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Blots on the landscape

Lee Pugalis¹

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Introduction

Since April 2008, when the Rating (Empty Properties) Act came into effect in England and Wales, empty commercial property has been liable for the full business rate following an initial rate-free period of three months, or six months for industrial premises. Previously, empty commercial property, such as retail space and offices, received 100 per cent relief from paying business rates for the first three months and were only liable to a 50 per cent rate thereafter. Industrial units, such as factories and warehouses, previously received 100 per cent rate exemption in perpetuity. As of April 2009, non-domestic properties with a rateable value of less than £15,000 will receive a one year rate relief 'holiday'. Analysing these reforms I investigate a scenario that has been dubbed 'Bombsite Britain' by practitioners as many property owners opt to demolish their buildings in order to avoid the 'stealth tax'. With other property owners resorting to 'constructive vandalism', including removing building roofs, I investigate the visual and design impact this is having on Britain's urban landscape. I make the case that these blots on the urban landscape are having a detrimental impact on Britain's urban renaissance and go against Government sustainability and design quality aspirations.

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Table 1: Empty property rate relief reforms

	<i>Pre-April 2008</i>	<i>Post-April 2008</i>	<i>April 2009-10</i>
Commercial	100 per cent exemption for 3 months followed by 50 per cent relief thereafter	3 month exemption period remains unchanged, but then 100 per cent thereafter	No empty property rates for premises with a rateable value of less than £15,000
Industrial	100 per cent exemption in perpetuity	Exemption period reduced to 6 months, but then 100 per cent thereafter	No empty property rates for premises with a rateable value of less than £15,000
Charities and community sports clubs	100 per cent relief in perpetuity	100 per cent exemption in perpetuity	100 per cent exemption in perpetuity

Booming Britain

It was not too long ago that Britain was booming: Lord Richard Rogers' urban renaissance was beginning to bear fruit with 'core cities', such as Birmingham, Leeds and Newcastle, undergoing economic revitalisation, urban rebranding and aesthetic refiguration. Since the introduction of the Commission for Architecture and the Built Environment (CABE) in 1999, the significance of urban design quality has continued to rise up the political agenda and influence mainstream planning, regeneration and development policy. Consequently, the design, production and management of cities and city spaces have taken on a magnified role in contemporary Britain. Urban design is being recast as a sales tool in market differentiation to promote new urban images that are closely abounded with the marketers' descriptors of the city. It is apparent that the redesign of city spaces is taking place to stabilise market conditions, particularly in regeneration areas where perceived risk is a major barrier to investment in *newly* opened markets. The role of place quality, urban attractiveness and local distinctiveness are now key components of twenty-first century regeneration and economic development strategies the length and breadth of the country. With this wave of optimism and Government confidence that Britain's town and cities were undergoing a noticeable urban renaissance, in 2006 Gordon Brown, then Treasurer, announced empty property rate relief reforms.

Theory and rationale

The theory underpinning the Government's decision to 'modernise' empty property rate relief is quite simple, rather too simple many would argue. With Britain apparently booming, Gordon Brown's Treasury saw an opportunity to maximise tax receipts. Put simply, the Government argued that reforms would 'provide a positive incentive to bring vacant shops, offices, factories and warehouse back into use, and to remove distortions in the efficient operation of commercial property markets'. The insinuation was that many proprietors of empty commercial and industrial property were quite happy holding onto empty properties because of the generous tax reliefs available pre-April 2008. Arguing that empty properties are blots on the urban landscape, the Government claimed that reducing empty property rate relief would help reduce rents, improve market efficiency and support urban renaissance objectives. Industry bodies, such as the British Chambers of Commerce (BCC), the Royal Institution of Chartered Surveyors (RICS) and the British Property Federation (BPF), local authorities and regeneration agencies were all incensed by the reforms. Suspicious that changes to empty property rate relief were purely a revenue raising exercise, various concerns were put forward including the following:

- Arrest speculative development and physical regeneration schemes
- Property owners deliberately damaging their buildings to remove them from the ratings list
- Reducing build-quality thresholds and standards
- Premature demolition of premises

What is noticeable from these broad concerns is the urban quality strand that runs through them. It is this aspect that I focus on, and particularly the latter; the demolition of non-domestic buildings considered *liabilities* as opposed to *assets*.

Bombsite Britain

Since the reforms were executed a little over a year ago, evidence compiled from various sources including interviews with those on the frontline and web-trawls of media coverage indicate an alarming frequency of pre-emptive strikes by empty

property owners. For example, a recent Corporate Real Estate Survey conducted by CBI & GVA Grimley claims that 21 per cent of businesses surveyed stated that they were already demolishing empty property or were considering doing so. In addition, the Urban Regeneration Companies' Chief Executives' Group have compiled a dossier of specific case studies to confirm that property owners are indeed demolishing properties in order to avoid rates. Demonstrating the spatial extent of demolitions, the dossier cites examples in respect of industrial units and office space in Swindon, Leicester, Southend and Birmingham. In Southend for example, an owner recently invested more than £500,000 preparing an office block for residential conversion, but with the introduction of 100 per cent rates after three months, the owner decided it was more prudent to demolish it than incur the £16,000 monthly rates bill. Buildings at Birmingham's old Longbridge West Works have also been ripped down as the financial implication of standing empty for extended periods is too great a risk.

Another notable example is the demolition of around a fifth of the 750,000 sq.ft. Alexandra Business Park in the Pallion regeneration area of Sunderland. Faced with annual empty property rates in excess of £150,000, industrial landlord O&H Q7, took the decision to call in the bulldozers even though they recognised that the premises had not outlived their productive life. But perhaps the most prominent example is the demolition of a London pub. Now reduced to rubble, the owner of the former Lightning pub in Ealing, erected a prominent sign with the slogan: 'Sorry, Mr Brown. No empty rates on this one!'

Visual and design impacts

The demolition of empty properties is perhaps the most dramatic visual impact that the reforms are having on Britain's town and cities, but the ramifications for urban design go much deeper. Sites are being cleared of all vacant premises at the earliest possible phase of the regeneration land assembly process. Where previously such buildings would be retained and leased out to smaller businesses on short term agreements, the present situation is resulting in sites being flattened and cordoned off from the public. These blots on the landscape are having a disastrous impact on place quality and urban aesthetics, which is impeding the renaissance of British towns and cities. Fenced-off, cleared and rubble strewn sites, particularly in prominent locations,

disrupt urban townscapes acting as a 'bad neighbour' to adjacent areas. Urban permeability is also disrupted by these secured sites and the chance to generate casual encounters and informal social activities is also lost.

The psychological impact of barriers, such as razor wire fencing, can also contribute to a place acquiring a negative reputation. Once this occurs it is extremely difficult to reverse public perceptions of an area suffering from social stigma, and these mental repositories can often outlive material 'realities'. To a large extent, this is the task that most area-based regeneration initiatives are set. Whether overriding objectives are to attract tourists, sustain and develop a business district, or improve a run-down high-street, a central thrust of all contemporary regeneration strategies will unsurprisingly incorporate a reimaging or rebranding campaign. The imposition of empty property rates appears to fly in the face of wider urban regeneration goals, renaissance ambitions and urban design standards.

The Urban Regeneration Companies' Chief Executives' Group argues that it is not only low quality buildings in marginal places that are being demolished, but also landmark buildings in need of renovation. Such iconic structures often incur extensive void periods prior to redesign and adaptation, and therefore demolition is often a more financially attractive proposition. The loss of buildings of architectural merit and local cultural heritage is a particular worry. Such short term thinking goes directly against Government sustainability objectives where the adaptation of obsolete premises for new uses is vigorously promoted. Landmark buildings are important historical-cultural assets, but the imposition of the reforms means that on the balance sheet these heritage gems are considered financial liabilities.

Rates, regeneration and recession

The reforms pose a significant impediment to Britain's urban renaissance, penetrating much deeper than the immediate visual unsightliness that vacant development lots generate. As the country languishes in an economic recession, many speculative development schemes are being mothballed and public sector-led regeneration programmes are stalling. Thus, empty property rates are needed like a hole in the head. If the Government is dedicated to regenerating towns and cities, committed to high quality design and serious about developing sustainable communities then it

needs to have a major rethink about the Rating (Empty Properties) Act. The rate holiday for premises with a rateable value of less than £15,000, operational from April 2009 to April 2010, is welcome, but too little too late. Unfortunately the empty property rate relief fiasco is a further example of ‘un-joined up’ policy.