The Towns Fund and the Zero Carbon target

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New build and the Zero Carbon target - Slow rate of replacement of existing stock - Viability issues of upgrading older commercial buildings - MEES uplifts may exacerbate the problem - The need for urban regeneration - Issues of new retail malls and peripheral office schemes - The Mulhouse experience - EU Capitals of Culture - the UK's new Towns Fund - The overlap of improved townscapes and zero carbon - Improved centres may enable rental increases that make refurbishments more cost-effective - Utilising the £1m AIA

New build and the Zero Carbon target

At a London presentation on the issue of embodied carbon and whole life carbon costing, a room filled with mostly younger architects were keenly engaged with the practical issues around the implementation of a zero carbon approach. It is unquestionably important that there is a leading edge to knowledge development within building design and construction, and we can certainly expect to see considerable changes as we progress towards the proposed 2050 zero carbon target.

The only problem is the rate at which we are putting up new buildings - and this has traditionally been considered to be around 2% per annum - or in other words discounting for a moment categories such as Listed Buildings - it will take at the very least 50 years to replace our current building stock.

Except that we know that this is not going to happen, and in fact the views across many urban townscapes around the UK today do not look dramatically different from what they did 50 years ago.

So as the excitement grows around new build, it casts a giant shadow over the issue of upgrading our current stock of commercial property - so much of which is either partly or wholly obsolescent in building design and more pertinently, energy performance.

The stumbling block

The problem being that for wide swathes of the UK, the rental returns on commercial properties are simply too low to fund even basic upgrades, let alone the complete makeover which achieves a significant uplift in the building's Energy Performance Certificate rating.

This is the stumbling block that hides in plain sight before us. That low carbon new build is the road to the future, but before we get there, we have to deal with the present which is the vast stock of ageing and obsolescent commercial buildings. And the problem is just economics - that in many locations, particularly in the regions - low rental levels make comprehensive energy-efficient upgrade schemes simply unaffordable.

Impact of MEES uplifts

It could be argued that the problem will be addressed by further uplifts of Minimum Energy Efficiency Standards within the next few years, imposing a requirement to achieve improvements. Currently buildings with EPC ratings of F & G are required to be improved before a lease can be renewed or a new tenancy agreed. An uplift of the threshold to include premises rated D & E could have a sweeping impact but perhaps not with the intended outcome.

The problem will remain that persistent low rental levels will continue to make the cost of upgrades marginal, and the opportunity for wholesale replacement also entirely unlikely.

The consequence of tightening the strictures of MEES may simply be to drive buildings into disuse.

There are already a multitude of unoccupied commercial properties in urban centres and so if the economics of the market place are currently not working, then imposing further restrictions based on energy performance are unlikely to be a panacea.

Retail malls and peripheral offices

If the issue is one of low rentals making refurbishments unaffordable perhaps the real objective should be to address how to increase rental ceilings, but the slow decline of so many towns and cities as retail patterns have changed creates a huge challenge. Large retail malls in cities are a great retail experience for shoppers, but also have a considerable impact on the existing cityscape. As leading retailers migrate into the mall, it can leave the surrounding streets looking dowdy and drifting towards a plethora of secondary retail pop-ups or charity shops. This change has a knock-on effect in reducing the attractiveness of the location to office users.

As older city centres have lost their traditional retail street-scene, this has contributed to the movement of office space out to more attractive business parks located close to motorway interchanges. There are, of course, many other reasons for the trend to peripheral business parks, not least being the better communications offered by the proximity to a major road, and the ample parking available to a largely car-owning workforce. This compares very favourably to the alternative of the slow rush-hour crawl into and out of urban centres which are often constrained by poor public transport networks, the inefficiencies of historic road systems, and limited expensive public car parks.

The Mulhouse experience

If the aim is to achieve a zero carbon level in just 32 years time, then perhaps our focus needs to move to how the economic viability of existing towns and cities could be addressed.

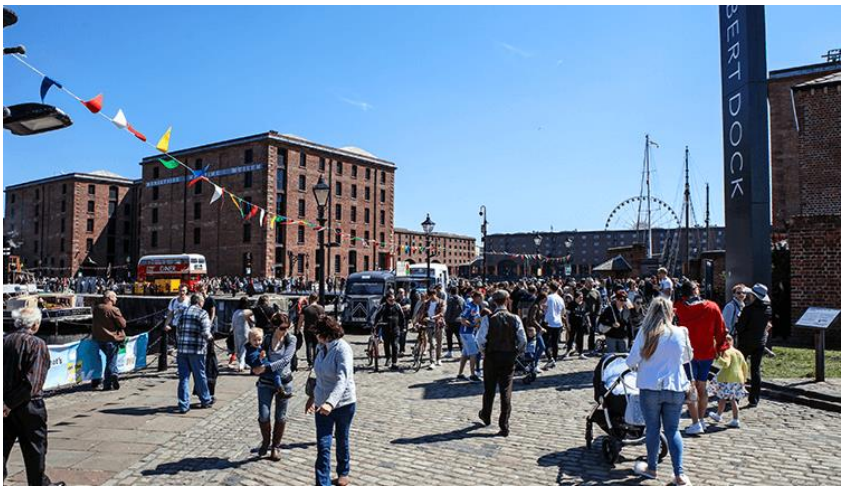
A recent article published in The Guardian* “From bleak to bustling: how one French town solved its high street crisis” makes interesting reading. Mulhouse was apparently once considered the “grimmest town” in north eastern France and was one of the poorest towns of its size in the whole country. A former hub of the textile industry, industrial decline had sapped its economic strength away and high levels of unemployment left it with over 100 boarded-up shops and a central area associated with gang activity. The Guardian article relates that Mulhouse is now known for its remarkable transformation - going against the national trend of high street shop closures. In the past eight years 470 shops and businesses have opened. A transformation costing €36m created a comprehensive approach of improving housing in the centre, giving 170 buildings a facelift, a new tram system, bike schemes and improved security. Extensive improvements to public spaces and a multitude of trees being planted have helped change and soften the urban landscape.

Creating regeneration hubs

Other examples of transformative urban regeneration can be found in the UK, for example Liverpool, Manchester, and Glasgow - but these are typically crown jewels set in a wider sea of decay. An attractive and economically successful core area which sits surrounded by poorer inner-city areas offering only a depressing backdrop for people living lives challenged by lower paid jobs in grimy neighbourhoods.

Over the past three decades the EU Capital of Culture programme** has had considerable success in spurring and subsidising the reinvention of tired cities across Europe. Notably in every instance almost all of the funding is from regional and local governments and the average EU contribution is less than 5% of the operating budget. It is a model that works, but its impact is limited to creating hot-spots of regeneration but

which do prove that long-term economic decline can be reversed. The signpost is that these investments do pay off and can remove the stigma of failure - and so if the aim is open the rental ceilings in many more regional centres a national roll-out of investment will be needed.



The UK's new Towns Fund

On September 6th 2019 the UK government published a press release*** entitled; "100 places to benefit from new Towns Fund" - in which it sets out that funding of £3.6 billion will be made available for to support "improved transport, broadband connectivity, skills and culture" with £241m of the proposed total figure becoming available in the 2020-21 spending round. Local authorities in the listed 100 towns are being invited to work with the government in drawing up "innovative regeneration plans". It is to be hoped that the money will be well-spent; more buses, faster broadband and a cultural hub of some sort will all be welcome, but for such initiatives to become transformative it is the backdrop of tired buildings that needs to change, with facelifts and a new approach to image and ambience. Perhaps carbon offsetting by tree planting should come closer to home and be focussed on the greening of tired and rundown town and city centres.

Overlap of Zero Carbon and the Towns Fund

The government's 2050 Zero Carbon target and the new announcement of the Towns Fund may not initially appear to be closely-linked - but the new investment in urban areas could prove to be key towards enabling the UK's commercial property sector to contribute to carbon reduction. This will be as a result of creating investment opportunities for landlords if occupiers perceive that tired old centres are on a journey towards becoming new employment hubs and long-stagnant rental levels begin to increase making refurbishments more affordable. There is an irony in that the Town Fund budget of £3.6bn will equate to £36m each across the 100 named towns (although individual schemes are capped at £25m) - nevertheless this is not far away from the €36m spent in Mulhouse - which gives some encouragement that with proper planning - this just might work.

Using the Annual Investment Allowance

Making full use of the available fiscal incentives - notably the £1m Annual Investment Allowance which is almost certain to continue beyond its current proposed end-date of December 2020, will contribute to the financial dynamics of any upgrade. In the majority of cases this will mean all qualifying plant & machinery will be claimed in the first year - and typically 50-75% of the cost of a refurbishment will become eligible for tax reliefs.

* The Guardian - May 20th 2019 "From bleak to bustling: how one French town solved its high street crisis" by Angelique Chrisafis

** European Parliament - Directorate-General for Internal Policies; "European Capitals of Culture: Success Strategies and Long-Term Effects"

*** Press release www.gov.uk 6th September 2019 "100 places to benefit from new Towns Fund"

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