

**A Review of Research Evidence on
Factors Influencing the Renovation of Business Premises
in Disadvantaged Areas**

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The University Of Ulster

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1. Chapter 1: Introduction

- 1.1 In June 2005, the University Of Ulster was commissioned by HM Revenue and Customs to undertake a review of research evidence on factors influencing the renovation of business premises in disadvantaged areas.
- 1.2 The aim of the review was specified as identifying factors that
 - encourage businesses to locate in disadvantaged areas;
 - encourage the renovation of long-term vacant business premises in disadvantaged areas;
 - deter businesses from locating in disadvantaged areas; and
 - deter the renovation of long-term vacant business premises in disadvantaged areas.
- 1.3 The review was designed to be a literature investigation with a focus upon economic factors and wider socio-economic factors concerning the location of businesses and the renovation or conversion of longer-term vacant premises within disadvantaged areas. The literature was to reflect peer-review work, be concerned with the UK and draw upon sources published in journals over the past decade, the objective being to consider to what extent a tax incentive like Business Premises Renovation Allowance (BPPRA) may encourage this type of conversion/renovation.¹
- 1.4 It was identified at the outset of the review that the only foreseeable risk pertaining to the completion of this project related to the availability of literature. Investigations indicate that there are relatively few articles that directly address the questions as posed. Many of the articles that have been sourced are related to the topic though not specifically tapered to the questions. The articles deal with an eclectic mix of issues and often are case-study based.
- 1.5 The research approach adopted by the study team was two-fold. Firstly, a number of specialised databases were interrogated. These database searches identified many sources, but after detailed scrutiny, relatively few of these met the criterion of journal articles relevant to the subject matter. Secondly, and largely based upon the lack of material yielded from databases, an alternative strategy was implemented whereby, on a systematic basis, those journals considered most relevant to the scope of the study were trawled, starting with 2005 volumes and working progressively backwards.
- 1.6 The second approach provided a more fruitful source of evidence, though one requiring considerable time commitment in scrutinising the relevancy of articles with a high level of redundancy. Several journals have been subject to this line of inquiry, including: Urban Studies, Regional Studies, Land Use Policy, European Planning Studies, International Planning Studies, Environment and Planning A, C and D, Journal of Property Research, Journal

¹ Please see appendix 2 for further information on BPPRA policy

of Property Investment and Finance, Local Economy, Property Management, International Small Business Journal and Town Planning Review.

1.7 Key issues identified in relevant papers studied as part of this review are included in alphabetical order in Appendix 1. The summary (chapter 2) is structured to address the research questions that stem from the aims of the study, stated within the terms of reference of this project. The key research questions were:

- **What encourages businesses to locate in disadvantaged areas?**
- **What deters businesses from locating in disadvantaged areas?**
- **What encourages/deters renovating/converting longer-term vacant premises in these areas?**
- **Is the cost of renovation/conversion a deterrent?**
- **Is the perception of “negative rents” in deprived areas a deterrent?**
- **Are there differences depending on the characteristics of businesses?**

2. Chapter 2: Summary

2.1 The terms of reference limited this study to a literature review with a focus on papers published in UK journals. In undertaking this study, many papers were consulted but rejected on the basis that they did not fit the overall aims of the study. Hence, those papers included in this report represent only those that were considered to have some linkage to the aims of the study.

2.2 The purpose of this summary is to group the key messages from each of the papers under the most appropriate research questions stemming from the aims of the study. The lack of a clear fit between published sources and the project aims is one of the characteristics of the literature reviewed. However, the literature contains many articles with implicit connections to the aims of this study. Summaries of these individual papers are provided in Appendix 1. This section of the report seeks to integrate findings from these summarised studies in a manner that addresses, where possible, the key research questions.

2.3 What encourages businesses to locate in disadvantaged areas?

2.3.1 There are different incentives to locate in disadvantaged areas that businesses can draw upon in the form of grant and tax regimes. Baldock (1998) undertook a comparative study of the contrasting small business land and premises support schemes operating under the Urban Programme (UP) in the London boroughs of Wandsworth and Haringey. There were crucial differences in the policies of the two boroughs. Wandsworth sought to maximise private sector investment through low business rates and the targeting of niche market businesses, whilst Haringey sought to target industrial sectors with an intensive approach targeted at industrial sectors and specific labour market groups within the local economy. The former was considered to have been “more cost efficient, in terms of the public-private sector leverage, than Haringey’s intensive support for local businesses” (Baldock, 1998:2081). However, Haringey’s strategy was considered to have provided more of a social gain for residents. Baldock concluded that there was a need to address co-ordination across the bodies administering local economic support policies, in order to encourage both private investment and the targeting of firms in specific sectors and certain groups within the local labour market.

2.3.2 The literature on encouraging businesses to locate in disadvantaged areas reflects an agenda aimed at improving the economic base of disadvantaged areas and inner city locations. As part of this agenda, the nurturing of community action emerges very strongly. Two different approaches to this were evident from Power (2001) and Haughton (1998). Power (2001) argued that community support and innovative leadership were required in encouraging ‘urban pioneers’ into inner city neighbourhoods. Haughton (1998), by comparison, had advocated that community economic development should provide alternatives to mainstream market activities, help marginalized communities link into mainstream markets and make core regeneration initiatives more effective by integration with local communities. Lawless

(2001) expressed the opinion that “community economic development is not as central to the policy environment as many would want it to be” (Lawless, 2001:149). Lawless considered that ultimately this was a question of the scale of resources available and that long-term sustainability required some projects becoming revenue generating.

- 2.3.3 In encouraging businesses to locate in disadvantaged areas, several authors made the case for local initiatives promoting economic revival through small businesses. According to Curran et al (2000) new ways of consulting with small business owners would need to be found if effective and accountable local partnerships were to be developed and enterprise fostered. Arthur et al (2005) examined Employment Bonds² which were considered to be an innovative approach to raising finance through a bond vehicle with the social aim of creating local employment. Indeed the question is posed of a model of ‘Third Way’ thinking by providing an alternative to state funding of social exclusion and employment creation initiatives (Arthur et al, 2005).
- 2.3.4 Bentley (2005) shows that a policy response incorporating a strong business base and the provision of space geared to the needs of end users will help stimulate economic development. However, it is often these very characteristics that are lacking in disadvantaged areas. McGreal et al (2000) emphasised the gap that exists between regeneration initiatives that are designed to raise value within disadvantaged areas and the level of business buy-in. In their opinion, business participation and investment in a disadvantaged area would increase if companies became more aware of the purpose of regeneration and their potential role in partnerships. They argued that raising business awareness of regeneration funding and improving partnerships’ and private companies’ understanding of each other and their ability to speak the same language are fundamental considerations in encouraging companies to locate in disadvantaged areas. However, as recognised by Carley (2000), regeneration partnerships generally lack effective business involvement and some at the city-wide and sub-regional levels have had virtually no corporate buy-in. Carley identified in his East London case study that sustained corporate involvement occurred when business representatives organise themselves before entering into partnership.
- 2.3.5 Porter (1997) adopted a positive perspective concerning the encouragement of business in disadvantaged areas in the US. In his paper Porter argued that the inner city can offer competitive advantage arising from four factors, namely strategic location, integration with regional clusters, unmet local demand and human resources. Porter maintains that by improving perceptions and tackling long neglected problems, the inner city business environment can develop. In other words, improving the dialogue between government, businesses and

² Bond vehicles represent one means of raising finance by either government (central or local) or corporations. There are many different bond models. The Newcastle Employment Bond asked individuals and organisations to invest their money for five years and receive no interest. This was the novel feature of this particular bond and by sacrificing their interest investors aided employment in the city.

community-based organisations is important if business is to be encouraged to locate in disadvantaged areas. Oc et al (1999) have indicated that providers and recipients of business support have stressed the need for better communication between business support agencies and ethnic minority businesses.

- 2.3.6 In summary there is a range of tools (grants, fiscal measures, training, infrastructure provision, strategies to increase business awareness and involvement etc.) that government could use in encouraging business to locate in disadvantaged areas. However, these mechanisms need to recognise and build upon the advantages of inner city locations, facilitate the creation of a favourable business environment and raise value, developing effective partnership structures between business and the local communities.

2.4 What deters business from locating in disadvantaged areas?

- 2.4.1 An evident theme in the papers was the importance of the quality of the infrastructure in areas of deprivation. Gibb's (2004) work suggests that outmoded infrastructure and derelict sites are not conducive to the needs of modern business and deter businesses from locating in disadvantaged areas. Palazuelos (2005) made a similar observation that regions lacking the necessary economic, social and cultural infrastructure are at a distinct disadvantage. Removing these deterrents to business can be very difficult. Palazuelos considered that such locations will find immense difficulties in implementing a cluster-led local economic development strategy due to infrastructural deficiencies.
- 2.4.2 Adair et al (2003b) have highlighted the potential barriers arising from poor levels of market information for disadvantaged areas. They argued that this has acted as a deterrent to investors. More specifically, their analysis has shown that a lack of market transparency has resulted in potentially incorrect perceptions regarding the investment returns from urban regeneration and led to a mispricing of opportunities. Adair et al argued that such perceptions have been detrimental to inner city locations, and indeed, have deterred investors and businesses from entering disadvantaged locations.
- 2.4.3 Bennett et al (2002) have also addressed the question of information, but from a business rather than a property perspective. They argued that the localisation of business advisors is a key determinant of location choice, and one that is taken into account when deciding where to locate a new business. The evidence provided by Bennett et al is that the location of advisors does not form a random pattern rather they tend to be located in 'preferred' places. The inference is that strong markets and locations invariably have the best levels of information and business advice, whereas weaker locations may lack the same level and number of business advisors. The absence of business advisors from disadvantaged locations means that such locations are less likely to be considered in locations decisions.
- 2.4.4 Adams et al (2001a) considered that ownership constraints have had a significant impact on the redevelopment of brownfield sites. Any negativity

associated with sites can act as a further deterrent to business location decisions.

- 2.4.5 From a wider perspective, Mason et al (2004), making specific reference to venture capital investment programmes within the UK, discussed their role in providing information on sources of finance, how to access finance and the promotion of presentational skills. These are considered as necessary, but not sufficient, conditions to secure business investment. Mason et al argued that they do not address those business development issues that discourage potential investors. These issues are generally company specific and often require the input of significant expertise in order to persuade the company to invest.

2.5 What encourages/deters renovating/converting longer-term vacant premises in these areas?

- 2.5.1 Ball (2002), within his Stoke case study, cited that structural elements were often viewed as constraining or deterring factors for renovation or conversion, thereby limiting the re-use of vacant premises. These structural elements included age, the condition (with the exception of heritage properties), size (smaller premises can be more marketable), accessibility, design and situation of the property. In terms of encouraging the renovating/converting of vacant premises, Ball considered that there is a market for refurbished and reopened industrial buildings, with a willingness by many occupants to adapt production processes and activities to the configuration of existing buildings. However, a potential deterrent, and one of the key problems identified by Ball, is that owners do not always take a strategic view of their buildings. In addition, developers and potential users do not always efficiently seek out spaces or survey the local market.
- 2.5.2 Creating the right environment in disadvantaged area is important in encouraging the renovating/converting of long-term vacant premises. In this context Needham et al (2003) stressed that good design adds social and environmental value by returning inaccessible or run-down areas and amenities to beneficial public use. According to the 1996 Scottish Enterprise survey (Gibb, 2004) factors most likely to constrain business included the availability of skilled labour, property costs and the availability of suitable property. In the 2001 Central Scotland business survey suitable premises were seen as the second most important factor influencing firm competitiveness. From this evidence, policies such as BPRAs, that encourage the renovation/conversion of longer-term vacant premises, should help to provide an increased supply of potentially suitable business accommodation.

2.6 Is the cost of renovation/conversion a deterrent?

- 2.6.1 Frequently, the cost of renovation or conversion of property is perceived as an expensive option and acts as a deterrent for a business looking to reduce or constrain occupational costs. Gibb (2004) has shown that firms view suitable and affordable property as a key factor, which influences businesses' decisions, including their location decisions. Ball (2002), in his Stoke case

study, has examined how the deteriorating condition in structure and fabric can push costs beyond economic benefit, though overall it was concluded that sustainable urban regeneration is compatible with the re-use of vacant industrial premises. However, re-use is dependent on factors such as quality and condition, including technical quality, occupant characteristics and attitudes.

2.7 Is there a perception of negative rent in deprived areas?

- 2.7.1 Frequently, disadvantaged areas have failed to attract investment due to the perception of negative land values or negative rents (Adair et al, 2003b). The raising of value is central to the regeneration of locations, with the perception of weak markets a deterrent to private sector investment and business. Potter (2005) has recommended that local policy makers involved in the design and delivery of entrepreneurship strategies, programmes and projects need to address such issues by adopting a commercial approach to service provision, ensuring the availability of business premises offering affordable and flexible rents and minimising the burden on enterprises.
- 2.7.2 Adams et al (2001b) have discussed how landowners relate to the importance of local conditions and understanding of the dynamics of local property markets and the planning system. Dixon (2005) sounded a warning that new retail schemes can shift prime pitch and undermine existing areas, leading to falling values, lack of investment and underused building stock in the weaker and more disadvantaged parts of the urban area.
- 2.7.3 Until relatively recently there has been little hard evidence regarding how property investment markets perform in regeneration areas with the commonly held perception that risks were high and returns low. However, work by Adair et al (2003 b) on a regeneration performance index and subsequent analysis by IPD³ has indicated that “performance in regeneration areas can exceed benchmarks, both national and local, and therefore challenge the perception of weak markets and negative returns”.

2.8 Are there differences depending on the characteristics of businesses?

- 2.8.1 Ball (2002) showed that the characteristics of businesses (or business sector) can influence the nature and quality of the reuse of buildings. In relation to Stoke, it was observed that reoccupation of industrial premises were often by small, vulnerable and uncertain businesses, operating in cheap workspaces. Formerly disused buildings were also seen to have an important role as low-cost locations for new firms or expanding local businesses as well as for incoming activities. In contrast, when acquisition had been by local business interests, particularly as part of a specialized personal business venture, design, refurbishment and re-use qualities are higher.

³ IPD et al (2006) *Urban Regeneration Index*, Investment Property Databank, Morley Fund Management and English Partnerships, London

- 2.8.2 Porter (1997) advocated that the focus in disadvantaged areas should be on the encouragement of the SME sector based upon the concept of business clusters. Porter's approach was based on the argument that efforts must be refocused from direct intervention to one focussed on creating a favourable business environment and fostering private sector involvement through community based organisations.
- 2.8.3 Lowe (2005) has indicated how planning and, in particular, the restrictions on out-of-town development⁴ has contributed to retail-led regeneration. However, one of the characteristics of new retail-led schemes is the potential to create market imbalance. For example, Dixon (2005) argued that new retail-led schemes can shift prime pitch and undermine existing areas, leading to falling values, lack of investment and underused building stock in the weaker and more disadvantaged parts of the urban area. Indeed, adding more retail floorspace through new development schemes is considered to be a high-risk strategy for disadvantaged areas.
- 2.8.4 There was also evidence in the literature of differences by actor group. For example, Guy et al (2003) were of the opinion that independent developers have a different perspective to larger institutions and were more ready to embrace the challenge presented by fringe locations, mixed uses and local urban culture. Curran et al (2000) argued that urban policy must encourage independent, locally based forms of property investment and development, as the cost effectiveness of national small business policies was considered to be questionable. Curran et al, also considered that the voice of small business owners has been supplanted by an alliance between large corporate interests and local politics, which does not necessarily serve the interests of small businesses. To counter this trend, the authors suggested that sector based, fine-tuned business services is a way of achieving greater participation of small enterprises.
- 2.8.5 Another dimension within the literature was difference by ethnic group. Deakins et al (2003) considered that a key issue for enterprise support provision for ethnic minority businesses is the extent to which their needs are different from those of other small businesses. The authors contend that these differences are associated with sector, size and geographic location. Similarly, Ram et al (2002) were of the opinion that the underlying needs of businesses varied depending on size and sector characteristics.

2.9 To what extent would a tax incentive like BPRA encourage renovation?

- 2.9.1 The literature suggests that if correctly targeted, tax incentives can play an important role. For example, within the regeneration context, which by definition is concerned with disadvantaged locations, Adair et al (2003a) argued that tax incentives were considered effective where market failure was well defined. Such incentives were seen to have the advantage that they were automatic, transparent and offered less uncertainty to potential targets.

⁴ Planning Policy Guidance Note 6 Town Centres and Retail Development, ODPM, 1996. Note: ODPM became the Department for Communities and Local Government on 5 May 2006

McGreal et al (2002) maintained that tax-based mechanisms were an important instrument in the delivery of urban regeneration. Likewise, Syms (1999) was of the opinion that taxation incentives may be an effective stimulus in ensuring brownfield land was returned back into use, notably the use of tax credits in respect of remediation costs. Similarly, Williams (1999), using literature sources, stated that developers were particularly in favour of tax breaks to bring smaller sites back into use, but that grant aid was also required for many larger sites.

- 2.9.2 The literature suggests a balanced approach to regeneration, including fiscal penalties, may be appropriate in certain circumstances, particularly where there is a persistent leakage of development onto greenfield sites. Adams et al (2001b), in their research of sites in Nottingham, Stoke, Aberdeen and Dundee revealed that the development prospects of 21 of the 80 sites hinged on the availability of development grants or subsidies, with clear evidence that without this public sector support, redevelopment would not have taken place. Jones et al (2003) sounded a precautionary note that public subsidies/tax incentives will not ultimately generate sustainable local industrial property markets in areas fundamentally drained by spatial economic change. However, McGreal et al (2002) argued that the use of tax incentives have the potential to deliver. They contended that the adoption of tax incentives has pragmatic appeal, particularly within a broader context of circumstances arising from sustained public-sector spending constraints.
- 2.9.3 Currently there are no published academic studies relating to the use of the UWP fiscal measures notably flat conversion allowances or VAT exemptions, though Gripaios (2003) was of the opinion that the measures announced in the Urban White Paper have generally been well received. The investigation under-taken on behalf of DCLA and HMRC by University of Ulster and Arup provided useful insights into how tax allowances operate within the development process⁵.
- 2.9.4 From a policy perspective, Greenhalgh et al (1999) have sounded a warning note that activity attracted or generated by public sector intervention may not necessarily be of benefit if occupiers use the opportunity to simply relocate rather than create new activity. Greenhalgh et al (2003) have further examined how intervention in the property market by subsidizing property development and occupation, as part of the regeneration of disadvantaged locations, has been characterised by displacement of activities. In this context, the authors argued that public sector agencies needed to have strategies that mitigate the negative effects of displacement on vulnerable locations.

⁵ www.hmrc.gov.uk/research/report16.pdf

3. Conclusion

BPRA policy aims to encourage the renovation of longer-term vacant property for business use and, through this mechanism, to foster the physical, economic and social regeneration of deprived areas. This review has surveyed existing literature to ascertain views and perspectives on the subject of the potential of tax incentives to increase private investment, enterprise and employment in the UK's most deprived communities. It has displayed that there were, at the time the review was conducted, few articles directly addressing the questions posed (relating to BPRA). This has made it difficult to draw any definitive conclusions at this point with regard to the potential effectiveness of an incentive such as BPRA.

Although the literature is limited, some key points have emerged. There is currently no specific literature on how a tax incentive such as BPRA would affect the behaviour of businesses in relation to renovating buildings; but there is limited evidence to show the general consensus concerning utilising tax relief for regeneration and the effects of similar tax incentives. Firstly, tax incentives are considered appropriate for stimulating regeneration in areas where there is an obvious market failure which can be the case in disadvantaged areas (Adair et al, 2003). Secondly, the example of remediation relief for brownfield sites has been put forward by Syms (1999), as being considered to be a stimulus for brownfield redevelopment. The literature suggests that fiscal support, in the form of subsidies or grants from the public sector, can be a key factor for redevelopment (Adams et al 2001b), and additionally that this type of financial support is popular with developers (Williams, 1999). Of interest also, is the perspective that the economic cost of regenerating derelict buildings can sometimes outweigh the benefits of moving to an area (Ball, 2002), and this in itself perhaps shows where BPRA could make a difference.

However, what is very clear from the literature is that tax incentives are not the only key factor in ensuring that businesses utilise property in disadvantaged areas. The literature appears to suggest that the quality of the infrastructure (Gibb, 2004) and business support (Bennett et al, 2002) available in a locality is equally important to encouraging business relocation. Tax incentives must be supported by complementary measures to ensure their effectiveness.

There is also some suggestion that renovating in disadvantaged areas may only be attractive to certain types of businesses. Independent developers (Guy et al, 2003) may be more interested than larger, franchised property developers in the opportunities available from renovating businesses in deprived areas. This perhaps provides some guidance as to whom a tax incentive like BPRA should target.

An additional caveat is that where tax incentives are introduced, there should be appropriate strategies in place to ensure that tax incentives do not cause a displacement effect of businesses (Greenhalgh et al, 2003). Any policy similar to BPRA would need to ensure that strategies are in place to prevent such an effect.

Appendix 1: Review of Selected Journal Articles

Financing property's contribution to regeneration

Adair, A.; Berry, J. and McGreal, S.

Urban Studies, 2003a, Vol. 40 (5-6), 1065-1080.

This paper initially links the concept of market failure and the rationale for regeneration and examines policy responses from UK, European and US perspectives, followed by a consideration of public and private sector financing approaches. International perspectives draw particularly upon the use of tax-based mechanisms in regeneration, notably those used in the US. In the European context, the paper highlights implications for regeneration stemming from the interpretation of State Aid rules and competition policy.

The authors indicate that regeneration locations are often characterised by economically obsolete land uses, derelict structures, outmoded infrastructure and contamination, all of which increase investment risk and involve high reclamation costs for potential developers. The rationale underpinning regeneration is one of seeking to engage the private sector in the absence of effective demand in inner cities. This necessitates in one form or another state intervention to stimulate market activity. Regeneration is required where market forces are perceived to have failed for reasons such as lack of information, landowner inertia, landowner hope valuations, perceived low returns, high transaction costs, risk, externalities and low demand.

Financial assistance to fund property development in regeneration areas was initiated with the launch in the early 1980s of Urban Development Grant modelled on the Urban Development Action Grant in the US. Over the intervening period, financial support has been refined in various ways, incorporating grants, loans with equity participation and joint ventures, with an increasing emphasis on flexibility. Separate schemes have existed in the constituent parts of the UK, reflecting the different problems and institutional frameworks in those regions.

The paper also discusses a key focus of the Urban White Paper (2000), namely an emphasis on brownfields as the primary location for new development and a shift from grant-based incentives towards the introduction of fiscal measures involving stamp duty, tax credits, capital allowances and VAT reforms.

Current government policy in the UK is based on the principle that the delivery of urban regeneration strategies requires enhanced economic development and social cohesion through effective regional action and integrated local programmes. Emphasis on area-based, supply-side delivery mechanisms has often made regeneration synonymous with the use of grant regimes supported by the provision of infrastructure and/or environmental improvements. Arguments forwarded in favour of a grant-based system to lever private sector investment into urban regeneration locations arise from the risks associated with speculative development - the subsidy

being designed to bridge the gap between the cost of the development and the value of the scheme on completion.

The Urban Task Force was seen as innovative in proposing a number of new financing arrangements, namely the pooling of public and private money in long-term investment vehicles. The recommendations included joint funds with institutional investors to support projects within proposed Urban Priority Areas; the establishment by RDAs of regional investment companies which would issue debentures in return for 'subscriptions' from institutions; and the creation of real estate investment trusts. These vehicles were based on the central premise that the most effective use of public money in urban regeneration is to access greater investment from the private sector.

The article discusses the merits of tax breaks, which were advocated by the Urban Task Force, with the proposal to use the fiscal system to alter patterns of behaviour in respect of developing, investing in, owning and occupying property. These measures relating to land and property, namely tax credits, capital allowances, stamp duty and VAT are commonly referred to as the Urban White Paper fiscal measures (DETR, 2000). The authors argued that fiscal incentives were considered to be more appropriate when market failures were well defined and obvious. They were seen to have the advantage that they were automatic, transparent and offered less uncertainty to potential targets and could easily be factored into the development appraisal. Contrary to this, grants were often connected with uncertainty. The article considers that the tax incentives in general have stimulated property-based urban renewal, focused developer and investor interest in locations and established new markets that otherwise would not have existed. The authors identified the important linkage between regeneration and policy engagement with businesses as the occupiers and users of property. They argued that the promotion of businesses in regeneration areas increases the flow of money within the local economy with the latter in turn impacting on the social and cultural fabric of the area.

The most common single use of gap funding was to support the private sector in overcoming the abnormal costs of developing or redeveloping derelict or contaminated sites. The availability of gap funding in urban regeneration locations made development economically viable, particularly where the market conditions would otherwise have frustrated activity. Community Finance Initiatives (CFIs) were seen to have a potentially important role by focusing on those unable to seek bank finance, regenerating depressed economies and encouraging entrepreneurial activity. It was observed that those CFIs which support enterprises tended to focus on businesses that have been unable to access commercial lending.

Regarding US experience, the authors state that the central feature of tax incremental financing (TIFs) is to allow local government to finance redevelopment projects through future increases in the property tax revenue. TIF is a mechanism used widely in a number of US cities. Chicago is a good example. An area within the city can be designated as a TIF district: either it has to be a blighted area or a conservation area. When designated as a TIF district, the amount of tax revenue the area generates is set as a baseline. The additional tax revenue collected in subsequent years is used to pay redevelopment costs. A city may have many of these operating at the same time. Implementing and financing the tax mechanism is complex since state law must set the statutory criteria for project eligibility and limitations and restrictions on the

newly formed TIF-granting authorities. Initially, TIF was designed to cure blighted areas, redevelop properties and to meet the social and economic needs of the people living in the area. However, the authors argue that TIF has become an incentive programme for developers, who often play off competing municipalities against one another.

Conclusions reflect upon the complexity of regeneration and the importance of the different stakeholders within the regeneration process. The paper demonstrates that regeneration is not a simple process. Investment into regeneration has been focused on development rather than on later investment and market activity. The paper makes the point that addressing the latter requires innovative thinking and new investment vehicles with clear challenges for the future delivery of regeneration.

Urban regeneration and property investment performance

Adair, A.; Berry, J.; McGreal, S.; Hutchison, N.; Watkins, C. and Gibb, K.

Journal of Property Research, 2003b, 20(4), 371-386.

This paper is concerned with the property information base in regeneration (disadvantaged) areas. The point is made that for secondary market areas including regeneration locations performance information is meagre and fragmented. For this reason, institutional funds have been reluctant to invest in these locations despite the desire by government and agencies to increase institutional involvement and attract private finance into regeneration. This has resulted in lost opportunities. The authors consider that the lack of information remains a key issue with opinions of regeneration areas influenced by misperceptions of returns, transaction evidence, information costs, risk and market demand. Such negativities can lead to the underpricing of markets. Under such pricing policies, regeneration areas may be particularly disadvantaged. At the urban level, the potential performance of a city's property market is an important element of an investment decision. If rental and capital growth is strong, other matters being equal, investors arguably will be attracted. Hence, the importance that is placed upon market information has been poorer for disadvantaged areas. The authors contend that if regeneration is to add value there is a need to be competitive, to make locations attractive, to combat factors that act as deterrents to investment and to develop more innovative ways of attracting private sector finance. Central to this process is the need for greater information on investment returns within regeneration areas. Weak levels of market transparency have resulted in potentially incorrect perceptions of regeneration and lead to a mispricing of opportunities.

The authors maintain that an understanding of the operation and functioning of the property market is essential in explaining why the private sector invests in some areas and not in others. Allied to this is the importance of receptive markets for land and property to lever investment into regeneration schemes. However, the property market is comprised of different elements: the user market, the investor market and the development market. Efficient and receptive markets for land and property are essential to lever investment into regeneration schemes. As a consequence of the lack of data, market signals concerning regeneration areas have been weak and confused thereby creating added conditions of uncertainty sufficient to deter investors.

The paper used time series data for urban regeneration property in eight major conurbations in Great Britain and for the first-time developed a proto-index to benchmark performance of property in this sector. The results show that investment returns for urban regeneration property are outperforming national and local benchmarks on a long-term performance basis. The enhanced levels of investment return conflict with often held perceptions of weak performance within these locations, opinions that frequently stem from a lack of information.

Important messages from this paper are that performance returns in regeneration areas can exceed benchmarks and therefore challenge the perception of weak markets and

the contribution that improvement in market information might make to the attraction of private investment into urban regeneration.

Mind the gap! Taxes, subsidies, and the behaviour of brownfield owners

Adams, D.; Disberry, A.; Hutchison, N. and Munjoma, T.

Land Use Policy, 2000, Vol. 17, 135-145.

This paper addresses two key research questions; firstly, the level of effectiveness of fiscal measures in stimulating brownfield land regeneration, and secondly whether taxes or subsidies are the most effective mechanisms. The authors contend that fiscal measures can act as either a constraint or a stimulant to positive development strategy; a constraint may take the form of a high rate of tax on any capital gain on disposal, thus discouraging an owner to sell whilst fiscal stimulants include tax reliefs, grants or subsidies.

The paper considers the results of a three-year study of land ownership constraints on development sites in Nottingham, Stoke, Aberdeen and Dundee. The research revealed that the development prospects of 21 of the 80 sites hinged on the availability of development grants or subsidies, with clear evidence that without this public sector support, redevelopment would not have taken place. The funds were crucial in helping to bridge the financial gap, enabling uneconomic schemes to come to fruition. Research results regarding the most effective incentive were mixed, but highlighted that a balanced approach to regeneration, including fiscal penalties, may be appropriate in certain circumstances, particularly where there is a persistent leakage of development onto greenfield sites, despite the availability of brownfield locations. However, recognition has to be made of the differences in demand between localities. In areas of weak demand, tax penalties may be inappropriate, with grants and subsidies the required measure. Where strong demand does exist, the dilemma is to design a tax penalty that meets the agreed aims, without producing unwarranted side effects.

Ownership constraints to brownfield redevelopment

Adams, D.; Disberry, A.; Hutchison, N. and Munjoma, T.

Environment and Planning A 2001a, Vol. 33, 453-477.

The authors examine constraints imposed by ownership of property on the urban redevelopment process which they regard as deriving from the distinctiveness of land as a commodity, imperfections in the market, behavioural characteristics of landowners, and the institutional framework of ownership, exchange and development. From an analysis of four British cities between 1991 and 1995 five principal constraints are identified, namely ownership unknown or unclear, ownership rights divided, ownership assembly required for development, owners willing to sell but not on terms acceptable to potential purchasers, and owners unwilling to sell. Some sites were affected by more than one such constraint (average constraints 1.8 per site). Normally these sites can only be developed when amalgamated with other properties.

In contrast to traditional urban economic theories which tend to major on the demand side of the urban system and assume that supply readily adjusts to demand, urban development cannot be regarded as a smoothly operating system. In effect ownership constraints especially in brownfield sites undermine the contention that supply responds to produce development at the right time, in the right place and at the right price.

The authors conclude that ownership constraints are more heavily concentrated in brownfield rather than greenfield sites. Not only is this detrimental to the attractiveness of regeneration areas as suitable locations for development, compared with greenfield sites the time and resources required to resolve ownership issues also can have a negative impact. The resolution of ownership problems requires an imaginative policy response if more brownfield redevelopment is to be delivered successfully.

Urban redevelopment: contextual influences and landowner behaviour

Adams, D.; Disberry, A.; Hutchison, N. and Munjoma, T.

Journal of Property Research, 2001b, 18 (3), 217-234.

This paper is concerned with landowners' decisions to use, market, develop or purchase their sites. In particular, the paper explores how far owners of potential urban development sites may be encouraged or discouraged from using, marketing, developing or purchasing land.

The paper is based upon empirical evidence from four cities: Aberdeen and Nottingham which had witnessed strong development pressures, and Dundee and Stoke with weaker development pressure. The survey considers the views of 120 landowners within these cities. Results of the survey indicate that landowners consider themselves to be well informed about the local economy, the local property market and the local planning system but less well informed about European environmental and planning legislation, development grants and subsidies which are often vital to the redevelopment prospects in many urban areas. Over 75% of respondents indicated that national taxation, compulsory purchase, and the activities of national and local environmental groups had no impact on development strategies.

The landowners interviewed claimed a moderate knowledge of national economic factors, considered that they had very low influence over them and generally felt that these factors had little impact on ownership strategies. A similar perspective prevailed in relation to national policy factors. However the authors indicated that for over one-quarter of the sites considered, development prospects hinged on the availability of development grants or subsidies and therefore landowners may have undervalued the importance of national policy factors. In contrast, for the local economic context there was high knowledge, the perception of moderate influence and mixed impact.

To conclude, a major point to arise from this paper is that landowners related much more strongly to the local context for redevelopment than the national context (and policies). This gives emphasis to the importance of local conditions for urban regeneration and the importance of understanding local property markets and the planning system.

The Newcastle employment bond: investing in local communities

Arthur, A. and Mellor, M.

Local Economy, 2005, Vol. 20(1), 53-66

Arthur and Mellor's paper, in considering social exclusion and neighbourhood renewal, focuses on economic regeneration and new ways of stimulating employment in local economies. The paper explores the Newcastle Employment Bond as an innovative approach to raising finance through a bond vehicle with the social aim of creating local employment. The authors explore the structure, philosophy, motivations and expectations of those investing in the bond. Interestingly the paper asks whether the bond is seen as a model of 'Third Way' thinking by providing an alternative to state funding of social exclusion and employment creation initiatives.

The emphasis in the paper is placed upon solving social exclusion through economic development and is based on a multi-agency, non-state initiative that brings together commercial and social approaches. The significance of the Employment Bond shifts the focus towards financial support through socially orientated investments. It is argued that social development is concerned not only with increasing labour market participation but with promoting capital formation, accumulating assets, mobilising social capital in poor communities and in developing micro-enterprises. One of the core aims of this specific bond is to harness the financial investment of private individuals and organisations into an area-based socially orientated economic initiative.

The Newcastle Employment Bond was issued in 2001 by Citylife, an Industrial and Provident Society, which raised over £2million. The bond asked individuals and organisations to invest their money for five years and receive no interest. By sacrificing their interest investors aid employment in a geographical area such as a city or a district. To reassure investors that they would receive their capital investment back in full the Northern Rock Bank has acted as guarantor for the bond. In its first year the Newcastle Bond helped 69 people into employment, 156 into training and supplied 28 small business loans. Consequently the bond has thus helped to create or sustain employment.

A survey of the investors in the bond was carried out in 2001. Results from the survey indicate that the main financial reason that attracted individuals and organisations was that they could contribute to employment creation and only lose their interest with no risk to their capital. The innovative nature of the bond showed that the vast majority of investors had never made a similar investment. Interestingly the commitment to the bond indicated that most respondents would make a similar investment again. The main financial reason that attracted investors was that they could help local unemployment and only lose their interest with no risk to their capital.

However the Employment Bond is not just about raising finance for employment initiatives but has the wider remit of building good relationships within cities which is vital for social inclusion and economic prosperity. The process of issuing the bond is based on establishing a partnership of organisations to work in an interconnected way to improve employment opportunities. The bond provides a mechanism to create and

build up relationships, and to enable passive residents to become active citizens united around a common commitment to their city with the result that unemployment can be tackled and urban prosperity can be created. One relational link that was not developed was the possibility of using the capital project to employ and train local unemployed people. It may be that the expectation to have a commercial rate of return at the heart of the bond package limits the extent to which the capital project can be used to create training opportunities. In this regard the bond mechanism is considered unlikely to overcome the lack of a relationship between the haves and have-nots.

Ten years of the Urban Programme 1981-1991: The impact and implications of its assistance to small businesses

Baldock, R.O.

Urban Studies, 1998, Vol 35(11), 2063-2083

The paper presents the findings of a comparative study of small business land and premises support schemes operating under the Urban Programme (UP) in the London boroughs of Wandsworth (Conservative Council) and Haringey (Labour Council). The former pursued a modified neo-liberal approach based on maximising private investment whereas the latter utilised a modified socialist intensive approach targeted at industrial sectors and specific labour market groups within the local economy.

Overall the UP provided a very low level of funding to support the economies of the two boroughs consequently the impact is regarded as marginal. There are crucial differences in the policies of the boroughs studied and several key elements of the two borough's different approaches to small business support were particularly successful such as low business rates and the targeting of niche market businesses. Wandsworth's extensive approach in maximising private sector investment was more cost efficient in terms of the public-private sector leverage than Haringey's intensive support for local businesses. The lower cost factors in Wandsworth in particular cheaper rates proved a key element in attracting and maintaining investment. In contrast Wandsworth's approach was not as successful as Haringey's in benefiting residents.

Baldock argues that a combination of both policies would have been more successful thereby encouraging private investment but being selective in avoiding the excesses of private funding leverage, which led to a high level of deadweight projects in Wandsworth. This policy would target firms in specific sectors and certain groups within the local labour market. Both boroughs failed to integrate effectively UP policies with a wider economic development strategy. Baldock recommended that greater coordination between those bodies responsible for administering local economic support and generating policies.

Re-use potential and vacant industrial premises: revisiting the regeneration issue in Stoke-on-Trent

Ball, RM.

Journal of Property Research, 2002, 19(2), 93-110.

A central argument of this paper is that there is evidence to challenge the entrenched assumption that old industrial buildings have little real potential. Ball considers that there are three sets of features conditioning the re-use of vacant industrial premises (VIPs). These are the situation of the local economy; the characteristics of the stock of vacant industrial premises; and the attitudes, approaches and involvement or otherwise of the broadly defined development industry. In essence the context is set by the local economy in terms of what Ball describes as its conditioning effect and the factors that lead to vacancy. The author uses the example of Stoke, with a large number of older industrial buildings, a legacy of a long-standing and rationalising manufacturing base, a poor image to potential investors, and a limited involvement by government regional or urban policy until the mid-1990s. The structural elements concern the nature of the property stock with various features viewed as constraining or deterrence factors, limiting re-use. These include age, condition (with the exception of heritage properties), size (smaller premises are more marketable), accessibility, design and situation. The activities of actors and agents are hypothesised as providing the decisive element, namely the existence of potential occupants and also developers willing to take on disused space.

The paper draws upon empirical evidence of a major survey of industrial premises in Stoke totalling over 1000 site visits (over the period 1994-1997). Results indicate that the vast majority of re-used buildings were back in warehousing or industrial use with many having little or no refurbishment. Re-occupation frequently involved small, vulnerable and uncertain businesses operating in cheap workspaces. Reoccupations were generally post-war constructed premises; over 75% of persistently vacant premises were constructed pre-1945. There was evidence of some buildings having been marketed for several years with reluctance to lower rental requirements, often reflecting what Ball refers to as passive ownership. Design is important with re-occupied buildings frequently in courtyard and island sites. Re-occupation levels were higher with canal-side premises, usually buildings in difficult yet attractive locations.

Ball refers to the effect of local policy that has targeted specific parts of the city and related this to Single Regeneration Budget and European funding. Formerly disused buildings were seen to have an important role as often low-cost locations for new firms or expanding local businesses as well as for incoming activities. Ball also refers to the selective marketing of premises, with many not on the market. Where acquisition has been made by local business interests, particularly as part of a specialized personal business venture, design, refurbishment and re-use qualities are higher – Ball refers to this as a hint of social as much as economic influences in the market.

In many, but not all, cases it was found that the cost of re-using vacant industrial buildings are lower than the costs of new build. In some cases deteriorating condition

in structure and fabric pushed the costs beyond economic benefit, although there may still be gains in environmental and community terms. Re-use benefits included retaining the style and character (heritage features) of buildings. Furthermore, re-use is often an efficient use of premises but is subject to demand for such premises – negatives may occur from low-level users operating in a non-sustainable way. Re-use also saves new materials and avoids greenfield locations but may require costly refurbishment. Also low quality re-use may deliver buildings that are not necessarily sustainable on functional, organisational or environmental bases.

Overall, Ball concluded that sustainable urban regeneration is compatible with the re-use of vacant industrial premises which is sustainable but subject to quality and condition of re-use including technical quality, occupant characteristics and attitudes. Furthermore, there is a market for refurbished and reopened industrial buildings with a willingness by many occupants to adapt their production processes and activities to the configuration of existing buildings. However, owners do not always take a strategic view of their buildings, and developers and potential users do not always efficiently seek out spaces or survey the local market. Nevertheless, Ball indicates that in a number of cases in Stoke, reoccupations have involved substantial refurbishment, re-invigorating the feel of inner area zones (disadvantaged areas) and re-using resources with commitment to good sustainability practice.

The influence of location and distance on the supply of business advice

Bennett, R.J. and Smith, C.

Environment and Planning A 2002, Vol. 34, 251-270

In this paper the authors examine the geographical relations between small business clients and their external suppliers of business advice, including enterprise agencies, chambers of commerce, banks, accountants and regional development bodies. External advice is an important aspect of the inputs of expertise sought by most small and medium-sized enterprises (SMEs). The way in which location is likely to influence the use of advice arises from the process by which advice is delivered. In a very high proportion of cases, business advice is delivered through site visits by the advisor.

The location of advisors does not form a random pattern – they tend to be located in ‘preferred’ places. Previous studies indicate that 76.4% of all businesses are located in 126 clusters or urban centres. As a result of these locational concentrations, it is to be expected that business centres as a whole, and larger centres more than smaller centres, will be the most significant sources of supply of advisors.

The paper suggests how differences in the availability of advisors in each local market influence choice – where there is a low level of choice, SMEs are forced to seek advisors from larger centres further afield. This finding has important implications for SME development and public policy, as the geographical structure of the supply system acts as an important influence on where advisors are chosen from. The authors suggest that local initiatives should vary in size and resources in inverse proportion to the scale of existing local advisor markets. Clearly, there are important local gaps to fill in more peripheral areas and a focus on these would provide best value for money.

In conclusion, this paper demonstrates the importance of localisation in a simplistic sense: a large percentage of advisors are drawn from within 10km of the client and almost all from within 50km. The spatial pattern of the location of the supply of business advisors, particularly the size of the business centres in which they are located, is a key determinant of choice and must be taken into account simultaneously when deciding where to locate a new business.

Fitting the piece in the jigsaw puzzle? The governance of local economic development policy and regeneration in Birmingham

Bentley, G.

Local Economy, 2005, Vol. 20 (2), 238-243.

Bentley uses Birmingham and the West Midlands as a case study to show how government has been building a new localism in economic development as part of area-based regeneration. Although the city continues to experience and benefit from a bold economic development and regeneration strategy several of Birmingham's neighbourhoods suffer some of the highest levels of deprivation in the UK. Low incomes and high benefit dependency, coupled with high levels of unemployment and low activity rates presents a picture of social problems and exclusion. Wards with the highest and persistent levels of unemployment are also characterised with the highest proportion of ethnic minorities. Figures included in the paper refer to the high levels of deprivation experienced by some ethnic groups, for example, only 31.4% of Pakistani and Bangladeshi residents, aged 16-64 are in employment compared to 64.1% of White residents. As a consequence of industrial decline the challenge is for firms to modernise and innovate. Within weak market areas there are high levels of derelict land, low rates of business formation and survival, poor quality local centres, high levels of business turnover, vacancy and under-investment.

To address this catalogue of problems the city council, in partnership with the regeneration agencies, is delivering on the Regional Development Strategy by developing the business base, encouraging enterprise and innovation, improving access to finance, promoting business support and securing inward investment. The city council's economic development strategy is structured to address a number of policy areas which are designed to address development and investment on key sites, premises and infrastructure and to foster business development and diversification based on growth, innovation and creativity particularly within regeneration areas. The paper refers to the £300 million invested each year by Advantage West Midlands to deliver the regional economic strategy to tackle the disadvantage.

The paper addresses the issues and the policy response by showing that local authorities have a central role to play in shaping regional economic strategies and in leading the local partnerships to take forward strategies. The policy response highlighted in the paper focuses on the development of the business base and the need for space geared to the needs of the end users.

The distribution of SRB Challenge Fund expenditure in relation to local-area need in England

Brennan, A., Rhodes, J. and Tyler, P.

Urban Studies, 1999, Vol. 36(12), 2069-2084

By the early 1990s regeneration initiatives represented over £1 billion of public expenditure each year. The initiatives comprised area based approaches such as Enterprise Zones and Urban Development Corporations on the one hand to more people orientated, project-led approaches such as the Task Force Initiative.

In this paper Brennan et al (1999) seek to ascertain how well the allocation of regeneration funds under a competitive approach has, in practice, gone to meet relative needs and what the implications are for local-area regeneration initiatives.

The authors conclude that the first three rounds of Single Regeneration Budget Challenge Fund expenditure has been successfully targeted on the most severely deprived local authorities in England. All except one of the 99 most deprived districts received SRB funding and of this group the 20 most severely deprived districts received more SRB funding per head of population than the group with the less severe deprivation. In contrast non-deprived districts received relatively small amounts of SRB funding and these were used to tackle small pockets of deprivation and particular regeneration problems. This relative discrimination in policy impact is regarded as a very powerful feature of the SRB boundary-less approach namely, that regeneration expenditure can reach out to tackle emerging need before the problems have become so demonstrable that they are virtually impossible to solve other than through a long policy-on intervention.

SRB Challenge Fund has been highly responsive to the graduation of relative needs across the local authorities in England. This result contrasts sharply with Urban Development Corporations in which only around 16 districts received funding, Enterprise Zones in which circa 40 districts were direct beneficiaries, City Challenge with less than 30 districts affected and the Urban Programme in which 57 districts were assisted. The SRB regime appears to have been able to provide a flexible, responsive approach to local-area regeneration across the whole of England, whilst in broad terms, not compromising the targeting of resources in line with overall need.

Urban partnerships, governance and the regeneration of Britain's cities

Carley, M.

International Planning Studies, 2000, 5(3), 273-297

The focus of this paper is on partnerships with the author arguing that almost all regeneration initiatives in Britain are now predicated on partnership between local government, business and voluntary organisations. Carley observes that the decline of traditional manufacturing with vacant and derelict buildings characterises many inner-city neighbourhoods with short-term catalyst initiatives having to be applied again and again to the same estates and neighbourhoods.

While the core of the paper concerns issues relating to governance, leadership and consensus building, the article does reflect to a certain degree on drawing business into partnership. A key issue is that only a minority of the partnerships studied had effective business involvement and some at the city-wide and sub-regional levels had virtually no business involvement.

It is argued that sustained business involvement occurs when business representatives organise themselves before entering into partnership. The example of East London Partnership (ELP) which links 37 East London and City blue-chip and medium-sized firms and business leaders to local authority partnerships and neighbourhood projects is examined. ELP is described by Carley as a business partnership which after first defining its interest in East London's development and the way it wants to work, now reaches out to broader partnerships to offer assistance in strategic advice, cash donations and secondment of business personnel to community groups. The role of a small, dedicated staff funded entirely by the business partners ensures that ELP works to maximum effectiveness.

A common set of problems that households in disadvantaged neighbourhoods share according to Carley is the low level of educational achievement and low literacy and numerical skills. The paper argues for organisational innovation in Britain's policy and urban management framework in order to make substantive progress in meeting social and economic objectives.

What is small business policy in the UK for? Evaluation and assessing small business policies

Curran, J

International Small Business Journal, 2000, Vol. 18(3), 36-50

The author identifies the aims of UK small business policy as job creation, the promotion of an enterprise culture and higher levels of enterprise and asks to what extent the increase in the numbers of small businesses since 1979 can be attributed to public support for small enterprise.

Despite the strong consensus amongst policy-makers that policies are needed to promote the small business sector and its role in the economy, research suggests that the level of take up of such support has been low and had minimal impact. The policies and the infrastructure to deliver support to small businesses are expensive, while business owners appear unwilling to accept their alleged benefits.

However, the author argues that whilst the need for and cost effectiveness of national small business policies may be questionable, the case may exist for local initiatives promoting economic revival through small businesses.

Is there a local business community? Explaining the non-participation of small business in local economic development

Curran J., Rutherford R. and Lloyd Smith, S.

Local Economy, 2000, Vol. 15(2), 128-143

In this paper, Curran et al (2000) report on a study of the attitudes of small business owners to the localities in which their businesses are located. The authors explore two important concerns of local economic development practice namely the promotion of small firms in how they link or network with others and the role of business owners in a locality in relation to local economic development initiatives. The research approach probed business owners on their attitudes to and their tangible involvements with local business organisations, inter-firm relationships, voluntary activity, orientation to local government and development agencies, and cooperative relations with others in the locality. It is argued from a case study of an urban area in south-west London, that business involvement in local economic development often displays contradictory characteristics with appearance and reality sometimes difficult to distinguish from each other. Understanding the way in which small businesses link or network with others is of particular significance in terms of cluster strategies or what has been termed the New Regionalism.

The findings from the study suggest that notions of small business owners embedded deeply in local affairs and willing to harness their entrepreneurial energies to promote and sustain local social and political activities are difficult to support in relation to the study area investigated. Instead the results imply disconnected, internally fragmented groups of small business owners, largely alienated from local social and political life, concentrating narrowly on their own business activities. The findings from the interviews conducted with the representatives of the chamber of commerce and other support agencies endorses this characterisation, in that links with their small business constituents appear frail. The results also uphold the premise of a long term decline in small business owners' local participation amongst those running the longer established mechanical engineering firms and a failure to develop much participation among those owning the newer business services firms. It is suggested that the voice of small business owners is supplanted by an alliance between large corporate interests and local politics which does not necessarily serve the interests of small businesses.

The findings also reflect other empirical studies and recent thinking on local economic processes and governance, indicating that the formation of a local voice of business is becoming increasingly a phenomenon constructed by publicly funded economic development institutions. The authors also suggest that local small business owner involvement in economic processes and associated decision-making may be becoming peripheral in parts of Britain. Consequently new ways of consulting with small business owners need to be found if effective and accountable local partnerships are to be developed and enterprise fostered. The development of sector based, fine-tuned business services is put forward as one way of achieving greater participation of small enterprises.

Addressing the business support needs of ethnic minority firms in the United Kingdom

Deakins, D., Ram, M. and Smallbone, D.

Environment and Planning C: Government and Policy, 2003, Vol. 21, 843-859.

This paper examines the provision of enterprise support to ethnic minority businesses (EMBs) in five UK cities, namely London, Birmingham, Leicester, Glasgow and Edinburgh.

The authors recognise the relative failure of mainstream support provision to reach EMBs and the development of specialised enterprise support agencies. A key issue for enterprise support provision for EMBs is the extent to which their needs are different from those of other small businesses; the authors contend that these differences are associated with sector, size and geographic location.

Regarding location, it is recognised that the majority of EMBs are located within Britain's inner cities, reflecting ethnic settlement patterns more generally. It is argued that inner city locations can add to the difficulties faced by EMBs in raising finance, which is compounded by the tendency for minority entrepreneurs to cater for local residents – customers who have relatively low spending power.

The role of retailing in urban regeneration

Dixon, T.

Local Economy, 2005, Vol. 20(2), 168-182.

Dixon critically examines the role of retailing in urban regeneration in inner city areas of the UK. Arguments in favour of retailing as an engine for economic growth at a local level frequently overlook other important issues relating to jobs, spending, loss of shops, the property impacts associated with shifts in the retail rental pitch and social effects on disadvantaged communities. There is a lack of robust empirical evidence to measure the actual contribution of enterprises to deprivation alleviation in disadvantaged localities.

Impact studies and multiplier analysis will frequently rely on jobs created and retail spend as key indicators but more sophisticated measures are required to assess the role of enterprises in disadvantaged areas if regeneration areas are to deliver at the local level. It is important to ensure that the multiplier benefits are retained in the local economy. The problem is not necessarily the amount of money flowing into a neighbourhood but the way in which consumers, local authorities and businesses use that investment to support services that have a strong local presence and identity with the area. Only if inward investment is embedded with a thick web of local linkages and ties can benefits flow to the local economy. It cannot be assumed that successful business development in, or close to, deprived areas will bring employment benefits to those living in disadvantaged areas. This raises issues of the importance of physical proximity to jobs vis-a-vis social networks and recruiting practices of employers.

Dixon also states that there is a marked lack of research into how retail-led regeneration impacts on jobs, rents and property investment performance. In inner city locations the diversity of end users including retail, commercial and residential uses sit alongside or overlap with areas of deprivation. Using case study based research of shopping centres in or adjacent to areas of deprivation the paper indicates that if retail development is to be an important core to regeneration programmes it is vital to assess accurately the real contribution that retail development makes to economic growth. The conclusion drawn is that new retail-led schemes can shift prime pitch and undermine existing areas, leading to falling values, lack of investment and underused building stock in the weaker and more disadvantaged parts of the urban area. Often the problem of inner city retail areas is an excess of supply of retail properties over a declining level of local demand set in an increasingly competitive context. Adding more retail floorspace through new development schemes is considered to be a high-risk strategy for disadvantaged areas.

Policy priorities for property and land in Central Scotland

Gibb, K.

Journal of Property Research, 2004, 21(3), 255-277.

This paper focuses upon competitiveness/economic performance. A combination of hard and soft assets is considered to shape and condition competitiveness; amongst the hard assets are the physical business environment, including land, property and infrastructure. It is contended that if land and property markets do not work well, this impacts upon the wider economic performance.

Evidence presented in the paper draws upon the land, property and location sections of the 2001 Central Scotland business survey involving more than 1,600 businesses stratified by SIC. The paper also includes further analysis from the earlier (1996) Competitive Locations survey of firms commissioned by Scottish Enterprise.

The urban economy sets an important context. This is partly historical and relates to the existing stock of buildings and land. Gibb considers that if there are particular high growth sectors such as high-technology clusters, there may be a natural shifting of policy resources, including property, into that sector. Disadvantaged areas are often characterised by market failure and arises because of problems associated with monopoly, externalities, risk, information problems or public good characteristics. Gibb notes that persistent or chronic market problems, such as those found with high and enduring levels of vacant and derelict land constitute examples of market failure.

Results from survey evidence suggest that the property sector is an important influence on the location decisions of indigenous firms and that land and property are important business constraints. The 1996 Scottish Enterprise survey asked firms to rank the top five factors relevant to their choice of location. Property costs was the most important overall factor followed by availability of suitable property, road accessibility and skilled labour. The availability of grants and proximity to customers were the biggest weakness of current locations. Factors most likely to constrain business included skilled labour, property costs and the availability of suitable property.

The 2001 survey examined factors that constrained firm competitiveness: the biggest constraint was poor management followed by suitable premises. As a business constraint within economic sectors, property availability was important in the wholesale, transport and communications sectors and retail. Suitable premises were more of a problem for new firms and those that had recently moved to their present locations. Property costs were also a very important constraint within the wholesale, transport, business services and retail sectors. The cost constraint was more significant for smaller, younger companies and those that had moved within the last five years.

Gibb concludes that the survey evidence (from both surveys) confirms that property constraints have been and are important factors shaping business decisions including locations decisions. Firms view suitable and affordable property as a key business constraint.

Vacant and derelict land, which frequently characterises disadvantaged areas, is viewed by Gibb to be a consequence of long term economic restructuring. Difficulties in encouraging business property investment into such parts of Glasgow arise from the lack of investment in modern infrastructure, access and landscaping. Gibb argues that much of the policy framework is reactive and linked to UK and EU fiscal arrangements such as tax relief, capital allowances, rates relief and subsidy in assisted areas. Dissatisfaction with the planning system also emerges strongly from the paper with the need for stronger and more integrative physical planning considered a necessary condition to allow the property sector to contribute to economic competitiveness. In this respect the paper argues that property policy has to be firmly located within a common strategy dealing with planning the physical business environment. Regarding the role of state intervention, Gibb considers that a case can be made for the support of starter firm sites in regeneration/disadvantaged areas.

In summary, the paper shows that property is a key issue for business competitiveness and locational decisions. The purpose of property policy intervention in terms of market failure versus market facilitator requires debate with the needs of disadvantaged areas clearly different from buoyant locations. Property is important to urban economic competitiveness but evidence from the paper indicates serious property constraints on business.

An investigation of the response of industrial and office property occupiers to property-led urban regeneration policies in Tyne and Wear

Greenhalgh, P., Downie, M-L. and Fisher, P.

Property Management, 1999, 18(1), 46-62

This paper investigates the scale of relocations generated by property-led regeneration schemes and identifies the perceived benefits to occupiers relocating to such developments. The study is based in Tyne and Wear which has been the subject of a whole raft of regeneration initiatives over the past two decades. The empirical evidence is based on a survey of firms.

The analysis indicates that the main reason why firms relocate is to expand rather than rationalise their operations. The factors influencing firms' choice of destination are firstly the quality and location of the property and secondly value for money in terms of occupation costs or purchase price. Greenhalgh et al make the point that the activity attracted or generated by public sector intervention may not necessarily be of benefit if occupiers use the opportunity to simply relocate rather than create new activity. Where relocation is from an inner city area to regeneration locations the displacement of activity can create voids and vacancy chains.

Office and industrial occupier displacement and property market filtering in Tyne and Wear

Greenhalgh, P., Downie, M-L., Fisher, P. and Barke, M

Regional Studies, 2003, 37(4), 381-394

This paper is a follow-on from the earlier publication by Greenhalgh et al. The paper provides a study of over 500 firms and concludes that intervention in the property market by subsidizing property development and occupation causes displacement. The analysis shows that over half (52%) of the occupiers of assisted property developments have relocated within Tyne and Wear and that 45% of jobs have been displaced from elsewhere in the conurbation. The authors observe that 36% of chain end properties remain vacant.

The analysis indicates that the average distance to new developments is short and has implications for areas in close proximity. The authors refer to the hollowing out that has been observed in Grainger Town, Sunderland city centre and Washington new town. Vacant property is often taken over by neighbouring occupiers and when change of use occurs it is often to residential accommodation. The authors also observe that while vacant properties are being brought back in to use there is a danger that jobs that are displaced are not being replaced.

The authors conclude that not all the outcomes of intervention are desirable and that public sector agencies need to have strategies that mitigate the negative effects of displacement on vulnerable locations. It is argued that a high vacancy level could be used as a strategic opportunity by development agencies to demolish obsolescent stock, develop accommodation more suited to modern occupier requirements and upgrade local infrastructure.

The failure of regeneration policy in Britain

Gripaios, P.

Regional Studies, 2002, Vol. 36(5), 568.

This paper outlines recent failures of the British planning system. A key issue is that, even allowing for market forces, the planners have been acquiescent in allowing out-of-town and edge-of-town developments, affecting the viability of city centres and public transport systems. Massive shopping developments such as the MetroCentre in Gateshead, Meadowhall in Sheffield, Merrivale in Dudley and the Mall in Bristol have all been very successful in their own right but have had a massive negative effect over a very wide area. The planning system is also criticised for having been too focused on deprived urban neighbourhoods outside the central business district (CBD) whereas the CBD itself, arguably a very important image-maker, has been left to decay.

The author states that in terms of urban policy, the measures announced in the Urban White Paper (2000) have generally been well received. These include a commitment to see urban problems holistically and to provide incentives to aid economic recovery. The latter include more risk capital for emerging businesses (the Phoenix Fund), tax breaks for property transactions (a reduction in VAT on residential conversions and on rehabilitation of empty dwellings, Stamp Duty exemptions, capital allowances on flats over shops) and accelerated Corporation Tax relief on the cost of redeveloping contaminated land. Also finding favour have been proposals to improve the built environment including the Urban Renaissance Fund and Centres of Excellence. However, as with regional policy, the measures so far announced do not address the issue of where the jobs are to come from.

The paper concludes by claiming that recent government policy directed at regions, urban areas and the planning system is very much supply focused, and thus preferences will have to be altered so that peripheral regions and problem neighbourhoods become more desirable. The author recommends that a changing balance of government spending and increased costs of monitoring be prioritised.

Reclaiming urbanity: Indeterminate spaces, informal actors and urban agenda setting

Groth, J. and Corijn, E.

Urban Studies, 2005, Vol. 42(3), 503-526.

This paper discusses the phenomenon of ‘informal actors’ influencing the agenda of urban planning and urban politics by means of temporary reappropriation and animation of ‘indeterminate’ spaces. The latter are spaces left out of ‘time and place’ with regard to their urban surroundings, mainly as a consequence of deindustrialisation processes. The authors warn that the unclear and undetermined status of these urban ‘no-man's-lands’ may allow for the emergence of a non-planned, spontaneous urbanity.

The intervention discussed may be based on different motives: marginal lifestyles, informal economies, artistic experimentation, a deliberately open transformation of public space allowing for equal access and equal representation or a high degree of social and cultural inclusion. These expressions of the ‘lived’ city at present constitute a pronounced paradox for established city planning and urban politics. Institutionalised stakeholders may occasionally appreciate their presence for their inherent potential to enhance attractiveness and revitalisation of certain parts of the city. However, these sites and the actors involved also specialize and visualise a resistance and temporary alternative to the institutionalised domain and the dominant principles of urban development.

The authors state that urban restructuring is increasingly focused on a one-dimensional logic of commodification, monofunctionality and control. They conclude that cities need to allow for the clustering of creativities and to consider the agendas emerging from such informal complexes. Places for such clustering cannot be completely planned; they strongly depend on the investment of informal actors occupying indeterminate spaces. The outcomes depend less on planning practices than on the state of mind of urban leaders. Urban development needs ‘free zones’, but they need also a certain freedom of zoning.

Development cultures and urban regeneration

Guy, S.; Henneberry, J. and Rowley, S.

Urban Studies, 2003, Vol. 39(7), 1181.

The importance of leveraging private finance and investment into urban regeneration is a central consideration of policy. Attention has focused on institutional investors' motives for holding regeneration investments and on how they might be encouraged to put more money into inner-city areas. The paper argues that, while helpful, the impact of such an approach upon urban regeneration will be limited. This is because, by definition, institutional investors are only interested in institutional property: buildings that do not conform to this frame of reference will not be of interest to them.

However, other actors see things differently. Investors are highly diverse in terms of a range of characteristics relating to the type of company, size, organisational structure, motives, risk/return profile, market sector, geographical coverage, tax status, and development versus investment focus. For example, independent developers embrace the challenge presented by fringe locations, mixed uses and the local urban culture and aesthetic and translate these characteristics into development values. Urban policy needs to address the contrasting ways in which the nature, construction and application of investors' strategic rationality intercept with local development conditions. In particular, greater emphasis should be given to encouraging independent, locally based forms of property investment and development.

Neighbourhood renewal and urban policy: A comparison of new approaches in England and France

Hall, S. and Hickman, P.

Regional Studies, 2002, Vol. 36(6), 691.

This article seeks to re-animate the Anglo-French debate on neighbourhood renewal and urban policy that characterized the mid 1990s. This is appropriate given the apparent similarities between the recent approaches adopted in the two countries. The common challenge is integration: reconciling the territorial problems of diverse places with the functional organization of the principal actors. This has led to a partnership approach (National Strategy for Neighbourhood Renewal in England, Contrat de Ville in France) and an emphasis on community involvement and concentrated, local management initiatives. However, there are also informative differences: the long-standing multi-sector partnership approach in England, with its greater experience of community involvement, versus the public sector led approach in France, with its greater experience of strategic working between tiers of government.

The paper concludes that it is generally acknowledged that a solution to and the problems of disadvantaged neighbourhoods has eluded policy makers in England and France, primarily as a result of a failure to develop a coherent multi-faceted response to this multi-faceted problem. The NSNR is predicated on the assumption that previous area based initiatives have failed to arrest the social and economic polarization of England's cities. In contrast to area based initiatives in England the strategy seeks to address these failures in three ways: local, (primarily) supply-side interventions to identify and act upon the linkages within and between the key domains of employment, housing, education, crime and health in deprived neighbourhoods. The strategy is to be pursued, on the one hand, through area-based initiatives such as the New Deal for Communities (NDC) and, on the other, through mainstream programmes. Public Service Agreements (PSAs), enforced by the Treasury, will mean that, for the first time, government departments will be evaluated according to their performance in the most disadvantaged neighbourhoods (rather than to national norms).

Principles and practice of community economic development

Haughton, G.

Regional Studies, 1998, 32(9), 872-877

In this paper Haughton considers five principles for sustainable local regeneration strategies. Inter-generation equity is considered to have a strong resonance with the need to create suitable job opportunities and local community infrastructures for future generations. It is argued that leaving a legacy of low wage, insecure, uninteresting work for future generations is not the basis for sustainable regeneration. Social justice and tackling disadvantage namely access to jobs is essential for the overall competitiveness of society. Geographical equity and the need for local decisions to be sensitive to minimising or preventing negative external impacts is stressed. Participation and the argument that productive community engagement can foster a sense of local ownership building from an area's existing strengths is highlighted. Holistic development and the inter-relationships of policies that seek to combine economic development, social regeneration and environmental improvements.

Haughton considers that community economic development can be broadly interpreted as being about the development of stronger local economies through engaging local communities in shaping their own destinies, taking responsibility for local strategies which seek long term, durable solutions to addressing economic regeneration. He argues the need for more effort and imagination into devising ways of measuring the effectiveness of holistic regeneration activities beyond conventional counts of hard outputs and the need to a focus on process issues and building the social fabric which in turn may be reflected in reduced out migration by those obtaining improved jobs. Haughton considers that community economic development should be seen as three-fold in nature: providing alternatives to mainstream market activities (products, services and jobs); helping marginalized communities link better into mainstream market activities; and making mainstream regeneration initiatives more effective by better integrating them with local communities, bringing the benefits of improved access to local resources, knowledge and legitimacy.

The property market impact of British Enterprise Zones

Jones, C.; Dunse, N. and Martin, D.

Journal of Property Research, 2003, 20(4), 343-369.

This paper analyses the impact on local property markets of the three EZs designated in the Clydeside conurbation. Their role as incubators of new firms and demonstrations of enterprise are considered. Evidence is that zone status expanded its stock of modern industrial space but once EZ status was terminated it did not prove to be a catalyst for economic growth. The geographical distribution of EZs, in particular the concentration in the north of Britain, is commented upon with the observation that each EZ often comprises a collection of zones or individual sites spread around the community. Evidence presented in the article suggests that despite the overwhelming emphasis on enterprise and job creation, the incentives within the EZ package only indirectly stimulated employment.

Jones et al indicate how EZs were designed to address perceived market supply failures, primarily in the property market. This failure was derived from externalities arising from dereliction, uncertainty of costs arising from the possibly of contamination or multiple ownership and institutional factors such as planning controls. The rationale behind EZs was that after ten years of designation image would have improved, returns improved to investors, a raising of land values and a healthy turnover of premises for occupation. The necessary condition for the establishment of a sustainable market was seen as the achievement of a resale/lettings market to instil confidence in developers. Quoting other reports, the authors outline that the main motivations for both start-up businesses and existing firms locating on a zone are the availability of premises and rates relief on property.

Regarding empirical evidence, the authors pose a number of propositions. The first proposition, that an EZ acting as an incubator of firms ultimately generates additional indigenous demand in the local property market especially for small industrial units, is unproven. The provision of small industrial units with tax incentives is not sufficient to promote and sustain new firms. The second proposition is that the demonstration effect of an EZ has led to a sustainable property market on de-designation is again not proven with no long-term effect on the property market of the area. In this respect the legacy of the EZ has been a modern industrial stock principally built in the 1980s but not an expanded and invigorated market, partly reflecting the failure of new firm incubation.

In summary the evidence from this study is that EZ status has not been catalyst to long-term growth, the provision of subsidized industrial units alone is not sufficient to promote enterprise. This casts doubt on the ability of EZs to contribute to the restructuring of local economies. Thus while EZs have been instruments for rebuilding derelict sites and the provision of industrial/business space, the authors argue that EZs on a ten-year time horizon (and on a spatial scale applied in the UK) that instigate a market demonstration effect based on public subsidies/tax incentives will not ultimately generate sustainable local industrial property markets in areas fundamentally drained by spatial economic change.

Community economic development in urban and regional regeneration: unfolding potential or justifiable scepticism?

Lawless, P.

Environment and Planning C: Government and Policy, 2001, Vol. 19, 135-155.

The author examines the operation of and constraints on community economic development (CED) within the Yorkshire and Humber region. CED is seen as a policy intervention mechanism used at European, national and regional levels to address social exclusion, job loss, deprivation and economic dislocation. However Lawless finds that the principal driver for CED is financial rather than its role in alleviating social exclusion. Partnership is a key mechanism for delivering CED yet the research highlights a number of operational difficulties in delivering successful partnership working arising from the complexities of partnerships, their nature and dynamism and tensions between structures and income generation.

Lawless concludes that if CED activity is to be made more successful there must be a recognition that this mechanism is not a central component of the policy framework despite its significance in creating a stronger sense of social and economic regeneration within the most deprived areas in the UK. In addition more investment should be directed towards 'social entrepreneurs' who can deliver a range of market and social skills to CED projects and overcome institutional issues relating to fragmentation and fragility.

Business Improvement Districts, planning and urban regeneration

Lloyd M.G.; McCarthy, J.; McGreal, S. and Berry, J.

International Planning Studies, 2003, Vol. 8(4), 295–321.

The authors of this paper identify that Business Improvement Districts (BIDs) have been widely adopted in the USA as a means of bringing about enhanced service provision and broader regeneration impacts, and interest is now turning to the use of such mechanisms in the UK. However, the fundamental differences between the administrative and social contexts of the USA and the UK mean that BIDs would have to be significantly adapted for application in the UK. The experience of BIDs in the USA has shown the potential for the fortunes of downtown area suffering from entrenched decline to be reversed. Moreover, the concept - as indicated by the Urban Task Force and now endorsed by the UK government - appears to have the potential for applicability in the UK.

The introduction of such a concept to the UK context is certainly consistent with the contemporary approach to urban regeneration in which the importance of the private sector is emphasized as a key player. Nevertheless, it seems clear that the rationale for BIDs is not primarily based on achievement of regeneration objectives in areas suffering from disinvestment and decline. In such areas, BIDs would be unable to be designated in the first place since businesses are either absent or only marginally viable. Moreover, it may be suggested that the genealogy of BIDs in the UK illustrates a financial or fiscal rather than a regeneration focus; this is because the origin in the UK for the present proposals was, as shown above, the Green Paper Modernising Local Government Finance (2000), which essentially set out proposals for a supplementary rate which could be levied in addition to the business rate, with the aim of encouraging local authorities to form partnerships with local businesses, but, primarily, to allow local authorities to vary the business rate. Only when there were significant objections to the supplementary rate proposal did the BID concept arise as a substitution for the supplementary business rate.

The authors recognise that there are also serious problems of loss of accountability associated with the government's proposal. First, there is the lack of a meaningful, formal role for owners, as justified on grounds of equity, fairness and effectiveness, and demonstrated by evidence from BIDs in the USA. Second, the dual voting arrangement means that a majority in a vote is to be constituted by a majority of businesses and a majority of the total rateable value of those businesses; the check this imposes is essentially in favour of larger businesses, who, even if a minority, may be able to effectively veto BID proposals. Small businesses would possess no such veto.

Moreover, the increased power of business relative to accountable local authorities seems to be actively sought, rather than simply accepted, by government; as the White Paper suggests, businesses may want to participate in or lead the running of the BID, as often happens in America and with existing voluntary schemes in England. The government would warmly welcome this. Authorities could gain a lot from harnessing private sector management skills, and participating businesses could gain a better understanding of the complex issues with which their authorities are wrestling.

While the gaining of 'better understanding' of local authority issues on the part of local businesses is amorphous and of dubious value, the running of service delivery by the private sector, albeit within a framework of regulatory control, is of much greater moment, and is arguably more centrally located within the broader agenda for BIDs.

Hence tensions within the BID concept persist, clustering around such issues as accountability, strategic planning and infrastructure provision - precisely those within the core domain of local authorities in their delivery of planning services. Consequently, while the concept of BIDs may overcome operational difficulties and problems of context dependency, it may be harder to ensure compatibility with such accepted, legitimate and strategic functions of local authorities. Equally, in the broader context of urban regeneration, it seems clear that BIDs can only address certain problems, and they are certainly not equipped to address the areas suffering from the most entrenched and severe aspects of urban decline. Nevertheless, accepting such limitations, it does seem that BIDs offer the potential, in a modified form and as part of a broader portfolio of mechanisms, to assist in the process of enhancing the vitality and viability of urban centres, for the potential benefit of all citizens.

The coming regional crisis (and how to avoid it)

Lovering, J.

Regional Studies, 2001, Vol. 35(4), 349.

This paper focuses on the analysis of regional development and the formation of development policies which it claims is excessively influenced by the assumption that globalization represents the overriding causal influence and policy imperative. This bias seems to derive from insufficiently critical borrowings from the management literature, and the emergence of a stratum of economic development actors concerned primarily with regional 'competitiveness'.

The author concludes by stating that the analysis of regional development and the formation of development policies is currently excessively influenced by the assumption that globalization represents the overriding causal influence and policy imperative. This bias seems to derive from insufficiently critical borrowings from the management literature, and the emergence of a stratum of economic development actors concerned primarily with regional 'competitiveness'. The author suggests that the objectivity of analysis and the economic rationale of policy making can be improved by paying more attention to 'localized' activities, to regional economic welfare and to the impact of regionalization on macroeconomic policy making.

The regional shopping centre in the inner city: A study of retail-led urban regeneration

Lowe, M.

Urban Studies, 2005, Vol. 42(3), 449-470.

The paper focuses upon retail-led urban regeneration using the case study of the West Quay shopping centre in Southampton as an example of the new wave of inner-city regional shopping centres in the UK and affirms the link between retailing and local economic regeneration. From the 1980s onwards, and prompted by the severe decline in the nation's manufacturing base in the first Thatcher recession of 1979–82, the role of services as alternative sources of employment and as catalysts for future economic development came increasingly into focus. In addition, many of the Urban Development Corporations found it expedient to use retail development to 'kick start' urban regeneration.

As this paper has demonstrated, in Southampton's determination to achieve this development over a period stretching back to the mid 1980s, Southampton City Council essentially anticipated PPG6 and PPG13 in challenging the trend for out-of-town retail development. It sought to retain and concentrate key city centre uses in the retail core, allowing for linked trips and minimising the need to travel. Moreover, the development of the shopping centre was always viewed as a potential catalyst for a wider regeneration of the city's economy and has subsequently provided the council with a strategic focus for its wider vision of the city's European role.

Whilst quantitative assessment of the wider employment effects and economic spin-offs of the West Quay development must await the collection of statistics by local/central government agencies, the author demonstrates the centrality of the West Quay development in Southampton City Council's vision of the urban regeneration/renaissance of its city and the strategic importance it has given over a considerable period to the retail sector as a mechanism for pump-priming other urban developments.

The paper concludes that the combination of the restrictions of PPG6 and PPG13 with the adoption (albeit of necessity) of a strong urban regeneration agenda by the property development and retail sectors has led to a considerable revival in city-centre developments which looks set to parallel the previous peak of such schemes in the UK during the 1970s. The impact of such schemes - as was the case in the US during the late 1970s and 1980s when urban planners, city officials and downtown business coalitions began to reach "a new consensus about what was appropriate for downtown" in which "the shopping mall [formed] an important part of their vision" is likely to be considerable.

Improving access to early stage venture capital in regional economies: a new approach to investment readiness

Mason, C. and Harrison, R.

Local Economy, 2004, Vol. 19(2), 159-173

In this paper the authors consider those firms that require some form of venture capital. Two types of firms fall into this category. Firstly new businesses seeking to exploit significant growth opportunities as a result of a technological innovation and secondly young fast growing companies with negative cash flows that arise from the need to invest in R&D, product development and testing, to purchase facilities, equipment, materials and components, recruit management staff and build up an inventory. These business types will lack either personal or appropriate business assets as security for bank loans. In these cases venture capitalists understand the risks involved in funding such companies, possess the know-how to evaluate them and have the contracting skills that minimise their downside. Their investments take the form of equity finance which enables them to share in the upside success of such businesses in exchange for sharing in the risks. However the supply of early stage venture capital will be limited because many of the businesses that come forward are not investment ready.

The authors state that invariably businesses will be unsuccessful in raising equity finance because they are not investment ready. This has prompted enterprise support organisations in many countries to develop investment ready programmes. In the UK the emphasis of such programmes is on providing information on sources of finance and how to access them, and in promoting presentational skills. These are considered in the paper as necessary but not sufficient conditions to get a business investment ready because they do not address business development issues that discourage potential investors. These issues are generally company specific and often require the input of significant expertise in order to make the company investable. The paper reviews the LINC initiative in Scotland, which is based on investment facilitation. The key feature of the scheme is that it is driven by the needs of the would-be investor who brings companies forward where there are specific problems which prevent an investment from being made and which require time and money to make the investment doable. The effect is to reduce the transaction costs so that time and money can be spent to turn businesses that would otherwise have been rejected for funding into investable propositions. The findings clearly show that the LINC approach does effectively address the business development support component of investment readiness at limited public cost and provides useful lessons for the design of investment ready programmes.

Accessing Private Sector Finance in Urban Regeneration: Investor and Non-Investor Perspectives

McGreal, W.S.; Adair, A.S.; Berry J.N.; Deddis, W.G. and Hirst, S.

Journal of Property Research, 2000, 17(2), 109-131.

This paper considers the motives underlying private sector investment into regeneration areas. It is apparent that those companies retaining their investments within regeneration locations do so in expectation of achieving above average returns. A further significant factor is the perception of investment security and the spreading of risk. Other factors of importance include new business opportunities and a transparent exit strategy. Track record in regeneration and relationship with regeneration agencies are lower considerations and, although important at the development stage, seemingly do not arise as major influences in companies' motives for holding regeneration portfolios over the longer term.

Rental growth arising from occupier demand and capital appreciation reflecting investor demand are the primary factors by which new regeneration projects are evaluated. The level of risk and physical quality of developments are considered to be highly significant factors in assessing potential projects. Second-order evaluative criteria include the long-term sustainability of projects, an appropriate mix of land uses, land costs/construction costs, the environmental quality of contiguous neighbourhoods, suitable powers to facilitate site assembly/land packaging, and the availability of grant regimes. However, regeneration initiatives are of secondary importance in terms of those criteria which influence investment decision-making, with site assembly, grant regimes, partnership structures and taxation breaks middle-to lower-ranked factors. The research suggests that investors do not initially evaluate projects on the basis of regeneration mechanisms in place but consider projects in a similar way to other commercial enterprises.

Long term investment into regeneration can be encouraged by raising business awareness of regeneration funding and improving partnerships' and private companies' understanding of each other and their ability to speak the same language. Business participation and investment would increase if companies were more aware of the purpose of regeneration and their role in partnerships. In this respect there should be greater effort in contacting pivotal firms such as business headquarters, so that information may trickle down to the local level. Similarly there is a need to improve understanding between partnerships and private companies. Prior to approaching private companies, regeneration partnerships should identify clearly the functions and activities in which the partnership would benefit from private sector involvement.

Tax-based mechanisms in urban regeneration: Dublin and Chicago models

McGreal, S.; Berry, J.; Lloyd, G. and McCarthy, J.

Urban Studies, 2002, Vol. 39(10), 1819.

This article discusses the increasing interest in the potential use of fiscal incentives as a mechanism for stimulating urban renewal which has been highlighted by a number of influential policy sources. The paper assesses the application and outcomes of tax-based incentives in urban regeneration, with particular focus upon the differing models utilised in Dublin and Chicago. Issues considered include the utilisation of tax incentives, drawing down of benefits, the role of actor groups, the ability to lever private-sector finance, impact on property market performance and wider economic influences.

The authors confirm that in policy terms, urban regeneration has advanced significantly over the past 20 years with a clear consensus for effective partnerships between the public and private sectors. Central to such structures is the fundamental question as to how regeneration can be financed and the respective roles of the various parties. Within the UK, the gap-funding subsidy role played by grant regimes is of diminishing importance for two main reasons. Firstly, the interpretation of competition rules within the EU makes the application of grant regimes within commercial development highly problematic, and secondly other spending priorities by government on public services although not connected to urban renewal (transport, schools, hospitals) place constraints upon direct governmental funding. Hence, there is a need for alternative measures by which the private sector may be engaged in urban renewal.

The use of taxation-based instruments reflects the policy agenda associated with 'Third Way' thinking which seeks a synthesis of traditional forms of intervention and regulation with sympathy for pricing and the nuances of a market-orientated neo-liberal agenda. The paper confirms that the use of tax incentives clearly has the potential to deliver and supports the case that the adoption of tax incentives has particular pragmatic appeal, particularly within a broader context of circumstances arising from sustained public-sector spending constraints. The authors conclude that the fiscal approaches advocated by the Urban White Paper are now starting to be enacted upon and should provide mechanisms by which the market is 'freed-up' within inner-city wards and other deprived locations throughout the UK.

Measuring the effects of public policy on the finances of commercial development in redevelopment areas: gap funding, extra costs and hidden subsidies

Needham, B.; Adair, A.; van Geffen, P. and Sotthewes, M.

Journal of Property Research, 2003, 20(4), 371.

This paper comes from the starting point that often public policy is for commercial property to be built in redevelopment areas. However, such development is often commercially unattractive with developers perceiving such areas as high cost and high risk environments. Obstacles vary according to the state of the site/property and include site acquisition and preparation, building construction, and disposal and information levels concerning return-risk. The article makes the point that while regeneration sites can often be acquired more cheaply, that advantage may be more than offset by higher costs and longer development period. Good urban design (although adding to the cost), adds value by increasing the economic viability of the development and by delivering social and environmental benefits. It is argued that good design adds social and environmental value by returning inaccessible or run-down areas and amenities to beneficial public use.

The results of the study indicate that rigorous analytical approaches, such as the cash flow technique advocated by the UK Treasury Green Book are difficult to apply in regeneration situations because of the paucity of high quality data. The point is made strongly that the analysis of property markets in regeneration areas is a poor relation of such analysis in prime markets and of economic policy in general.

Supporting Ethnic Minority Business: A Review of Business Support for Ethnic Minorities in City Challenge Areas

Oc, T. and Tiesdell, S.

Urban Studies, 1999, Vol. 36(10), 1723-1746

In England the use of targeted training and employment initiatives directed at particular locations, sectors in local economies, or particular social groups characterised both mainstream and urban regeneration initiatives of the early and mid 1990s. Such initiatives comprised Training and Enterprise Councils (TECs) and special urban regeneration initiatives like City Challenge and the Single Regeneration Budget Challenge Fund. Oc and Tiesdell (1999) focus specifically on business support for ethnic minority groups in City Challenge areas. Policy in the 1980s sought to address the largest concentrations of ethnic minorities in inner cities and the significant barriers they experienced to economic participation.

The authors draw broad conclusions and lessons from their empirical investigations. While there were few examples of innovative practice nevertheless good practice was identified for example, Harlesden's Breakout initiative bringing Asian businesses into the mainstream economy.

The availability of financial resources was most highly valued by ethnic entrepreneurs and City Challenge was an important resource to support growth in new and existing businesses. The drawing in of mainstream banks was also an important way of increasing available resources to support businesses. City Challenge resources were seen as more flexible and responsive than the more rigid regimes such as TEC and Business Link.

Both providers and recipients of business support stressed the need for better dialogue and communication between business support agencies and ethnic minority businesses. Lessons for business support agencies serving ethnic minority groups are identified as the need to be sensitive to ethnic business needs, problems and opportunities; sufficient awareness of the diversity of ethnic minority business in order to provide appropriate and targeted business support; and the need to have credibility in the eyes of the ethnic minority businesses.

Clusters: Myth or realistic ambition for policy makers

Palazuelos, M.

Local Economy, 2005, Vol. 20(2), 131-140.

Palazuelos highlights some of the factors that can attract and deter businesses from locating in disadvantaged areas. The focus of the paper considers the potential of clustering as an integral component in local economic development strategy. It is argued that clusters can influence competition by increasing productivity, innovation, flexibility and new business creation in order to achieve competitive advantage. Drawing upon the work of Porter the paper makes it clear that clusters promote the creation of new businesses due to locally available information about innovative potential and market opportunities. The success of clusters depends on the mix of the business, economic, geographic, political, cultural and sociological peculiarities of an area. In considering the economic and political determinants Palazuelos highlights the importance of the macroeconomic and institutional frameworks, the existence and strength of interest groups and the role of government policies in relation to land use, tax and other incentives for business support.

The creation of an appropriate institutional framework may require political, social or economic change in order to create an environment that supports collective action and the provision of collective services. This requires an identification of economic competitiveness, proximity to input and output markets and availability to quality public and private infrastructure to support business development. In relation to business structure, the main features to consider are the types and size of business, reputation of the location for industry, technological development, cost structure, enterprise culture of the firms, ownership structure, particular skills of the labour force, density of concentration of firms and the industries in which the firms are specialised.

Palazuelos also considers whether cluster-creation is a realistic and appropriate strategy for local policy-makers in all situations and concludes that it will not always be a suitable or realistic policy to pursue. The difficulty is that not all local economies can obtain the generic gains of productivity, innovation, flexibility and creation of new businesses. Consequently those localities with concentrations in declining sectors and lacking the necessary business support infrastructure as a consequence of economic and social disadvantage will find immense difficulties and costs associated in implementing a cluster-led local economic development strategy. The conditions that contribute to the success of clusters are difficult to capture and are arduous to create from scratch. Examples of failure seem to be due to the absence of a very specific combination of pre-existing traditions of cooperation, entrepreneurial tradition, the existence of suitable infrastructure, skills and know-how, business structure and effective local government supporting an appropriate economic, political, institutional and social environment.

New strategies for inner city economic development

Porter, M.

Economic Development Quarterly, 1997, Vol. 11(1), 11-27

Regeneration requires an economic strategy to build viable businesses that can provide much needed employment opportunities. Porter argues that economic development will only come from recognising the advantage of the inner city locations and expanding the base of existing businesses while dealing up front with the disadvantages of the inner city as a business location. The economic potential of the inner city has been largely unrecognised and untapped and it is only in the past decade that the private sector has begun to invest in such locations; a trend that can be accelerated by improving perceptions and tackling long neglected problems in the inner city business environment. Government and community-based organisations play a vital role but their efforts must be refocused from direct intervention to preparing and training the inner city workforce as well as creating a favourable business environment.

Porter's empirical investigations in major American cities shows that inner city businesses are concentrated in sectors such as food processing and distribution, printing and publishing, light manufacturing, recycling and remanufacturing, business support services for corporations, and entertainment and tourist attractions. The major advantages of the inner city do not lie in generally perceived low-cost labour and cheap real estate but their genuine competitive advantage arises from four factors namely, their strategic location, integration with regional clusters, unmet local demand and human resources.

Inner cities need new market orientated strategies that will build on their strengths and engage the private sector. A sound economic strategy must focus on the position of inner cities as part of regional economies rather than treating them as separate and independent otherwise economic activity will not be sustainable. The principal role of the public sector in creating a favourable business environment is in assembling and improving sites, training workers, upgrading infrastructure and streamlining regulation. Community based organisations should facilitate private sector involvement, change attitudes, train residents and link them to jobs and, where appropriate, develop sites.

Entrepreneurship policy at local level: rationale, design and delivery

Potter, J.

Local Economy, 2005, Vol.20(1), 104-110.

In this paper, Potter highlights the factors that will attract businesses to locate in disadvantaged areas. Entrepreneurship is considered to be one of the most important drivers of local economic development. New firm formation and the activities of SMEs help drive job creation and economic growth through accelerating innovation and promoting the full use of human, financial and other resources. Public policies have a key role to play in leveraging the dynamic nature of entrepreneurship, devising programmes that support market mechanisms and promoting entrepreneurship in the population at large. Such policies are often more effective when they contain an important local component, enabling them to respond more closely to realities on the ground. Local environment is a key influence on entrepreneurial vitality, influencing the availability and quality of services and resources required by entrepreneurs including finance, premises, human resources, networks and communications infrastructure.

In considering policy intervention it is important to be able to improve the economic performance of a local economy in comparison to allowing market failure to operate. In this regard small business accommodation is essential for the development of new and small firms, which in turn provide important social benefits in terms of income and job generation. However, individual landlords or property developers cannot capture these social benefits through rents or sale values. With strong competition from residential and other commercial uses, the private sector may find little opportunity for profit in small premises. The public sector may therefore work in collaboration with the private sector to develop commercial real estate at appropriate price levels, for example by supporting brownfield development. Recommendations for local policy makers involved in the design and delivery of entrepreneurship strategies, programmes and projects must adopt a commercial approach to service provision, ensure the availability of business premises offering affordable and flexible rents and minimise the burden on enterprises.

Social exclusion and urban sprawl: is the rescue of cities possible?

Power, A.

Regional Studies, 2001, Vol. 35(8), 731

This paper highlights the impact of urban sprawl on social exclusion. City centres are rich in cultural magnets, remarkable buildings, attractive streets and public spaces that can be economic as well as social assets. City centres, after decades of acute decline, have started to revive with the centres of most major British cities have increasing population and employment after a century of decline. However, the author highlights the difficulty of spreading this recovery into inner neighbourhoods, often bursting with under-exploited opportunities.

The paper contends that the potential for new land use patterns is constrained by changing work patterns and investment needs, driven by international financial, production and communication systems beyond the control of national governments, let alone city authorities. The UK industrial work force, even in thriving cities like London, is adjusting only slowly with the impact greatest in the old industrial cities and towns. However, the author argues that there are also positive developments in employment, offering new opportunities for workers with adequate training. The new jobs are disproportionately concentrated in outer suburbs and in smaller settlements following the patterns of population dispersal.

Three urban policy themes are identified as drivers of inner city decline: dispersal, hidden subsidies to greenfield development and the oversupply of building land. These problems are cumulative and require not just an evening up of financial incentives and enforced changes in land use planning, but also a clear organizational focus to address the intense social and physical problems. Each deprived area needs a focused structure to tackle local problems, develop local solutions, stabilize existing communities and attract new workers and their families. More stable urban neighbourhoods need similar organization to stem decline and maintain attractive conditions.

Neighbourhood management is an idea embraced by both the Urban Task Force report and the Social Exclusion Unit Neighbourhood Action Plan. It has been tested in most European cities with different variants, and in Britain, local authorities have developed several models, often using arm's length companies and independent service organizations. Neighbourhood management combines a new style of hands-on frontline management with ground level, service staff and structured resident involvement. The aim is to restore neighbourhoods, maintain attractive street conditions, encourage and protect new investment and prevent disorder, and the principles are commonly applied to town and city centres across Britain.

The paper concludes that if there was a real prospect of more controlled neighbourhood conditions, we might encourage 'urban pioneers' to move into inner city neighbourhoods while protecting existing lower income communities. The income the new residents would bring would support new and better services, greatly improving the quality of life for existing residents. The revitalization of such neighbourhoods needs both community support and innovative leadership.

Remaking place and securitising space: Urban regeneration and strategies, tactics and policies of policing in the UK

Raco, M.

Urban Studies, 2003, 40(9), 1869-1887

This paper raises issues relating to the security and policing strategies associated with a major regeneration programme. An example is drawn from Reading concerning how new urban spaces have been secured. The paper emphasises that the owners of the regeneration areas and Reading Borough Council are aware of how the management of space relates to business success and the measures that the council are using to attract business. The point is made strongly that it doesn't look good if businesses see a ghetto outside the window.

Raco considers that differences over security policies have been divisive elements in the otherwise highly co-operative local politics of regeneration. The author argues that the discursive terrains of local security debates have not been a one-way process of promoting and securing the needs of developers and investors. Furthermore the paper considers how urban regeneration programmes open up new opportunities for designers and planners to reorganise space. It was observed that it was simpler to design-in anti-crime measures in newly constructed urban spaces than to modify existing ones. In the case of Reading the author notes how security issues have been a critical element underpinning regeneration efforts. Changes have been made to the town centre that have boosted socio-economic activity but at the same time have generated new problems which threaten to undermine the sustainability and security of investments.

The paper concludes that the creation of more secure, and aesthetically attractive, urban spaces is increasingly a prerequisite for the design and development of urban regeneration programmes. Places are reconstructed so that their visual and symbolic meanings are transformed in the interests of market-led development. The perceived safety of places acts as a stimulant or a deterrent to new forms of investment.

Ethnic minority business policy in the era of the Small Business Service

Ram, M. and Smallbone, D.

Environment and Planning C: Government and Policy, 2002, Vol. 20, 235-249

In this paper the authors state that the creation of the Small Business Service (SBS) provides an opportunity to develop a coordinated national strategy to address ethnic minority business (EMB) issues. From a policy perspective, this can be justified for both economic development and social equity reasons; it can be argued that the ability of an economy to be enterprise based depends on its ability to encourage and support enterprise in all sections of society, and it is important from an economic perspective as well as from a social equity standpoint that EMB support needs are addressed.

The authors outline a number of distinctive characteristics of EMBs in the UK including that of location. Most EMBs are located within inner cities (reflecting ethnic settlement patterns more generally) where local environmental conditions such as physical dilapidation, inadequate parking and vandalism are more common. Furthermore, locational factors can add to the difficulties faced in raising finance, which is compounded by the tendency for minority entrepreneurs to cater for local residents who have relatively low spending power.

A key theme of this paper is the extent to which the ethnicity of business owners is a factor influencing the support needs of businesses, compared with their size and sector. The authors conclude that whilst the underlying needs of businesses are mainly dependent on their size and sector characteristics, culture can, in certain circumstances, result in additional dimensions that may have implications for how the needs are effectively addressed.

Redeveloping Brownfield Land – The Decision Making Process

Syms, P.

Journal of Property Investment and Finance, 1999, 17(5), 481-500.

This paper considers that a major deterrent to the redevelopment of brownfield land is the lack of information available and hence paucity of market signals. In articulating this point, Syms reinforces the observations that data regarding most property transactions in the UK are confidential, with limited access to such information. This is particularly the case in regeneration - disadvantaged areas for which there is even less market evidence due to the fewer transactions. Hence locations such as contaminated brownfield sites are a major disincentive to investors. The relatively small number of transactions that take place also presents problems for valuation with Syms arguing that valuers operate in an information vacuum. Such conditions of uncertainty are not conducive to investment, notably that by the major institutions. According to Syms, key issues from the investors' point of view in developing brownfield sites are traffic links, position quality, opportunities and restrictions of re-use, planning and official approval conditions, liability protection and credit viability, and attractiveness and image. Syms advocates that taxation incentives may be the stimuli in returning brownfield land back into use, notably tax credits in respect of remediation costs.

Urban intensification policies in England: problems and contradictions

Williams, K.

Land Use Policy, 1999, Vol. 16, 167-178.

This paper is a review of the problems and contradictions inherent in land use policies aimed at delivering urban intensification in England. Whilst the desire to promote sustainable development has gained in importance recently, much debate has focused on whether urban form itself can render a city more or less sustainable.

It is generally accepted that there is a relationship between urban form and sustainability. The outcome of extensive research is an advocacy of high density, mixed-use urban form, known commonly as 'the compact city'. The author highlights that this form has been translated into land use policy across England and Europe, but questions whether this advocacy is premature or misguided. Williams argues that although such policies may have benefits in terms of sustainability, their effects may be so complex and their potential to be implemented so fraught with problems, that they are unlikely to produce the planned outcomes. Research indicates that higher densities of population and built form may not be producing the benefits suggested by those in favour of the compact city and that residents argue that changes relating to traffic congestion, poor environmental quality and town cramming have had a negative effect on their neighbourhoods.

Williams argues that there are serious questions about whether the sustainability objective can be met by following policies to encourage higher densities of buildings and people and that the relationship between high densities and economic benefits is yet to be proven. In many parts of England it has been argued that urban intensification will only occur if resources are made available to make vacant sites more attractive to developers; in most cases, brownfield sites are more costly to develop than greenfield. The author states that developers are particularly in favour of tax breaks to bring smaller sites back into use, but grant aid is also required for many larger sites. Costs are incurred not only in land reclamation, but also in ameliorating the stigma associated with certain areas, in carrying out wider environmental improvements and ensuring an acceptable mix of building uses.

Local business representation and the private sector role in local economic policy in Britain

Wood, A., Valler, D. and North, P.

Local Economy, 1998, Vol. 13 (1), 10-27.

This paper considers the role that businesses play in the management and regulation of British cities. As the form and impact of these changes have been debated a substantial literature has grown around questions of partnership, privatisation, entrepreneurialism, and the quango state. Academic attention in this field has tended to develop from a focus on local governance and the restructuring of the state at local and national levels thereby underplaying central questions around the character and form of, and motivations for, contemporary local business representation. Analysis has generally drawn from experiences in larger cities, often with stronger institutional contexts for private sector representation at the expense of smaller urban areas that, for a variety of reasons, have historically lacked strong business representation.

Wood et al in this paper review the current literature on local business regeneration. This highlights the relatively underdeveloped analysis of business interests in partnerships and urban governance. The authors argue for a more explicit theoretical assessment of the extent and nature of local business representation and the motivations underlying both form and character of business participation. Three key areas are identified for further investigation namely the conceptualisation of local business interests and organisations, the process of creating local business interests and the deployment of local business agendas. The paper also considers some initial observations from a study of local business interests in three British towns to illustrate the nature of local business interests and representation, and the process through which local business interests are mobilised, moulded and deployed within wider partnership structures. Despite a clearly enhanced role for the private sector in local economic policy making there is little evidence of a well-developed, singular and coherent business vision. Instead there is invariably a set of diverse, amorphous and often tangentially linked issues around which various fractions of business are differentially mobilised.

Urban regeneration, social inclusion and large store development: The Seacroft development in context

Wrigley, N.; Cliffe, G. and Lowe, M.

Urban Studies, 2002, Vol. 39(11), 2101.

This paper discusses the policy debate that emerged during the late 1990s in the UK on the topic of 'food deserts' - the perceived worsening access to food retail provision in certain poor neighbourhoods of British cities. By the late 1990s, tightened land-use planning regulation had begun to significantly impact the development programmes of the major food retailers and those retailers increasingly came to adopt an urban regeneration agenda to drive forwards the new store development vital to their corporate growth.

The authors highlight the issue of social exclusion that rose to prominence on the political agenda and 'tackling social exclusion' as a possible new criterion for retail planning policy in the UK. In this paper the interest in urban regeneration and social inclusion is explored using the example of a major retail development in the deprived area of Seacroft, Leeds, outlining the characteristics of the increasingly important regeneration partnerships involving retailers, local authorities, government agencies and community groups. It is asked to what extent such partnerships can be dismissed merely as 'clever devices to get stores built and passed by planners' and discuss the implications for retail planning policy of attempts to address both the social exclusion and public health agendas of deprived and poorly served areas of British cities.

Appendix 2: BPRA – Policy Background

Rows of boarded up, derelict shops and empty business premises are a common sight, particularly in the most deprived areas of the UK. The Government has identified that further barriers to enterprise and regeneration in these areas are caused by the presence of such longer-term vacant business properties, and believes that there are market failures in bringing these properties back into use. The proposed BPRA scheme as presented in the Finance Act 2005 is designed to alleviate these problems. BPRA will be one of a series of measures designed to increase private investment, enterprise and employment in the UK's most disadvantaged areas. The planned introduction is intended to support the redevelopment of brownfield sites, reducing pressure on greenfield sites. This will reduce the negative environmental affects associated with greenfield development.

Currently, capital allowances⁶ enable the cost of most capital assets to be written-off against a business's taxable profits. There are two main rates:

- 25 per cent a year on the "reducing balance" basis for most plant and machinery expenditure (with a 40⁷ per cent first-year allowance for expenditure by small and medium-sized enterprises on most plant and machinery)
- 4 per cent a year on the "straight-line" basis for expenditure on industrial and agricultural buildings and certain hotels
- However, there are currently no capital allowances for expenditure on the fabric of commercial buildings.

At the time of writing the proposed scheme would provide 100 per cent first-year capital allowances for capital expenditure on renovating or converting longer-term vacant business properties in disadvantaged areas to bring those buildings back into business use. Thus, the scheme would provide an enhanced rate of allowance for expenditure that currently qualifies for plant and machinery, industrial buildings or agricultural buildings allowances. It will also provide a new element of relief for expenditure on the fabric of longer-term vacant commercial buildings (such as offices and shops), which is expenditure that does not currently qualify for any capital allowances.

The proposed scheme is aimed at both unincorporated businesses (sole traders and partnerships) and companies, who either own or lease business property in disadvantaged areas that has been vacant for over a year. BPRA would be available for the *capital costs* of renovating or converting such vacant business premises. These costs could include:

⁶ Capital Allowances allow specified proportions of capital costs to be deducted from taxable profits and thus there is a reduction in the tax bill.

⁷ The rate of first year capital allowance for small enterprises is increased to 50 per cent for one year from April 2006 to April 2007

- Substantial alterations to a building (for example, to convert or sub divide it into separate business units ready for business use)
- Substantial improvements to a building
- Costs incurred by a new owner to bring the premises up to the standard necessary for use in the new business

Qualifying buildings would be considered to be those:

- Located in a designated, disadvantaged area
- Unused for a year or longer
- Last used for business purposes
- A whole building, or part of a building
- If part of a building, the other parts of the same building must either have also lain unused for at least a year or must not have been occupied in common with the part for which the allowances are being claimed

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