

February 2023

MORE HOMES AT THE HEART OF GREAT PLACES

Town Centre Living



SCOTTISH
FUTURES
TRUST

Architecture &
Design Scotland
Ailtearachd is Dealbhadh na h-Alba



SCOTTISH LAND COMMISSION
COMISEAN FEARAINN NA H-ALBA

1. Town Centre Living

Town Centre Living (TCL) is a key policy aspiration for the Scottish Government, local authorities and a wide range of other public, private and third sector bodies. It builds upon strong foundations of strategic place planning and supports key principles around inclusion, wellbeing and sustainability.

The development of housing that brings more people to live within our town centres can have a major role in creating strong and sustainable places, as well as supporting key policy aims around active travel, affordable and independent living, walkable neighbourhoods, the wellbeing economy, net zero, and the re-use of existing built assets.

TCL can underpin the resilience of many of Scotland's places, but it needs to be done in a way that delivers the right homes, in the right places, for the right reasons.

There has, however, been limited TCL activity across Scotland and some towns where there has been little, or even no, new town centre housing development for a very long time.

Over Summer and Autumn 2022, a Short Life Working Group formed to investigate the issues with, and opportunities for, the delivery of more town centre housing. This report presents a summary of the findings of the group. [See Appendix 1 for details of the group and the approach adopted].

Despite strong policy support, there are a wide range of issues and constraints that make TCL projects difficult to deliver. This report acknowledges that there are big barriers, but it also presents individual projects and local place-based programmes that are successfully delivering TCL projects.

The message is that it's complex but not impossible.

By harnessing the economic, demographic, wellbeing and net zero opportunities that TCL offers, we can deliver more homes at the heart of great places. As well as presenting the challenges and constraints, this report also presents some of the successes that places can learn from to support delivery of new TCL proposals and also to improve current proposals – *do more **and** do better*.

Figure 1: What People Bring



Housing brings people... and people bring:

Activity

*active places
feel safe
and secure*

Animation

*animated
places are
attractive*

Efficiency

*living locally
uses less
resource*

Spend

*fundamental
for businesses
to thrive*

Resilience

*busy services
will be
sustained*

2. Strategic Context for Town Centre Living

Policy Alignment

“We will put place at the heart of our work, investing in our town centres and making it easier for homes to be the heart of strong communities”

Housing to 2040, Scottish Government, March 2021

Town Centre Living is a key policy ambition for Scottish Government across place, housing, regeneration, planning and a wide range of other policy areas.

There is clear alignment and good strategic fit for more TCL developments to come forward. As shown in Figure 2 (adjacent), the national context supports the local agenda, with TCL almost invariably featuring in town/ city centre strategies and local place plans.

TCL is acknowledged as an important tool in delivering improved outcomes for communities: for the people who benefit from living in the houses, for the businesses who benefit from the residents’ spending power, and for the wider community, visitors and workers who enjoy a more active, vibrant and resilient town centre.

Despite this context, the findings from our review indicates that the delivery of TCL projects has been limited in volume, scope and scale, and many town centres remain relatively unpopulated.

To gain a better understanding of the demand for TCL, SFT commissioned analysis¹ that identified a range of ‘push’ and ‘pull’ factors that influence people’s views around housing choice. These factors combine and influence people’s perception about the attractiveness of a place, and their opinions of what it would be like to live in.

They include:

- proximity to places of work and study;
- the quality of the physical environment and access to green spaces;
- the range of services and facilities, including public transport choices;
- housing quality and choice, including cost, size, type and tenure; and
- negative issues – for example pollution, crime and perceptions of safety.

The most attractive towns – from a TCL perspective – are those that offer good physical environments and green spaces in safe and attractive places with good transport and other services, and a mix of housing choices.

“Local Development Plans should provide a proportion of their Local Housing Land Requirements in city and town centres and be proactive in identifying opportunities to support residential development”

Extract of Policy 27 of National Planning Framework 4

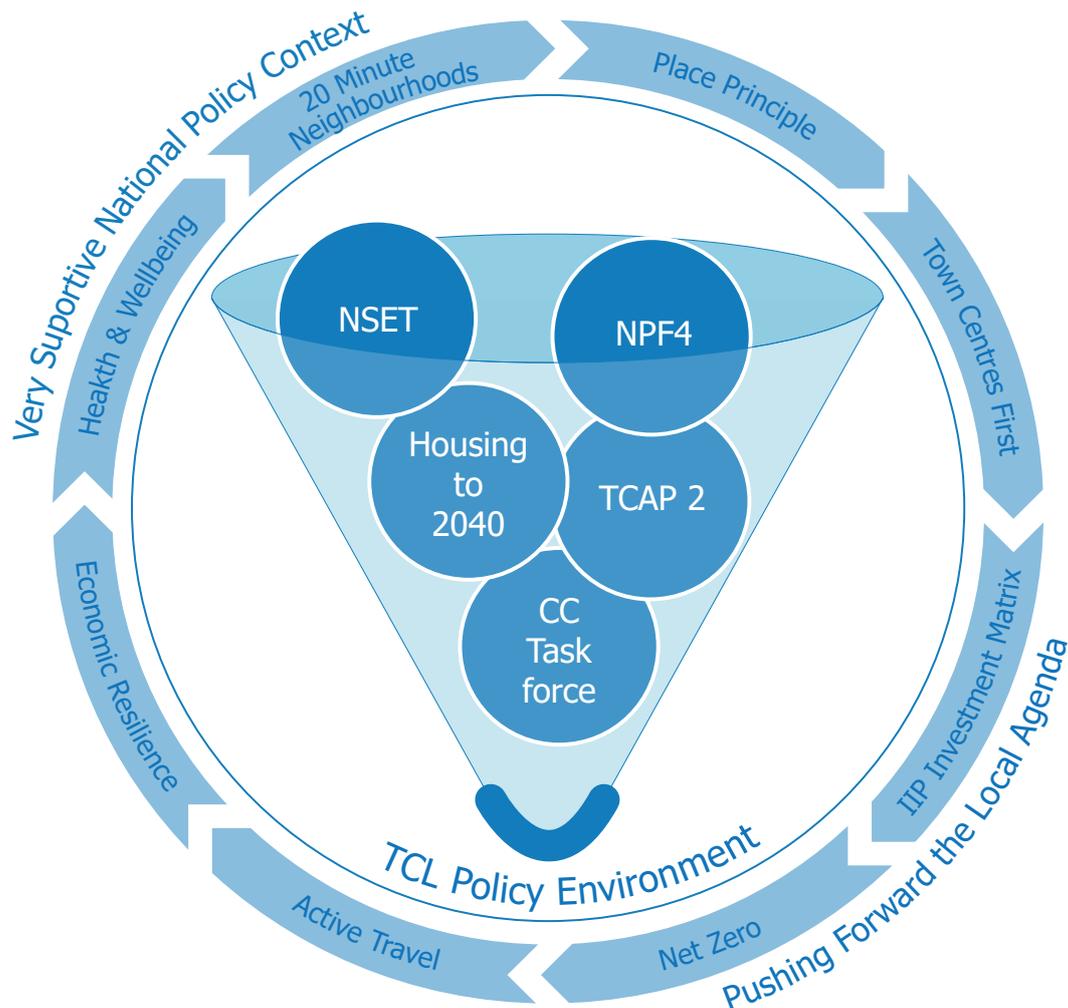


Figure 2: TCL Policy Environment

Policy 27 of NPF4

e) Development proposals for residential development within city/ town centres will be supported, including:

- i. New build residential development
- ii. The re-use of vacant buildings within city/ town centres where it can be demonstrated that the

existing use is no longer viable and the proposed change of use adds to viability and vitality of the area

- iii. The conversion, or re-use of vacant upper floors of properties within city/ town centres for residential.

3. Project Delivery

TCAP 2 - Actions for Town Centre Living

A: Putting the right policy framework in place

- 12. Ensure NPF4 supports local living through its strategy based on spatial principles.
- 13. Deliver more town centre living via Housing to 2040 through investment in demonstrators.

B: Ensuring the right kind of support

- 28. Encourage our stakeholders to adopt housing approaches across all tenures, including housing in town centres and support demonstration projects.
- 29. Work with local authorities to link the Place Based Investment Programme and capital investments in local infrastructure to Local Development Plans.

C: Providing a framework for investment

- 40. Establish a new fund for local authorities to bring empty homes and potential empty homes back into residential use and to convert suitable empty properties in neighbourhoods and town centres.
- 41. Continue to support partners through our Affordable Housing Supply Programme to deliver affordable housing in town centres where this has been identified as a strategic priority.

D: Working closely with partners

- 54. Work with SFT and others to support the expansion of town centre living and analyse barriers and opportunities. Explore the development of a pipeline of propositions.

Town Centre Action Plan Review - Joint response from Scottish Government and COSLA



April 2022



Scottish Government
Riaghaltas na h-Alba
gov.scot

Town Centre Action Plan - Joint Response from Scottish Govt and COSLA - April 2022

Town Centre Living in Numbers

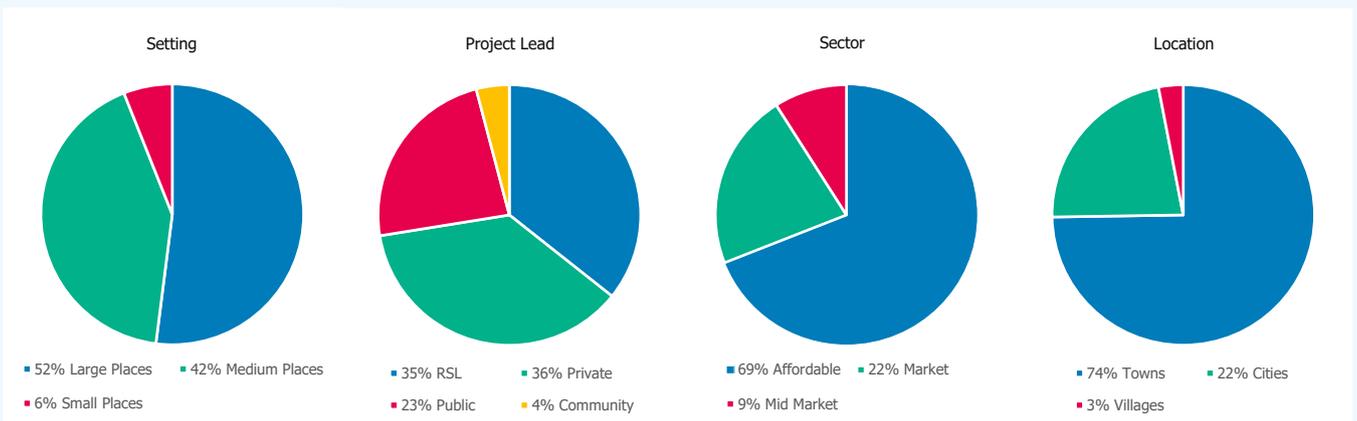
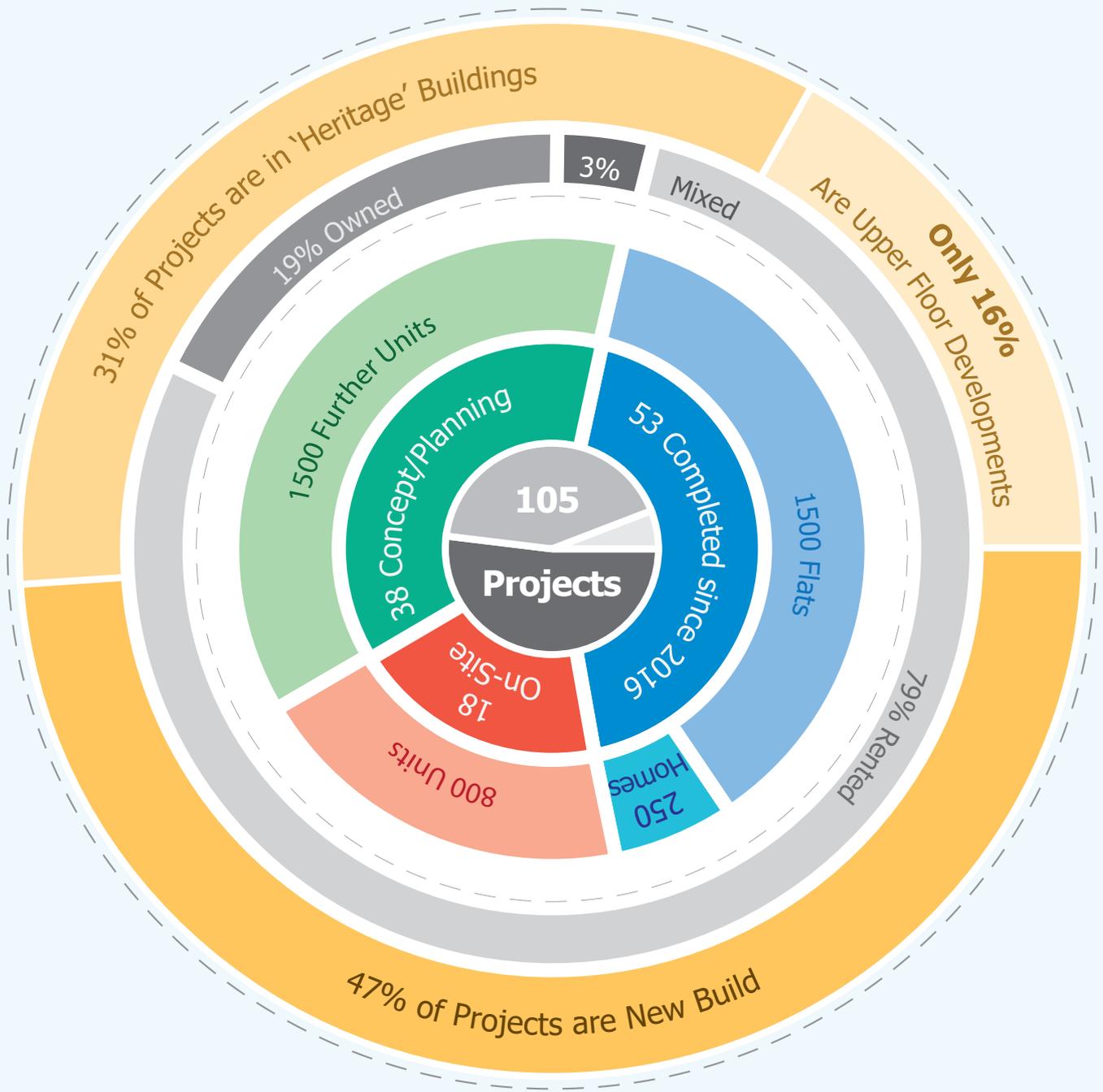
In reviewing TCL activity, a group of c. 100 projects were identified – these are recently completed (since 2016) or are at construction, planning and concept stages.

These projects were analysed to obtain details including the type, tenure and market sector, as well as the stage of project development, the lead project partner and the type of town.

This stage of the work was not intended to establish a composite database of all TCL project activity, but rather to understand the type(s) of project being delivered.

However, in compiling the list of TCL projects a fairly comprehensive trawl of activity was undertaken through review of publications and websites, existing knowledge, and data requests to local authorities and other lead organisations.

Figure 3: TCL Delivery & Output.



Project Barriers

Given the strong and supportive policy context for TCL, it is somewhat surprising that the project list is so short, with 105 projects in 50 places across 24 local authority areas. This level of activity should be set in the context of 479 settlements in Scotland with a resident population of over 1,000 people².

More detailed review and discussions were held with a series of completed projects and programmes to gain a better understanding of project rationales, together with the issues and constraints that delivery partners face.

This phase of the work was complemented by a series of interviews with Steering Group members, local authority planning and regeneration leads, private developers/ investors, and regional economic development bodies.

From these discussions, a series of barriers for project development and delivery were identified. As profiled in Figure 7 these are grouped into seven broad, and interconnected, themes – for each theme three or four specific issues were raised.

Details on each barrier is provided in Appendix 2.

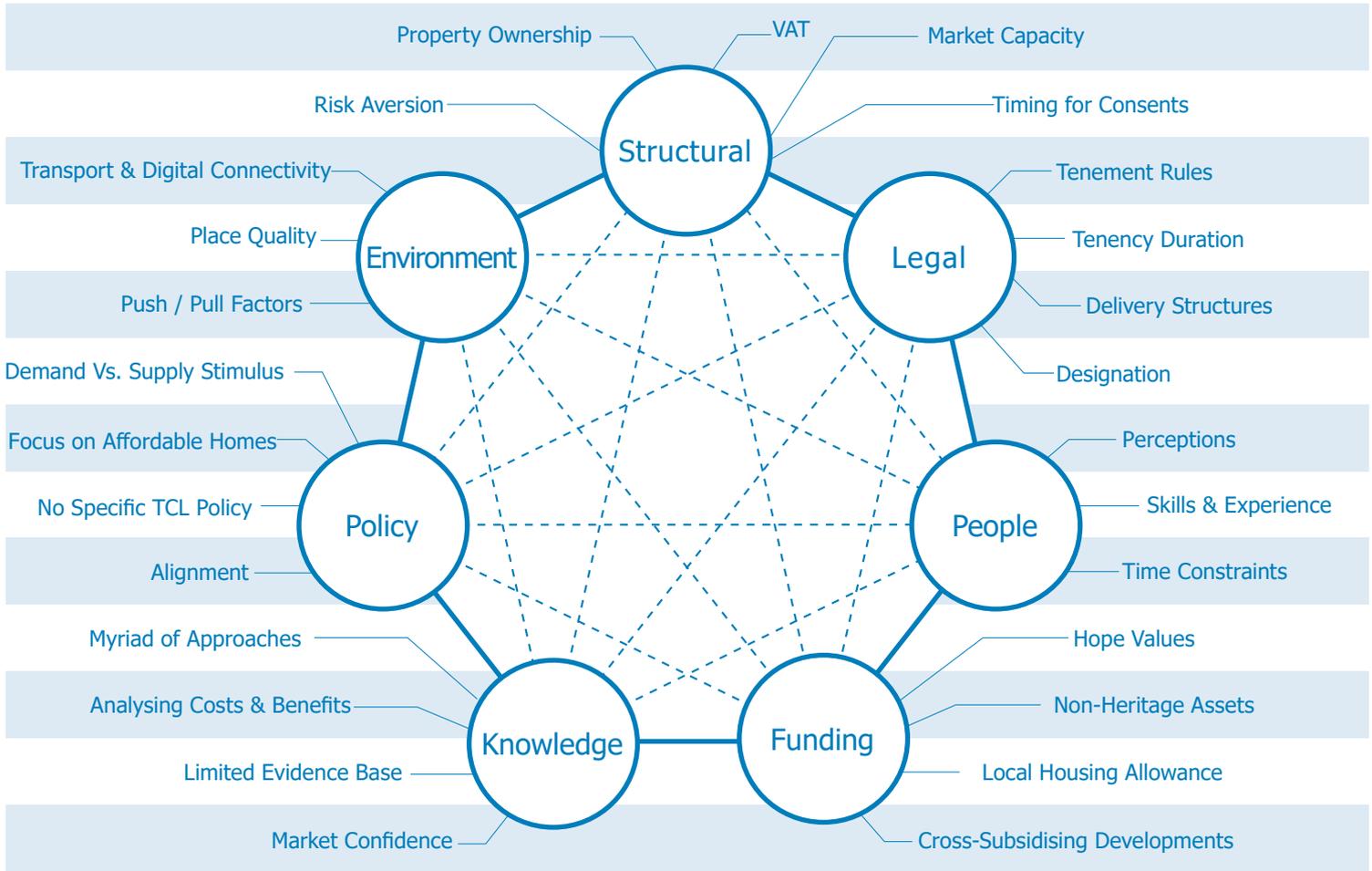
Within these connected barriers there is general consensus amongst those consulted that the major issues for TCL project development relate to:

- funding gaps
- lack of evidence of demand
- time for, and process of, obtaining consents

Whilst each town and project will have its own unique set of circumstances, addressing these three barriers could have a material impact on the attractiveness of TCL, specifically for private sector owners, investors and developers.

² Ref Understanding Scotland's Places
www.usp.scot

Figure 4: TCL Barriers & Constraints



Note: Details on each barrier is provided in Appendix 2.

4. Learning from Projects in Scotland

Town Centre Living Approaches

Despite the wide range of barriers, and the relatively small number of projects that were identified, there has been considerable innovation in the design and delivery of TCL across Scotland.

This section outlines a selection of programme approaches.

Regenerating Vacant and Low Standard Premises

Aberdeenshire Missing Shares Scheme

Aberdeenshire Council made use of this approach in supporting the regeneration of Fraserburgh town centre to bring vacant and below standard premises into residential use. Housing was a key element in a wider regeneration programme in the town centre delivered through a mix of investment, grant and resource input. Fraserburgh won the SURF 2021 Most Improved Place category award.

Grant Funding

North Ayrshire Repurposing Property Grant Fund

The Council has provided capital grant funding (up to £10,000 at Phase 1) for property owners to undertake feasibility analysis to examine options for the redevelopment of vacant and underused assets, including for TCL purposes.

Fife Council's Town Centre Building Improvement Grant

The Council has provided grant funding (90% of eligible costs up to £10,000) to owners to support small property improvements and reconfigurations including upper floor conversions to residential.

Specialist Support to Repurpose Assets

Falkirk Project Development Support

The Council used the Scottish Government's Town Centre Capital Fund to give private owners access to a specialist design team to support the redevelopment of under-used and vacant upper floors. Working alongside the Council's Development Services team, the aim is to develop viable residential and mixed-use project proposals that will reinvigorate the town centre.

“Access to the specialist design team has definitely given confidence to building owners who are pursuing investments that would otherwise not have come forward.”

Falkirk Council

Town Centre Living at the Heart of the Strategy

Inverness City Centre Living

Addressing the twin aims of regeneration and meeting housing need, TCL has been placed at the heart of the city centre strategy as a

“fundamental component of a successful, vibrant and mixed-use place, supporting the 24-hour economy and providing natural surveillance of our city streets”

Highland Council

Several project proposals have been completed in recent years across different locations, types and tenures, and a series of other projects are at development stage.

Empty Asset Initiatives

Perth & Kinross Empty Homes Initiative

The Council has had an annual budget of £200k for capital grants to bring empty homes up to the standard needed for affordable rent. Funding has frequently been used to support TCL developments across Perth and Kinross.

South of Scotland Community Housing Empty Homes Partnership

A new Project Co-Ordinator post was created in 2022 to identify opportunities to redevelop vacant industrial, commercial and retail premises for housing use. There has been considerable demand from towns across the South of Scotland.

Ensuring Long-term Asset Maintenance

Campbeltown CARS Owners Associations

As part of the condition to access Conservation Area Regeneration Scheme funding for property improvements, Argyll & Bute Council required owners to form Owners' Associations³ to ensure the long-term maintenance of enhanced assets. Alongside other regeneration efforts in the town centre, over 70 flats in numerous buildings have been improved/ re-occupied – Campbeltown won the SURF 2020 Most Improved Place category award.

“[The project] ... has delivered significant heritage led investment that has not just improved the fabric and appearance of the historic core of the Campbeltown Conservation Area but also enhanced the vibrancy of the town centre, and safeguarded the future of residential and commercial properties which had either fallen into dilapidation and disuse, or would have done so without intervention.”

Argyll & Bute Council



Campbeltown Main Street, before and after CARS

Town Centre Living Projects

Across Scotland there are many examples of successful projects that have broad applicability and an approach that could, at least in part, be replicated elsewhere. This section outlines some of the successful projects that have, or are being, delivered across Scotland.

Broomknoll Church Court, Airdrie

Redevelopment of a former church plus adjacent new build to create 30 new town centre flats for social rent. The Category C listed heritage building lay vacant for ten years before being taken on by Clyde Valley Housing Association, with support from Scottish Government and North Lanarkshire Council. Planning consent was granted in 2018 with work starting in 2020 and completing in 2022.



Image: Broomknoll Church Court, Airdrie. ©Clyde Valley Housing Association

Visions for Airdrie

Strategic development proposal for a town-centre wide project to repurpose surplus commercial office assets for TCL. The aim of this project (currently in development) is to deliver a substantial volume of mid-market homes to diversify the housing offer, sustain town centre activities and services, and support business resilience.

“The scale of the TCL project in Airdrie could deliver a major step-change improvement, helping to make the town centre more active, attractive and successful.”

North Lanarkshire Council



Image: Visions for Airdrie. Credit: North Lanarkshire Council ©Ironside Farrar Ltd

Dumfries Midsteeples Quarter

Redevelopment of a full town centre block to create a new mixed-use neighbourhood in existing and new buildings for residential (c. 60 flats), commercial and community spaces. The development is being led by a community benefit society with funding from a cocktail of public/private/philanthropic investments. With Phase 1 underway, the project will be delivered through a phased approach over the next 10 years.

“Right from the start we recognised the benefits of bringing housing back into our empty high street, not just the economic benefits from having potential customers living above the shops, but also the social benefits from creating a vibrant town centre community.”

Midsteeples Quarter



Images: Midsteeples Quarter. Credit: Scott Mackay, ARPL Architects and Dion Corbett (MSQ)

Alexandria Dementia Friendly Housing

Development of 22 new flats/ homes for social rent by West Dunbartonshire Council, designed to make independent living easier for elderly people with specific needs. The project, which has won and been shortlisted for several awards, was designed by leading architects and has created a modern high-quality development on a prominent town centre site.

“The site is immediately adjacent to the main shopping arcade and was deliberately chosen to allow easy walkable access for elderly tenants to the local services and public transport that the town centre offers.”

West Dunbartonshire Council



Image: Crevel Court housing. Architecture & Design Scotland

Abbey Quarter, Paisley

Masterplan-led redevelopment of a former retail department store through a public/private joint venture. The project will deliver c. 150 new build homes providing a mix of private for sale, mid-market rent, shared equity and social rented units over four phases, including wheelchair accessible homes. The development has preserved, reused and revitalised a prominent listed building, creating a thriving residential block at the heart of the town centre.

“Abbey Quarter has activated the town centre on a 24 hour basis and delivered urban living in a way that gives a clear threshold between public and private spaces.”

Renfrewshire Council



Images: Arnotts Department Store, Architecture & Design Scotland

The Old Police Station, Langholm

Redevelopment of a former Police Station building to create four flats for affordable rent in a heritage building. With strong community buy-in and support from the outset, the project was delivered by the Community Housing Trust. It has given an active use for a prominent building that had been lying vacant for 15 years. The project won the TCL category in the 2021 'Scotland Loves Local' Awards.

“The project brought an empty building in the centre of town back into productive use, increasing civic pride, supporting the emerging tourism industry in Langholm, and contributing to local sustainability.”

South of Scotland Community Housing Trust



Images: The Old Police Station. John Gilbert Architects / SOSCH - ©Tom Manley

Waverley Park, Shawlands Glasgow

Private sector commercial development of a new 34 unit apartment block with communal rooftop garden in the heart of the town centre. The high-quality modern flats were offered to the market at a fixed price for sale off-plan, and was immediately over-subscribed multiple times.

“The ‘overwhelming’ interest in the £10 million project was beyond all expectations, ... down to a number of factors, including a fixed price, high-end design features, and the prime location ...”

Kelvin Properties [Source: GlasgowWorld.com]



Images: Waverley Park, supplied by SFT

Primrose Street, Alloa

Redevelopment of a long-term vacant site to enable delivery of new TCL housing

designed for elderly tenants who want a better option for independent living. The town centre location was a key priority to maintain access for residents to services and public transport. With a range of other town centre regeneration projects delivered alongside the housing, Alloa won the SURF 2022 Improving Scotland's Places category award.

“As part of the strategic regeneration plan this development is expected to have a substantial and positive impact on the town centre and surrounding area. It was a key element of the wider improvements for the town centre, delivered through a partnership of Council, private business and third sector partner investment.”

Clackmannanshire Council



Image: Primrose Street site visit, Architecture & Design Scotland

Artizan Centre, Dumbarton

Acquisition and proposed redevelopment of an outdated shopping centre using Levelling Up grant funding to deliver new TCL opportunities as part of a mixed-use/ mixed-tenure development at the heart of the town centre in Dumbarton.

“We are committed to helping our town centres to thrive, and as part of our redevelopment of the Artizan Centre, we can boost footfall and encourage future investment in our area.”

West Dunbartonshire Council



Image: Artizan Centre Concept Sketch. Bell Associates, Architects/Designers

Wyvern House, Inverness

Redevelopment of a former retail unit

by Highland Council and Highland Housing Association in a prime central location, completed in 2021. The project replaced a single storey vacant and outdated retail unit with a high-quality new development comprising ground floor commercial units and 37 flats on upper floors.

“The Council is delighted to be a partner in this exciting project which brings much needed high-quality affordable homes to the city centre and will provide new retail opportunities helping to regenerate and support the city centre ...”

Highland Council



Image: View of Academy Street Inverness, Architecture & Design Scotland

5. Key Findings

Misbalanced Cost Benefit Analysis

In reviewing project proposals and speaking to project leads, one of the overarching messages regarding TCL projects is a recognition that the range of positive impacts and benefits of TCL are not acknowledged or incorporated into project appraisal, particularly not into the quantitative cost-benefit analysis that project funders typically require.

While some projects are financially viable in their own right, or can demonstrate sufficient economic benefit to enable public sector gap funding, TCL projects are typically more expensive, riskier and take longer to deliver than other housebuilding options. TCL projects also tend to be smaller in scale due to the nature of project conversions and infill site developments – it is therefore harder to achieve viability on a financial basis, limiting private sector interest.

TCL is therefore considered to be more difficult for both public and private sector developers to undertake compared to other development opportunities. However, TCL does help to create active and attractive places, and delivers substantial benefits that are not easily quantified and therefore not included in project appraisal cost-benefit analysis.

In a standard project appraisal, the analysis of costs takes account of acquisition, development (construction, fees, insurance, etc) and makes an allowance for risk and time. Other costs, including those that might create long-term negative effects are not included in the analysis. For instance, the cost of addressing the health impacts associated with air pollution for developments in places that will rely on the increased use of private cars.

The analysis of benefits, in a standard project appraisal, will take account of the financial returns (rent and disposal income) together with the economic benefits associated with employment and residential spend.

Other benefits, including those that deliver wellbeing and improved placemaking effects, are not captured in the development appraisal. With less reliance on private car transport in TCL projects these wider benefits might include better physical and mental health for residents due to increased levels of walking.

Affordable Housing Vs Affordable Living

The standard approach to project appraisal creates a misbalanced picture of the costs and benefits of projects. This will disadvantage TCL proposals which are likely to have substantially positive long-term effects on town centres, and create positive benefits for the people that live, work and enjoy them.

TCL projects are really about the wider outcomes they achieve. The Scottish Government's plans for Community Wealth Building legislation creates an opportunity to review how project appraisals are undertaken and specifically what, and how, costs and benefits are incorporated.

Developing a broader approach to TCL project appraisal could demonstrate the practical application of a Community Wealth Building approach to place development.

The other overarching message arising from the analysis and project discussions is the failure to acknowledge the difference between affordable housing and affordable living – the latter taking account of the quick, easy and free access to a wide range of facilities, services and activities that are typically located in a town centre.

The focus of Scottish Government policy has been on delivering affordable housing, with rent and purchase price being the sole determinant. The location of the house has no bearing on its affordability, even when it is located in a place that has limited and relatively expensive public transport connections, and a limited activity and service offering.

There is an opportunity to expand the definition of affordability to include the wider costs that people incur in their day-to-day lives, e.g. travel time and cost to access employment, education, activities and services.

This broader approach to affordable living could also be aligned with the Community Wealth Building agenda, i.e. understanding and acknowledging the benefits that are generated from TCL as an approach to affordable living.

Constraints & Opportunities

As outlined at Section 3, there are a wide range of interconnected barriers that constrain TCL project development – there are therefore no easy answers or approaches.

There are, however, projects and programmes that are successfully delivering TCL across Scotland, as profiled in Section 4.

Drawing together the analysis of projects, discussions and conversations, a series of overarching constraints and opportunities are presented over the following pages.

Policy

Despite the policy priority for TCL, the number of projects completed or at construction/ planning/ concept stage is very limited. Even if the c. 50 completed TCL projects included in the analysis is multiplied five, ten or twenty-fold, it would still only form a very tiny proportion of total housing completions over the past five years.

The challenge of meeting rising building standards in existing properties makes it ever more difficult to deliver TCL. While the policy environment is very supportive of TCL, the requirements for new homes to achieve digital, carbon, quality and other standards is a major barrier to the repurposing of vacant and under-used spaces for housing.

Knowledge

There is very little housing stock in most town centres, and within this stock there has been very little churn (or turnover) over the past five years. There is therefore a limited evidence base against which developers (public and private) can understand the type and extent of demand from occupiers, affecting their confidence for delivery of new TCL.

No data is available to identify the extent of vacant floorspace (ground and upper levels) and therefore the scale of TCL opportunity at an individual town level. It is therefore impossible to estimate the scale of opportunity/ problem that exists at the national level and the contribution that re-occupation of empty buildings could have in meeting a national housing shortfall.

Housing Choice

The type and range of TCL projects is narrow, typically new build affordable flats for rent by Councils or Housing Associations. There is limited private sector activity, limited housing choice (especially family housing) and limited market value housing for rent or sale.

The limited choice of new housing being delivered in our town centres (by type and tenure) will only draw interest from a small range of occupiers. Failure to attract a broad mix of residents could have potential implications for the long-term economic resilience of towns and city centres, and is a missed opportunity to meet a perceived demand for broader housing choice in town centres.

There are particular challenges around the provision of family homes in town centres and therefore the ability to retain younger people as they move through different lifecycle stages and seek out different housing options.

Development Activity

Redevelopment of full blocks of town centre premises is limited (e.g. Midsteeples Quarter in Dumfries and Abbey Quarter in Paisley) due to the complexity, cost and resource implications. This type of development does, however, have a large visual impact and substantial opportunity for major transformative effects in supporting the resilience of our town centres.

While housing in upper floors above retail/commercial units has the potential to (relatively) quickly deliver new housing through re-use of existing vacant space, only a few project examples were found.

Living over the shops (LOTS) is prevalent in cities, and in some towns, but appears to be difficult to deliver in those places where it does not already exist. This may be due to concerns around access (DDA compliance), insurance and mortgage lending.

The issue of scale and impact is important. There is an opportunity for the public sector to take a lead role in some large-scale projects to re-establish TCL, build an evidence base on demand and values, and give confidence to the private sector for future investment. Individual projects would help to build a strong evidence base for the specific town itself, but could also help to catalyse TCL project investment elsewhere.

The amount of vacant office floorspace in our town centres is likely to increase substantially in the very near future as a result of changes in working patterns brought on through the Covid 19 'work from home' arrangements.

Public sector bodies are actively looking to consolidate and co-locate, and private sector businesses are exploring opportunities for best value use of their spaces.

This could substantially increase the supply of vacant premises and creates an opportunity to repurpose for TCL at scale.

Investment and Funding

Private sector led TCL development (and investment) has largely been limited to cities and the larger/ more affluent towns. Where TCL projects have been delivered, no matter the location, they have been successful and anecdotal feedback reports that they can have a positive catalytic effect in attracting further development interest.

Heritage funding (e.g. Conservation Area Regeneration Scheme) has been a major driver for TCL with around one-third of all TCL projects located in heritage buildings, and the vast majority of these have secured substantial grant funding. While these are important projects/ buildings in a placemaking context they are limited in scope and scale, and will not deliver the volume of TCL needed to meet the perceived need and demand.

There is a need to find ways for the public sector to create the conditions for TCL and attract greater private sector investment and development activity. As outlined earlier, this could include a shift in focus for project appraisal to include consideration of affordable living and the wider benefits for people and place, based around a Community Wealth Building approach to TCL.

Asset Ownership

The nature of asset ownership can make it difficult for developers to acquire property for development – town centre units are often held by individual owners who may have a high value expectation and/ or who have limited knowledge of how to re-purpose.

As part of its Town Centre Living Initiative⁴, the Government of Ireland identified ownership as one of the main barriers to the re-use of vacant town centre spaces – the report identifies the need to support owners through the redevelopment process.

The approach adopted in Falkirk (i.e. specialists project development support for owners) might be an option that other places could adopt.

4 The Town Centre Living Initiative, Six Pilot Towns Synthesis Report, May 2020, Department of Rural and Community Development, Irish Government

Learning from Others

There has been a high level of innovation by public, private and community sector organisations in designing projects that address specific local issues. There is considerable interest in learning about the different types of approaches, understanding the potential to replicate successful practice and building a national picture of TCL activity.

Cities have successfully delivered build-to-rent schemes and multi-occupancy housing for specific purposes – for students, older people and those with special housing needs. With the exception of housing for older people, no examples of this type of multi-occupancy housing were found in a town or village setting.

There is an opportunity to share successful project examples – a small sample of projects/ programmes are outlined at Section 4 – and transfer the knowledge and learning to improve those projects that are already in-hand and to encourage the development of new project activity.

6. Recommendations

Next Steps

The TCL Working Group had a short lifespan and, while an evidence-based approach was adopted to ensure robust outcomes, it is recognised that the findings as presented in this report are only a starting point.

It is therefore recommended that the work of the group continues, but that the membership, focus and terms should be reviewed to ensure maximum efficacy.

In moving forward, the work of the group could be split into three broad categories of activity...

1. Immediate action – tackle the issues that can quickly and easily be addressed:

1a. Disseminate the findings of the work to date and the examples of successful project/ programme activity and outcomes.

1b. Gather further evidence on successful approaches that have been used in Scotland and across the rest of the UK, Ireland and beyond.

1c. Support project officers (from public and private sectors) to take a collaborative whole place approach to the development and delivery of TCL to help build skills and expertise, and develop an evidence base for TCL.

1d. Explore the extent of vacant and under-used spaces in town centres, particularly in upper floors, to establish the potential scale of opportunity to repurpose for TCL.

2. Medium-term action – continue to investigate the issues that require a more detailed understanding in order to find an appropriate resolution:

2a. Establish an evidence base on the demand for TCL and consider options to stimulate supply – there may be a need for additional policy and guidance, a need for bespoke funding support, and/ or a need for new investment models to achieve a step-change in TCL delivery.

2b. Identify where and how policy conflicts are creating difficulties in project design and delivery e.g. DDA requirements for upper floor redevelopment, and the trade-off between short- and long-term costs associated with net zero/ carbon neutral design.

2c. Work with public sector bodies to explore how vacant and under-used buildings could be repurposed for TCL, making use of the asset value to attract private investment.

2d. Consider ways in which planning and other consenting timescales can be reduced – this could be linked to Compulsory Purchase Order reform proposals, Simplified Planning Zones, and the introduction of Masterplan Consent Areas.

3. Longer-term action – instigate efforts to positively influence those issues that require a long-term approach to change:

3a. Discussions with UK Government on the discrepancy of the VAT status for new build versus refurbishment – this could be part of a wider discussion on property development, or limited to TCL/ housing and other priority policy areas.

3b. Work with partner organisations to identify approaches and support efforts to increase the skills and capacity of the local SME contractor base to undertake future TCL developments.

3c. Investigate a broader approach to the appraisal of housing development projects to establish a method that encompasses the full range of costs and benefits – the focus should be on affordable living as part of a Community Wealth Building approach to TCL.

Harnessing Opportunities

We need to clarify the evidence gaps and establish an approach that aligns policy to build a more effective approach. There are a series of opportunities that TCL could deliver – including but not limited to:

- the repopulation agenda for small, rural and island towns;
- supporting good placemaking through animation, activation, and perceptions of safety;
- supporting the community wealth building agenda to embed flows of wealth and investment in communities;
- repurposing distressed commercial assets that are vacant or under-used; and
- delivering health and wellbeing benefits through active travel and enhanced satisfaction.

The Short Life Working Group acknowledge that the preparation and dissemination of this report is a key step in amplifying the findings of the TCL review, but that further work is needed.

By adopting an agenda that delivers TCL at volume, Scotland would continue to cement its global position as leading the town centre agenda.

There is an opportunity for this to be achieved through an approach that delivers large-scale private sector investment through a focused effort on the re-purposing of buildings and sites that are currently a blight on our town centres.

By harnessing the economic, demographic, wellbeing and net zero opportunities that TCL offers, we can deliver more homes in accessible places at the heart of our great communities.

Appendix 1: SLWG Approach

The Short Life Working Group

Over Summer and Autumn 2022, a Short Life Working Group (SLWG) formed to investigate the issues with, and opportunities for, the delivery of more town centre housing.

The SLWG, which met four times, included representatives from the following organisations:

- **Scottish Futures Trust**
- **Scottish Government More Homes**
- **Scottish Government Regeneration**
- **Scottish Land Commission**
- **Architecture & Design Scotland**
- **Scotland's Towns Partnership**
- **Improvement Service**

The approach brought together the collective experience of people from across these organisations to guide the work.

The participation and input from everyone involved was instrumental in capturing and gaining a broad understanding of the issues, and potential solutions, for the successful delivery of new town centre living projects.

The SLWG adopted an evidence-based approach with analysis of project activity, review of policy, discussion with stakeholders, commissioning of demand analysis, and overview by SLWG members.

SCOTTISH FUTURES TRUST



Scottish Government
Riaghaltas na h-Alba
gov.scot



SCOTTISH LAND COMMISSION
COIMISEAN FEARAINN NA H-ALBA

Architecture & Design Scotland

Ailtearachd is Dealbhadh na h-Alba



is.
improvement **service**

In designing the programme of work, the SLWG agreed a series of core questions:

How can we increase TCL across Scotland?

- What options do we have for intervention?
- How are non-financial benefits included in appraisal?
- What type of development is attractive to people/ to investors?

What are the blockages in delivering TCL?

- Are blockages different for public and private sector organisations?
- Do blockages relate to policy, legislation, demand, confidence, funding, others?

What type of place is attractive for TCL?

- From an investor / developer perspective?
- From a resident perspective?
- From an economic, business and place point of view?

What can we learn from city centres, and what could we apply from this work?

- Built-to-rent project activity
 - Student apartment/ shared living projects
-

Appendix 2: Barriers & Constraints

(Fig. 4 in Report), p.9

Structural

Risk Aversion – the preference of developers and investors to deliver tried and tested housing developments which have clear and known outcomes rather than risk new activities and approaches. For property owners if there is no requirement to use the upper floors for the business and no (or low) cost of leaving the premises vacant, the risk of repurposing means that it often makes better business sense not to develop for an alternative use.

Property Ownership – in many town centres, property assets are held in numerous individual ownerships meaning that projects designed to re-purpose for TCL either deliver small one-off units; alternatively developers need to invest resource (money, time and risk) to consolidate ownership to create a larger block. In some, typically larger, towns many built assets are held by a small number of owners who are often in international and offshore locations creating 'absentee landlord' barriers.

Market Capacity – there is a lack of SME developers and contractors to meet demand for development activity in general and therefore insufficient capacity to undertake TCL in particular, which is often more complex and risky than other projects.

VAT – the ability to reclaim VAT for new build development sits in contrast to the inability to reclaim VAT for works on existing buildings. This disadvantages the redevelopment of existing town centre (and other) premises and is a further

barrier for the re-purposing of premises for TCL.

Timing for Consents – the length of time it takes to secure planning, building warrant and other consents is seen as a barrier to development in general. Given the other constraints, and often the need to secure consent to re-purpose premises for a different use class, TCL becomes even less attractive to developers and investors.

Legal

Tenement Rules – the law that regulates the shared cost of building maintenance and repair in Scotland is not well understood by property owners, leading to instances where premises fall into a poor condition and are unattractive to occupiers and investors.

Tenancy Duration – ground floor businesses like to have control over the whole property to ensure the safety and security of their commercial premises. The 25 year maximum leasehold limit in Scotland can inhibit the redevelopment of whole vertical blocks for mixed use that includes homes for rent.

Delivery Structures – for large and complex TLC developments, project partners have typically set up new delivery vehicles, often JV partnerships with public, private and community stakeholders which are complex legal entities.

Designation – most upstairs property (unless separately owned) is legally designated as part of the retail unit. Local Authority Empty Homes Officers typically look at residential to the

exclusion of other asset types and are therefore not focused on opportunities to repurpose other assets. The repurposing of vacant commercial spaces could make a substantial contribution to housing supply in many towns.

People

Perceptions – there is a general perception that only a specific type of person would want to live in a town centre, typically young people without families. This impacts on people's views of the demand for, and therefore viability of, TCL developments and has constrained the supply of large, high quality and family housing in our town centres. This is in contrast to the wide range of housing choice and household make-up that is prevalent in many European towns and cities.

Skills and Experience – with limited TCL projects completed across Scotland in recent years there is a general lack of understanding on demand and on the complex issues and constraints, it is therefore unsurprising that many projects get delayed or even stopped.

Time Constraints – project officers, particularly in local authorities and housing associations, are often under considerable time (and budget) constraints. TCL developments typically require much greater levels of advice, guidance and support to reach a positive outcome.

Funding

Non-Heritage Assets – unlike heritage funding schemes, most regeneration-based grant funds do not accept residential as an eligible use. Of the 105 projects that were reviewed, one-third were delivered in heritage buildings. While this is an important source of funding, the primary rationale is to preserve and re-use the building for whatever purpose makes best sense, and is an expensive way to deliver a small volume of TCL.

Local Housing Allowance – the LHA is the common benchmark for mid-market rental levels and is based on Broad Rental Market Area (BRMA) private rents. There are only 18 BRMAs across Scotland (including a single area for the whole of the Highlands & Islands) which is too aggregated to provide meaningful insight into housing markets at an individual town level. This can adversely impact on perceptions of demand and levels of grant, particularly in a town or for a development that is atypical of the average characteristics of the BRMA.

Hope Values – property owners in town centres can have an unrealistic expectation of the value of their asset and will therefore decline offers at current market values. This might be based on acquisitions and/ or book valuations from previous buoyant market periods, or can be based on the expectation of increased value that could be obtained through planning permission for redevelopment.

Cross-Subsidising Developments – TCL projects typically require grant funding, particularly for the conversion and re-use of upper floors. Cross-subsidising developments (including through the asset value) is a good opportunity to help meet this funding gap, but can be difficult to achieve in public sector bodies where budgets are siloed at service or department level, and are further complicated when the asset needs to be transferred between public sector bodies or from public to private sector.

Knowledge

Limited Evidence Base – in most town centres the number of residential units for sale or rent is very small, and within this stock base there is a low level of occupier turnover. There is therefore a very limited evidence base against which investors and developers can appraise development opportunities.

Market Confidence – the limited evidence base available for TCL affects the level of confidence that developers and investors have in the viability of project proposals. Developers have choices on where they invest their resources (time and money) with a preference for projects with a strong track record of delivering positive outcomes.

Analysing Costs and Benefits – the typical approach to appraising property development projects is insufficient to take account of the full costs and benefits that arise. This creates a mis-balanced picture where costs are almost always higher than benefits, particularly in TCL projects which are likely to have a substantially positive long-term effect on town centres.

Myriad of Approaches – project officers have developed a wide range of innovative project and programme approaches, often without the knowledge of what is happening elsewhere. There is an opportunity to share knowledge across Scotland, and further afield, of what other projects have done, avoid duplication of effort in developing new bespoke approaches, and remove risks of making mistakes that have already been made elsewhere.

Policy

Focus on Affordable Homes – the policy focus on affordable homes is understandably a key priority for Scottish Government, but it does have two unintended consequences for TCL:

1. it appears to have constrained the type of development that has been delivered with over two-thirds of TCL projects delivering houses in the affordable market sector;
2. there is no consideration of the other costs associated with the location of the house, with a TC setting delivering a much broader affordable living outcome for people.

No Specific TCL Policy – while there is a broad and very supportive policy base for TCL (including the strengthened position in NPF4), there is no specific policy that consolidates the aims and aspirations of Scottish and Local Governments. There may be an opportunity to substantially raise the profile of TCL through development of focused guidance.

Alignment – while individual policy is supportive of TCL, tensions can arise at project and/ or place level as a result of competing priorities e.g. the re-purposing of vacant commercial premises through redevelopment for TCL would be a priority within the Infrastructure Investment Plan, but at the local level requirements for parking or at the national level for all-ability access or energy efficiency, may constrain developments.

Demand vs. Supply Stimulus – recent housing interventions (e.g. grants for first time buyers) have focused on support for purchasers, thereby increasing demand for housing rather than on stimulating the total supply of housing.

Environment

Push/ Pull Factors – the quality of many town centres is poor and does not deliver the amenity or accessibility that people are looking for when choosing where to live.

Place Quality – the quality of place maintenance, especially in towns with an active night time economy, can be poor and is seen as a downside of TCL.

Transport and Digital Connectivity – the extent of transport and digital connectivity is variable across towns, but is seen as pre-requisite condition for people who have a choice on where to live.

