



SPFF VOICE

AUGUST 2023

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Older Buildings Face Increased Rates and Carbon Challenges

Maria Francké

SPF Chair

Director Maria Francké Planning

The colossal challenge of transforming our older buildings to a net zero built environment has been recognised for some time. But recent planning and financial policy decisions are now revealing the depth of the challenges posed to investors seeking to rejuvenate our older buildings.

The recent example of the rejection of Marks & Spencer proposals in Oxford Street on the grounds of embodied carbon emissions demonstrates how serious and potentially costly this issue could be, even for clearly proactive landlords and investors. The scale of this challenge across Scotland is enormous – how can we regenerate and renew our existing buildings, to meet the net zero challenge, if we cannot assess embodied carbon with certainty and weigh potential demolition and replacement against retrofit? This is not only a challenge for the private sector making major redevelopment proposals, it is clear from an SPF event held with several Glasgow City Council officers recently that it is a major issue for planning authorities and the wider public sector estate.

Not unrelated to the challenge of renewing our older buildings are the growing problems of empty property rates policy, particularly for vacant listed buildings. Following a budget agreement with the Greens several years ago, the

Scottish government devolved this area of policy from 1 April this year.

To support local authorities to transition to their own empty property relief policies, the government has provided funding to cover the cost of the relief prior to devolution for three years.

However, several local authorities have now moved to restrict relief for empty properties with the major impact falling on vacant listed buildings which are now increasingly subject to paying vacant rates after a limited period of vacancy. There are proposals to support relief for 'active' landlords, for example demonstrably marketing a building for let or with planning permission. These 'incentives' are falling short in many regards however. The relief is still limited to 10% and the designation of planning permission is of course an achievement in itself following a lengthy and highly cost-intensive process. For vacant listed empty buildings, this move from 100% relief to full or 90% liability in a short period of time will be a major challenge for investors and owners, whether public or private.

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INDUSTRY INSIGHT



Dundee's Development Opportunities

ROBIN PRESSWOOD

Executive Director of City Development
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The renaissance of the City of Dundee, led by its £1.6 billion Waterfront project and the V&A has been well documented. This strategic 30 year change project has already delivered over 1,000 of its 3,000 jobs target.

Less well documented is the impact on the development sector, with housing completion rates and developer inquiry levels at the highest level in a generation.

The past two years have seen Dundee housing completions at more than double the 10-year average with over 500 completions a year. Two major purpose-built student accommodation developments are on site, together with a further 3,500 beds either consented or in the planning pipeline.

Proactive developer liaison is generating strong enquiry levels, with developers now working on development schemes that can be brought forward once mortgage rates and construction costs settle back to a more normal level!

For the team at City Development, proactive means just that. We sell the city hard, speaking in the language that developers need – rental trends, demographics, hard stats about the three universities in the Region and the tech sectors which are transforming the city's economy; life sciences, cybersecurity, computer games and digital.

One of the factors behind this significant improvement is the approach taken by the Council as planning authority. When developers first start talking to us we help them shape their proposals, and once appropriate consents are granted, we then work with them to remove barriers.

Every reader of SPF Voice will be familiar with the challenges around building out a site; utilities, surface water drainage, ground contamination and foul drainage. Less familiar is the approach taking in Dundee where we work alongside Developers to break down barriers, particularly on brownfield sites. As Director, I get personally involved in

key sites to help ensure that we understand the constraints and help remove them. I now know more about wayleaves, telecoms, surface water drainage and the combined sewer than I ever thought I would.

On the waterfront, we help accelerate projects through the production of detailed site design guidance for each site, and comprehensive information about utilities. This helps developers hit the ground running once they are ready to go into the design phase.

Our key targets are currently Build to Rent, high quality housing for sale and mid-market rental.

Over 200 affordable homes are currently being built within the Waterfront/City Centre area, through partnerships between the private sector and Hillcrest Housing Association.

And we have developed a thirty year vision for the city centre. The City Centre Investment Plan sets out the future for the heart of the city as a community where people choose to live and visit, rather than somewhere that people have to visit to work or shop. This will result in a doubling of the city centre population, and we have identified seven strategic sites that can accommodate significant growth.

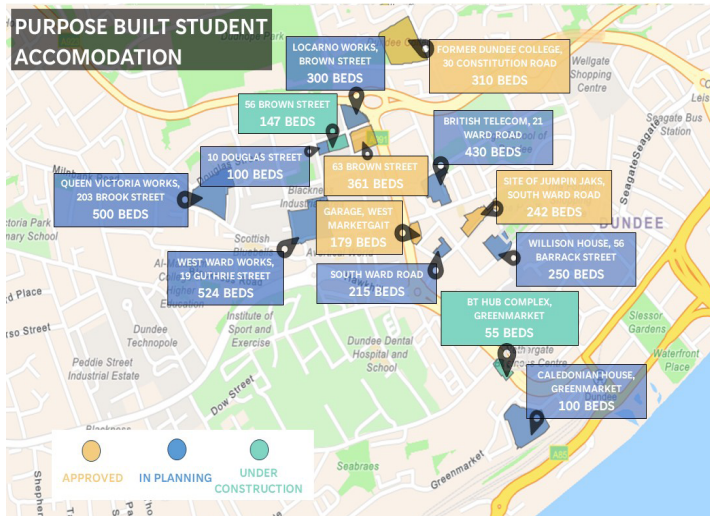
Dundee is happening, but we want it to move faster.

Come and speak to us.

Contact me via LinkedIn or on 01382 433610.



CURRENT PROJECTS IN DUNDEE



Map of current student accommodation development stages in Dundee.

Student Accommodation

Purpose Built Student Accommodation is one of Dundee's key growth sectors, as around one in four of the city's population are students at University of Dundee, Abertay or St Andrews.

Almost 4,000 bedrooms are either on-site, consented or in the planning system as part of 14 separate developments

The Council has encouraged development that anchors its City Centre Investment Plan work, or helps drive forward the Blackness regeneration plan, which will create a vibrant mixed-use extension to the city centre.

Build to Rent is the next key target for the City, with four sites within the waterfront being promoted actively to BTR developers.

Housing Development

Housing is a key component in Dundee's waterfront masterplan, and there are currently 220 units on site being built by a combination of private and social rented developers.

The £13m Victoria Dock development by Culross Developments for Hillcrest Housing Association includes 53 good quality flats for social rent and 66 for mid-market rent spread across two apartment blocks offering a mixture of two and three bedrooms.

The ground floor of the apartment block located on Victoria Dock Road will also offer retail space, paving the way for the first local convenience store to be located at City Quay.

The homes will offer a range of modern energy-efficiency measures in order to help tenants save money on energy bills. This will include energy-saving windows and doors, gas central heating, state of the art insulation and cladding, smart meters and boilers fitted with gas savers. Completion is expected to be in early 2023.



Victoria Dock development by Culross Developments for Hillcrest Housing Association



Thomson House, Grade A office Development, Site 6 Dundee Waterfront

Office Space

Development will shortly commence on a 60,164 sq ft Grade A mixed use office development, the next phase of Dundee's £1.6bn 30 year transformation project, which is anchored by V&A Dundee and the new railways station.

The office builds on the success of the award winning Agness Husband House, which was leased to Scottish Government as the headquarters for Social Security Scotland.

The remainder of Site 6 is promoted for private sector housing.

INDUSTRY INSIGHT



Are We Nearing a Public Sector Procurement Reform?

GARRY MEECHAN

Scotland's Head of Frameworks
Scape Scotland

WOULD YOU LIKE TO RAISE AN ISSUE?

We are keen to showcase a variety of industry topics. If you would like to write for our next Voice, please get in touch with spf@bpf.org.uk.

Scottish public sector construction is vitally important to the Scottish economy with an annual expenditure of around £4 billion. The last few years however have seen both the construction industry and public sector face a host of additional challenges. Public sector spending cuts, rising building costs, supply chain issues and inflated material and labour costs are just some of the issues the sector has had to contend with. And there will no doubt be further challenges ahead in terms of cost pressures, the transition to net zero construction and reduced public sector spending. However, the Scottish Government's recognition of the need for reform in the construction industry and the crucial role public sector construction procurement plays in driving improvement and success across the industry is a significant opportunity for change.

The formation of the Construction Leadership Forum, collaborative industry workshops and the development of the Scottish Construction Accord is identifying what good looks like, key areas of focus and necessary change for the industry. A recent government survey incorporating public and private sector organisations highlighted that 80% of responses agreed or strongly agreed that public sector procurement of construction in Scotland needs reform. A clear indication that change is required to what traditionally can be an archaic, unnecessarily complex, lengthy and expensive process for both contractors and clients.

Despite the warnings against heavily weighted price versus quality approach to tendering we do continue to see the traditional race to the bottom approach being applied. Should this mean the end for prioritizing lowest cost and commercial evaluation over quality? The Construction Quality Improvement Collaborative (CQIC) state that quality should be

central to all decision making and therefore quality should at least be equal to cost if not prioritised.

It is clear that efforts are being made to engage with the construction industry to collate feedback and thus influence change.

There is also a need to acknowledge the work that has already been progressed across the UK. Constructing the Gold Standard is an independent review of public sector construction frameworks undertaken by Professor David Mosey which identifies the benchmark for 'gold standard' public sector procurement. With recommendations to the public sector for the delivery of efficient, cost effective, collaborative and greener projects. The Scottish Construction Accord, highlights the need to reform procurement practices, and is billed as a "commitment between industry and the public sector to create a thriving and high-performing construction sector in Scotland." This gives the industry a platform for change, but going forward we need action, engagement and momentum to progress that reform. Allowing detail and substance to be built into the principles and objectives of the Accord and we will, as an industry, start to witness the improvement.

At SCAPE Scotland we believe there is opportunity for change, for growth and we strive to make procurement count for every client, for local communities, for the economy and for Scotland as a whole.

By Gary Meechan, SCAPE Scotland's Head of Frameworks. Gary has more than 15 years' experience working across a range of roles in both construction management and consultant project management working exclusively within the public sector.

Our regional events

This month, we hosted a dinner in Glasgow and were joined by a range of industry professionals as well as senior officials from Glasgow City Council. The dinner was a good opportunity for members to reflect matters of key importance to the Council which included concerns over housing provision and the need for greater city centre living. The presentation of the city was also discussed, with key arrival points likely to be prioritised for upgrading. Sustainability was another topic, with concerns over the assessment of embodied carbon and its lack of policy detail within NPF4 raised by members.

Glasgow
Dinner

Ahead of Edinburgh Council's decision on its empty property rates relief policy, we held a roundtable event with officials from the City of Edinburgh Council and the Scottish Government's NDR team. The purpose of the discussion was to gain a further understanding of the current proposals from the Council and to inform officials on the issues faced in the rates system, as well as the wider impact on investment should the relief on empty buildings included listed buildings be restricted.

Edinburgh
Roundtable

Our work in July/August

Consultation Submission:

The Land and Buildings Transaction Tax (Green Freeports Relief) (Scotland) Order 2023 (SSI 2023/Draft)



Consultation Submission:

Scottish Government Review of Permitted Development Rights - Phase 3

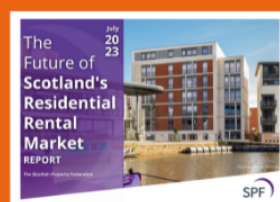
SPF Response to CERG draft proposal for greening commercial buildings in Scotland



Consultation Submission:

Local Living and 20 Minute Neighbourhood: planning guidance consultation

Position statement to the City of Edinburgh Council on business rates



The Future of Scotland's Residential Rental Market Report

Council Devolution of Empty Rates Relief Gathers Pace



The SNP-Green Budget agreement (pre-covid) to devolve empty property rates (EPR) relief is gathering momentum as authorities calculate a revenue boost from restricting relief. Edinburgh assess they could save some £14m in EPR relief, while Dundee have proposed a six month restriction on EPR to net £1.5m of savings. These moves follow Aberdeen's decision to implement a restriction on relief seeking to make £15m of savings. This is despite the Scottish government funding the cost of EPR for each authority for three years. Both Edinburgh and Dundee propose supporting 'active' landlords with continued relief for example where marketing for let is demonstrated, or a property has planning permission. While we welcome the intent to support 'active' landlords, this misses the point that professional landlords and investors are and have to be 'active' - achieving an occupied and economically active buildings is their business and not an 'option'. The reality is that major commercial landlords and investors have been tackling serious market failure in many aspects of the built environment and business community for many years. This is especially so since the pandemic, for which there was no support for the real estate sector, and further taxation can only be a further burden that cannot be afforded. For those property investors seeking to revitalise older buildings the proposals mean that vacant listed buildings face a hike in rates from 0% to 90% or 100% liability in a short space of time (less than two years). Planning permission is rarely achieved in a short space of time – at best it is the end of the beginning of a project that will span years for major projects. Full empty rates liabilities are highly likely to deter and frustrate efforts to find investors for these often complex projects – the additional cost for developers could well run into £millions. As well as opposing the perception that the industry will deliberately sit on empty properties, the SPF is seeking better policies to support investors to bring buildings back into use.

Rent Control Update



In July, the SPF met with government officials working on the rent control part of the upcoming Housing Bill to facilitate a dialogue with UK based investors. The meeting was held to communicate directly BtR investor sentiment to the government, and to re-iterate the unintended consequences of rent control. The officials anticipate a renewed commitment to a national form of PRS rent control in the Programme for Government in the next few days. In line with the Bute House Agreement, they are considering a devolved approach for rent control mechanism which will consider market demand, size and geography in specific areas. The SPF highlighted industry concerns highlighted in the report on the ['Future of Scotland's Residential Rental Market'](#) which addressed key aspects of a rent control mechanism. Member feedback continues to highlight that with uncertainty of what the new Bill entails, it is currently harder to attract investment for BtR-led schemes in Scotland. Inevitably this exacerbates the imbalance of supply and demand in the market, which over time only makes it harder for tenants to find the homes they need to rent.

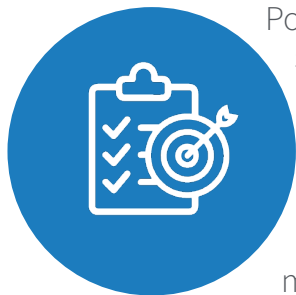
The next meeting of the Scottish Government's Rent Control Stakeholder Group will be at the end of this month. It is clear that the detail of the rent control proposals have taken longer than initially expected, but politicians remain committed to a system of rent control for be in place in 2025.

Continued momentum on Sustainability Policies



Over the summer, the momentum behind the sustainability agenda has remained strong with a series of recent government consultations focusing on the reform of Energy Performance Certificates (EPCs), increases to building warrant fees and a review of Permitted Development Rights (PDR) that could see more renewable technology installed without the requirement of planning permission. There is a clear need to expand the scope for solar, wind and thermal energy technology to be installed in domestic and non-domestic properties, and we broadly welcome the government's review of PDR and wider sustainability initiatives. However, we remain concerned that the commercial sector lacks coordinated policy guidance for decarbonising existing buildings particularly when the industry is striving to achieve the highest sustainability credentials in their properties. We reflected a number of issues in our response to the draft recommendations of greening commercial buildings by the government's Climate Emergency Response Group (CERG). Among some of the points raised was a more holistic approach to measuring the impact and operational energy use as well as a need for a standard method to measure embodied carbon in a building. We also made clear the implications of a tenant / landlord relationship where decarbonisation work may only be possible during void periods (between leases).

Planning Transformation Concerns



Post NPF4 adoption, the debate around application of Policy 16 (f) continues to be a store of issues for members and indeed planning authorities. Perhaps inevitably, housing land allocations remain a contentious issue with the changes in NPF4 leading to high profile legal challenges. There are also continued concerns expressed to us by you with the time taken to determine major planning applications, and your ability to contact and collaborate with planning officers who are now often working remotely. The average planning decision time for major developments reported recently by the government was 39.5 weeks, and while there are challenges with the complexity and added demands of the planning system combined with a lack of resources, the performance issues remain despite the increase in planning fees. We must have a planning service that is a platform for investment rather than a barrier. Otherwise, we risk losing new and improved working, living, learning and leisure places that will surely go elsewhere in the UK.

The SPF is due to meet senior Scottish Government and local government representatives in the next fortnight and we will use these opportunities to highlight your concerns with the complexity and challenges of the planning system, as well as performance and fees.

Celebrating the Tenth SPF Annual Dinner

With Baroness Ruth Davidson

Thursday 12 October 2023 | 6pm
EICC, Edinburgh

Book Now

