# Making sense of mixed-use town centres

Turley

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# Synopsis

## Changing consumer behaviour, reduced footfall and the decline of major retailers have contributed to big changes in town and city centres.

While structural changes are affecting the largest users of traditional "bricks and mortar" retail space, this report finds rumours of the "death of the high street" to be exaggerated and highlights a future role for retail as part of breathing life back into our town centres.

The Government has been listening to concerns and has introduced business rate reforms for smaller retailers, grant funding streams and suggested widening permitted development rights (PDR). These reforms could help to encourage a reinvention and reverse the fortunes of ailing high streets. However, it also risks a haphazard approach to mixed-use town centres arising, where design quality and liveability suffer.

The suggested widening of PDR applies to all town centres, irrespective of whether they are performing well, or are struggling. This could lead to some unexpected consequences and unwanted competition between land uses.

Turley's experience and national perspective tells us that there are a number of considerations and common sense checks that need to be put in place. This is to ensure that sustainable, attractive and well-functioning mixed-use centres are created.

The trick will be to support what is special within town centres and what will continue to attract people to them for generations to come, while integrating new uses successfully. This is not just a planning policy or "use class" issue but fundamentally one of place making.

There is much at stake for communities, investors and businesses. Can we make sense of mixed-use town centres with a looser planning framework where a diverse range of uses is permissible? Are there the necessary checks and balances to ensure that we do not destroy the core of retail uses in our centres? Does the planning framework contain the policy provisions that will lead to successful mixed-use development and lead to great places being created?

In this report we suggest a five point approach to making sense of mixed-use town centres.

This approach is applicable to owners and operators looking to reposition their assets. It is also relevant to local authorities trying to positively guide development and create investor confidence in town centres.

# 02 Context

> The much talked of 'death of the high street' is a myth and there is everything to play for

In the past, town centres have been relatively secure as surrounding residential communities relied on the central physical space to meet their needs. The only way to access goods and services was to travel to the centre in person. Growing levels of car ownership made this relatively easy for many but also challenged the dominance of town centres.

Starting in earnest in the 1980s, the emergence of supermarkets and retail and leisure parks was a big disruptor, providing the physical "big box" needs where constrained town and city centres could not. Throughout the 1990s, retail spending in stores and for leisure experiences, such as the cinema, were rising. The race for investors and developers to create floorspace was on.

Demands by occupiers were long-term and they were prepared to commit to long leases. This gave landowners and funds stability and the confidence to invest in new, predominantly retail-based, schemes. New in-town and out-of-centre malls were the order of the day. Many town centres suffered as the multiples decanted away from the traditional high street.

The "urban renaissance" and planning policies of the early 2000s provided a policy boost for the regeneration of town and city centres. This was a period in which UK shoppers fell back in love with centres and street based retail developments. Victoria Square (Belfast), Liverpool One and Cabot Circus (Bristol) showed our centres in a new light. Our centres also became places to live with the addition of many thousands of new apartments, duplexes and town houses.

The internet provided the next big disruption for town centres. Suddenly, goods could be purchased from anywhere and at any time; giving shoppers much more choice and triggering greater price competition. As a result, bricks-and-mortar retailer profit margins fell and the speed at which shopper trends could be created and changed became measured in weeks.


In 2007, the average annual percentage of (all) retail sales taking place on-line was **3.4%**. By 2012 it had risen to **9.3%**. Five years later in 2017 it had risen to **16.3%**. For 2018 it was 18%[1].

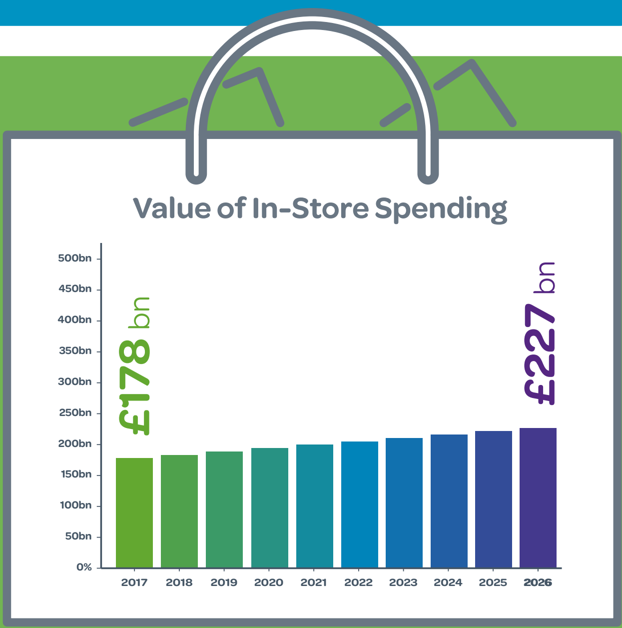
**The value of on-line sales and in-store sales for 2017:**

Figures for 2017 show that non-food on-line spend was **£45 billion**. This equates to **£123 million** spent on average per day[2].

The total value of in-store non-food sales was **£178 billion** in 2017. This equates to an average of **£488 million** per day[2].

Therefore, suggestions that physical stores no longer have a role are somewhat exaggerated. Indeed, membership organisation for the retail property and placemaking industry, Revo has found that 29% of on-line purchases touch a store and in total, physical stores contribute to 86% of comparison goods spend across the UK[3].

The value of retail spending in-store remains significant. The 2017 figure of **£178 billion** for non-food in-store spending is predicted to grow to **£227 billion** at 2026[4]. Seen in this light, the much talked of "death of the high street" is a myth and there is everything to play for. The growing value of non-food in-store spending over the next decade could provide opportunities for occupiers, landlords, funds and other institutional investors that are able to adapt to a rapidly evolving environment.




1 Office for National Statistics, Internet sales as a percentage of total retail sales, January 2019
2 Revo, 'Tomorrow's World: Retail on the line', 2018
3 Revo, 'Tomorrow's World: Retail on the line', 2018
4 Revo, 'Tomorrow's World: Retail on the line', 2018

> The differences inherent in centres means a tailored approach is needed for each

Many retailers have embraced investment in both on-line and in-store sales platforms and the two often cross-over with click-and-collect. Store visits to see, feel and try on goods are often followed by an on-line sale later that day. In this way, the physical store still plays its part – as Revo's findings show (see text block on page 7). Retailers which have been slow to embrace this connection are often the same ones we now see struggling, or disappearing altogether.

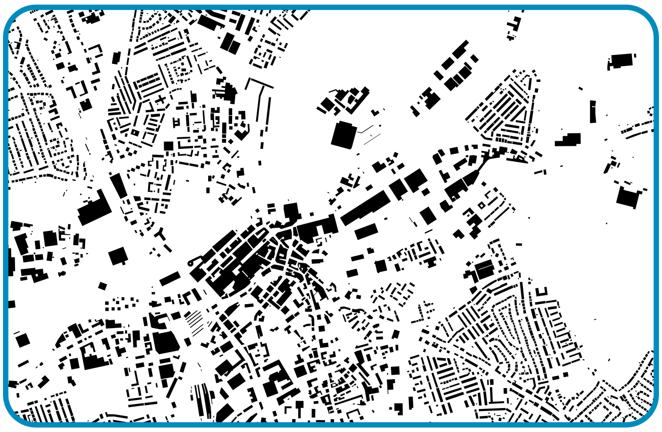
Investors and developers are also starting to reorganise with retail operations evolving into mixed-use business considerations. At the same time traditional retail assets are being reassessed by investors, with an eye on introducing a mix of uses.

The story of our town and city centres is one of continuous evolution. Retail is going through a period of rapid change, but it is likely to remain a feature of our centres, even if its footprint is smaller than it has been historically. Sustaining retail as part of reinvigorated mixed-use centres is a key challenge for the current generation of place makers.

## No two town centres are the same

In this report we refer here to "town centres" as a general description, but the challenges could equally apply to city centres, district and local centres. The differences inherent in centres means a tailored approach is needed for each.

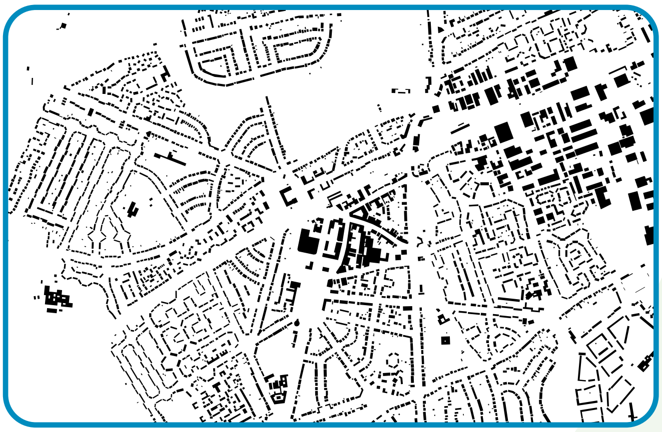
The figure ground plans below show the built form of four town centres – the relationship between buildings and spaces. They show that each town centre is distinct.



**Stockport** – historic core, 1960s shopping centre, edge of centre retail park

**Redditch** – new town with indoor shopping centre, historic high street and market

**Gloucester** – historic core around intersection of roads



**Letchworth** – garden city with high street retail and precinct

# 03 Policy responses

The revised National Planning Policy Framework (NPPF2) was published in July 2018 and saw the "town centres first" approach and key policies relating to the sequential test and impact retained from the previous iteration. This broad framework was first introduced in PPG6 (June 1996) and so this comprises nothing new.

High profile announcements in the 2018 Autumn Budget included welcome business rate cuts, but little to help larger retail businesses combat on-line retail competition. Flexibility in permitted development rights and suggestions of simplifying the Use Classes Order might help keep some smaller units occupied and encourage mixed-use development. Alongside these changes, the Budget introduced the High Streets Taskforce and Future High Streets Fund to provide much needed financial support to councils grappling with the issues facing town centres. This is a welcome resource.

## Independent Reviews

### Grimsey Review 2

The Grimsey Review 2 published in July 2018 is a follow up to The Grimsey Review (2013). It reviews what has happened to our high streets and what we should do to improve them. Led by Bill Grimsey with a team of industry experts, it establishes **four key findings**:

1. All towns should develop business-like plans focused on transforming the place and incorporating health, housing, arts, education, entertainment, leisure, business/office space, as well as shops and a unique selling proposition (USP)
2. Dynamic and committed leadership at local level is needed to bring forward such plans for the town
3. Distinct heritage should feature strongly and those developing the plan should seek to address the question "why would people want to live, work, play, visit, invest in the place?"
4. Best practice and experiences need sharing through an independent body which can support, question and signpost local authorities and act as a driver for stakeholder support

These key findings are broken down into 25 key recommendations which are separated into three main elements – create a more supportive environment; Government and planning; and smarter use of technology.

The onus for transforming the high street is placed largely on local authorities and revisions to the planning system and led to recommendations to:

- amend the Town and Country Planning (Use Classes) Order to enable greater flexibility for business use;
- permit the conversion of sub-high streets to residential or other uses within the town plan;
- connect planning applications to the business plan for the town;
- give local authorities ultimate power in granting planning permission in line with the town plan by removing the right of appeal; and
- simplify the Compulsory Purchase Order process to make it easier to enforce for the benefit of the town plan.

## Tomorrow's World: Retail on the line

Revo's report explains the changes in consumer behaviours that are driving change in retail across our town and city centres. In the omnichannel environment, consumers are increasingly using physical stores for on-line pickup and returns and interacting with the physical store in some way. As such, Revo argues that stores will retain a crucial function in the future but points to their quality, the way in which they are used and how retail and other uses – civic, cultural, leisure and residential – all interact in a place as being the test of success or failure.

## Challenges arising from implementation of policy

Potential revisions to the Use Classes and widening permitted development rights will provide flexibility for more mixed-use centres to emerge, but in practice many challenges could arise. These challenges include ensuring that:

- Retail core areas are able to flourish and that their function, integrity and viability is not compromised by the introduction of mixed uses with "dead" frontages
- Places are comprehensible to shoppers, visitors, residents and people working in businesses
- The social infrastructure that is required alongside new homes is planned for and delivered
- The character and quality of the urban environment is enhanced by the repurposing of traditional retail spaces
- Residents and stakeholders have a meaningful say in the future of their town centres

The flexibility afforded by national policy and regulations needs to be guided by local frameworks for town centres to ensure that change is comprehensive and not piecemeal, leading to their long term sustainability.

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# Making sense of mixed-use centres

In the future, town centres will include a greater diversity of uses, more emphasis on densification of development around transport hubs and a reinvention of retailer presence. Alongside this town centres will need to deliver "experiences", be that through programmes of events, inventive uses of space (meanwhile uses) or providing space for the arts and cultural sectors to flourish. All of this will need to be delivered in the context of national planning policy which offers little to guide the creation of successful mixed-use places.

In the absence of clear guidance, we have devised a five point approach for making sense of mixed-use centres. This is not intended to be prescriptive or a one-size-fits-all approach. Rather, it is intended to provide an approach for thinking about the role and function of town centres and how a mix of uses can thrive and create great places. It is also designed to be undertaken quickly, supporting timely responses to a rapidly changing market.

This approach could equally be applicable to developers and investors looking at repositioning assets, as it is to councils seeking to positively influence and guide investment within town centres.

1. See the bigger picture ✓
2. Understand the whole place ✓
3. Put people at the heart ✓
4. Complete a commercial sense-check ✓
5. Establish principles for mixed-use town centres ✓

## Five point approach

### 1 See the bigger picture

*Profile the demand and needs that town centres can help to meet in the future*

Town centres draw trade from wide catchment areas containing residents, workers and visitors. There is no substitute for understanding the nature of the catchment area, spending power, growth projections and a whole host of other demand factors that have traditionally been the preserve of retail and leisure assessments.

In a policy environment that is more permissive to mixed uses in town centres, the need to understand the bigger picture is critical. This needs to include data on retail and leisure catchments, housing need assessment, social infrastructure assessment and business use assessment (including office, urban logistics and other commercial property) in addition to demand that might arise from institutions such as universities, hospitals and the public sector. Understanding the multiplicity of needs and demands will help to inform a sustainable mix of uses for the future.

This will not be an exercise in creating lots of new evidence and paperwork; the emphasis should be on creating a bigger picture for the future of town centres by drawing together all of these strands of evidence into a coherent narrative. There may be some gaps in local understanding of demand for particular uses. This may be due to the fast pace of change in the retail sector or emerging requirements for new uses, such as last mile logistics. Identifying and plugging these gaps in understanding is critical to ensuring plans for town centres are future-focused.

### 2 Understand the whole place

*Discover what is unique, what works and what could be improved*

The character of our town centres attracts people, businesses and investors. No two town centres are the same; understanding what makes them unique is critical. This transcends the architecture and heritage (although both are important), and can include an appreciation of the cultural significance and meanings of place for different communities. Building an understanding of these attributes of place will give valuable clues as to the features which could contribute to future success; the points of distinction.

This should be complemented by an understanding of the way that places function – and all that is inherently good and bad about them. Key considerations here will be:

- The mix and disposition of land uses, including any distinct quarters or areas distinguished by one predominant use
- Whether existing infrastructure and connectivity to and around a centre is a constraint or an advantage
- Future requirements for car parks, how people arrive, depart and get around a centre when they are there
- How goods arrive, depart and flow around the centre
- Specific consideration of the current retail function (footprint, activity, retail circuit etc.) and how this is likely to change in the future
- The existence and quality of public realm and public spaces
- Heritage and the historic environment

## 3 Put people at the heart

*Create an opportunity for all interested parties to help shape the future*

People feel passionately about their town centres and many lament the decline of the high street. There is a multiplicity of interests in town centres and creating an opportunity for all to engage in thinking about the future is critical. Engagement should involve residents, businesses, land owners and civic groups who will all have a stake in the future success of centres.

Such engagement provides a valuable opportunity not only for people to contribute their thinking and ideas, but to build public support for town centres as places that people want to spend time in, live, work and play in.

It also provides an opportunity for information to be shared regarding the bigger picture and the growth and demand influences on their town centres.

## 4 Complete a commercial sense-check

*Ensure proposals are viable and deliverable*

Viability is a key consideration in the future of all town centres. The repurposing of retail space and introduction of mixed uses is predicated on finding a mix of new uses which is viable and deliverable. We advocate a commercial sense-check as an integrated part of the process of considering the vision for town centres.

This should include vacancy analysis, a review of land ownership, public sector assets and the potential for land assembly in order to inform a full understanding of property interests in town centres. Where viability or deliverability is an issue, consideration should be given to commercially innovative solutions, including the role of the public sector and joint ventures in underwriting and de-risking development.

It will be necessary to engage with major commercial interests in town centres early and to maintain ongoing dialogue to ensure that any changes in the factors which influence viability are understood.

## 5 Establish principles for mixed-use town centres

*Positively encourage and guide investment in town centres*

For some town centres and large scale developments it may be appropriate to bring together all the thinking into a detailed spatial masterplan or a strategic development framework. Some councils may even adopt Supplementary Planning Documents (SPD) or Neighbourhood Plans to help guide development if there is the time and resources to do so.

However many councils will need to work quickly and efficiently to respond to a rapidly changing market. An alternative approach may be to establish broader development and design principles which cover whole town centres and guide the successful blending of mixed uses.

The principles could include guidance on:

- Definition (or redefinition) of the "retail core" area and the extent of its physical footprint – right-sized to support demand for in-store spending in the future
- Identification of opportunity areas which would be suitable for mixed-use approaches to development without prejudicing the function or health of the retail core
- Broad design and place making principles for the integration of a more diverse mix of uses
- Movement and accessibility principles to inform future developments, enhance connectivity and ensure sustainable travel patterns are supported
- Principles for the provision of community and social infrastructure necessary to support increased numbers of homes in town centres and create liveable town centres

Working quickly and establishing broad principles will help to build confidence and certainty for developers and investors devising town centre proposals.

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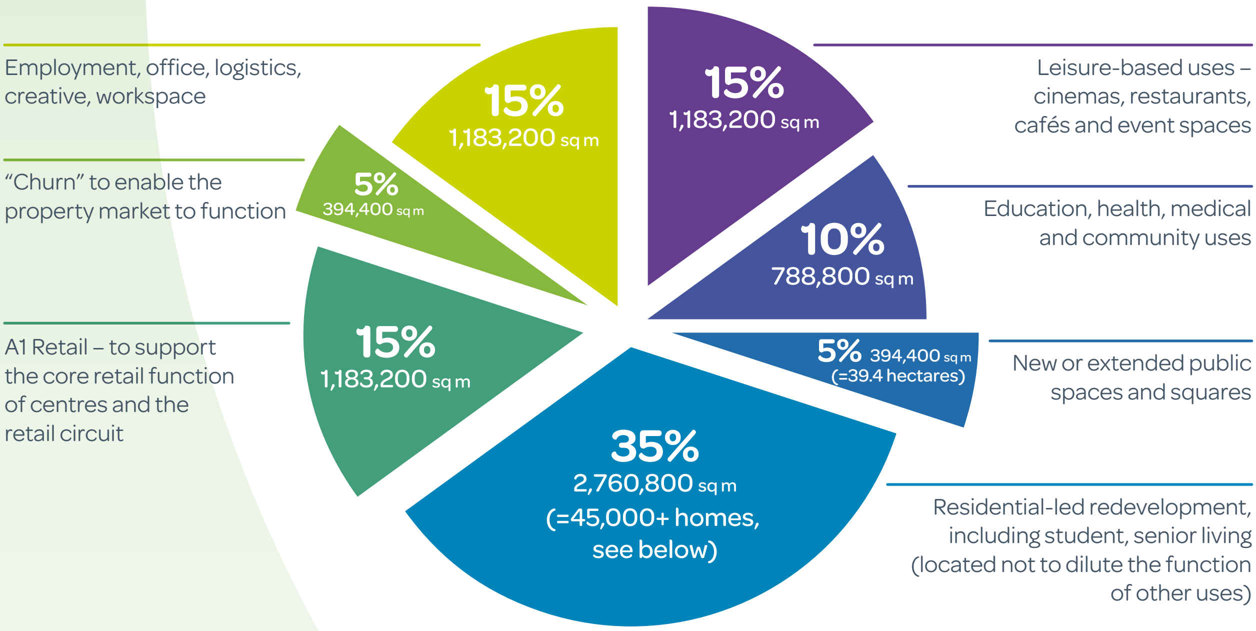
# The benefits

Mixed-use town centres have the potential to generate many benefits for society. Centres can play a valuable role in helping to address the housing crisis through the provision of a range of new homes. They can provide development land in sustainable and accessible locations. They can be multi-generational and healthy places. They can also be a focal point for public and private investment, underpinning flourishing local economies.

We have provided an illustration of the opportunity by focusing on the 8 million square metres[5] of vacant commercial floorspace which currently exists in town centres.

In this illustration we have suggested the volume of development which could potentially be delivered if vacant floorspace was repurposed for a range of uses.

## Assumed proportion of vacant floorspace:



## Helping to address the housing crisis

We estimate that if one third of vacant floorspace in town centres was re-used for residential purposes, at least 45,000 new homes could be created. This is very much a minimum capacity working on the assumption that new residential developments do not exceed the height of existing buildings. Clearly there is the opportunity for densification of development in some town centre locations, with the benefits of providing even more homes. This would in turn increase footfall and support commercial uses.

### Indicative mix of homes

| Dwelling size | Percentage split (%) | Total floor area (sq m) | Size per unit (sq m) | Total units |
|---|---|---|---|---|
| 1 bed | 35 | 966,280 | 45 | 21,473 |
| 2 bed | 48 | 1,325,184 | 70 | 18,931 |
| 3 bed | 12 | 331,296 | 90 | 3,681 |
| 4 bed | 5 | 138,040 | 110 | 1,255 |
| | **100%** | | | **45,340** |

This indicative capacity figure could be increased, or easily doubled, if on average one or two additional storeys were added to the space recorded as vacant.

5 The floorspace that has been recorded in 2018 as vacant in town and city centres surveyed by Experian Goad is in the order of 7,888,000 sq m (almost 85,000,000 sq ft).

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# Conclusions

“We advocate a ‘whole-place’ approach, noting the fact that town centres need to be understood in their wider context”

The Government is looking to relax the Use Classes Order and permitted development rights to allow greater flexibility in town centre uses, alongside introducing reforms to business rates to support smaller retailers.

Whilst reforms to the planning system create opportunities for life to be breathed back into ailing town centres, there may be unintended consequences of these reforms. These include piecemeal development; fragmentation of remaining retail cores and the potential displacement of retail businesses from competing higher value uses. The expansion of residential uses in town centres also requires careful consideration to ensure the creation of liveable and desirable places.

We advocate a “whole-place” approach, noting the fact that town centres need to be understood in their wider context as well as in terms of their physical, built characteristics and the interaction of different land uses.

## A flexible approach for mixed-use centres

Town centres represent a very delicate ecosystem of businesses and communities. We propose a five point approach for making sense of mixed-use town centres that requires owners, operators and councils to:

1. See the bigger picture
2. Understand the whole place
3. Put people at the heart
4. Complete a commercial sense check
5. Establish principles for mixed-use town centres

## Further planning reform needed

Planning needs to develop a faster and more flexible way of re-purposing town centres in the face of market challenges. Retail policy guidance needs to become more sophisticated and evolve the principles established 25 years ago. Recent changes suggested by MHCLG to use classes and permitted development rights have raised concerns from many as the wrong solution.

At the local level, new local plan documents which take years to complete will come too late to effect change. Some councils may choose to complete detailed masterplans, or even to adopt SPDs to guide development in town centres. These can, however, be cumbersome processes and often lag behind the market.

The flexible approach we recommend can be readily produced and updated to respond to changing conditions, epitomising positive planning for town centres.

## Everything to play for

Our analysis has shown that if just one third of vacant floorspace in town centres was used to provide new homes; this would boost housing supply by a minimum of 45,000 homes. Even more could easily be achieved through densification.

These are significant prizes in their own right, but we should not consign the retail function of town centres to terminal decline. People love to be entertained, inspired and excited; town centres provide the perfect environment for this. People also have day-to-day needs which can be captured through the re-imagining of traditional retail uses in town centres. There are significant volumes of retail spending out there to be grasped.

Reports of the internet being the death of the high street are premature. There is everything still to play for.

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## About Turley

We are a full service planning and development consultancy.

Our Planning expertise is complemented by Business Cases and Funding, Design, Economics, EIA, Expert Witness, Heritage, Townscape and Landscape, Strategic Communications and Sustainability services. All services can be provided together or individually.

We help clients achieve good growth in all jurisdictions in the UK and Ireland from our locations in major cities and growth areas.

Our teams are experts in their fields; they shape better places and achieve success for our clients.

**We bring deep thinking, smart strategy and expert delivery.**


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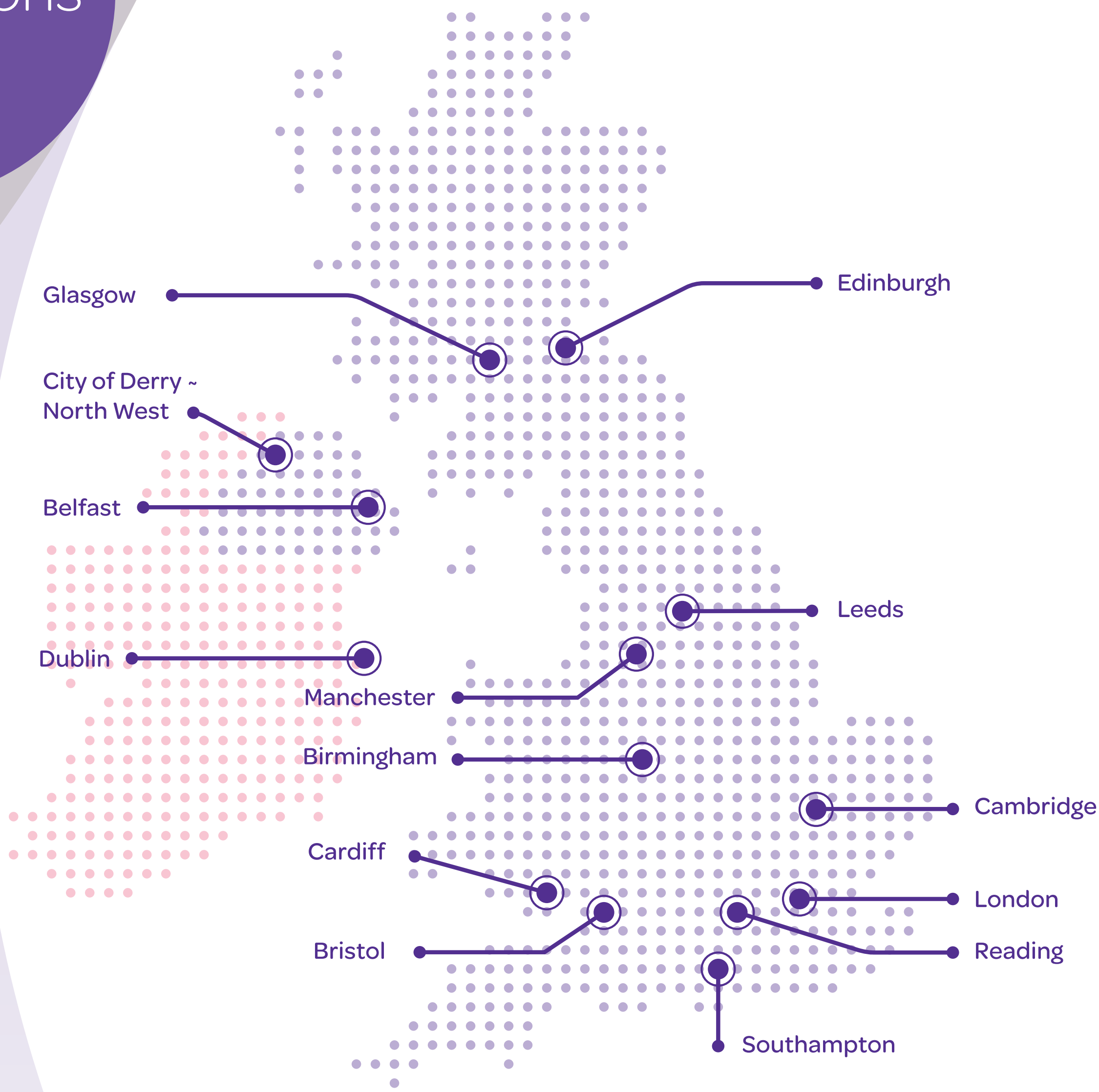
Good Growth
Business Cases and Funding
Strategic Communications
Design
Expert Witness

# Our locations

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