Making places

The role of regeneration in levelling up

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We are a charity that works with local authorities, business and Whitehall to develop and implement policy that supports the performance of urban economies. We do this through impartial research and knowledge exchange.

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Foreword

Everyone in the UK should have the same chance to thrive. No matter where they are, people should be able to find work that allows them to flourish, live in a good home, and benefit from a healthy environment and vibrant community. To give everyone those opportunities, the country urgently needs to tackle the inequalities that exist within and between the different regions.

To this end, Aviva welcomes the government's recent commitment to transformative regeneration projects as part of their levelling up white paper. Our cities are the engine room of our nation's growth and helping them fire on all cylinders would go a long way to creating both a fairer nation and a more resilient economy.

As a major UK institutional investor, companies like Aviva can play a big role in helping such regeneration succeed. By developing high quality projects tailored to the specific needs of the area, we can contribute to a healthier, more prosperous society. We can accelerate the transition to a low-carbon, sustainable economy. And the investment can lead to long-term, reliable returns that in turn support the retirement income of UK pensioners.

This is easy to say. But the reality is that these regeneration projects are extremely complex. Success depends on innovative thinking and the private and public sectors working together to apply creative approaches to complicated, long-standing problems. It depends on the right mix of capabilities and experience. And it relies on long-term partners with a long-standing relationship with and interest in their communities.

It is also crucial to have the right policy framework. I'd like to thank the Centre for Cities for the important research they have done in creating this report. It offers valuable insight into how to create the right conditions for success.

I'd urge anyone with an interest in this important agenda to consider its recommendations, so that we have the best chance of building a better tomorrow for our communities and our country.

Amanda Blanc

Group CEO, Aviva

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Executive summary

The recent change in prime minister has brought with it a much greater emphasis on the need for economic growth and a desire to show the delivery of policies to achieve this. The regeneration of our city centres provides just this opportunity.

There is considerable headroom for UK city centres to grow. Successful city centres are the most productive parts of the UK economy and have seen an increasing number of high-skilled jobs locating in them in recent decades. But most are either underperforming or are just not as large as they need to be to bring prosperity to their wider areas.

This research sets out what the national government should do to lever in many billions of private sector investment into city centres to kickstart growth. It builds off one of the most eye-catching policies in February's Levelling Up White Paper, the announcement of 20 regeneration areas to do "King's Cross style" redevelopment projects elsewhere in the country. This policy should be applauded for being selective in its approach and concentrating resources to fix specific problems in specific urban areas, rather than trying to "jam-spread" resources across the entire country. In its attempts to 'go for growth' the new Government should persist with it.

King's Cross itself is a commercially-led, mixed use scheme that has brought formerly underutilised land back into highly productive use. As with all good regeneration projects, it has been able to change the mix of economic activity on the site, offering something different to businesses than was previously the case. It is because of this that it has been referred to by government as a model it would like to replicate elsewhere. This research looks at what lessons can be learnt from King's Cross and how applicable they are in other parts of the country.

A key lesson is that in many places that need growth, the leveraging in of private sector investment will not happen without considerable public sector investment to spur it. Even in King's Cross, a site that sits on the fringe of one of the most successful central business districts in the world, public sector investment was required to unlock large private sector investment.

The balance of public and private sector investment will vary across city centres depending on levels of demand for commercial and residential space within them. In places like Bristol city centre where demand from business to locate there is high, the risk attached to any redevelopment is likely to be relatively low (as was the case in King's Cross). But in places with weaker demand for space, like the centre of Nottingham, there will need to be a much greater amount of upfront investment from the public sector, and the balance of public sector investment to private sector investment will need to be higher.

Despite the differences in demand there is much to learn from the King's Cross redevelopment for other parts of the country. Lessons include:

- The pulling together of land under the ownership of one main body, which helps to deal with a number of barriers to investment.
- The long-term approach to investment, to provide enough time for investments to earn a return.
- The master planning and associated focus on placemaking (which received a great deal of thought and attention in King's Cross) to curate and coordinate activity.
- The relocation of public sector activities to act as a catalyst for private sector occupancy.

Any regeneration project that has the intention to change the mix of businesses in its area will need to be guided by these lessons. Given this, in order to deliver on its commitment to deliver 'King's Cross style' regeneration projects across the country, national government should do the following in conjunction with local policymakers:

- Set **making city centres more attractive places to do business** as the central goal of the policy. This will require a particular focus on new office and commercial space – schemes should not be dominated by housing development.
- **Invest public funds to leverage in private investment.** Centre for Cities estimates that in order to leverage in up to £50 billion of private funding, **up to £12 billion of public funds** will be needed. As part of this it should consider creating a **co-investment fund**, which would offer the schemes up as a **portfolio for investment** in order to leverage institutional developers and help further spread risk across the projects.
- Complement this public sector investment with a mix of **other tools that can remove risk** from an investment, such as using public sector tenants as first movers onto a site and providing guarantees

on occupancy. Within this it should coordinate other policies such as government relocations with this policy.

- **Support places to introduce existing planning tools** such as Local Development Orders, Mayoral Development Corporations, and Simplified Planning Zones to increase certainty and flexibility, as well as the forthcoming National Development Management Policies contained within the Levelling Up Bill to encourage take-up of these tools among local planning authorities. Locally-led development corporations and improving the compulsory purchase order process could help even further.
- Get moving on implementing this policy, and **commit to a long-term approach** which will survive economic downturns, as regeneration schemes can take many years to come to fruition.

02

Introduction

In amongst the many announcements made within February's Levelling Up White Paper was that there will be 20 "new transformative regeneration projects" to deliver King's Cross style redevelopments in the places selected.[1] However, there has since been very little detail about what these regeneration zones will actually do.

The Government has announced some of the places where the zones will be located. Sheffield and Wolverhampton were included alongside the policy announcement, and Blackpool has since been added. Homes England will lead on the regeneration of the built environment. Yet what exactly the Government will do in each location and how much money will be assigned to them is still to be revealed.

This specific policy is potentially a very important part of the wider process of the levelling up agenda's ambitions to help turn struggling places around. The 20 regeneration projects present the opportunity to do something targeted at sufficient scale to address these barriers and provide a catalyst for economic growth of an area.

The sites that are candidates for intervention struggle for a number of reasons, all of which must be addressed if a scheme is to be a success. This will need to be done in a comprehensive and integrated way.

The purpose of this research is to help the Government fill in the detail, setting out what it is the projects should do and in what type of locations it should do them. Section 3 sets out a framework for assessing regeneration projects and in what parts of the country the Government should focus its 20 zones. Section 4 looks in detail at the Government's example of King's Cross, exploring what it was that made the scheme a success and what this means for other parts of the

1 Department for Levelling Up, Housing and Communities (2022) 20 town and city centres in England transformed through ambitious regeneration projects https://www.gov.uk/government/news/20-town-and-city-centres-in-england-transformed-through-ambitious-regeneration-projects

country. Section 5 uses additional case studies to illustrate how the approach by the public sector will need to vary if the schemes are to be a success in other parts of the country. Finally, Section 6 gives policy recommendations to make the schemes a success.

03

What the regeneration areas should be trying to achieve

This section sets out what the broad goals of the regeneration part of the levelling up agenda should look like.

The 'what', the 'where', and the 'how' for regeneration is presented in three parts:

1. What regeneration should be trying to achieve.
2. Where it should target to best achieve those aims.
3. How to deliver regeneration – overcoming market and policy failures, mitigating risk, and attracting investment.

Successful economic regeneration should change the offer a place makes to businesses

Places have weak economies because they struggle to attract or retain high-skilled businesses and workers in sufficient numbers. This results in low productivity, low wages, and poor career progression.

The goal of a regeneration scheme should be to change the nature of an area, so that it offers something different to what it has done in the past. From an economy perspective – which should be the principal aim of the levelling up regeneration policy, given the stated aims in February's White Paper – this means creating environments that attract more productive types of business and higher-skilled jobs. The success of the policy should principally be measured on this and while this measure of success will differ across locations, depending on what is viable, the principal aim should remain the same.

There are other, non-economic benefits regeneration can bring that are not necessarily mutually exclusive to economic improvements, and can add to it when carefully considered, such as improving the feel of a place through good design. However, given that the root cause of the struggles of many parts of the country is their underperforming economies, the focus should be on economic outcomes, supported by these other goals.

The Government's regeneration zones should focus on city centres

To do this, they should aim to **improve the attractiveness of city centres to business investment**. City centres should be the most productive parts of the UK economy because of the inherent benefits that city centres offer as a business location – access to workers and to knowledge are two main qualities that high productivity businesses look for, despite the costs of doing so.

Access to knowledge is particularly important for city centres. Specifically, it is the benefit of face-to-face interaction that dense city centre environments facilitate, as this aids the sharing of tacit information and the generation of new ideas and innovations.[2] This takes place over a very small geography – various research estimates that they play out over distances less than one mile.[3]

This explains why there is a productivity premium for the centre of London, which is 18 per cent more productive than the rest of the capital and 59 per cent more productive than the rest of the country. This also appears to be the case in several other large city centres.[4] It helps explain why the UK's most productive companies have concentrated in city centres in recent decades.[5]

The problem is that despite city centres generally becoming more popular business locations in recent decades, many have still struggled because they are not offering the benefits to business that they should be. Outside of the Greater South East in particular, this has meant that cities overall, and the wider regions they sit within, have struggled to attract such businesses. So, for example, if Middlesbrough or Sheffield are to create much stronger city centre economies, they will need to improve their attractiveness to more productive services businesses in particular. Box 1 sets out how this relates to the six 'capitals' identified in the Levelling Up White Paper.

2 Moretti E (2021), The Effect of High-Tech Clusters on the Productivity of Top Inventors, NBER working paper 26270

3 See for example Arzaghi M & Henderson J (2008) Networking Off Madison Avenue, Review of Economic Studies (October 2008), pp. 1011-1038; Rosenthal S & Strange W (2003) Geography, Industrial Organization, and Agglomeration, Review of Economics and Statistics (May 2003), pp. 377-393; Ramme C, Kinne J and Blind K (2016): Microgeography of innovation in the city: Location patterns of innovative firms in Berlin, ZEW Discussion Papers, No. 16-080, Zentrum fur Europaische Wirtschaftsforschung (ZEW), Manheim

4 Swinney P (2021) What does agglomeration mean in British cities? https://www.centreforcities.org/blog/what-does-agglomeration-mean-in-british-cities/

5 Serwicka I and Swinney P (2016), Trading Places – Why firms locate where they do, Centre for Cities; Clayton N (2017), Trading Places 2 – The role of cities in delivering the industrial strategy

Box 1: City centres and the six 'capitals'

The Levelling Up White Paper set out the six 'capitals' that it identified as being important for the overall economy. These capitals are physical capital, human capital, intangible capital, financial capital, social capital, and institutional capital.[6] City centres bring at least the first four of these capitals together at scale, mixing physical capital together with skills and finance to come up with intangible capital – new ideas and information that push on the profitability of companies and the productivity of economies. Central London is an example of a city centre that does this well. Middlesbrough and Sheffield city centres are two of many in the UK that don't do this as well as they should.[7]

Getting regeneration off the ground

Public intervention should aim to overcome the market and policy failures that restrict regeneration

The private sector will lead the redevelopment of an area where they can retain the returns from such an investment (i.e., the scheme is commercially viable). If these returns are not available, then it is for one of two reasons.

The first is that fundamentally there is no demand for the redeveloped space – this is why the private sector does not develop skyscrapers in deep rural areas.

The second is that there are a number of market or policy failures in stopping private involvement. Table 1 outlines four broad categories of these failures which public intervention should aim to overcome.[8]

Table 1: Types of market and policy failures in a regeneration project

Market and policy failures	Explanation	Example
Coordination failures	Multiple actors being unable to coordinate to maximise the returns, whether private or social, of a project.	Fragmented land ownership within a regeneration site makes agreement more difficult to reach.
Under provision of public goods	Undersupply of a good that has a greater social return than private return.	Lack of public realm or public transport infrastructure provision, or non-remediation of contaminated land.

6 UK Government (2022), Levelling up the United Kingdom, London: The Stationery Office
7 Swinney P (2017), Why don't we see growth up and down the country? London: Centre for Cities
8 These market and policy failures are based on those developed in Swinney P and Wilcox Z (2013): Developing interest: The future of Urban Development Funds in the UK, London: Centre for Cities

Planning and policy uncertainty	Risks inherent in the planning system, inefficient government procurement processes, and additional risk caused by political decisions and the actions of public bodies.	Land remains undeveloped due to uncertainty over whether a scheme on it will be granted planning permission.
Demand uncertainty	A lack of information, for example through a price signal for a better-quality office than is currently available in an area, increases the risk of development.	No one developer or occupier commits to a regeneration project as the first mover due to uncertainty over how successful the scheme will be.

Source: Adapted from Swinney P and Wilcox Z (2013): Developing interest: The future of Urban Development Funds in the UK, London: Centre for Cities

The regeneration zones announced in the Levelling Up White Paper will need to deal with these issues – which will vary from area to area – if they are to be a success.

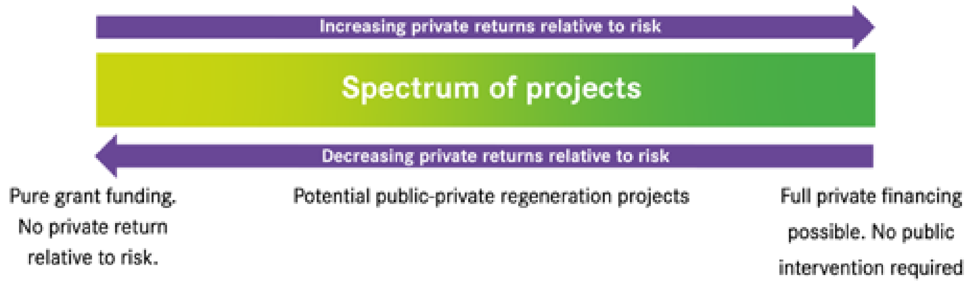
Mitigate risk and attract investment

A regeneration project must be commercially viable to attract private investment. The demand, and the presence of market and policy failures such as those discussed above, determine where on a spectrum of commercial viability a project lies. The demand informs the returns investors can expect, and market and policy failures drive up costs and risks of the project. Figure 1 below provides a schematic of this spectrum.

The right-most side of the spectrum represents projects for which the private returns, relative to risks, are high enough to offset any market and policy failures that may exist. Examples of this would be new office buildings in central London that have been built in recent years, in which buildings have been knocked down and new ones put in their place without any direct public support.

The left-most side of the spectrum represents projects with low or no private returns relative to risks. If these projects are to go ahead, then they will require almost entirely public financing. For example, constructing a public library and park.

Figure 1: A Spectrum of Commercial Viability



Source: Swinney P and Wilcox Z (2013): Developing interest: The future of Urban Development Funds in the UK, London: Centre for Cities

Between these two poles are the spectrum of projects in which most economic regeneration will occur – and public-private cooperation can best maximise the private and social returns from a project. In this space between the poles, policy makers must overcome market and policy failures or otherwise be prepared to compensate with more public financing to get regeneration off the ground.

04

Learning from King's Cross Regeneration

The Government has held up the King's Cross regeneration scheme on the periphery of central London as an example of what it wants to do in its 20 designated areas. This section looks at what learnings the King's Cross scheme has for regeneration schemes elsewhere.

The King's Cross scheme has been a success on several metrics

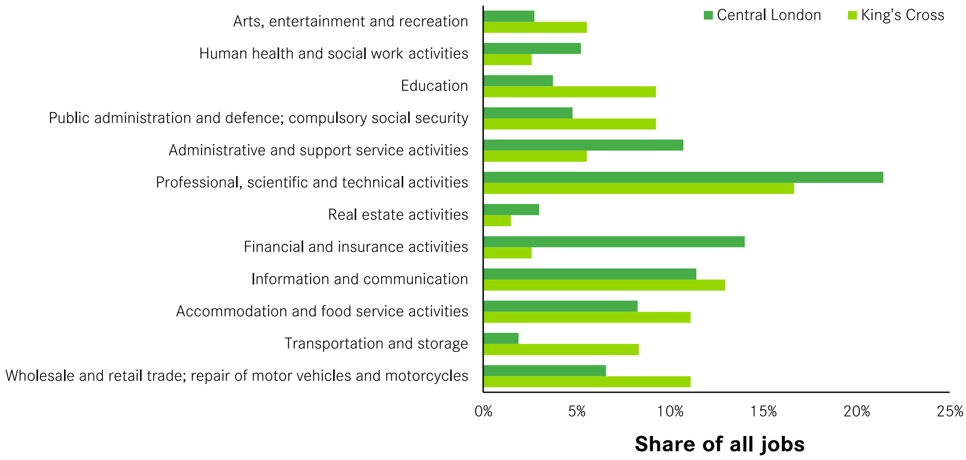
After a few false starts through the 1980s and 1990s, the on-going redevelopment of the 67 acres at King's Cross, which began in the mid-2000s, has been a success. Before the intervention, King's Cross was an island of low demand for space, with several market and policy failures stopping its redevelopment, within an otherwise increasingly high demand London.

The outcome to date is that many new businesses have moved into the area – the number of firms roughly doubled to 800 between 2010 and 2021. The most notable amongst them have been Facebook, Universal Music, Havas, AutoTrader and Google. In addition, the number of jobs increased from 8,000 to 27,000 between 2011 and 2019 (noting that some of these jobs moved from elsewhere in London). As a measure of growing demand, estimated office rents in King's Cross more than doubled in value, going from 48 per cent below the London city centre average in 2010, to 19 per cent above in 2022.

The make-up of jobs looks somewhat different to wider central London too. Figure 2 shows that in 2019, the wider King's Cross area had a higher share of jobs in the arts, public administration, education, and information and communications (despite Google's large UK HQ not due for completion until 2024), a lower share of jobs in finance and professional legal services, and – reflecting its role as a place of leisure – a higher share in restaurants and retail too. This suggests the site has offered something slightly different to the central London average.

Figure 2: The make-up of jobs in King's Cross looks different to wider central London

Jobs by industry, 2019



Source: ONS, Business Register of Employment Survey

Note: King's Cross is defined as MSOA Camden 022. Central London is defined as a circle with a radius of 2 miles from Holborn station.

The success of King's Cross has also gone beyond economic measures, as many thousands of residents have moved in. In 2020 there were 12,200 residents that lived in and around the site – up from 7,900 a decade earlier. It has also been a success from a design and public realm perspective, with numerous buildings and public spaces on site being nominated for or winning design and architecture awards.

As of November 2017, development costs (mostly from construction) reached £3 billion, and the 900 homes and roughly 279,000 m^2 of commercial space had been provided.[9]

Arguably though, King's Cross' economic regeneration could have been even more successful. More office space could have been provided to allow more productive firms and jobs to locate there. King's Cross only provides 3.1 m^2 of floorspace for every square metre of ground, less than Broadgate (4.2 m^2), Canary Wharf (4.7 m^2), or Paddington (3.7 m^2).[10]

What happened at King's Cross

Regeneration in King's Cross has a long history. Various attempts to regenerate the 67-acre site during the 1980s and 1990s had failed before redevelopment finally began in the 2000s.

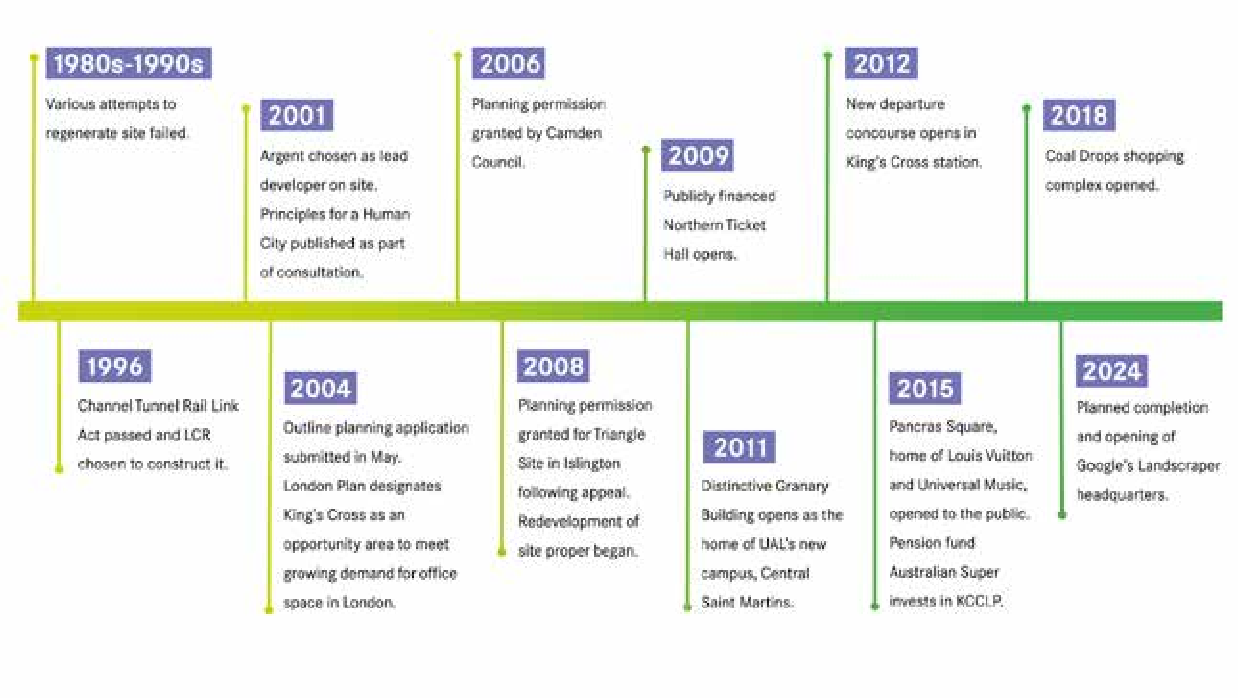
9 Argent (2017) The Economic and Social Story of King's Cross https://argentllp.co.uk/media/The-Economic-and-Social-Story-of-Kings-Cross.pdf

10 Partridge D (2015), Making Cities: Examples of Urban Development in London, Council on Tall Buildings and Urban Habitat

Key milestones:

- The trigger for the site's redevelopment was bringing the Channel Tunnel Rail Link (HS1) to King's Cross during a time of high and growing demand for space in London. London and Continental Railways (LCR) was formed in the 1990s to construct the railway and, as a result, had received ownership of land at King's Cross and St Pancras stations in 1996. Argent was later brought on board to lead development of the regeneration on the King's Cross site.
- King's Cross was designated an 'opportunity area' in the 2000 Camden Council Unitary Development Plan, and again in the 2004 London Plan to provide substantial new office space to meet growing demand in the Capital.
- Following years of consultations and strategic planning, planning permission was granted by Camden council for most of the site in 2006.
- Following the completion of HS1 in late 2007, Argent and LCR came together with Exel (now DHL, another landowner on the site at this time) and formed the King's Cross Central Limited Partnership (KCCLP). Redevelopment of the site began in 2008.
- Through public financing, the Northern Ticket Hall in the station reached completion in 2009, the station's distinctive departure concourse opened in March 2012, and the King's Cross square in front of the station opened in 2013.
- The distinctive Granary building opened in 2011, with UAL's Central Saint Martins' campus locating there. Pancras square, located between the two stations, and the home of several high-profile firms, opened to the public in 2015. The Coal Drops Yard shopping complex opened in 2018, and Google's distinctive "Groundscraper" HQ is due for completion in 2024.

Figure 3: Timeline of the King's Cross Regeneration



The King's Cross site suffered from a number of market and policy failures

To get to where it is today, the King's Cross site had to overcome a few market and policy failures.

Using the framework set out in the last section, Table 2 sets out what these failures were, which are then discussed in more detail below. While they are placed into simplified categories for presentation purposes, some failures span different categories.

Table 2: Market and policy failures in King's Cross

Market and policy failures	Issues addressed in King's Cross
Coordination failures	• Fragmented land ownership • Preference for short-term returns • Sub-optimal use of space • Urban blight
Planning and policy uncertainty	• Planning system uncertainty • Protected views and height restrictions • Policy churn and conflicts of public bodies

Under provision of public goods	• Quality of build and public realm • Public transport access
Demand uncertainty	• First mover problems – who invests first? • Who will occupy the space and at what price?

Source: Adapted from Swinney P and Wilcox Z (2013): Developing interest: The future of Urban Development Funds in the UK, London: Centre for Cities

Coordination failures

There are several coordination failures that play out across regeneration projects, and King's Cross was no different. As with many sites, fragmented land ownership, urban blight and how to use space to maximise benefits were live issues.

Key to dealing with these coordination failures was the consolidation of land ownership. Land assembly can be one of the most challenging barriers to developments, as hold-out landowners can drive up costs of assembly before planning permission is even granted. The Channel Tunnel Rail Act 1996 simplified the process of assembling land through compulsorily purchase orders for the construction of HS1, and some remaining pockets of land on the King's Cross site were assembled through private arrangement. The private sector then further reduced the risk of coordination failures, as the landowners and developer for the site, LCR, Exel, and Argent, formed a single entity - KCCLP - which owned the land. Single land ownership meant that the partnership could more efficiently deliver infrastructure on site, such as the combined heat and power plant and associated pipe network, which is an energy-efficient way of providing heat on the estate.

The use of institutional funding enabled the partners to adopt a long-term view of the regeneration project. Pension funds, such as BT Pensions and AustralianSuper, provided capital for the scheme, **whereas alternative funding sources, such as debt financing are more short term in their outlook.**

Both of these factors meant the owners were able to capture the benefits of redevelopment across the area, and over time, reduce the effect of coordination failures. This allowed lead developer Argent to create a strategic master plan for the area and develop a "placemaking" strategy (see below), which, according to sources interviewed as part of this research, contributed to creating value across the area in the longer-term. This included setting out how they wanted to have mixed uses on site, rather than it just being used for residential or office, for example. This also meant the owners could benefit from clearing urban blight in the area – up-front costs are paid back with longer-term profit.

Key learnings: *Consolidated land ownership combined with long-term capital allows for a more integrated and patient approach to development, including an emphasis on placemaking.*

Planning and policy uncertainty

The planning system in the UK produces some of the greatest uncertainty that large developments or regeneration schemes face.[11] Its discretionary, case-by-case decision-making processes make development within urban areas especially unpredictable. Although land assembly is always a challenge in urban development, planning risk in Britain makes it especially important for delivering urban regeneration.[12]

A number of steps were taken to help overcome the challenges within the King's Cross site, although this was not wholly successful.

To manage the process, **the developer undertook a six-year engagement with the community and local authorities.**[13] This included:

- Drafting and publishing multiple documents before submitting a planning application to inform local authorities and other stakeholders.
- Consulting with more than 4,000 people from over 150 local organisations by June 2003, before submitting planning application.[14]
- Meeting regularly with King's Cross Development Forum; over 40 times in total.[15]

Flexibility was shown by local government in the planning process. Camden and Islington boroughs indicated that "flexibility in phasing, construction and layout to meet changing market demand and ensure diversity of use" was a priority and recognised the need to "design-in" future flexibility into the master plan and design.[16] The planning application focused on the areas where more certainty was needed by the local authorities, through defining the public realm and streets. Instead of providing specific uses and sizes for each building at this point, the application built in flexibility by outlining approximate uses and floorspaces, and maximum heights of the 'development parcels' where the buildings would be located.[17] This resulted in planning permission which provided flexibility in how floorspace could be used (20 per cent leeway by

11 For example, see Cheshire P and Dericks C (2020), 'Trophy Architects' and Design as Rent-seeking: Quantifying Deadweight Losses in a Tightly Regulated Office Market, Economica Volume 87, Issue 348

12 Breach A and Magrini E (2020) Sleepy Suburbs: the role of the suburbs in solving the housing crisis, Centre for Cities

13 Evans R (2008), Planning and the People Problem, Joint Planning Law Conference

14 Evans R (2008), Planning and the People Problem, Joint Planning Law Conference

15 Urban Land Institute (2014), Case Studies: King's Cross, https://database.dpa-etsam.com/wp-content/uploads/2021/03/kingscross_16pgs_v11.pdf

16 Camden and Islington Borough (2004) King's Cross Opportunity Area Planning & Development Brief

17 Allies and Morrison, a Work of Urban Repair, https://www.alliesandmorrison.com/projects/kings-cross

defining minimums and maximums for uses) and around where such uses could be located. [18] The single planning permission granted in 2006 is still being used today to complete the site.

Although these steps seem to have reduced the potential planning failures on the site, it did not fully overcome them.[19] The site continued to suffer from a number of issues.

The first was with the planning system:

- A small portion of the site was in Islington borough, but Islington council initially refused planning permission on the basis that the affordable housing provision was not sufficient.[20] However, following public inquiry this was overturned – more than four years after the outline planning application was originally submitted.[21]
- The planning permission for most of the site, granted by Camden council, was subject to judicial review following objections brought forward by local opposition groups. The review found in favour of the development.
- The results of Camden's consultations on the 2004 outline application were incorporated in a revised application, submitted by Argent in 2005, which reduced the height of some buildings and added additional greenspace. This likely reduced the amount of space available for commercial floorspace on a development that has subsequently proved to be in high demand.

Secondly, interviewees indicated that policy uncertainty and coordination failures among public bodies added to the challenges of delivering the scheme. Public bodies have different mandates and often poor incentives to maximise the use of sites and can struggle to coordinate with each other and the private sector. Because of the long timelines in the planning system and construction process, policy churn creates substantial risk and uncertainty for developments. For King's Cross, national priorities such as HS1, and later the Olympics, helped public bodies to coordinate, but elsewhere, policy uncertainty and churn among public bodies will remain a risk.

These market and policy failures caused delays, increased costs, and reduced end returns of the development. The costs were not just financial but resulted in less commercial office space being provided. This meant that although King's Cross was still a successful economic regeneration project, more space for high productivity firms and jobs could have been provided.

18 Urban Land Institute Case Studies (2014) King's Cross

19 Evans R (2008), Planning and the People Problem, Joint Planning Law Conference

20 London Borough of Islington (2007) West Area Planning Sub-Committee, Minutes of the meeting Tuesday 10 July 2007, https://democracy.islington.gov.uk/Data/West%20Area%20Planning%20Sub%20Committee/200707101930/Minutes/july%2007.pdf

21 Evans R (2008), Planning and the People Problem, Joint Planning Law Conference

Key learnings: *While right for the planning process to set parameters, the nature of local government boundaries and the planning system introduced additional risks and changed outcomes. Added to this is the risk of policy churn or conflicting priorities of public bodies who may be stakeholders. The public sector should reduce these risks by setting clear criteria for outcomes before a scheme begins and look to introduce flexibility to help the private sector better manage risk.*

Under-provision of public goods

A further challenge with any site is deciding who pays for associated infrastructure to ensure its success. As no one entity usually captures all the benefits from such an investment it is often underfunded without public involvement.

While King's Cross already had very extensive public transport connections (six London underground lines and two national mainline train stations are located there), the Government further de-risked the project by both bringing HS1 into St Pancras Station and investing heavily in King's Cross Station. On the latter, the Government investment of £800 million included ticket halls, new access tunnels, and new lifts to make access to most lines step-free and ease congestion.[22]

The public sector also funded the creation of the new square outside of King's Cross station, while the British Library opening its new location next to St Pancras station in 1998 also improved the area.

'Placemaking' played a big role in the design of the development. Though difficult to define, Argent, LCR, and Exel captured many of its aspects in their 2001 publication "Principles for a Human City". These principles included creating a robust urban framework, promoting accessibility, delivering a vibrant mix of uses, and utilising heritage.

Ownership of the whole site and high demand in London meant the developers could benefit more from improvements in the public realm and the higher demand it spurred for the site, likely meaning that there was a greater amount of private sector investment in placemaking than if the site was developed piecemeal.

There is still a calculation to be done here regarding what public goods should be provided on the site and who should pay for it. Some of the heritage buildings on site were demolished by the developers, but what was deemed the best was protected and regenerated. These refurbishments were loss-making but contributed to higher demand and profits for other parts of the development, which helped compensate for these heritage investments. The costs of refurbishing heritage buildings are not just the costs of material, planning, and labour, but include the loss of what could have been built there instead. For King's Cross, keeping low-rise heritage buildings instead of building new, taller buildings,

22 TFL (2010), King's Cross St. Pancras Tube station is step-free with 10 new lifts

limited the amount of floorspace which could have been provided.[23] If King's Cross had not been so commercially viable as a project, not all the costly aspects of placemaking would have been possible.

Additionally, placemaking, public space and a vibrant mix of uses contributed to the success of the economic regeneration but also meant there was less room on the site for commercial office space. It is impossible to know the exact mix of uses that would have maximised the economic regeneration of the site but, knowing the high demand for office space in King's Cross now, it is arguable that more productive firms and jobs could have been attracted if more office space had been provided instead of other uses.

Box 2: "Placemaking" and Central Saint Martins

"Placemaking" is a strategy to make an area more attractive and be seen as a 'destination'. The benefits of placemaking accrue to an area and over time. In King's Cross it was enabled by a single land-owning entity with a long-term focus leading the regeneration. The impact of placemaking is difficult to quantify by its nature, but its impact can be inferred from the high value of space on the site.

A wide array of factors contributed to making King's Cross a "place". Buildings on site have won design awards (as has Granary Square), it has 10 new parks and squares and 20 new streets, and 40 per cent of the total area of the land is given over to public realm, which is designed to be easily navigable for accessibility.[24] Some heritage buildings were rejuvenated, contributing to the aesthetics of the site and distinguishing its character as an area of London. A complementary and considered mix of retail and leisure uses, and cultural and educational amenities, has led to a 'vibrant' day-and-night economy in King's Cross.

Central Saint Martins (CSM), one of University of the Arts London's colleges of art and design, was seen by interviewees as a key contributor to this vibrancy and placemaking. Initial talks to locate the campus on the site began in 2002, before opening in 2011. As an early occupier of the site, CSM acted as a public sector anchor tenant to de-risk the development and demonstrate the use of the site to other potential occupiers. However, interviewees indicated it contributed much more to the development than just overcoming the first mover problem, also acting as a catalyst for firms to locate on site.

By bringing thousands of students to the site, CSM increased footfall and

23 Partridge D, (2015), Making Cities: Examples of Urban Development in London, Council on Tall Buildings and Urban Habitat
24 Argent (2017) The Economic and Social Story of King's Cross https://argentllp.co.uk/media/The-Economic-and-Social-Story-of-Kings-Cross.pdf

helped support surrounding retail and leisure uses to enable mixed use in King's Cross. Interviewees said that other firms, such as Google, reported valuing the vibrancy and creativity CSM contributed to the area. CSM's activities may have generated industry spill-overs which helped attract firms in similar industries to King's Cross. In 2014, Louis Vuitton, a high-profile partner and sponsor of CSM, moved its UK HQ to the site.

It seems clear that placemaking has a role in regeneration, but it is also contingent on regeneration. Vibrancy in an area depends on the activities that draw people in. For struggling city centres, regeneration must focus on economic growth to deliver placemaking too.

Key learnings: *The provision of public goods can be one of the most challenging aspects of development, but it is an important part of generating the benefits of regeneration.*

Demand uncertainty

Even in London, where demand for space was high and growing, demand uncertainty created several risks for King's Cross. To deal with first-mover hesitancy from the private sector, different parts of the public sector further de-risked the site by placing a number of institutions in and around the development. Camden Council moved onto the site, while the UK Government decided to put the Crick Institute next to the site, consolidating six scientific institutions from across London into one building. The flexibility provided in the planning permission, referenced above, also ensured that King's Cross could react to opportunity, attract tenants like Central Saint Martins, and respond to the demand which emerged for the site, rather than committing to certain uses and sizes in its initial design.

King's Cross benefitted from a niche in the London market, by creating an offer to firms that was distinct from what other parts of central London offered, rather than replicating it. It did this in-part through placemaking and encouraging industry related spill-overs (see Box 2), which arguably created an advantage for King's Cross in attracting certain types of firms. For example, the high-quality public-realm of King's Cross and the vibrant, mixed-use environment created by placemaking was regarded as advantageous for firms which compete to attract talent in very tight labour markets, such as the tech sector. Though difficult to quantify, Figure 2 (above) does show distinct differences in the sectoral makeup of jobs between King's Cross and wider central London.

Key learnings: *Even in areas of high demand, the public sector may need to make the first move to encourage the private sector to move in too. Demand for space is varied and changes over time, so providing flexibility in planning can enable a development to respond to changing preferences for space and other emerging* *opportunities over long-term developments. For example, it's uncertain how hybrid working might impact the type of office space people and firms need.*

05

What these lessons mean for regeneration elsewhere

While the lessons from King's Cross are relevant for regeneration projects elsewhere, there is one big difference that makes the project an imperfect guide. The site sits on the fringe of one of the most in demand central business districts in the world, as well as including one of the busiest train stations in Britain. This demand has risen in recent decades as the strength of the central London economy has increased, making King's Cross even more attractive.

This all made the development more commercially viable and in need of less public intervention.

Other regeneration projects likely fall into two broad categories of demand, which will impact their viability and what economic regeneration can occur there. These are:

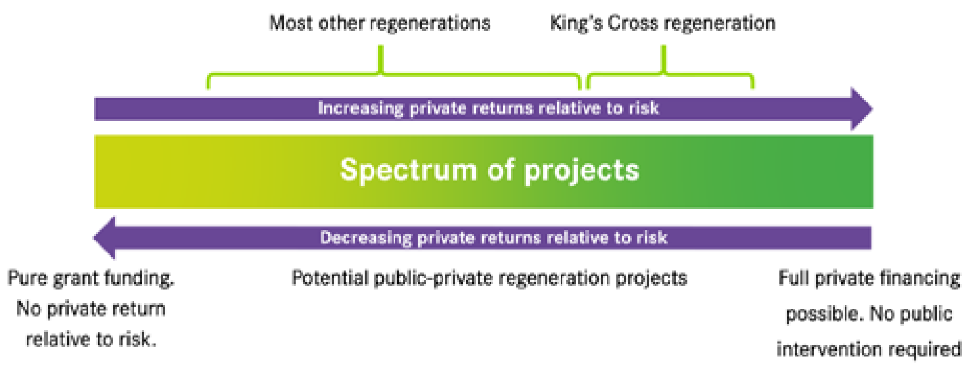
1. Islands of low demand in an otherwise strong city centre economy, like King's Cross
2. Low demand across the whole of the city centre

Regeneration in most places will not be as commercially viable

Given the high and rising level of demand for commercial and residential space in London, the risk attached to a regeneration project in the Capital is likely to be much less than in other parts of the country where demand is much lower (and even then, the previous section showed that the public sector still played a role). Without this demand, private funding will be harder to attract, and a higher ratio of public financing will be needed to fund a project.

Figure 4 indicatively places King's Cross on the spectrum of commercial viability and compares it to most regeneration projects elsewhere.

Figure 4: King's Cross on the Spectrum of Commercial Viability



Source: Swinney P and Wilcox Z (2013): Developing interest: The future of Urban Development Funds in the UK, London: Centre for Cities

The King's Cross regeneration lies somewhere to the right of the spectrum in Figure 4. The high demand for space in London and advantageous location of King's Cross meant that, although public intervention was needed to overcome some market and policy failures, the public sector did not need to provide extensive de-risking or funding. The high commercial viability of King's Cross meant less profitable uses such as affordable housing could be provided on site through private funding and the project remained viable.

Other regeneration projects that, like King's Cross, are islands of low demand in otherwise strong city centres will lie to the right of the spectrum but those that sit within city centres, where demand is low, will lie further to the left. This will mean that more public sector involvement will be required, both in terms of de-risking the project to get development going, and in providing public goods and public realm. The lower returns expected from such projects will also limit the amount that the private sector is prepared to spend on the latter amenities (the provision of which a number of interviewees pointed to as being an important part of King's Cross' success).

Regeneration elsewhere will have similarities and differences

Given this, what can be achieved will vary from project to project based on demand. What follows applies the framework for regeneration to three live projects – Bristol Temple Quarter, York Central and the former Broadmarsh shopping centre in Nottingham, all of which are also located by transport hubs near or in city centres – to expand and build upon the King's Cross example. Doing so highlights what other case studies can learn from the key lessons from King's Cross, and how they can also inform policy makers on how regeneration elsewhere will differ.

Looking at proxies for office demand gives an indication of how similar the three case studies are to King's Cross, and where they sit on the spectrum of commercial viability. Table 3 shows how London is a clear outlier in terms of demand. Bristol city centre has the next highest office costs per square metre, while Nottingham city centre has the lowest demand of the case studies and would lie furthest to the left on the spectrum in Figure 4.

Table 3: Demand differs drastically across city centres

City centre	Office rateable values, 2022 (£ per m^2)
London	456
Bristol	165
York	118
Nottingham	100

Source: VOA data, Centre for cities calculations

Table 4 and Table 5 set out a number of other indicators to get a better understanding of the context that the case studies sit within and how this compares to London. Table 4 looks at the use of space in each city centre. Table 5 looks at the structure of the city centre economy, wider labour market indicators, and the quality of office space. The quality of office space may become increasingly important for attracting high productivity firms, as they try to offer attractive and versatile workspaces to compete for talent in tight labour market and respond to hybrid working.

Table 4: Floorspace use in city centres

	Offices (%)	Retail (%)	Food, drink, and leisure (%)	Industry and warehouse (%)	Other commercial (%)	Residential (%)
London	49	6	3	2	2	38
York	13	22	5	6	3	51
Bristol	33	11	3	9	2	42
Nottingham	16	15	5	9	3	52

Source: Valuation Office Agency and Domestic Energy Performance Register, 2022, Centre for Cities calculations

Table 5: City centres' economic indicators

City	Share of city centre workers who have a degree or higher, 2011 (%)	Share of office space that is high quality (%)	Population who can reach city centre in 45 minutes by public transport	Share of working age population with a degree or higher, 2019 (%)
London	64	44	5,958,230	47
Bristol	54	39	651,294	40
York	40	36	199,482	39
Nottingham	39	35	620,640	30

Source: ONS, Census 2011; Non-domestic Energy Performance Register; TravelTime; ONS, Annual Population/Labour Force Survey; ONS, Business Structure Database
Note: High quality office space is proxied by the share of office space that has an energy certificate rating of A or B.

Applying these indicators to the regenerations of Bristol Temple Quarter, York Central, and Broadmarsh Nottingham, shows us what these regeneration projects need to overcome, and what they should aim to achieve.

Temple Quarter, Bristol

Bristol is one of the most productive cities in the UK, driving a relatively high demand for office space in the city centre (Table 3). This productivity is supported by a large and high-skilled labour force, with 40 per cent of the working age population having a degree-level qualification or higher (Table 5).

If the Levelling Up White Paper's goal of having a globally competitive city in every area of the UK is to be attained, Bristol is a clear contender as the South West of England's largest and most productive city. However, it still lags other European competitors.[25] Getting the most out of its city centre will be an important part of making it more internationally competitive. Part of the answer to this will be to build on the success of its city centre by expanding the amount of office space in it.

Regeneration process and challenges

Temple Quarter is a 70ha area earmarked for development and located around Temple Meads Station in central Bristol, on the periphery of Bristol's city centre. Phase 1 will lead with the redevelopment of several different plots surrounding Temple Meads Station, but a planned second phase could see the redevelopment of St Philip's Marsh, which is an additional 60ha site.[26]

25 Swinney P (2021), Is London too successful? London: Centre for Cities
26 Department for Levelling Up, Housing and Communities, Homes England, O'Brien N (2022) Levelling up boost to bring more jobs, homes and opportunities to Bristol

The data above suggests that the Temple Quarter site is more like King's Cross, in that market and policy failures have prevented regeneration of the sites, but these sites are islands of low demand within a city centre of otherwise high demand. Over time, a number of sites in the plan may have developed by private investment alone but have been brought under the Temple Quarter scheme. Coordinating the regeneration of these sites may be more difficult than in King's Cross due to their fragmented nature.

The plan for regenerating Temple Quarter was first announced in 2011, with enterprise zone status being applied to the site in 2012.[27] The development of the enterprise zone is led by Bristol City Council, in close consultation with prime funder West of England Combined Authority, as well as Network Rail, and Homes England.

Public intervention has overcome and mitigated several market failures across many of the sites within Temple Quarter, including land assembly (private arrangement and compulsory purchase orders), infrastructure works, and the issuing of a local development order to make development on the site easier. However, the regeneration of other sites within the broader scheme is still overcoming issues relating to land assembly and flood issues. Large public sector tenants, such as the University of Bristol, and Engine shed 2 (a collaboration space and business incubator), will also locate on the site, helping to de-risk development and potentially attract other firms to the area.

These interventions have overcome a number of market and policy failures, but the regeneration plan has still experienced setbacks. The 2016 spatial framework published by Bristol City Council, incorporated planned improvements of the rail line at Temple Meads – some of which have since been deferred.[28] Crucially, the original plans included a large arena to be built on the Temple Island site, which has since been relocated due to high costs.

Coordinating a large area for regeneration (or two large areas if including St Philips Marsh) which includes multiple separate sites, requires a detailed, commercially viable and flexible master plan to ensure the area benefits from useful spill-overs between the sites, such as those produced by placemaking.

The plans that have been produced indicate that the composition of uses will lead to the project falling short of its potential economic regeneration. The 2016 spatial framework only provides an indicative figure for "employment" floorspace, but it could mean as little as 25 per cent of the new floorspace in the Temple Quarter would be office space – a lower ratio than in Bristol city centre (Table 4).[29] It also indicated that building density may have been capped to prevent conflict with the "placeshaping" objectives, reducing overall floorspace.

27 Bristol Temple Quarter Enterprise Zone (2012) George Osborne launches the Bristol Temple Quarter Enterprise Zone

28 Independent (2021) Network Rail chair condemns billions squandered on botched GWR electrification, https://www.independent.co.uk/travel/news-and-advice/network-rail-gwr-electrification-passengers-b1854115.html

29 Based on the indicative 'employment' floorspace figure in the 2016 spatial framework, and current ratio of commercial floorspace use in Bristol city centre

Additionally, the 2021 "vision for the future" for the Temple Quarter regeneration only explicitly allocates one 1.4ha site for commercially-led mixed use, from the 19.1 hectares of sites referenced.

Implications for regeneration

- The Temple Quarter needs to provide a substantial amount of high-quality office space to fully realise the potential economic benefits for Bristol, and the South West.
- To capture the beneficial spill-over effects that can arise from coordinating large-scale regeneration over an area, further plans for the Temple Quarter, that are more detailed, flexible, and commercially viable and which centre economic regeneration, are needed.
- Placemaking, or placeshaping, must complement the economic regeneration in the Temple Quarter, not limit it.

Broadmarsh, Nottingham

Nottingham city centre underperforms. As one of the largest cities in the UK, its city centre should also be a commercial hub, home to many thousands of high-skilled jobs. Yet rateable values suggest demand is low, while the make-up of economic activity shows that there is a lack of high-skilled activity, and the make-up of commercial space shows a relative lack of offices and oversupply of retail space. 15 per cent of space in the centre of Nottingham is retail, compared to 11 per cent in Bristol and 6 per cent in London (Table 4). Residential space also accounts for over half of all floorspace – the highest of the case studies. The office space that is provided is lower quality than in London or Bristol (Table 5).

Nottingham's population has significantly lower skill levels than in Bristol, London or York (Table 5) and must aim to attract and retain more skilled graduates if it is to make its city centre a more attractive place for high productivity businesses and realise the Government's ambition to have an internationally competitive city in every region (Table 5).

Regeneration process and challenges

The most immediate regeneration challenge in the city centre is Broadmarsh, an 8ha site in Nottingham city centre, which was home to the former Broadmarsh shopping centre. It divides the train station from the city centre, meaning the now dilapidated centre, constructed in 1972, is one of the first things arrivals into Nottingham from the train station see.

After several failed attempts to redevelop or demolish the shopping centre in the 1990s and 2000s, plans to partially redevelop the area were approved in 2015.[30]

30 ITV News (2015) intu Broadmarsh redevelopment given green light

The intended primary use of the site remained retail and leisure. In 2019, partial demolition of the centre began but was halted by the Covid-19 pandemic. In 2020, the site's owners, intu, went into administration and the site defaulted to the leaseholder, Nottingham City Council.[31] In October 2021, Nottingham City Council's bid for levelling up funding to finish the demolition failed, and so the site remains half demolished.

Given coordination failures and low demand, more public sector money will be needed to demolish the site. To that effect, in August 2022 Nottingham City Council submitted another bid to the levelling-up fund for £20 million for Broadmarsh's redevelopment.[32]

Nottingham has an abundance of retail space and recreating the same activity that occurs elsewhere in Nottingham will not lead to successful regeneration. Consideration should be given to how the site can facilitate high-productivity businesses and jobs in the city centre. Current plans remain focused on retail and leisure for the Broadmarsh centre, while retaining the frame of the derelict shopping centre and "rewilding" the site.[33] However, they do indicate that the centre would form part of a plan for the wider area, which would include approximately 37,000 m^2 of high-end business and office space.[34]

Unlike King's Cross, Broadmarsh's low demand makes it emblematic of, not different to, Nottingham city centre. Broadmarsh should be at the centre of a wider master plan to make Nottingham city centre a more attractive place to do business.

Implications for regeneration

- More public funds will be needed to demolish the Broadmarsh centre and remediate the site ready for redevelopment.
- The underperformance of the wider city centre shows that a long-term plan is needed for the whole of the city centre with the necessary mix of activities to improve the performance of its economy.
- The Broadmarsh site must play a central role in this plan, which will likely mean increasing the provision of high-quality office space rather than retail.
- Further public subsidy beyond remediation will likely be needed to turn these plans into action, through a mix of policies such as direct grant, public sector relocation, and use of guarantees to reduce the risk to the developer of not finding tenants for the space.

31 Nottingham Post (2020) intu administration confirmed as Broadmarsh and Victoria Centre owner fails to reach deal
32 BBC News (August 2022) Nottingham bidding for £57m in levelling up funding
33 Nottingham City Council (2021) Heatherwick vision to reimagine city centre and old shopping centre backed by Nottingham City Council
34 My Nottingham News (December 2021), Heatherwick vision to reimagine City Centre and old shopping centre backed by Nottingham City Council

York Central, York

York is one of the most productive small cities in the North of England, but its historic core restricts development in its centre, resulting in it having a low provision of office space and the highest share of retail space of all of the case studies. Almost half of all commercial space in the city centre is given over to retail, likely led by the large number of tourists the city attracts (Table 4). Housing also accounts for a large share of floorspace.

The City of York Council recognises this issue and is keen for the city to provide more office space, to facilitate higher value economic activity in an area disproportionately reliant on the low-paying tourism sector.[35]

Regeneration process and challenges

The greatest opportunity to change this balance is York Central, a sizeable 78ha site next to York station, of which 45 hectares is earmarked for development.[36] Historically the site has been a challenge to develop because it is surrounded by railway lines and earlier plans to redevelop it were shelved in 2009 due to the recession.[37] New outline plans were submitted and approved in August and December 2018 respectively, but development has been delayed due to the pandemic.[38]

Public sector investment to overcome the site's challenges has put it in a good position for redevelopment. Around £155 million of public funds from a number of sources has been committed for infrastructure and land remediation work, with the intention that this will unlock £700 million of private sector investment.[39] Some £100 million of this work – including a new bridge over the rail line and a new pedestrian and cycle footway – is set to begin shortly.[40] Additional public funding of at least £24.3 million has been spent on land assembly and land remediation works by Homes England and Network Rail.[41] These interventions are in addition to the area being given enterprise zone status in 2015, which will allow City of York Council to retain a higher share of business rates there, providing incentive and reimbursing the council for its investment in the development.[42]

The current plans for a mixed-use site are being brought forward by a partnership of the City of York council, the National Railway Museum, and the landowners

35 Financial Times (2019) York looks at £155mn redevelopment to kick-start its economy
36 York Central, Delivering York's future heritage
37 City of York Council, York Central Planning Brief, 2004, p34
38 City of York Council (2016) York Central Emerging Masterplan, p4
39 York Central Partnership (2019) Your questions answered: funding for York Central; https://www.yorkcentral.info/2019/02/07/your-questions-answered-funding-for-york-central/; City of York Council (2020) York Central Update: Report of the Director of Economy and Place Portfolio of the Leader https://democracy.york.gov.uk/documents/s141080/Report.pdf
40 Homes England (2022) Major milestone as work is set to begin at York Central
41 Financial Times (2019) York looks at £155mn redevelopment to kick-start its economy; City of York Council (2020) York Central Update: Report of the Director of Economy and Place Portfolio of the Leader https://democracy.york.gov.uk/documents/s141080/Report.pdf
42 Ministry of Housing, Communities and Local Government (2015) The New Enterprise Zone, Wednesday

Homes England and Network Rail. The outline plans include up to 87,700 m^2 of office space, 2,500 homes, 12,000 m^2 of retail and leisure, and a 12,000 m^2 expansion of the National Railway Museum on the site.[43]

This current plan is housing heavy. There is no doubt that York needs more housing – it is the least affordable city in the North of England.[44] However, as shown above, it is also short of city centre office space, and how this site is used will likely be important for how York's economy performs in the future. The extra office space added will increase the share of floorspace given over to offices in the city centre from 13 to 16 per cent. This is an improvement, but still some way behind Bristol's figure of 33 per cent.

Given that York Central is in the city centre, devoting most of the site land to achieving housing objectives would be a wasted opportunity. Building new suburbs adjacent to the existing city would be a more suitable way of providing more new homes in York, as offices in the suburbs are not able to access the special benefits of city centres. This is possible, but currently made difficult by York's extremely tight green belt, and the local authority's failure to agree a local plan for development at any point since 1954.

In light of this the York Central partnership, including the City of York Council and Homes England, must balance their housing related mandates. The partnership should devise a master plan that increases York's office space more than the three-percentage-point increase implied by the current plan.

Implications for regeneration

- York Central is a key development for York's economy, and it must ensure it delivers the high-quality office space York requires rather than being housing led. This will require a master plan that gives office space a larger share of the space that will be developed.
- York should agree a local plan, and release land from the green belt adjacent to the city for new homes to meet the city's high demand for new housing.

43 York Central Partnership (2018) York Central Emerging Masterplan, p4
44 Centre for Cities (2022), Cities Outlook 2022, London: Centre for Cities

06

Policy recommendations

One of the most eye-catching policies in February's Levelling Up White Paper was the announcement of the 20 regeneration areas to do 'King's Cross style' redevelopment projects elsewhere in the country. This policy should be applauded for being selective in its approach, rather than looking to jam spread resources to fix problems in specific places. Even if the wider strategy set out in the white paper is not taken forward, which would be a mistake, the new leadership should persist with this policy.

The policy though is incredibly light on detail. Drawing on previous sections, this section sets out what the detail should be.

Structure of the policy

There are several guiding principles that the Government should use to shape the policy. These are:

- **Be explicit about the scale of ambition.** Supporting 20 projects will not be cheap. The King's Cross regeneration has cost more than £3 billion to date. Extrapolating from this figure would mean 20 such projects across the country would cost up to £60 billion. Assuming a conservative public to private funding ratio of 1:4, this would require £12 billion of public funding.[45 46] If this scale of support is not forthcoming, then policymakers should not be beholden to delivering 20 projects and should scale this figure back. Doing a smaller number of projects properly is better than doing all 20 poorly.
- **Focus on making city centres more attractive places to do business.** City centres are in principle the most productive parts of the UK economy because of the benefits they offer to high-productivity

45 A public to private funding ratio of 1:4 is approximately that indicated in the York Central case study.
46 How much of this is subsidy will depend on where the projects sits on the spectrum of viability. Public sector support should be designed so that at least some of this money should earn a return through the uplift in value it creates.

services businesses. Where there are sites in successful centres that are not being developed (islands of low demand) then an intervention should be made to get the site to make the contribution to the economy that it should be making. Where instead the wider city centre is struggling to offer these benefits, the policy should aim to correct these problems to make these city centres more attractive places to do business.

- **In areas of weak demand, focus on introducing something that is different** to fill gaps on what is missing in a place, rather than aiming to introduce more of the same. Even in King's Cross, there was an aim not to replicate the rest of central London but provide a different offer. Building more retail in an area where there is already an oversupply of retail will do little to improve the fortunes of a place.
- Even if Homes England leads the implementation, **do not make housing the main focus of the sites.** City centres should be playing a leading role in their wider regional economies, and to do this they will need to provide sufficient office space. While housing will no doubt be part of the mix of any redevelopment, it should not be housing led.
- **Get moving on implementing the policy and commit to taking a long-term approach to each project that can survive multiple business cycles.** The case studies in this report show that even successful regeneration schemes take many years to come to fruition – King's Cross has taken nearly 30 years and counting, even longer if one includes previous plans that failed. The Government should not lose any more time. While some areas have been announced, most of the 20 planned projects remain unidentified. This needs to be addressed. In those places that have been identified, specific plans should be set out.

De-risking investment

To get regeneration going, the public sector (national and local government and their associated agencies) will need to use a number of tools to de-risk investment, ranging from subsidies to using guarantees to increase certainty. To do this the public sector should:

- Provide grant funding. The Government should **attach a regeneration fund to the policy** as part of the overall package of public support that can be used to provide additional grant funding for each of the sites identified. It should use this to **consolidate land ownership** into one owner where possible, which makes things like master planning and placemaking easier to do. Public realm and infrastructure improvements should also be covered by the fund.
- The Government will need to vary the amount of public funding depending on the level of demand in each place. The amount of subsidy

will also depend on the importance of placemaking and public realm provision – if the Government wants King's Cross style provision in areas of weak demand, it will need to pay for it.

- Provide greater certainty where possible for demand for space on the schemes. This can be done in one of two main ways. The first is to move a **public sector tenant onto the site**, which can be used to overcome any first mover problems and guarantee occupancy of some of the space. The second is to **use guarantees** to reduce the risk to the developer of not finding tenants for the space.
- Consider **offering the sites as a portfolio of investments** to investors, rather than on a case-by-case basis to pool risk for both the public and private sector. The Government should then **set an average ratio of public to private money** it wants to achieve across all sites to set a parameter on how much risk it wants to take, and tailor the sites it picks based on achieving this ratio.
- **Leverage in institutional funds.** King's Cross benefited from the longer time horizons taken by institutional investment. Creating a portfolio of funds is likely to increase its ability to attract institutional funding across the range of sites it develops, using sites with higher underlying demand to cross-subside investment in sites where the public policy challenge is larger.

Addressing policy failures

The English planning system makes land assembly unnecessarily risky, and this slows down and increases the risks of urban regeneration, especially outside of London.

More flexibility is needed in the planning process to get the most out of a site through master planning, by allowing for early designs to focus on core objectives, such a site's accessibility, total floorspace, and the floorspace uses. Ultimately this is best served by changes to the planning system, but in the short term there are lots of tools available that could be paired by local or national government with the urban regeneration schemes. These are:

- **Local Development Orders (LDOs)**, which are essentially mini local plans that automatically grant either outline or full planning consents to proposals that comply with the Order. They can currently be used by local authorities but are rarely used because of lack of familiarity and the effort required to design an LDO. DHLUC could reduce the workload for local authorities by creating "template" LDOs that provide planning rules conducive for urban regeneration.
- **Mayoral Development Orders** exist in law as tools similar to LDOs but belong to some of the combined authority mayors. They are in theory

useful for granting LDOs on sites that cross local authority boundaries, but as they currently require consent from local authorities, they are of limited use otherwise. They could become more useful if this local authority veto was removed by secondary legislation.

- **Simplified Planning Zones (SPZs)** are a tool that local authorities can use to grant area-based permissions. They must be renewed every ten years – Slough Trading Estate and Renfrew Town Centre have used SPZs to allow easy changes in commercial uses and redevelopment and can be agreed in nine months.
- **Mayoral Development Corporations** are available to some of the existing metro mayors and the Mayor of London. These essentially give mayors the power to master plan and develop a large site, with limited interference from the local authority the site resides in. Not all the metro mayors currently have these powers however, and the Government will have to grant them in new devolution deals to the remainder.

Given the long-term nature of regeneration the Government should continue with the long-term goal of advancing planning reform. There are a few changes in the Levelling Up and Regeneration Bill, which will be important to achieving this, such as:

- The introduction of the National Development Management Policies (NDMPs) will be an important tool that should be written with an eye to urban regeneration, making it easier to do both smaller infill and large brownfield schemes. This will require reducing discretion to improve both flexibility and certainty. These new NDMPs should include guidance and/or requirements for local authorities to use LDOs for urban regeneration, including for use in locations marked by fragmented land ownership.
- Changes to Compulsory Purchase Orders (CPOs) to reduce the likelihood of appeals are welcome and will make the process faster. The aim will be to give confidence to local authorities to use threat of CPOs to overcome ransoming holdouts in land assembly.
- The Locally Led Urban Development Corporations will also make it possible for more local authorities to create their own development corporations with master planning and development control powers. However, it is currently unknown what the appetite or the ability of local authorities is to use these.

In the longer-term, moving towards a flexible zoning system – as Centre for Cities has advocated in the past – would unlock even greater benefits and make urban regeneration scalable outside of London.

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