local authority level – Local Asset Backed Vehicles (LABVs).
- Croydon Council became the first local authority to introduce the asset backed structure. The vehicle known as "Croydon Council Urban Regeneration Vehicle" is a 50:50 partnership with John Laing Projects and Developments.
- The LABV model will be complemented by the introduction of Community Infrastructure Levy (CIL) and Supplementary Business Rates (SBR). However the robustness of the LABV structure is likely to be severely tested by the current downturn in the property market.

Property Market Downturn: Implications for Regeneration

- Research by Adair et al (2004) highlighted that in the previous downturn regeneration property was buffered from market forces. Current regeneration schemes do not have the same levels of subsidisation.

- The IPD Regeneration Index (2008) which builds upon preliminary work conducted by the Universities of Aberdeen and Ulster highlights that regeneration property has been more vulnerable than prime property in the current downturn.

- Regeneration property however needs to be assessed over the long term with historic reviews of performance highlighting the investment potential.

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Major Asset Class Total Return

Year	IPD All Property	IPD Regeneration	Equities	Bonds
1998	11.8	11.3	13.8	19.4
1999	14.5	14.7	24.2	-3.2
2000	10.5	6.7	-5.9	9.8
2001	6.8	5.8	-13.3	3.9
2002	9.6	13.2	-22.7	10.3
2003	10.9	16.0	20.9	1.8
2004	18.3	20.4	12.8	6.6
2005	19.1	17.7	22.0	7.4
2006	18.1	16.2	16.8	-0.1
2007	-3.4	-6.0	5.3	6.4
Ann. 5 Yr	**12.2**	**12.9**	**15.6**	**4.4**
Ann.10 Yr	**11.4**	**11.3**	**6.2**	**6.1**

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Property Market Downturn: Implications for Regeneration

- Investor appetite for risk has receded in the wake of the current property market downturn – as a result regeneration schemes are likely to find it difficult to attract investment in the current climate.

- Regeneration investment vehicles which include a public sector partner may however prove an attractive option for investors as they provide reassurance and reduce risk.

- Major development and infrastructure projects have been shelved amidst the ongoing uncertainty in both the property and financial markets. However Government proposals to increase pubic sector spending on major projects including social housing provision may provide some stimulus for regeneration schemes.

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Financial Market Crisis likely to Affect Regeneration Funding

- Banks and lending institutions have started to reassess commercial property lending policies which could have a profound effect on funding for regeneration schemes.

- Loan to value ratios for commercial property have been reduced. For regeneration schemes which are highly capital intensive this will require a substantive increase in equity on the part of developers.

- Substantive loans are likely to be underwritten by banking partnerships. This ensures that risk is distributed among the lending partners rather than being underwritten by a single institution.

Conclusions

- The downturn in the property market represents an opportunity for local authorities to acquire land and property to facilitate regeneration.
- The LABV model is a progressive step to enhancing the levels of private sector investment into regeneration.
- Attracting investment in the current climate is likely to prove difficult. Section 106 agreements have already diminished significantly.
- Regeneration property is a long term investment option therefore investors should not be perturbed by the current uncertainty in the market.

Future Research

- Examination of Regeneration Investment Vehicles in the UK drawing comparison with international models such as TIFs.

- European models of best practice: Empowering local authorities to make strategic regeneration decisions.

- The retail sector along with house price growth have been fundamental to the performance and commercial viability of regeneration schemes.

- Structured lending for large scale commercial property development in the UK including regeneration schemes.

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