

Urban regeneration
and development
defining regeneration
construction essay



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The term regeneration has no one set definition. Regeneration is a growth industry in which heritage assets play a central role in achieving successful regeneration-by representing an opportunity rather than a constraint (Jonas, 2006). This term has been appropriated by planners, politicians and managers in architectural, social and cultural sectors to suit their changing agendas. Thus we have economic regeneration which uses physical renovation to revive the economic market of a place, social regeneration which revives social communities or cultural regeneration where art and craft are used to revive vibrancy and life. All these varying types of regeneration have the common element in every case; it is comprised of 'the use of public funding to support an initiative which aims to achieve an improvement to the conditions of disadvantaged people or places' (Report of the London Assembly's Economic Development Committee, 2002).

Regeneration focused around heritage is well known as Heritage-led regeneration and is of three different types distinctively: area-based regeneration, single building regeneration and heritage project regeneration.

Area based regeneration is the physical regeneration of a conservation area, town centre or historic landscape.

Single building regeneration is the physical regeneration of a single building.

Heritage project regeneration is a socially beneficial project based around a historic building without involving physical regeneration.

These distinctions are important to understand that each type of project has specific aims, and hence may have different outcomes (Palmer, 2008).

Heritage-led regeneration can also be defined as the improvement of disadvantaged people or places through the delivery of a heritage focused project (www. ahfund. org. uk 2012).

The positive qualities and benefits that heritage assets add to a regeneration scheme could be:

The focal point created by historic buildings relates people giving a sense of place.

The community will rally around to support or save being the well-loved local landmarks.

A distinctive identity is added by the fabric and design to the ' new build' part of a regeneration scheme also by enhancing townscapes and lifting the overall quality of the built environment.

Through the wider regeneration area, interesting cultural and historical associations can be interpreted and developed.

Sustainable development objectives are achieved by assisting

Tenants or occupiers may be attracted who would not be interested in a less distinctive building.

People's interest in the past is fed (Jonas, 2006).

Value of historic buildings is stated in this quote by Rypkema (1992): "

Preservations often talk about the ' value' of historic properties: the social value, cultural value, aesthetic value, urban context value, architectural

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value, historical value and sense of place. In fact, one of the strongest arguments for preservation ought to be that a historic building has multiple layers of 'value' to its community."

IMPACT OF REGENERATION

'To demolish a Victorian terraced house is to throw away enough to drive a car around the world five times. None of this is wasted if the building is refurbished' (Heritage Counts, 2004). In the past regeneration has been concentrated on the individual and area based projects which aimed at improvement of housing, economic conditions and the living environment. It is beneficial to the wider area and community and not only to the individual building. Case studies carried out all over Britain have proved that all types of regeneration revive areas of economic depression, attracting tourism, business and raising property values. A process is then occurred where the functional and physical awakening is led to economic awakening. Further, this is judged in order to start a social revitalisation; where the outcome is an incidental and assumed beneficial (www. ahfund. org. uk 2012).

As the economic and social pressures for development are increasing day by day, it is not possible to stop construction; also because there has been an increase in population which is demanding for new housing. The Government noted 3.3 million new residences built by 2016 in England. This was noted due to a proposal put forth by the Government to let in the UK the increase in the number of affordable housing. Due to the need to tackle the climate change, we have been forced to observe the construction and development process. This is also to be considered for the urban regeneration projects

along with the proposed new build. Hence looking at the overall scenario, regeneration and development includes:

Site recognition/classification and treatment

Options for development

Commercial planning

Comprehensive and Conceptual design

Sustainable and Energy efficient

Project management (www. rtpi. org. uk/knowledge/topics/, 2012)

Property development has to be a part of much global approach. This kind of approach exemplifies care and concern for the people who live in deprived areas. It also embodies the fundamental condition of the local economy. In this way, property development can comprise positive economic effects. The governments' urban policy is relying progressively more on the private-sector property development in the current years. This leads to provide driving force in the urban regeneration. Contribution done to the urban economic regeneration by the property development includes the following:

By accepting the growth of national and local firms

Leading to direct employment and related activities due to effects of construction industry

With the help of enriching community, revitalising the neglected neighbourhoods

By drawing inward investment into different regions

By acting as a medium for economic restructuring (www. emeraldinsight.com/journals. htm? issn= 1463-578X, 2012)

Finance and Evaluation of Regeneration Projects

In order to achieve definite requirements, every urban regeneration programme or project is designed. These requirements are presented partly in the case for funding and are generally integrated thoroughly in the business and development plans.

It is necessary to build in formalities, procedures and measures in place when targets are identified prior or during a policy implementation project. This is done in order to report and examine the development of policy implementation exercise. Collection of diverse information is drawn in by these formalities, procedures and measures such as:

Land-use surveys, management information, other direct surveys (of offices or inhabitants) and the requirement that the progress or accomplishments should be reported by those in receipt of funding.

The participants in the urban regeneration project need to exhibit that whatever they intend to do is something they are aware of, what they desire to attain, how they aim to attain their goals and how they will scrutinize and estimate their actions. This is despite of the multiple changes that have been

occurred and irrespective of the intention in respect to the comprehensive form or formations of policies have undergone.

‘ It is necessary to be able to point out the origins and outcomes of any hurdles that may take place or that may have been come across during the course of execution of an urban regeneration programme in spite of giving the broad variety of organisations and artists involved in the urban regeneration.’ (B. Moore 2000).

Evaluation is required at both national and local levels; states the SRB guidance. The responsibility of individual regeneration partnerships is the local evaluation. (DETR 1999)

During the designing and implementation of the project at the strategic level, evaluation and monitoring are strongly bonded to the policy development. Therefore, it is assumable that evaluation and monitoring could form a part of the policy process and is related to the choice of policy and the aims and objectives established.

At the time of urban regeneration process, evaluation and monitoring are commenced at an early stage. A baseline or existing conditions need to be compared or measured with the national, regional or local coverage in order to define or identify prior the commencement of any regeneration activity in case of a problem. In this case, the length of the existence of the problems and the root cause of the problems also need to be analysed.

Firstly the classification of the problem which is to be addressed, this goes on throughout the multiple processes of strategy and planning and further

continues to the point of implementation and finally to the completion of the project. This is the cycle of how the project works. In the process of this periodically evaluation and monitoring, targets are identified with their help and to integrate them within an established schedule of implementation and actions, to estimate the overall success, monitor and measure definite aspects of implementation, presentation or progress of a programme or project that is the efficacy and efficiency.

The classification of the problem to be tackled and their causes marks great importance on the smooth functioning of the economical markets because as the source by which assets like vacant and abandoned land and unemployed labour can be capably used. Few policies are used to examine or address problems like market failures. Hence intervention, case for government and traditional model is based on the evidence whether the markets are failing to work properly.

A set of interconnected problems are combined to minimise the competitiveness of the region which attracts the inward investment of human capital, physical and financial, competitiveness of firms in a city or town or the competitiveness of the individuals are stated as urban problems which are meant to be quite complex. The specification of the target geographical areas and target groups is one of the important characteristics of the problem definition.

Examples of policies missing on targets

It is important that for any policy in order to be viable or cost effective, that the output attains the target group for which that policies attain their aims or

for which they are planned. This clearly means that the policy attained whatever it was meant to achieve. The policy may not attain its objective for example if creating jobs for inner city unemployed citizens; in that case, if the people travel or commute into the same region from outside to engage in the jobs and jobs are made unattainable if they are available elsewhere to the same inner city citizens.

Firms that have minute or no benefits to the local economy or local citizens, conversely; are paid some type of funding or subsidy to these firms who come up with profits. This is another example of policies which miss on its targets if there is lack of models to guide the responsible ones in order to develop the policies.

Development of Urban Regeneration Strategy

Few things are to be looked upon like reviewing of the current projects and programmes, along with the classification of all the partnerships and agencies that are involved in the same. Also, what is not operational or what is not being completed and the point at which realignment of the strategy or need of re-focusing is required are the points to be taken into consideration during developing an urban regeneration strategy. The above review would also examine things like undergoing the audits at each level and resources of funding and allocating the funding across the projects or policies.

From a wider cultural or political context, the judgement as to what has to be attained and what is to be measured (by choice) during an evaluation progression cannot be abolished or eliminated. The context for evaluation and monitoring is set in turn due to the choices which are influenced by the

political aims. The degree of comparability, accountability between the projects or programmes in terms of awareness and achievements of the possibility of transmitting policies and good practice among the areas is ensured by the political context.

' Timing during the early stages of policy implementation is quite important; at the early stages the focus is mostly on monitoring actions. As the process of regeneration programmes or initiative continues, focus will shift to output, outcomes and added value. At this stage, issues of effectiveness become more important.' (B. Moore 2000)

Evaluation

There are three types of evaluation, namely: interim, rolling and final in terms of timing.

Interim evaluation

It helps to review projects, objectives, considering strategies and suggesting changes which could be performed in the process of implementation of the scheme and point out information that is required for the final evaluation.

This type of evaluation helps activities like: project delivery agencies, executive teams, and partnership boards and improve performance.

Rolling evaluation

It is interconnected to the rollover of delivery plans and the continuation of funding in order to get guidance prescribed by the government. It also includes the usage of indices, periodic reviews and indicators in order to

access progression and performance. Regional development agencies and government organisations are involved in an administrative role.

Final evaluation

This is aimed to be the last process of the regeneration programme or project. Presenting the achievements attained so far, present accountability or prove (justify) the expenditure by the public and other sources that has been used up at the time of the project by focusing on good practice which is a lesson to learn for others. This point of time concentrates mostly outwards by addressing the agencies, local authorities, Government and the people who are benefitted by the scheme.

Monitoring

The scrutiny and the organized collection of the information during the process of the project can be defined as monitoring. The main objective of monitoring is to improve the effectiveness and efficiency of an organisation or a project. The activities planned and targets set during the planning stage of any primary stage of any regeneration forms its base. Monitoring helps to keep the pace of the project in place along with the objectives and aims lay down initially.

It involves an intervention to know the availability of the sources being utilized quite well and creates a base for evaluation. It is also indulged in recording and collecting information, scrutinizing the information, along with establishment of the indicators of effectiveness, impact and efficiency.

Monitoring information is used during evaluation process. It is necessary for interpreting and understanding the findings from the evaluation.

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Establishment of appropriate comparison groups is useful and also used as a sample survey undertaken at the evaluation process.

Evaluation and Monitoring

Evaluation and monitoring have few common factors such as:

Effectiveness - the measurement of appropriate aims and objectives achieved during regeneration programme or project

Efficiency - the ratio between input and output is attained by both

Impact - in case of a problem being notified, one is allowed to ascertain if there is any requirement of improvement

Conclusion

In the UK, planning system is an involved set of laws right back from 150 years. The best comfort of the public is taken into consideration along with the ones who are affected by the developments and hence, with their decisions, the laws are designated accordingly. If the public participates in the planning system, then only the system can deliver positive, progressive and sustainable development. In the housing green paper, the government's target is set out as: until the year 2020, about 80, 000 new homes are to be added every year. Hence to build new ones, the refurbishment of the current buildings is yet to make up for the need. This in turn would minimize the quantity of construction waste produced as well as building materials. In order to achieve environmental standards, the difference of cost between new construction and renovation need to be addressed. This would benefit the occupiers and developers equally. Urban regeneration is hardly attractive

than the new build to the developers. This is due to cost implications. In that case, the government needs to look into the financial constraints imposed on the developers; such as the concentrated Vat on the new build.

Encouragement to increase air tightness, overall fabric quality and insulation levels should be imposed on the developers, landlords and owners (probably through tax relief) by the government. This would add to the quality of housing for the less well-heeled, create multiple jobs and strengthen manufacturing in the country and also be beneficial and address the concern of quality development. Also the usage of red tape and bureaucracy should be reduced is to be looked in by the government which holds back the use of environmental technologies. (www. rtpi. org. uk/knowledge/topics/, 2012)

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DEVELOPMENT APPRAISAL REPORT
FOR
GERA DEVELOPMENTS
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Executive Summary

We, at WEE3 Planning Consultants, have prepared this report as a development appraisal for our client Gera Developments for purchasing a site located in Sheldon (Birmingham) with the aim of developing it for mixed office, retail and residential use.

This appraisal report presents an analysis and identification of the nature of the development site and the local attractions. Also presented is a market analysis in terms of interest rate, rental growth, capital value growth and population statistics.

The development budget was carried out using the Residual Land Value Budget method using selected and sensible data, i. e., development ratio, construction costs, fees and finance charges, rental fees, yield, construction period and developer's contribution. Also derived is the maximum amount available for client to purchase the plot of land for development.

Finally a profit and risk analysis is carried out within the development appraisal to provide distinct uncertainties or risks involved at an early stage. Based on the analysis, variables with highest ascendancy on profits are identified and precautionary measures are to be taken to assure their accuracy. The key variables would be construction cost, interest rate, development period, rental value and yield. The profitability of the development and the risks involved depends primarily on the variations of these variables.

Introduction

Objective

The key objectives for preparing this development appraisal report are as follows:

To analyze the site conditions and activities in its proximity.

To analyze the current market situation based on economy and forecast the future demand and economic growth in relation to the proposed development.

To prepare an accurate budget based on the Residual Valuation method for development appraisal using potential variable options.

To provide profit and risk analysis on the proposed development

Development Site Particulars

Site Address: Sheldon, Birmingham, United Kingdom

Owner: Birmingham City Council

Developer: Gera Developments

Land Area: 7. 98 acres (3. 24 ha)

Proposed Development: Mixed use development comprising Offices, Retail and Residences.

Development Site Description

Site Location

The site is located in the Sheldon suburb of Birmingham at Silvermere Road approximately 6.5 miles south east of the City Centre. The site is accessed from Parkdale Road which links onto the Coventry Road (A45) via Sheaf Lane (www.gva.co.uk, 2012).

Site Description

The total area of the site extends to approximately 7.98 acres (3.24 ha) gross. The site area comprises of multiple sides each of varying lengths. The northern boundary consists of different parts with a total of 88 meters in length. The eastern boundary curves along the Silvermere road measuring 224 meters in length. The southern boundary is straight measuring 159 meters in length and the western boundary is the longest side of the site measuring 237 meters.

The site consists of open grassed former playing fields and hard surfaced parking areas. The topography of the site is generally of leveled nature and there are also some mature trees within the periphery of the site. The site is accessed mainly from Silvermere Road, which also forms the eastern boundary of the site, with two separate existing access points. The remaining boundary of the site adjoins the rear gardens of the surrounding semi-detached and terraced residential properties (www.gva.co.uk, 2012).

Attractions

The Coventry Road (A45) which is linked to Parkdale road, is a principle arterial route to Birmingham City Centre and also provides access to

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Coventry City Centre 14 miles to the south east. Solihull Town Centre is approximately 3.5 miles distant. Birmingham Airport is also in close proximity to the development site located approximately 1.5 miles to its east. The site also benefits from quick and easy access to the motorway network with Junction 6 of the M42 motorway at a distance of approximately 3.7 miles. Local rail services are available from the nearby Marston Green railway station which also connects to the Birmingham International with mainline services. Sheldon benefits from a variety of amenities and shops along the Coventry Road (A45). Sheldon is located on the border of the metropolitan borough of Solihull with the town centre facilities being within easy reach. There are also schools for all age groups in the vicinity (www.gva.co.uk, 2012).

Market Analysis

Birmingham is one of the major economic centres that is well positioned strategically in the West Midlands region of the UK, so it is reasonably expected that the City's property markets would have been hard hit by the economic events over the past two years. However, the recent output and survey data provided from a research carried out by GVA Grimley for the Economic & Property Market Review on UK 2nd Quarter of 2011, shows a sign of improvement and stability, which means the recession is over but the growth and upturn will be patchy and weak. The period after 2011 has been forecasted as an above trend growth period, with an economic growth of 1.2% (GDP) compared to the long term past average of 2.7% p. a.

Rental Growth

The rental values are falling drastically according to the Economic & Property Market Review on UK 2nd Quarter of 2011 by GVA Grimley. However, the rate of decline has noticeably eased as for the occupier market performance in recent months. Also there is sign of increase in demand and the rental levels are moving up to trend from way below trend, with property rental values performing a fall by -1.9 % (from May to July), but with a low of -3.2% in comparison (from January to March). The overall levels of employment have continued to fall since 2010 and the output growth has experienced only a weak recovery. As an outcome the occupier demand has remained silent and rental value has continued to fall. After a significant growth, the forecast expects the rents to rise after 2013.

Capital Value Growth

The capital value has experienced a rise of 0.2% during August this year, according to GVA Grimley, based on the IPD Monthly Index. This is an outcome of the negative effects of falling rental values prevailed by the positive effects of the downward yield movement. The IPD Monthly Index shows that positive returns of 0.6% and 0.9% have been achieved in July and August respectively. This figure was expected to continue rising for the successive months as the total return on the year in succession also showed a rise from -26.5% in May to -22.6% in August.

Development Appraisal Data

Interest Rate

The current rate of interest announced on 10th January 2013 by the Bank of England's Monetary Policy Committee is reserved at 0.5%. However we estimate an 11% interest rate to be sensible for the period of construction to completion for the proposed development.

Investment Yield

The Birmingham office investment yield as at the end of the first quarter of 2011 is at 7.0% according to IPD from our market research and that the Birmingham investment market factor was comparatively strong and better placed than other financial centers in the current downturn weather. In addition, the Economic & Property Market Review on UK 2nd Quarter of 2012 by GVA Grimley shows that the recession should officially end by 2013. Hence we can assume that the investment yield would remain unchanged throughout the period of the proposed development until its completion. Thus, the investment yield shall be 7% and it shall also be sensible to propose the same interest yield for both offices and retail development.

Development Appraisal

The Appendix shows the Residual Land Value calculation for the proposed development. Through the selected research data used in the calculation, we can figure out the following:

Net Present Value (NPV) equals to £34,867,383

Total Development Cost excluding the land cost equals to £24, 016, 200 which includes the cost of construction, Finance charges, Professional Fees, Contingencies and developers profit.

The Residual Land Value amounts to £10, 099, 586 and is the maximum amount available for our client to purchase the potential site.

Risk Analysis

As the development process progresses, the degree of uncertainty increases and also reduces the freedom for changes. Hence it is useful to identify the uncertainties at early stages of construction, allowing the decision maker to figure the risks undertaken more precisely. The development budget is therefore essential to determine and evaluate the risks. To minimize the risk on projected profit level, the developer needs to clearly understand the effects of change in the main variables of the budget, i. e., development ratio, construction costs, fees and finance charges, rental fees, investment yield and construction period. Generally the risk increases drastically with the prolonging of development period and higher the changes made in the main variables. Thus, in order to achieve the projected level of profits it is important for the project to be completed in 2-3 years period

Conclusion

Calculating the Net Present Value of the development as £34, 867, 383 using the Residual Value method, it is evident that the site is desirable enough as a whole and suitable for mixed-use development of office, retail and residence. Also in terms of valuation, the maximum amount viable for the client to purchase the land is amounting to £10, 099, 586 after allocation of

the specified 13% profits. We would thus finally advice that the client can go ahead with selling the development on successful completion in three years time.

Appendix: Development budget spreadsheet