WHATEVER HAPPENED TO BROWNFIELD LAND?

Accepted version of paper published in brownfield land? Town and Country Planning (2012), Oct, pp. 433-437.

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INTRODUCTION

Two decades ago, political attention began to focus on redeveloping brownfield land in preference to using greenfield land. Following the 1992 Rio Summit, the first brownfield target was adopted in 1995 when John Gummer announced that the then Conservative Government wished to see half of all new homes in England built on reused sites.

In 1998, the incoming Labour Government chose a more ambitious brownfield target for England, requiring 60% of new housing to be provided on previously-developed land or through converting existing buildings. At first, only modest progress was made, but once the Sustainable Communities Plan was put in place in 2003 and English Partnerships given a more strategic role in policy implementation, significant achievements became evident (Adams *et al.*, 2010). Immediately before the credit crunch, around three new dwellings in every four being built in England were located on brownfield sites.

Although the Coalition Government elected in 2010 dropped the national 60% target for England, the new National Planning Policy Framework states that "Planning policies and decisions should encourage the effective use of land by re-using land that has been previously developed (brownfield land), provided that it is not of high environmental value. Local planning authorities may continue to consider the case for setting a locally appropriate target for the use of brownfield land" (DCLG, 2012, para 111).

Yet, asking 'Whatever happened to brownfield land?' is no simple policy question. Significant concern has been expressed that the policy focus over the last two decades and all the associated public investment has served to bring forward 'easy' brownfield sites, while leaving more 'difficult' ones untouched. From 2005, English Partnerships therefore began to identify 'hardcore' vacant sites, requiring more determined action. Research by Dixon *et al.* (2010) suggests that such hardcore vacancy is particular vulnerable to the impact of recession. There are, however, few studies providing longitudinal case study evidence on this issue. To address this evidence gap, this paper investigates 80 large brownfield sites first identified in 1995 to see how many were still vacant in 2011.

2. THE 1995 SURVEY

Between 1995 and 1998, a University of Aberdeen research team investigated the nature of landownership constraints to urban redevelopment and the extent of their impact on the redevelopment of vacant land and property (Adams *et al.*, 2002).

The team concentrated on 80 substantial development sites, each of which was undeveloped at the end of 1995. These case studiy sites were either at least 2 hectares in area or had development

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proposals for at least 5,000m of new floorspace then under active consideration. The 80 sites were evenly split between four UK cities - Aberdeen, Dundee, Nottingham and Stoke. This facilitated comparison between cities which had experienced relatively strong development pressure (Aberdeen and Nottingham), and those where such pressure was weaker (Dundee and Stoke). Selecting two Scottish and two English cities also made it possible to explore whether different development policies and legal systems north and south of the border had any significant impact on development outcomes.

Table 1: Typology of Ownership Constraints

Ownership unknown or unclear
- Title deeds incomplete or missing
- Ownership in dispute

Ownership rights divided
- Land held in trust
- Land subject to leases or licences
- Land subject to mortgages/other legal charges
- Land subject to restrictive covenants
- Land subject to easements
- Land subject to options or conditional contracts

Ownership assembly required for development
- Ransom Strips
- Multiple ownership

Owner willing to sell but not on terms acceptable to potential purchasers
- Restrictive terms or conditions of sale
- Unrealistic expectations of price

Owner unwilling to sell
- Retention for continued current use for occupation
- Retention for continued current use for investment
- Retention for continued current use for making available to others on non-profit basis
- Retention for control or protection
- Retention for subsequent own development
- Retention for subsequent sale, owing either to indecision, postponement, uncertainty or speculation

The team created comprehensive development histories for each of the 80 sites, which enabled some 16 different types of landownership constraint to be identified (See Table 1). Overall, a total of 146 individual ownership constraints were found affecting 65 of the sites, with the other 15 sites not affected at all. The most problematic ones were difficulties with assembling land due to multiple ownership and ransom strips, owners willing to sell but not on terms acceptable to potential purchasers, and owners unwilling to sell.

3. THE 2011 SURVEY

In 2011, the same team re-surveyed all 80 development sites to ascertain whether they had by then been fully developed, partially developed or remained undeveloped. The results are shown in Figure 1.

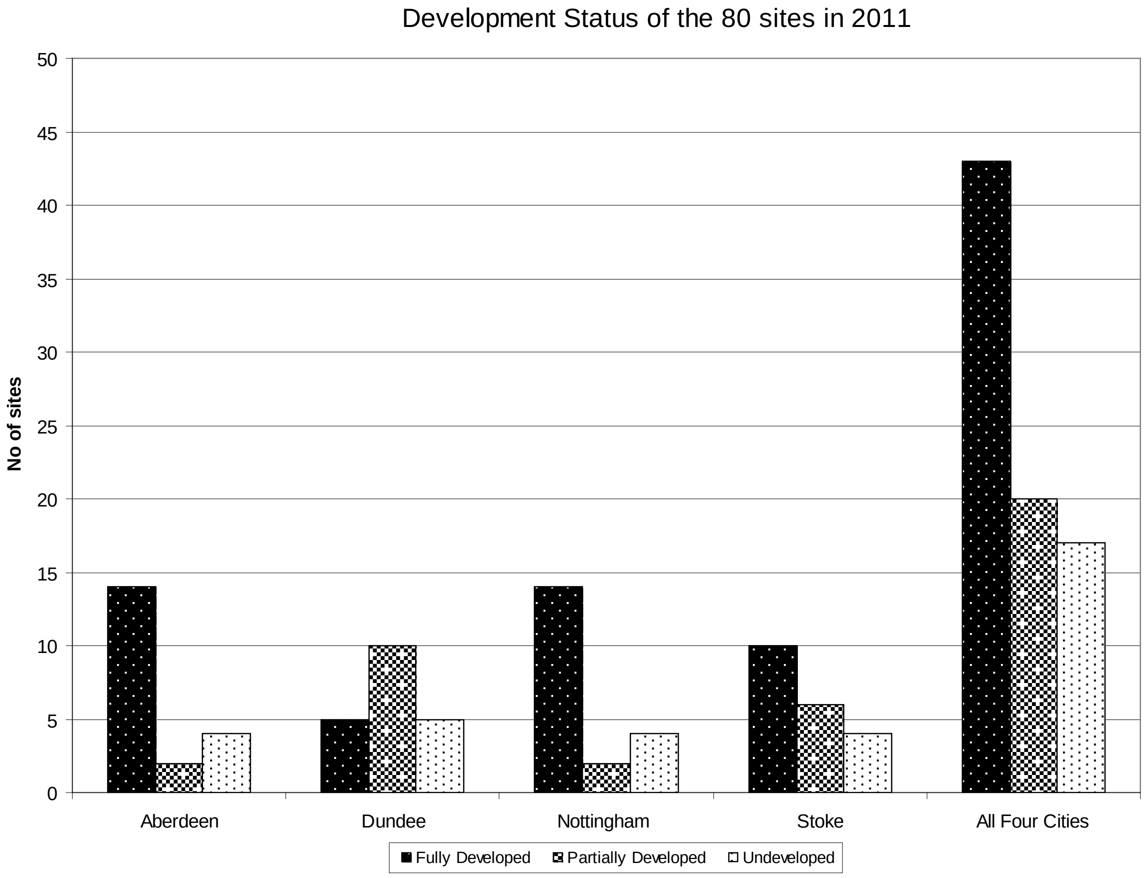

Figure 1

Since the period between 1995 and 2007 was characterised by relatively high levels of private and public sector investment, it is surprising that only 43 sites (54%) had been fully developed by 2011, some 16 years after the original research project was initiated. From an investment perspective, one possible explanation for the lack of development during the boom may be perceived inadequate financial returns deterring developers from accepting redevelopment risks. IPD (2011) reported that total commercial property returns in urban regeneration areas underperformed the main investment market over the ten year period to the end of 2010, despite positive returns for regeneration properties as a whole. If developers perceive no additional reward to compensate for the additional risk, they will concentrate on less complex sites.

Since 2007, development rates have been much reduced due to both the impact of the financial crisis on occupier demand and funding restrictions from the public sector and debt finance. Although all property sectors have been badly affected by the recession, this is particularly true in the retail sector, where occupier demand has fallen on the back of reduced consumer confidence and expenditure. For many regeneration sites, retail planning consent was previously seen as the 'magic bullet' to raise development value and help overcome constraints. Those funders who are still willing to lend to the commercial property market, are looking for developers to pre-let a substantial proportion of their new schemes before funding is approved. This is at a time when tenants are demanding high levels of inducement to sign a lease. As a result, the average lease length has fallen to under 10 years and around a third of all leases contain a break clause.[4]

Of the 37 case-study sites that were only partially developed or undeveloped by 2011, only 6 (16%) did not display any landownership constraints in 1995. As Figure 2 shows, the remaining 31 sites had displayed between 1 and 5 landownership constraints each.

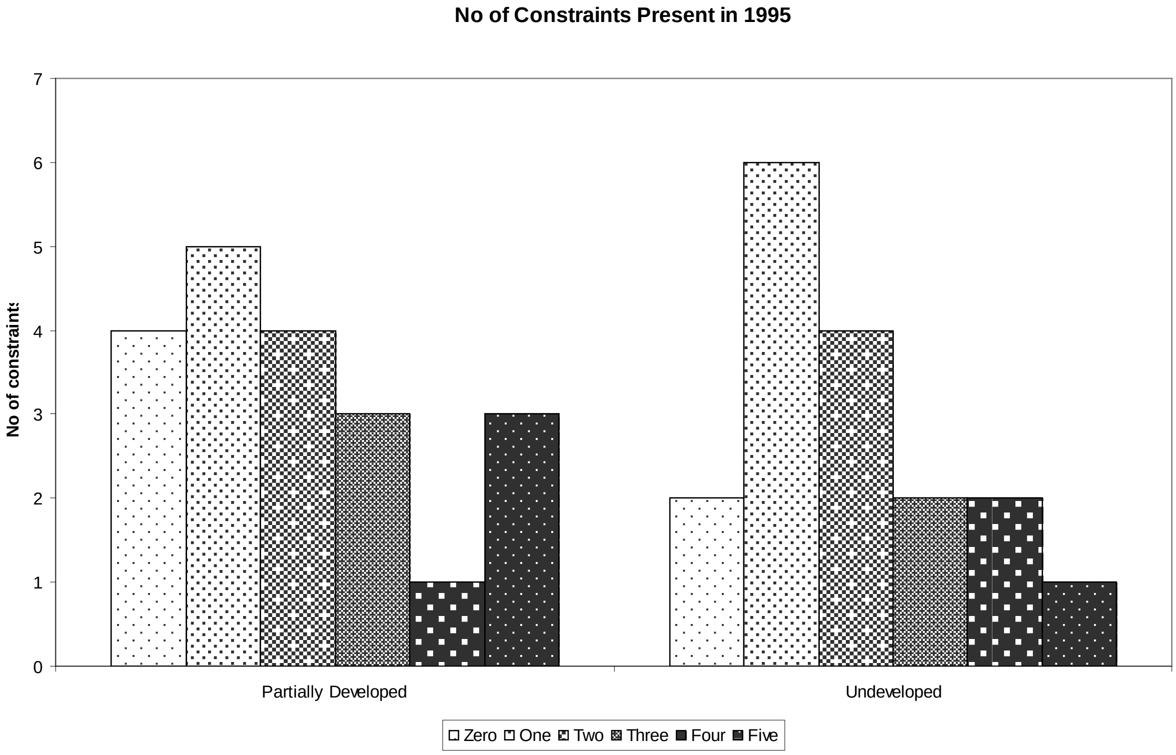

Figure 2

The 2011 survey highlighted the differing rates of site development between each of the four cities. In Aberdeen and Nottingham 70% of the sites had been fully developed by 2011, compared with 50% in Stoke and only 25% in Dundee. The low development rates recorded in Stoke and Dundee indicate how difficult it is for developers to time the implementation of major schemes in weaker property markets to coincide with favourable investment conditions.

These findings suggest that regeneration markets have failed to maximise development opportunities over the last decade and a half, even where there has been numerous public sector initiatives designed to catalyse activity and when for most of the period, the market produced positive investment returns. As the research highlighted, the presence of landownership constraints has played a noticeable role in delaying development. As a result, some key areas are still being blighted with hard-core, long-term land vacancy and much needed economic growth, supported by property investors, has been thwarted.

[4] The BPF IPD Annual Lease Review (2011) reported that the average lease length of all new leases weighted by rent (including break clauses) was 9.4 years in 2010/11, compared with 14.3 years in 1999. The proportion of leases with break clauses increased to 31.1% in 2010/11.

4. Case Studies

We now illustrate what has happened since 1995 by looking at six case studies that remained undeveloped or only partially developed in 2011.

Bestwood Sidings, Nottingham

These 2.2 hectares of former railway sidings, located in the outskirts of Nottingham, were owned by Railtrack in 1995. Although the site had not been used for operational activities for some time (all railway lines had been removed), Railtrack was unable to promote development because a freight operating company held a 20 year option to purchase.

As at 2011 the freight operating company had still not pursued the option to buy the site which remained undeveloped and covered with self-seeded trees. In the meantime, housing development has taken place on an adjacent site, suggesting the area would have potential once the market recovers from the recession.

Cotton Street, Aberdeen

This 2 hectare former gas works site was purchased by Royal Mail in 1984 to enable its local head office to be relocated. Unfortunately, following purchase, Royal Mail discovered previously unidentified contamination on site and the proposed relocation did not proceed as planned.

By 2011 a small portion of the site had been developed for car parking to serve an adjacent retail warehouse development. The rest of the site remained undeveloped.

Valentines Building, Dundee

This 3.9 hectare site was owned by a Dundee based development company in 1995. As the site was rectangular in shape and located on a prominent industrial estate adjacent to Dundee's outer ring-road (Kingsway West), it seemed to present a promising development opportunity. Although the site was allocated for offices, research and development, and industrial uses in the city's development plan, the landowner had applied for permission to develop a supermarket and petrol station in 1994.

As at 2011, the site was still undeveloped despite its favourable location. Meanwhile leading supermarket chains were engaged in legal battles with each other to secure other sites in Dundee for retail development, with one particular case even taken to the UK Supreme Court for a decision.

Spa Street, Stoke

In 1995 this 2.9 hectare former marl-hole was in private ownership and part-used as a scrap yard. In 2011 it remained undeveloped. Although poor ground conditions constrained development, the key impediment was the lack of a site assembly strategy. Combining this site with adjacent landholdings would create a larger, better shaped and more attractive development opportunity.

Triple Kirks, Aberdeen

Although only 0.22 hectares in size, this site is located at the heart of Aberdeen city centre, and is allocated for high value uses in the city's development plan, including residential, retail, offices, leisure and civic uses. It is highly visible from a major dual carriageway. Despite remains of listed structures onsite, the site would therefore appear to be a very desirable development opportunity. Until 2011, the lease-owner/developer had been unable to devise a viable scheme and attract the necessary pre-let. In 2011, planning permission to build a 6,750m² office development was granted, but this development is still to commence.

Boots Island, Nottingham

Formerly occupied by Boots chemical factories, this 4.3 hectare site had numerous physical constraints impeding development in 1995. These included contamination, lack of appropriate infrastructure and some obsolete buildings. Several ownership constraints had also to be overcome before redevelopment could progress, including multiple ownership, and restrictive covenants and easements.

An innovative partnership arrangement including the original landowners, the city council, English Partnerships and a developer has since redeveloped part of this complex site. Although, offices and a hotel occupied the western part of the site in 2011, the rest remained undeveloped.

5. POLICY IMPLICATIONS

The headline results of our surveys must indeed be worrying for policy-makers. Despite the determined policy focus on brownfield redevelopment, especially between 1995 and 2010, nearly half of the major brownfield development opportunities we first identified in 1995 still remain only partially developed or wholly undeveloped. As this suggests, targets alone will not overcome hardcore vacancy – determined and persistent local action is required, linked in to funding opportunities and favourable market conditions. To that end, the shift in recent years of UK Government policy towards supporting the decentralisation of power to local authorities is to be welcomed, empowering local communities to make key decisions on the direction of regeneration within their boroughs (DCLG, 2006, 2011a, 2011b) - a policy change that may act as a catalyst to refocus attention on brownfield opportunities. In some cases, however, is it time to recognise that there are certain hardcore brownfield sites that will never be suitable for redevelopment and that they might be better put to other uses, such as enhanced open space?

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