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Citation: Muldoon-Smith, Kevin and Greenhalgh, Paul (2015) What is the value of 'urban agility': an investigation into the rhetoric and reality of urban adaptation in England. In: TPUD - Transience and Permanence in Urban Development, 14-15 January 2015, Sheffield, UK.

URL: [http://www.sheffield.ac.uk/polopoly_fs/1.452248!/f...<http://www.sheffield.ac.uk/polopoly_fs/1.452248!/file/Muldoon-SmithGreenhalgh.pdf>](http://www.sheffield.ac.uk/polopoly_fs/1.452248!/file/Muldoon-SmithGreenhalgh.pdf)

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Kevin Muldoon-Smith

Dr Paul Greenhalgh

Department of Architecture and Built Environment

Northumbria University

Ellison Place

Newcastle upon Tyne

NE1 8ST

What is the value of 'urban agility:' an investigation into the rhetoric and reality of urban adaptation in England

Post industrial cities have recently seen an exponential increase in vacant and underutilised land and property. In response, this article introduces the principles of 'urban agility' (and its method: adaptive re-use) which is a heuristic concept that can be used to inform urban adaptation. The paper contrasts this approach with urban financial policy in England, revealing tension between the traditional aims of urban planning/renewal and the current fixation with urban capitalisation. Whilst the rhetoric of government policy in England is generally supportive with regard to 'urban agility,' evidenced by the recent relaxation of permitted development rights in relation to office to residential conversion, its agents of change are not. The paper concludes that contemporary mechanisms of urban finance preclude 'urban agility' and are preoccupied with buoyant economic areas and new build development. This ignores the latent value and transient possibilities of existing property stock and the dynamic needs of occupier demand. The key urban finance mechanism in England; the retained business rate model, precludes investment in existing urban development. This prohibition creates a significant barrier with regard to temporary and permanent means of countering urban depreciation and obsolescence. What this situation demands is a re-imagining of the prevalent urban business model based on progressive ideals and methods of urban value.

Key words: Adaptive re-use, urban agility, transience, urban finance, urban valuation

Introduction: Ghost Towns

*This town, is coming like a ghost town
All the clubs have been closed down
This place, is coming like a ghost town
Bands won't play no more
too much fighting on the dance floor*

*Do you remember the good old days
Before the ghost town?
We danced and sang,
And the music played inna de boomtown*

(Dammers, J 1981 - The Specials)

In an age pervaded by austerity driven restructuring and continued urbanisation, more needs to be made of our existing resources in order to counteract the continued pressure exerted on finite amounts of urban space. Cities cover 2% of the earth's surface, yet they use 78% of its resources and produce 60% of its carbon dioxide (UN Habitat 2014). The strongest cities will be those that manage their resources most efficiently, maximising their potential output. This is particularly important in regard to new methods of urban finance which demand the capitalisation of urban resources. However, it is clear that international cities are not managing their resources accordingly. Urban depreciation, obsolescence and abandonment are increasingly prevalent in urban areas in the global north and south (Schafran 2013, Bullen and Love 2009, Berger 2007, Beauregard 2005).

In order to analyse this situation, this paper moves across various scales and locations in order to examine how commercial real estate, methods of urban finance and taxation interact in debates of contemporary urban decay and the future city. It emerges from a three year research project (2012-2015) conducted in 25 separate towns and cities in England, combining physical appraisal of vacant office property stock and its potential for adaptive re-use. The goal of the research is to reveal the contradiction between the multi layered urban city and the often nefarious methods that are being used to undermine its renewal. All too often, the 'great recession' is used as a convenient excuse for urban vacancy and decay. In

order to understand why so much of our cities lay idle we must investigate how we reproduce inefficiency through the routine practice of urban development.

The 'future city' agenda in England (Future Cities Catapult 2014) is used to frame the findings in this paper. In a congested academic environment which includes, the 'smart' city, 'smart urbanism,' spatial physics' and 'compact cities,' the proceeding sections of this paper uses the 'future city' as an analytical concept. This is because the term evokes the challenges of urban development still to come. The UK based Future City Catapult website (2014) demands a world where,

'Every city has the products, services and expertise it needs to integrate its systems and future-proof itself for the benefit of its citizens, economy and environment'

However, a central argument in this paper is that urban development is not future proofed; it is institutionally rigid, functionally atypical, fixed and inertial.

Reflecting this tension the paper is split into three sections. The first section presents the underlying theoretical argument which justifies the importance of 'buildings' in the contemporary infrastructure debate together with the emergence of urban depreciation and how this might be improved by following the principles of 'urban agility.' 'Urban agility' is a useful heuristic based on the presumption of continual change in the urban environment which can be used to locate the built environment in the 'future city.'

The second section brings the 'agile' debate back down to earth arguing that the prevalent institutions of real estate development, in particular public policy, do not support an 'agile' model of urban development. It critically appraises the newly introduced retained business rate model, and relates this to the principles of 'urban agility.' The underlying argument is that government policy, while explicitly purporting to support the principles of 'urban agility,' prioritises the creative destruction of modern capitalism at the expense of sustainable urban intensification. These methods myopically prioritise the flow of new build development, precluding the latent value in existing urban development.

The third section, summarises the theoretical argument, that public financial policy in England, in particular methods of urban finance, do not support 'urban agility.' In response,

this paper calls for a new urban business model that favours and exploits all urban resources and importantly their continual change and adaptation.

The depreciating city

This section positions commercial real estate, both physically and as taxable resource, in the contemporary infrastructure debate. It argues that the ability of urban areas to exploit all of their commercial real estate assets is a fundamental requirement of contemporary urban development. Graham and Marvin (2001) highlighted the importance of studying urban infrastructure, in particular its connectivity, who can access it and where. This has led to a burgeoning research tradition focusing on transport, streets, motorways and flyovers (Hamilton-Baille 2008, Harris 2013, Merriman 2007). Indeed, McFarlane and Rutherford (2008) and Amin and Thrift (2002), have described the renewed materiality of urbanisation, reflecting on its fragmentation, inequality and crisis. However, although there is recognition of materiality, there has been little credit given to the role of commercial real estate (in other words 'buildings' in their physical and socio-economic formulation) in urban infrastructure and built environment provision. This is reflected in the recent commentary by Wissoker et al (2014) In Environment and Planning C (where they celebrate the 1994 double issue into property and finance edited by Michael Pryke) where they lament the lack of critical focus in regard to property and finance since 1994 and call for a renewed focus in the wake of continued overbuilding.

This omission is important for two reasons, firstly in the physical sense; commercial 'buildings' are needed to house 'enterprise'; they underpin and comprise the vast majority of central urban locations in terms of floor space and value. Secondly, these buildings are the main source of national tax (ad valorem property tax) in both the global north and south. Urban taxation connects the physical urban environment to the institutional apparatus, ideology and payment of contemporary government practice. To adapt an argument of John Moulier-Boutang (2012), in many ways commercial real estate is the ocean and the galleon of contemporary urban finance. Therefore, the ability of urban areas to maximise their commercial property assets can also be viewed as a key constituent of urban infrastructure provision, built environment vitality and public sector service provision.

Unfortunately this is not reflected in urban development; vacancy and dereliction is a lingering part of urban development. This can be a result of globalisation, de-

industrialisation, environmental catastrophe, the impacts of war or more broadly the constantly changing characteristics of demand and the inability of urban areas (particularly buildings) to adapt accordingly. In the polycentric city moribund buildings sit cheek by jowl with new skyscrapers and boulevards and certain zones thrive while others show obvious signs of decay, battling to attract occupier demand and income. The lyrics at the beginning of this paper were written about the era of Thatcherism, describing alienation and urban decay in the 1980's, in this case Coventry in England. The lyrics are still salient today. In Sao Paulo excessive over supply of commercial property is compounded by a severe shortfall in residential property and endemic homelessness (Habitat 2008). The Torre David in Caracas and the Saghorn Unique in Bangkok are poster children for unfinished development and rebellious subversion by local communities (McGuirk 2014). While, the city of Ordos in Northern China which was built for more than 1 million people is barely inhabited; it hasn't had enough time to depreciate, nevertheless it is abandoned (Richter 2014). In England, research conducted by the authors, discovered 2.5 million m² of vacant office floors space in 25 towns and cities in England and Wales, with a rateable value of just under £295m per year (£2.9bn projected over ten years). Clearly, inefficiency, contradiction and perversity is a chronic affliction in parts of the built environment.

The emerging narrative of urban depreciation, obsolescence and abandonment has coincided with new urban trends such as 'urban exploration' 'recreational trespassing' and 'guerrilla preservation' (Macfarlane 2013). This is evidenced by various websites dedicated to urban abandonment such as 'sleepycity' and 'urban ghosts media.' This reveals new and rebellious way of discovering and highlighting often hidden urban geographies of urban contradiction. However, an underlying argument in this paper is that urban decline and abandonment can and should be subverted (it should not be mythologised and left to rot). Indeed, if urban areas are going to exploit all of their urban wealth, then this has to be an essential part of urban development. This is because new development only accounts for 2% of property supply per year (it is even less for roads and railways). The other 98% of buildings exists in a permanent state of depreciation (without investment) relative to its position within the urban market (Jowsey 2011). Indeed, Kincaid (2002) suggests the vast majority of the 2050 urban environment has already been built.

Intensifying the use of existing property stock will support urban sustainability. We must not forget the buildings past; they are not permanent edifices, rather they have life cycles which

can be calculated in terms of physical and economic depreciation and operational and embodied carbon. However the buildings that enter the property market in 2014 will be 36 years old in 2050, in 2014 properties built in the 1970's are considered obsolete and in need of investment. This is because the built environment is depreciative and degrades over time without intervention.

Urban agility

In response, this section introduces 'urban agility.' The aim being to provoke the recasting of commercial real estate institutions around notions of flexible and continual building re-use. 'Urban agility' borrows terminology from software and organisational development, arguing that property development has much to learn from both. Both spheres of development have embraced change as an integral part of the development process. Indeed the context of software system development is reaching un-paralleled levels of dynamicity (Silver and de Lemos 2011). Software systems and organisations are now being designed to continue to operate in tandem with changes in user requirements, legal regulations, market opportunities, usage settings, locality and network connectivity (Metzger and Di Nitto 2013).

In addition, the expectations of end users in regard to personalisation and customisation are increasingly critical to market success (Adomavicius & Tuzhilin, 2005). Obvious parallels can be drawn with the increasingly fluid nature of occupier demand and the restrictive nature of real estate supply. Not only can software and organisational development be used as a metaphor for commercial real estate supply and urban development it also has important implications for the flexible ways in which business now expects to operate, something which urban development is not necessarily very good at supporting¹

In 2001, 17 of the biggest software developers came together to sign the Agile Manifesto which contained a list of ideas and principles that were often discussed but rarely voiced in open debate because they contradicted the orthodox institutions of systematic development. Over the past 14 years the 'agile manifesto' published in 2001 by the Agile Alliance and its

¹ Indeed, the typical trend in commercial real estate development is for enhanced specification, rather than flexibility, for instance the BCO guide to office specification is revised frequently whilst in some cases energy performance legislation will make certain properties illegal to let after 2018.

adjunct the 'declaration of independence' published in 2005 have strongly influenced software and organisational development.

In line with principles outlined in both documents it is possible to sketch some basic principles for 'urban agility' and associated property development:

- Uncertainty in urban development is expected and managed through iterations, anticipation and adaptation
- Urban balance is maintained through situationally specific strategies, processes and practices
- Adaptation is prioritised over conformity in building use and land zone
- Changing requirements are welcomed. Agile processes harness change for competitive advantage
- At regular intervals, user demand should be assessed, leading to the fine tuning and adjustment of urban development.

'Urban agility' argues that repeated temporary use should be considered the norm in urban development and buildings which are traditionally designed to last for centuries will have multiple tenants and types of use. It is situated within concepts of ecological and evolutionary resilience. These positions presume that the urban environment goes through a continual process of change (Davoudi 2013), equilibrium is continually moving and adapting. Occupier demand displays these characteristics, it is a complex adaptive system, however the built environment does not; it is static. While urban theory has gone through a 'relational turn' (Guy and Henneberry 2000, Bathelt and Gluckler 2003, Yeung 2005, Healy 2007) it's practice and associated built environment has not. The built environment is still largely defined by Euclidian, rational and positivistic assumptions of designation, use and location. While urban theory is increasingly contested and dynamic, its practice with regard to the built environment is not. The presence of vacancy and inefficiency in towns and cities all over the world indicates the bankruptcy of the optimal neo-classical ideal.

'Urban agility' is a means of bridging the gap between property, its taxation, and the 'future city, it is part heuristic tool and part utopian ideal which can be used to frame debates regarding flexible urban development.

The principles of 'urban agility' are described by the authors in the following way:

'The ability of property development to exert itself and remain active for a length of time as well as an ability to resist, withstand, recover from and exploit change. It has the capacity to endure for long periods of time and progress through adaptation to meet the relative demands of that built environment.'

'Urban agility' regards process, movement and change, in particular the innate ability of the built environment to coexist and adapt to new circumstance and threat. It can be used as a metaphor to contest and contrast the inertial rigidity and inertia of urban development and its institutions.

A central concern of 'urban agility' is the creation of market conditions, regulatory environments and urban business models that support the use of all built environment resources and its flexible adaptation and continual evolution. 'Urban agility' refutes continual new development when existing resources are under used and vacant, the city is a living thing with multiple layers of development. It is not practical, nor ethical, to simply demolish or ignore historical development (or locations). Echoing Vincent Scully (2013), urban development is an enduring process across time which should be re-modelled and reused. Not following this process and instead following a scorched earth policy of demolish and rebuild over simplifies the urban process, (reminiscent of classic master planning). Instead urban areas should be cultivated and harvested in order to maximise retained carbon, capital and identity.

Fortunately, the impending arrival of the 'future city' has created fertile ground for discussing how the urban form can be realigned to promote more agile, efficient and equitable urban outcomes. In 1961 Jane Jacobs suggested a potential future for underused buildings, evoking the sentiments of 'urban agility' she said;

'Time makes the high building costs of one generation the bargains of the future generation...time makes certain structures obsolete for some enterprises and they become available for others'

(Jacobs 1961:247).

'Urban agility' can be seen as part of a wider turn towards adaptive urbanism and has some connectivity with 'building' and 'place hacking' (Garrett 2013). In other words when we adopt the thought processes of hackers we are more likely to appreciate the location and nature of

our vulnerabilities. By looking critically at what we can break, adapt and fix in urban infrastructure and the built environment, the more likely we are to respond efficiently to change (Hennefer 2014).

‘Urban agility’ will demand a radical reformulation of how we conceive the built environment. Traditionally, principles of land and property use were founded upon the assumption that classes of land and building were relatively permanent (Kincaid 2000, 2002). In an ‘agile’ urban environment the traditional boundaries of what constitutes a specific piece of the built environment and its perceived use are dissolving, this phenomenon is permanently on the threshold between current and potential re-use. This is based on urban transience where flexible form follows dynamic function, instead of rigid design and presumed continual use. In other words it will no longer be feasible to presume that a building or infrastructural component will only have one form of use throughout its life cycle. Bishop and Williams (2012), Colomb (2012) and Porter (2011) have recognised ‘temporary’, ‘interim’ and ‘informal’ occupations of vacant land and property in various guises often from the bottom up through community insurgency, and contend that this is now part of contemporary urban planning, policy making and development. Furthering this argument, this paper contends that in the ‘future city’ the terms ‘temporary’ and ‘interim’ will lose some of their meaning and become a ‘permanent’ feature of the long run trajectory of urban development.

Central to the pursuit of ‘urban agility’ is the ability of the built environment to change and adapt in response to depreciation and obsolescence. Douglas (2006, p.14) defined adaptive re-use as,

‘Any work to a building over and above maintenance to change its capacity, function or performance.’

This paper refines this definition to include informal and formal methods of adaptation and applies this to the entire built environment. Adaptive re-use regards,

‘Any change by an interested party, including owners, investors, developers, regulators, occupants or local communities, to the built environment, including temporary and transitory uses, incremental maintenance, renovation, alteration, change in use, selective demolition, infrastructure additions and improvements to

public realm carried out in order to improve performance in order to continue the inherent life cycle of the building or built environment.'

This definition is wider than that proposed by Douglas (2006) and includes some terminology that would not traditionally be considered adaptive, such as 'maintenance' and 'repair'. The authors consider this definition better suited to the various shades and complexities of adaptation. This is because adaptation is not always about a complete change in use. This perspective is overly restrictive and discounts various kinds of urban innovation that do not necessarily result in a 'material change in use.' Indeed, the emphasis on 'material change in use' in traditional planning policy and control can be seen as a consequence of the traditional assumptions of long term property function and land use zoning.

Adaptive re-use is beginning to gain traction as an evocative method for counteracting urban decay. 'Urban ghosts' are being transformed into new uses all over the world. Examples include the New York 'High Line' and proposed 'Low Line' beneath Manhattan in the disused Essex Street Trolley Terminal. In Paris, there are proposals for disused underground metro stations to be turned into swimming pools, parks and theatres. There is even a bid in southern Italy to turn disused aqueducts into upside down skyscrapers (Estes 2014). At the ground level there are examples of DIY and tactical urbanism, the occupy movement, guerrilla gardening and the open street movement all demonstrating communities exercising their right to the city. In England, the conversion of the Bankside Power station in London into the Tate Modern Art Gallery is a prime example of adaptive re-use. The Tate Modern has now been an art gallery longer than it was a power station, is it therefore still meaningful to consider this building a former power station?

In summary, towns, cities and regions that do not invest in and maximise their existing resources (or are not allowed to) will be at a significant disadvantage. The principles of 'urban agility' have the capacity to subvert, destabilise and contest traditional concepts of the built environment. This creates new spatial uses and configurations which address the vulnerability of restrictive urban form and function. Unfortunately the principles of 'urban agility' are not routine in England. While urban theory is always in tension and reinventing itself, examples of 'agility' are rare and often present an idealised perspective of adaptation without considering how the 'right' kind of market conditions can be created to assist the pursuit of 'urban agility.' It is difficult to countenance an 'agile' approach when the

institutions of development are inflexible, unable or unwilling to react to changes in circumstance; more stuck in the mud than foot loose. Illustrating this contention, the remaining stages of this paper argue that urban policy in England, in particular the turn toward contemporary methods of urban finance, is an impediment to 'urban agility.'

The 'creative' destruction of urban finance

This section critically appraises urban finance policy in England, in particular the retained business rate model (DCLG 2013), which since 2013 is the dominant method of urban finance in England. Why is urban finance relevant to issues of transience and adaptation? This is because the present system omits previously constructed properties from contemporary urban finance. This increases the rate of urban depreciation and obsolescence and through the explicit requirement for new development leads to potential displacement from older properties. The proactive responses to issues of urban depreciation and obsolescence that is central to 'urban agility is precluded.' In England, existing properties are not a tradable commodity in contemporary urban finance, temporary and transitory uses, renovation, alteration, certain kinds of change in use, selective demolition and improvements to public realm cannot be capitalised under the current model unless the intervention can be classified as net new floor space. This model is a blunt instrument, overly restrictive and disregards the different shades and means of adaptation in urban development.

While a complete change of use development is included in the retained business rate system, less formal methods of adaptation are not. A central argument in this paper is that there are many types of adaptive re-use (formal and informal) which would not necessarily be classified as a formal change in building use. Indeed, many areas do not have the underlying rental values or demand to justify 'viable' change of use projects in the traditional sense. Such areas rely on informal and formal confederations of the willing to create innovative solutions to urban dereliction such as public realm improvements, infrastructural improvements (roads, bridges, internet connectivity, amenities) selective demolition and incremental repair and maintenance to increase urban value. All of these methods are ignored in the retained model; under the present regime it makes more sense to demolish a building (or ignore it) and build a new one than to invest in its continued existence. At particular risk are those locations which rely on their existing property assets for income generation and growth, those areas that have low demand and or weak rental levels, that are 'rightsizing' in response to changing economic

conditions (Wilcox 2012) and those that simply do not want to build new property or convert property into alternative use.

Two types of area stand out as being particularly threatened under this regime in England. The first are those areas that have suffered from long term economic decline and shrinkage (often exacerbated by the recent recession and often located in the North) such as Easington, Hartlepool, Hull and Wolverhampton (proving that it is often the small towns and cities that suffer urban decline rather than the big cities). The second type, (and perhaps surprisingly) are the historical towns and cities with a legacy of high value listed properties which are often a fundamental part of these locations character, such as Durham, York and Bath. It is not practical to demolish or re-purpose these buildings when they are perfectly viable in their current state, nor is it sensible to build more property as this may lead to displacement.

Why is this so important? Is it not conceivable that individual property owners and investors will maintain and improve their own properties? In principle yes, however, traditionally the public sector has taken the lead in improving areas of urban decline and abandonment through methods of urban renewal, regeneration and regulatory control. These organisations frame the agenda for change and judge whether it is an appropriate course of action. In previous eras the availability of public sector grant was relatively ubiquitous and this could be used to gap fund and pump prime areas exhibiting urban failure. Since the advent of austerity regeneration and localism (Pugalis & McGuinness 2013) the onus is now on local authorities in England to fund urban development initiatives themselves and indeed expect the proceeds of such development to finance public sector service provision. This presents an underlying tension between the traditional aims of urban renewal and regeneration and the contemporary incentive to generate income from urban development. It is quite conceivable that we have moved from an era of urban regeneration to one of urban capitalisation.

This point is crucial, although government has gone through a process of restructuring it is still fundamentally important to urban innovation as it mediates urban development through regulation and incentive. Mazzucato (2014) argues that the state is the definitive Schumpeterian innovator, creating the conditions for destructive innovation. However the critical question in this paper is which type of destructive innovation is appropriate? Although, the National Planning Policy Framework (DCLG 2012b) in England is rhetorically supportive of 'urban agility' and agendas for re-use (see the recent relaxation of

rules regarding permitted development right for office to housing conversion), the levers of urban change, in particular methods of urban finance, are incentivising new development over efforts to reinvest in existing property stock. This section concludes that urban policy does not support the principles of ‘urban agility.’ Instead it promotes new urban development through a kind of unwarranted Schumpeterian (1950) creative destruction, without any obvious innovation or consideration of urban demand. New properties are created not because there is any demonstrable need for them, rather because they are the only expedient means of making money, the result will potentially be the filtering and displacement of existing tenants from older properties into new property at comparable rents in a flight to quality, the potential impact is even more vacancy and decay in areas all ready reliant on their existing property resources.

The Retained Business Rate Model

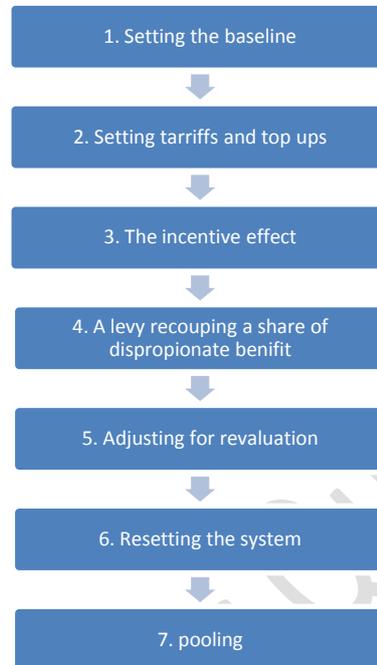
Traditionally there are two methods of generating 'growth' (new money) in urban finance,

- i) You can build new properties in order to create 'new' business rate yield;
- ii) Or you can invest in current property resources in order to increase their inherent value.

In England, in general, the latter method most coherent with the principles of ‘urban agility,’ is precluded. As a result those areas that can attract and are conducive to new development, the minority, have a distinct advantage over those that cannot, the majority, in terms of income generation. This continues the recognised trait of neo liberal capitalism, social inequality, polarization, and in the urban sense, uneven development. Not only is property inelastic and illiquid, so are localities and some more than others. This is illustrated by Merrifield (2014) who contends that cities can be constrained by neo-liberal institutions, locked into the pursuit of growth at all cost, only in this case certain cities are locked out. The retained business rate model in England is biased in favour of buoyant growth areas with robust property market fundamentals, in the main marginalising those areas already associated with urban depreciation, obsolescence and abandonment. As a result, those areas most in need of, and most likely to benefit from, contemporary urban renewal could miss out entirely.

Figure 1 describes the seven stage process at the heart of the retained business rate model in England.

Figure 1 The Business Rate Retention Model in England



(Adapted from DCLG 2012a)

The first stage in 2013/14 was to set a baseline for each local authority (equivalent to their income under the previous formula grant of funding). Then in order to achieve a ‘fair’ starting point, central government calculated a tariff or top up amount for each local authority (stage 2). Those authorities with business rates in excess of their baseline level of funding are asked to pay a tariff to government, those authorities with business rates yield below their baseline would receive a top up grant from government. In future years (stage 3) local authorities would keep a significant proportion of any growth in business rates above the initial baseline. If business rates decreased or did not grow as much in future years, they would see revenue fall. If some local authorities experience disproportionate growth, i.e. those with high business rate tax bases, a levy (stage 4) is imposed to recoup a share of this growth in order to redistribute to those areas less well off or to fund regenerations schemes in high growth areas. Every five years (stage 5) the model is adjusted to take into account movements in the business rate yield resulting from periodic national property valuation assessments. Every 10 years (stage 6) the model is reset (the next in 2020) to evaluate and

ensure that resources meet the needs of service pressures sufficiently. The final stage, pooling (stage 7) gives local authorities the opportunity to pool their resources with neighbouring authorities (potentially a positive measure in regard to strategic urban planning).

Clearly, the model is complex (perhaps its main weakness), however for the purpose of this paper it is important to focus on stage 3, the incentive effect and stage 5 adjusting for revaluation. The incentive effect means that local authorities in England are encouraged to increase the size of their business rate base in order to create revenue to pay for local service provision and urban development. The retained business rate model has given all local authorities in England the powers and responsibility to retain a proportion of accrued business rate taxation (up to 50% in the current formulation) a frightening £22.4 billion income in the year 2014-2015 (DCLG 2014). This allows local decision makers the opportunity and incentive to expand local taxation by competing with other areas in England for occupier demand in a form of urban entrepreneurialism and inter urban competition (Schipper 2014). However, the adjustment for revaluation that takes place every five years strips out any increase in urban growth (through the adjustments in the top up and tariff mechanism), the only growth that remains is that associated with net new floor space, either derived from new build construction or a full change in use adaptation.

‘Stripping out’ happens for three inter-related reasons,

1. The nature of the property rating system in England
2. The nature of the statutory property valuation system in England
3. Policy choice

Reflecting on the first reason, aggregate rate yield at the national level has been fixed across revaluations since 1990. If aggregate rate yield doubles (reflecting economic growth) then the national business rate multiplier is halved leaving government with the same rate income as before revaluation. However this method is skewed because of the incredible growth seen in the most powerful property markets, typically in central London which leads to perverse consequences. For instance, it is entirely possible for local authority areas to experience increase in rateable value but reduction in rate yield. This happens because growth in such areas is less than the national average (at the last revaluation over 200 local authorities saw a decrease in yield); only those authorities who see yield growth above the national average

receive any benefit. The national average is artificially high because of the gravitational pull of London property prices which traditionally drives the scale of the multiplier change. This illustrates the discriminatory nature of the central London property market and national government institutions which combine and result in a kind of geographical yield asymmetry.

This is reinforced by the second reason, the method of statutory property valuation in England which is based on achievable market rent. Achievable market rent is used as a proxy for Net Annual Value (NAV) and consequently the capital value of property. In turn this is used to generate a property's rateable value and is the basis for the calculation of ad valorem property tax. In England property tax is paid by the occupier (in North America the burden typically falls on the property owner), any increase in a property's rateable value would typically also result in increased tax for the occupant which during and immediately after recession would not be an expedient political policy.

This leads to the third reason, 'policy change.' In an ideal world a local authorities rateable value would be fully reflected in its rate yield but it is difficult to justify this when rate yield is subject to the perversities of national calculation and any increase would likely result in higher tax for business. Areas, like Shropshire, which traditionally sees rateable value increase but yield decrease would be at a distinct disadvantage, especially when local authorities are dependent on their income to fund local services. Hence, the policy decision, in order to counter yield volatility and to protect business from increased tax, is to alter top up and tariffs following national revaluation to make sure that all local authorities are in the same position either side of revaluation.

The result is that the dominant method of urban finance in England is typically only able to generate business rate growth via the creation of 'net new floor space.' The generation of income via relative property value increase is precluded; this places those areas reliant on their existing property stock for 'growth' at a distinct disadvantage (Wilcox 2012)².

² In contrast 'New Development Deals' based on tax increment finance (a model that does include investment in existing resources in specific circumstances) have only been instigated in 3 areas after central government approval, namely predefined areas in the cities of Newcastle, Nottingham and Sheffield. The government has placed restrictions on the amount of 'new deal' areas in England because it is funded out of the business rate model system safety net. In other words only a minority of areas can leverage debt and finance against all of their property resources in specially defined geographical areas, however this lending is cash flowed and underwritten by those areas that cannot take advantage of this opportunity.

What is the value of the future city?

Under the new regime those locations that generate growth, and those already benefiting from urban wealth, will be the true 'urban outliers,' So, a minority of cities benefit from the underlying economic buoyancy of their property market, in terms of land value and existing and potential rental income. In England these areas include the central London boroughs and increasingly the 'core cities' of Birmingham, Bristol, Nottingham, Sheffield, Manchester, Liverpool and Newcastle (and their cousins over the border Edinburgh and Glasgow) all of whom are pushing for increased fiscal decentralisation. This is a pyrrhic method of urban finance where the financial benefits in certain locations are outweighed by uneven development elsewhere. A result of the relative rental basis of valuation (and the principles of capital competition) the implication is that the success stories of urban finance cannot exist without other areas remaining less competitive. The majority of urban areas in England will be left behind, silenced by policy omission, obstructing their urban mobility, adaptation and evolution and in particular their ability to compete, improve and grow.

Leaving growth in the hands of the urban minority will ultimately prove inefficient for these areas and as a result for the rest of the country. With the means of urban production and growth confined to a narrow substratum of 'winners,' property prices in such locations will rise as will the cost of 'doing' business, eventually rendering these areas less competitive, both nationally and in the global economy. Pursuing continual growth, especially when concentrated in only a few locations will not result in enhanced competition. It cannot when the vast majority of property stock and locations are left out of the urban finance equation.

What has been called secular stagnation in the macro economy can be applied to the urban environment. Urban stagnation, where the rich areas save more of their money than less well off areas will lead to a structural drag on urban demand. Of course in traditional economics this just means that money doesn't make as much money, however in the urban sense the impact is worse, areas decline. Applying the recent firm innovation theories of Mazzucato (2011) to the urban context, this is because there is a mis-match between the 'collective' distribution of urban risk in the urban capitalisation process and the increasingly uneven allocation of rewards. Mazzucato (2012) further argues that this mis-match is a result of the primacy given to value extraction over value creation which leads to value destruction. In other words,

'Nowadays we know the price of everything but the value of nothing'

(Wilde 1891, p. 53)

One solution could be to monetise more of what's relevant and importantly valuable to 'normal' urban people and locations. This isn't just ethical; it makes good business sense, currently only a small proportion of the commercial real estate in England is monetised. The USA often adopts a more nuanced approach to property taxation using alternative methods of property valuation and taxation such as split rate taxation and land value tax which is devolved to regional and local levels of government. Similarly, Taiwan, Singapore and parts of Russia and Australia adopt similar processes while the Ejendommskat in Denmark and the 'Government Rent' in Hong Kong are specific examples of property tax based on land value (Jowsey 2011). In England, although up to 50% of property tax is devolved to local government, the method and distribution of property valuation and tax is still controlled centrally. This illustrates the ambiguous scale and pretence of devolution and influence and the continuing friction between centralised state and localism in England, something that will have increasing relevance as progressive federalism is considered in the future.

In summary, the retained business rate model in England is overly complex, relying on a range of multipliers and transitional arrangements to smooth out the vagaries of the system. The main reason for this is the zero sum game of national revaluation and the operation of the business rate multiplier. Although an effective means of revenue collection it does not efficiently reflect change in property characteristic or value, this then feeds into the retained business rate model and its perverse allocative effects which exclude those areas reliant on their current property resources for growth, thus inhibiting their ability to adapt.

Discussion and conclusion: Splintering urban development in England

'The sky has conquered the skyscrapers, and from a distance New York's architecture seems prodigious and no matter what was intended moves one as much a sight of nature, a mountain or a desert.'

(Lorca 1940, p.197)

Due to the whirlwind speed and scale of urbanisation over the last century we have been reconstructed several times over without even noticing the monumental change (Harvey 2012). Indeed, Lorca's poem suggests a certain kind of acceptance in regard to the consequences of urban development. However, accepting the perversity of urban development is not enough, we must contest it. Whilst a certain amount of temporary building vacancy is desirable, for instance to facilitate business mobility and need (typically initial, frictional and cyclical vacancy) long term inactivity and dereliction does not support long term urban sustainability. This is not a case of 'ruinphobia,' rather a case stated that in an era of scarce resource and space it does not make sense to continually build new property when so much urban development is idle or underutilized.

In England there is a surfeit of voices to speak in favour of urban development outside of London, Michael Heseltine is placed on a pedestal because he takes regional cities seriously, however that does not necessarily mean that his recommendations of 'core city' growth are the right course of action. What is needed is a counter narrative, a plethora of voices that contest the modus operandi of 'growth' and new development. Continued urbanisation isn't necessarily the problem, the failure to plan adequately for it is. 'Urban agility' is one narrative which seeks to counter the fixed binary of slow urban decline and the eventual modes of gentrification. Brenner et al (2011) have recently argued that the opposite of gentrification is not urban decay; it is the democratisation of urban space. We agree, but in England this can only happen when all urban locations are able to trade and exploit their urban assets, otherwise decay and eventual gentrification is the default position. The implication is that those locations, dependant on the existing built environment, will wither on the vine of urban history. Lefebvre (1968) and Harvey (2012) both argue that the freedom to the city is an underlying human right; in certain locations in England this right is neglected.

Acting isn't a choice, it is an urban imperative. The Global Commission on the Economy and Climate (2014) estimates that nearly all of the net population growth over the next two decades will happen in urban areas, and forecasts suggest that the total area of urbanised land will increase three fold by 2030. Although our buildings are crumbling, whether we like it or not, we are stuck with them and must use them to house and pay for continued urbanization. It is not possible to build the future city, instead we must adapt it.

The irony is frustrating, as there has rarely been a period in the evolution of cities when we have been less concerned with how to create the future city,

'As a positive, active, collective polis, rather than an atomised, accidental ant heap'
(Hatherley 2012)

Unfortunately so much of the conversation regarding the 'future city' looks forward, concerned with new technology and construction without considering existing property resources. In response, it is hoped that by shining a light on the negative impact of specious government policy, a critical research agenda can be fostered with regard to urban finance methods and their relationship with the production and reproduction of the built environment, in particular its constriction. The turn toward urban capitalisation provokes a new set of normative questions and directions in the evolution of cities. Who gains most and consequently who misses out, how can new methods of urban finance result in equitable local advantage? In an era when governments are less able and willing to initiate urban renewal, do methods of urban finance give every location in England a chance to thrive? Arguably not. This presents an existential debate for urban towns, cities and regions, as the 'future city' draws near, one which regards how we think it will be constructed and subverted and how it will actually be formed and financed.

The retained business rate mechanism is the underlying model for contemporary urban finance in England, it is here to stay (and will likely grow in influence). How can it be reprogrammed in order to equitably align the needs of business, growth and urban sustainability? Arguably, it is not about stopping the destructive force of capitalism, in the right circumstance this force is a catalytic engine for change like no other, rather, it is a question of how best to unleash and regulate this force in such a way that it aids 'urban agility' without exacerbating uneven development? A critical perspective in regard to urban financial instruments that teases out the relationships and contradictions that exist between

capitalism, politico-institutional arrangements, sustainable urbanisation and social-spatial inequality is needed. Methods of urban finance need progressive methods of property valuation and taxation based on 'urban agility;' one without the other is a recipe for uneven development.

In response, England must take steps into the previously unknown, in regard to urban development, its planning and geography. A new urban business model that accommodates 'urban agility,' adaptation and the exploitation of all urban resources is needed. One which fulfils the integrated sentiment of Graham and Marvin (2001), a 'paramodernism' of the twenty-first century (Schafran 2013) which exploits all of the historical metropolis and confronts with suspicion new development for its own sake. Urban planning is still important; in particular how we design the planning system with regard to transience and impermanence. Andres (2013) perhaps frames the nub of this issue in her discussion of weak planning and master planning. In the authors' view, the long term perspective of planning is not necessarily a problem, rather the challenge lies in locating functional ambiguity and temporary use into a long term vision. Successful implementation of this goal will ensure that transient activity does not disrupt the overall function of an area and that it has the amenities to support its varied use. It will also provide the development industry with some level of consistency on which to base economic appraisal and risk.

Correctly, in the authors' opinion permitted development right rule changes for office to residential conversion have been relaxed in England. However PDR changes have not been universally popular. More than half of local planning authorities in England attempted to gain some form of exemption from rule changes (Geoghagen 2013), while two judicial reviews have been thrown out at the high court (Royal Court of Justice 2013). Other local authorities are exploring the application of Article 4 directions which remove permitted development rights in specific areas, traditionally used in conservation zones (Chase and Partners 2014). Indeed, there has been anecdotal evidence of repeated tenant evictions (in particular those on short term leases), rental increase and intentional property damage/non maintenance to push through property conversion. Perversely this has lead to increased urban vacancy at least in the short term in certain locations. At the very least this indicates that the road to an 'agile' model of property development may be painful.

However, despite the destructive tendencies of urban development, a sustainable urban business model must be linked in to its underlying rhythm, and this is the only way to counter its perversities. Rather, the question is bigger and regards what kind of city we want to create (Harvey 2012) and how we can alter traditional urban institutions in this regard? Can 'sustainable' forms of land and property taxation, such as value zoning, split rate taxation or land value tax, be used to underwrite progressive urban business models that resist land and property speculation and that flexibly capture property value uplift in all locations? In tandem, how can traditional methods of property valuation account for and be modified to include wider urban valuation? Indeed, traditional methods of econometric analysis based on relative price change and transaction information often ignore vacancy and dereliction altogether. Vacant buildings do not generate transaction data while valuation based on the 'book value' often makes building adaptation unrealistic (Remoy 2010). Can 'urban agility' improve this situation? The answer is perhaps, but this paper argues that this depends on how we value the future city, methodologically and in terms of the wider urban values we promote.

The following policy recommendations outline a potential framework for discussion in the coming years. They consider how the institutions of government can be altered to promote 'urban agility.'

- Property tax should be de-coupled from central government control (and economic conditions) and repatriated to local government in order to reflect local property conditions;
- All property should be included in the urban finance equation. The full effect of national revaluation should be included in this calculation;
- Alternative methods of property rating and valuation should be evaluated in order to find a system that better reflects transient market conditions;
- Long term planning visions should be strengthened in order to facilitate the needs of relaxed property and land use typologies and building adaptation;
- The link between methods of urban finance and planning should be strengthened to ensure that property development continues to meet economic demands and social needs.

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