

Executive Board City Centre Committee – 20th November 2012

Title of paper:	Vacant Shops Action Plan	
Director(s)/ Corporate Director(s):	David Bishop	Wards affected: Arboretum, Bridge, Radford and Park, St Anns
Portfolio Holder(s)	Cllr McDonald	Date of Consultation with Portfolio Holder(s); 20 th September 2012
Report author(s) and contact details:	Nicki Jenkins Head of Economic Development nicki.jenkins@nottinghamcity.gov.uk	
Other colleagues who have provided input:		
Relevant Council Plan Strategic Priority: (you must mark X in the relevant boxes below)		
World Class Nottingham		X
Work in Nottingham		X
Safer Nottingham		
Neighbourhood Nottingham		
Family Nottingham		
Healthy Nottingham		
Leading Nottingham		
Summary of issues (including benefits to citizens/service users):		
<p>Nottingham, in common with most major UK cities, has a problem with vacancy. In September this year the Local Data Company released its report ‘ Too Many Shops’, in which it inaccurately sited Nottingham’s retail vacancy rate for the city centre as the worst in the country. Whilst they were exaggerating the problem, it can not be ignored that the vacancy rate for the city centre is still far too high and if we are to increase our retail rankings this is a key factor that will need to be addressed. The issue cannot simply be put down to the recession, there has been a failure to address structural reasons why it is difficult to fill empty units, and innovative approaches to filling vacant units need to be explored.</p> <p>An increasing awareness of risk to the city’s prosperity, perhaps catalysed by the LDC report in part, has galvanised more rapid action.</p> <p>As a result a small task group made up of key partners from the steering group has been formed and an action plan developed. This report gives an overview of the action plan and progress to date.</p>		
Recommendation(s):		
1	To note progress to date on activities to reduce the numbers of vacant retail units within the city centre.	
2	To approve the target of halving the number of vacant units in the city centre by September 2013 and reducing it to a quarter of its current rate by September 2014.	
3	To agree that an interim report be brought back to the Exec Board City Centre Committee every three months to report progress.	

4	To deliver an annual report to the Exec Board City Centre Committee in September 2013 and September 2014.
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1. **BACKGROUND**

Retail Boundaries

There are a number of different measures of vacant properties in the City Centre, all of which use different methodologies and therefore give different figures ranging from 30% to 11%. Nottingham City Council also carries out its own survey. The latest completed in November this year reported a rate of 16.8% and for the purposes of monitoring performance going forward will be used as the benchmark figure.

Some of this difference can be explained by locally based surveys having access to local intelligence with regards to property which is under offer or part of normal market churn, however there is a wider issue which involves the boundary which is used to segment the data.

Each survey bases its data on different versions of a 'retail core', with the LDC using boundaries produced by Government in 2004. Such outdated and unrealistic segmentation can therefore be significantly damaging in terms of the results and subsequent reporting.

One key area of work going forward will be to establish an up to date retail core boundary, to gain partner sign up to using this going forward and to lobby externally for the use of this boundary.

Vacancy Levels

The 16.8% vacancy rate for all properties reported by Nottingham City Council in November 2012, which translates as 199 empty units across the city centre (based on a snapshot taken on 6 November 2012). The empty units are broken own in terms of their locations as follows:

Area / Street	Number of vacant units
Broad Marsh	25
Victoria Centre	12
Derby Road	11
West End Arcade	11
Maid Marian Way	7
The Poultry	7
Bridlesmith Walk	6
Burton Street	6
Carrington Street	6
Upper Parliament Street	6
Goose Gate	5
Market Street	5
Victoria Street	5
Wheeler Gate	5
Broad Street	4
Glasshouse Street	4
Heathcoat Street	4
Hockley	4
Hurts Yard	4
King Street	4
Long Row	4
Lower Parliament	4
Pelham Street	4
Trinity Square	4

Area / Street	Number of vacant units
Carlton Street	3
Exchange Walk	3
Friar Lane	3
Middle Pavement	3
Milton Street	3
Angel Road	2
Exchange Arcade	2
George Street	2
Lister Gate	2
Queen Street	2
St James Street	2
St Peters Gate	2
Thurland Street	2
Adams Walk	1
Chapel Quarter	1
Clumber Street	1
Fletcher Gate	1
Greyhound Street	1
Kings Walk	1
North Church Street	1
Stoney Street	1
Tokenhouse	1
Trinity Walk	1
Western Street	1

Of the 199 vacant properties 13.6% have been vacant since 2008, 19.6% since 2009, 6% since 2010, 21% since 2011 and 39% since March 2012.

It can be seen that the most notable areas of vacancy include Derby Road and Upper Parliament Street, with the most concentration of vacancies around the Hockley area.

Long term vacancy hotspots include Broadmarsh, due to ongoing development work, which has also affected Carrington Street. West End Arcade, Hurts Yard, Wheeler Gate and Market St. have long term vacancies, as the stock is older and harder to let.

The vacant properties can be broken down into three separate categories as follows;

- Those which will let with little intervention through the market but attention may need to be given to stimulating increased demand.
- Those where some intervention will bring them up to a standard to let and then need increased demand stimulating to fill them.
- Those where the work required would be too costly or long term to make early re-use likely.

In order to have maximum impact as quickly as possible it is proposed that attention or intervention is initially focused upon those properties that fall into the first two categories, therefore an initial assessment needs to be made to categorize each property and intervention needs to focus on two areas of activity – stimulating demand and bringing individual properties back into use.

Reasons for longer term vacancies

While each property is different there are a number of common factors that may contribute to a unit being vacant. They include –

- Proposed redevelopment e.g. Broadmarsh
- Local factors - e.g. Derby Rd car parking.
- Rent too high/lease arrangement too long
- Presentation/condition poor or inappropriate
- Cost of refurbishment too high
- Ownership issues
- Size
- “Use” is no longer appropriate for that area or street
- Licensing/planning issues that may have prevented potential developments or enterprises
- A failure to explore more innovative approaches to filling city centre properties in a recession

Reducing Vacancy Levels

Due to the number of reasons for which a property may be vacant there is no one solution and in many cases it requires a number of activities being in place to potentially fill these spaces.

In summer this year the City Centre Retail Steering Group identified Derby Rd as an area that appeared to be reaching a critical point with high levels of vacant units and retailers struggling to stay open. It was therefore agreed that Derby Rd would be treated as a pilot area for a holistic regeneration approach.

A small working group was formed to consider the issues affecting retailers on the street and to develop interventions to return the area to its former vibrancy.

There are currently 16 vacant units on Derby Rd, nine of which are owned by Nottingham City Council (NCC), with the remaining units owned by a number of different parties. Nottingham Regeneration Ltd. (NRL) were commissioned to undertake a review of all properties to identify the potential for each unit to be bought back in to use and to liaise/negotiate with the landlord to implement these actions. Examples of the type of intervention include the subdivision of the larger units; cleaning or improvement of the facades above street level; restructuring of lease arrangements to ensure greater return in the long term and the letting of upper floors for accommodation.

In addition a number of other interventions have been put into place either as part of the project or as part of wider city centre initiatives. They are -

- Amendments to Car Parking charges
- Major Environmental Improvements - short and longer term proposals to dramatically improve the appearance of the street.
- Targeted business support – for new and existing business
- Marketing the retail offer.

To date 6 out of the 16 vacant units are now under offer or let, with limited intervention. NCC is also in discussions with a developer with regards to turning the upper floors into residential which should increase footfall substantially. The changes to the car parking pricing structure due to be implemented in November is also expected to have a significant impact on increasing custom to the area.

ERDF funding is being explored to bring about environmental improvements, and business support and marketing packages should be put into place in the next few weeks.

Based upon the learning from the Derby Rd. pilot, the task group is now adopting a similar model to addressing the issue across the city. Focusing on the two core objectives to a) bring individual units back into use and b) stimulate demand from business, an action plan has now been developed and is in the early stages of its implementation.

Objective a) Bringing Individual Units Back into Use.

Individual Unit Action Plans - An initial survey of all vacant property has been undertaken to determine locations, previous use, agents involved, and ownership. This has been added to through an intelligence gathering session with the local property agents to enable us to gain a full picture of each of the vacant units and the issues relating to each.

The next step will be to then separate the units into the 3 categories outlined above and the top twenty properties identified for intervention and a detailed action plan for each produced.

Initial assessment of the properties demonstrates that very few are actually owned by Nottingham City Council, and many of the blockages to bring these properties back into use will have to be addressed by the landlords and in most cases will involve either an attitudinal change or them spending a small amount of money (which will bring them greater returns through rents).

In order to build the action plans there will be instances where more specific expert knowledge is required, it is therefore proposed that a wider 'panel' of experts be developed working with the local private sector. Where possible services will be provided 'pro bono' however there will be instances where they will need to be paid for.

Small Grant Fund - while the properties selected will be category two and therefore not need major works there will inevitably be a cost associated with delivering these improvements. The development of a small grant fund that could be accessed by landlords to fund a percentage of the works, would act as an incentive to making things happen. As external funding opportunities will not fund support to retail business alternative funding sources would need to be identified.

Social Enterprise - There are a number of social enterprise businesses in the city who offer construction type services and who could deliver this type of improvement work at a potentially lower cost. By either promoting the use of a particular social enterprise/s or if a grant fund is delivered then making this a condition of the grant funding could not only secure the improvements but also deliver additional social benefit to the city.

Environmental Improvements - In those areas identified as high priority or with a high concentration of vacant units a wider view of the local area needs to be to understand what actions could be taken to improve footfall, and create or increase a potential

customer base. An environmental improvement plan for each area of concern should be developed and implemented, which would aim to improve the accessibility, safety and attractiveness of the area.

Potential costs are unknown until the work is undertaken and are likely to be significant therefore this will also need consideration throughout the process.

Objective b) Stimulating Demand

Bringing the properties up to a standard that means they are ready for use is the first part of the solution, however we also need to make sure that there are tenants available to fill them.

For many new businesses taking the step up to premises from a market stall, the internet or selling through local networks can be a daunting prospect. Therefore to encourage more business to move into premises consideration needs to be given to what support and incentives might be put into place.

Changes of Use – working with planning to consider acceptable alternative uses.

Identifying and Rectifying Regulatory Blockages – look at planning/licensing issues that may have prevented developments

Business Support/Mentoring - Existing business support partners in the city, The Renewal Trust and NBV, deliver business planning, start up and expansion support to businesses, some of which is fully funded.

Independent Advice and Guidance on Legislation - The legal and planning processes and requirements when taking on new premises can often be daunting and quite often the only legal advice a new tenant receives is that from the landlord.

Discounted Rents/Short terms licenses

High rents or long term leases are significant barriers to business, particularly those looking at moving into premises for the first time. By working with landlords to encourage them to offer rent reduction and shorter leases this would encourage 'pop up' opportunities for businesses to operate for a trial period. The rationale for landlords to engage with this would be that while rents are reduced they would not be paying business rates (assuming the property is under 6000 sq ft) therefore still achieving an increased income while ensuring the property is not deteriorating.

This work must undertaken not in isolation but as the beginning of a more long-term structural approach to working with landlords and reviewing rents across the city centre.

Retail Incubation Centre - Providing a platform or supported environment from which new business can start is a tried and tested methods of creating new business. While there are business incubation centres for generic business and some specific to sectors such as bio tech or digital technologies, these facilities are not usually relevant to the retail sector as this type of business usually requires shop frontage rather than office space. There are several successful models around the country that could be replicated here in Nottingham to help support the growth of fledgling businesses.

Pop Up Shops - Temporary lets provide a real opportunity for new business to test out their potential market and gain experience in running a retail operation. Working with the universities it would be possible to identify one or several units that could accommodate

temporary use that could be marketed to students interested in setting up their own business. There are also a number of national organisations that specialise in finding short term lets for 'pop up' use therefore further investigation needs to be undertaken to see what links we might be able to build and what costs implications might be.

PR Campaign to National Retail Sector – Following the negative publicity in September following the release of the LDC data there is a need to initiate a PR/awareness campaign working with the local property sector and other partners to the national retail sector to counter perception that the Nottingham retail sector is struggling.

Next Steps

- To agree the action plan with the City Centre Retail Steering Group in November.
- To identify resource and appoint a co-ordinator role to project manage the activity on individual units and co-ordinate the wider strategy.

2. REASONS FOR RECOMMENDATIONS (INCLUDING OUTCOMES OF CONSULTATION)

Recent press coverage on reported rates of vacant properties within the city centre can have a potentially negative impact on business confidence in the city. While some of the data used to calculate these rates may be flawed, Nottingham still experiences a high level of vacant property.

In order to avoid future negative press and to improve the retail offer within the city, the new retail strategy due to be launched later this year identifies reducing the number of vacant units a priority.

This report details progress against this action

3. OTHER OPTIONS CONSIDERED IN MAKING RECOMMENDATIONS

One option would be to mount an attack on the data companies aiming to discredit their research. However as has been outlined above Nottingham does have higher than average vacancy rates, and addressing this as an issue will be fundamental in increasing the city's retail ranking. With this in mind this option was dismissed favouring a split approach, proactively trying to address the data issues while reducing the number of vacant properties.

4. FINANCIAL IMPLICATIONS (INCLUDING VALUE FOR MONEY/VAT)

In March this year NCC received £100,000 from Government to address the issue of vacant shops through the High St Innovation Fund. Where actions cannot be resourced from within existing partner budgets, in kind contributions or external funding sources, then this funding will be used to fill the gap.

5. RISK MANAGEMENT ISSUES (INCLUDING LEGAL IMPLICATIONS AND CRIME AND DISORDER ACT IMPLICATIONS)

Should the action plan not be implemented effectively and no reduction in vacant units is achieved then there is the possibility that there will be more negative publicity on this issue in the future as data is released.

The action plan will be monitored and performance managed tightly by a task group set up specifically to address this issue. The task group reports directly to the City Centre Steering Group.

6. EQUALITY IMPACT ASSESSMENT

Has the equality impact been assessed?

Not needed (report does not contain proposals or financial decisions)

No

Yes –

7. LIST OF BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING CONFIDENTIAL OR EXEMPT INFORMATION

8. PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT