



## **PUBLIC PRIVATE PARTNERSHIPS (PPP's) – A WHATIFGROUP... APPROACH TO SUSTAINABLE TOWN CENTRES AND SHOPPING CENTRES.**

How executing PPPs using Place First Economics (PFE) as the form of governance can help deliver the following 3 objectives: -

1. Reposition / redevelop shopping centres to be fit for the future with increased demand, potential growth, higher earnings and at the heart of town centre and community-based regeneration.
2. For private sector, recycle some capital from shopping centres into higher yielding assets or other projects to improve overall earnings and meet wider corporate objectives.
3. Provide a positive role for a shopping centres by demonstrating a sustainable and inclusive modus operandi supporting their town centre and host community, employing a strategy of more socially responsible investing.

We need big and lateral thinking to address an immense issue facing a large proportion of shopping centres and most town centres across the UK. COVID has accelerated and exaggerated the pre-existing weaknesses so there is a need act hard and fast.

If we get this right the prize is enormous, it is a true win-win scenario and will put the town centre back at the heart of communities, position them ahead of competitors and make them viable investment propositions. At the same time they will support the objectives of the wider public sector and local voluntary sector leading to better socio-economic and health outcomes in the area. Those who act now will stand every chance of succeeding.

### **WHY PUBLIC PRIVATE PARTNERSHIPS?**

The challenges facing shopping centres, is in many cases a result of the underlying performance of their host towns as much as the radical change in physical retail and their lack of performance is a huge drag on their owners. In many instances existing owners want to exit these assets, but the current market makes them largely illiquid. It is highly unlikely an owner will invest further unless there is a change in dynamic

Decline sets in and everybody loses- investor, community, local authority.

Local authorities may be the only genuine party with good reason to acquire other than those investors who would bleed the asset, try and turn a quick profit and probably fail.

However, if local authorities are to be fiscally involved in their shopping centres, they will need to demonstrate VFM and see a clear business case for their investment.

It can be argued that whatever happens to shopping centres, their performance is still inextricably linked to the performance of the town and its economy and unless the latter is growing, it is extremely difficult to deliver improved performance. That means that the public sector needs to be actively involved to create an approach for a



shopping centre that links to wider socio-economic strategies, including improving health, thereby creating a positive impact on their budgets.

Therefore, there is a need to adapt a new approach that can address the underlying socioeconomic and physical issues in town centres and help improve performance. This requires collaboration between the private sector and the public sector being local, regional, central government organisations or a combination. There may be a possibility in some localities of attracting interest from public sector pension funds to our proposed approach.

We are proposing a PPP model called Town First Innovation Partnership (TFIP) which can provide councils (or other) with long term revenues to recycle for public sector endeavours, whilst accessing private sector expertise, efficiencies, and capital.

Using Place First Economics (PFE) as the Partnerships' Governance also promotes a circular economy generating inclusive growth and fits the new theories around "Doughnut Economics" and the emerging 4<sup>th</sup> Sector "for purpose organisations". It should therefore start to improve local economics, but also promote shopping centres as places that really become the hub of their communities and subsequently encourage public, 3<sup>rd</sup> and 4<sup>th</sup> sector organisations to occupy space and align funding streams within shopping centres, that would not ordinarily benefit.

By addressing the quality of town centres and identifying re-purposing / redevelopment it can also help address the housing supply and its viability in many provincial towns, a major Government focus.

This model will allow property owners / local authorities to improve overall earnings from shopping centres by recycling capital to deploy in further investment in the centre or other opportunities, by improving their performance and making them fit for purpose. For the private sector there is also opportunity to generate improved revenues via asset management and development management fees.

## **HOW TO BECOME THE PARTNER OF CHOICE FOR TOWN CENTRES**

To deliver this proposition the private and public sector need to agree common objectives, there is a need for a genuine partnership which is based on trust and communication. As it stands, both will lose unless a partnership is adopted.

Whatif... have the skills, experience and relationships that can bring together the public and private sector and create a single vision and strategy for shopping centres and town centres.

Whatif... can also bring together asset management and development capabilities and can become the pre-eminent advisor of choice for councils looking to regenerate their town centres. We also can lead master planning from conception through to delivery



and beyond – fitting the need for long-term governance and management required for successful town centres.

Post Covid, the private sector town centre real estate is going to be under massive pressure and the unless the public sector intervenes then further decline seems inevitable. Additionally, the Government has made available the Future High Streets Fund and Towns Fund to allow for restructuring of some town centres including a reduction in retail floorspace. The public sector needs the right model and the right partner. Town centres are the heart of the community and everything connects into them including economic, health and housing strategies. The shopping centre can therefore be the catalyst to influence change beyond just the town centres and create real legacy value.

There is also plenty of evidence to suggest that the weight of private money now flowing into sustainable investing is spiralling. In 2019 \$20.6bn of new money was invested in sustainable funds which invest based on environmental, social or governance (ESG) themes. That is almost 4 times 2018 levels. More than 50% of UK investors have increased their sustainable investment over the past 5 years. It cannot be ignored. Equally, sustainable investment can help the public sector meet a range of their wider objectives. Whatif... provide a 'cultural' approach, including a brand language that fits a social conscience.

Whatif... is committed to providing a brand position for the private sector which will help broaden the investor base and be more aligned to public sector strategy. It will provide regeneration credentials which will give credibility in 3<sup>rd</sup> and 4<sup>th</sup> sector markets increasing / diversifying our potential occupier base.

### **WHY PLACE FIRST ECONOMICS (PFE)?**

The asset and town centre management model adopted as an industry for decades is now largely broken. A new way is needed, one that removes silo-mentality and creates a focus on collaboration across the town. It is also becoming more and more evident that the economics of growth for growths sake is wrong, creates too much social division and has recently been highlighted but not necessarily recognised, by the "levelling up" agenda of the Government.

Therefore, we have created the concept of Place First Economics that fosters a new mindset amongst stakeholders and which will create a collaborative environment in which all parts of the community can benefit, creating true socio-economic impact. This should align with the public and 3<sup>rd</sup> sector objectives and should therefore help convince decision makers in council's and other public sector bodies plus the private sector of the broader impact this can have.

If shopping centres can create genuine hubs of interaction between the private sector (commercial businesses); the public sector (including local authorities, health, and the



likes of DWP); and the voluntary sector they can become a major influence of change in town centres and improve local economies. There will then be benefits to the wider area of the town centre overall which can start to see growth return and a new sense of confidence that can attract viable investment such as new housing.

As retail rents have reduced over the last few years, they are also starting to become more in-line with alternative uses opening the opportunity to diversify from retail.

From the experience we have gained we believe this model provides the rationale to invest in shopping centres when otherwise it would be extremely difficult.

Entering into PPPs with councils either on no equity, low equity or a 50% allows the private sector the opportunity to once again invest in shopping centres but with broader influence in town centres, increased overall earnings and delivering real impact on local economies.

This methodology can really set shopping centres and town centres aside from competitors, being a place of opportunity and vibrancy.

## POTENTIAL OBSTACLES

**Private sector** - some investors will immediately be more comfortable with a holistic approach to sustainability — with respect to disruptive change, financial strength, environmental and social externalities and governance (also referred to as ESG). There is normally going to be a need to amend the general brand language to one that is more focused on the needs to foster partnership and work with communities (as opposed to one that is focussed on investor relations) if local authority partners are going to actively engage in a trusting manner. There is a need for investors and shopping centre owners to ensure that their DNA and approach is more inclusive and ensure that we appeal to a broader investor base by more sustainable investing. Critically the investor needs to ensure that they appeal to local authorities, voluntary sector, and the communities (they are the ultimate customers and without them our model dies )

Place First Economics needs to change mindset plus develop a true sense of purpose driven by local circumstances and with local partners. To succeed it needs extensive buy in from the 'Team' so from the outset should be done consultatively. It is merely a Framework which each individual place can develop to suit their own needs and objectives.

By doing this and by demonstrating that we have the ultimate way of regenerating town centres for the future then we can bring the private sector, public sector and communities together more easily to buy into this mindset. This means that public sector investing in shopping centres is truly the best way to help their communities (whom they represent), the private sector will then get acceptable return, some of



which needs to be re-invested back into the centre, thus helping develop the asset in a sustainable way.

**Public sector** – co-investing with shopping centre owners in assets that are seen as declining could be seen as a high-risk investment, especially as these centres may have seen little investment for many years.

Developing a trusting relationship with the private sector can be very challenging as many investors have historically looked for exit strategies after making a profit as quickly as possible and not proved to be sustainable partners. Investors have not always been open and cooperative.

However, the future looks bleak for many shopping centres and their host town centres. For most local authorities these centres should symbolise the vibrancy and vitality of their communities and host many other major attributes, such as cultural venues, civic society, and public transport infrastructure. Unless the local authority pro-actively engages and invests in its own area then it seems unlikely that there will be any meaningful and sustainable investment in the future of town centres. The opportunity, where appropriate, of FHSF or Towns Fund should not be used to delay decline but as a catalyst for long term change.

If the local authority invests its own resources by itself, it is immediately going to be at a reduced level to what a PPP could realise and will not benefit from the expertise that the private sector can bring.

One particular benefit to local authorities (and the private sector) is to be able to pool asset management resources, such as security, cleansing, marketing etc and thus gain efficiencies.

**Voluntary sector and other public sector bodies** – these organisations are as important in the local community as the local authority. Place First Economics is based on seeing wider socio-economic benefits impacting on much wider communities. Being directly involved in the future of shopping centres can ensure that these sectors are seen at the heart of their communities. They are key stakeholders and will benefit by being seen at the hub of their communities and for being collaborative in their culture. It can benefit their objectives by having enhanced profile and presence.

***This is truly win win win for all involved.***

## **RESOURCE**

There will be a need to resource the development of sustainable strategies for the future of shopping centres involving the main parties. An important aspect of this is to ensure that asset management commitments and resources are captured as part of any approach (see above).



It is important for success, that all major parties involved in setting the vision / plan for the shopping centre / town centre, buy into the process at the outset. This will need genuine time and commitment and should build on community and business surveys and capture the energy of those who are currently not 'invested in' the town centre.

The starting position is that all partners agree that the best way to reposition a shopping centre is using PFE through PPPs. If this can be achieved early, then results can be delivered more quickly.

In respect of the governance for developing the vision and plan for a centre we propose that there is a need to create a core Partnership Team that helps to develop and then deliver the overarching Framework plan, the financial modelling, and the delivery mechanisms. This will normally include the local authority and shopping centre owners. This should be done in conjunction with the asset management functions. It is important that there are mechanisms in place to capture the wider objectives of local authority, other public sector bodies and voluntary sector. The key players at the local authority may need to be pro-active in ensuring that other partners genuinely engage with the process at a senior level. Having champions for the process in the local authority is likely to be critical at senior officer and political levels.

Such a vision and strategy should then be developed into an Asset Plan and will set clear and meaningful targets e.g. the repurposing/reduction of retail floorspace, introduction of other more diverse uses or redevelopment e.g. residential, investment and increasing patronage. This process can integrate and enhance the One Public Estate approach.

Whatif... Core Team will be Paul Wright and Kevin Parkes and we will be supplemented with further expertise, including Whatif... Affiliates according to local circumstances and requirements.

## **DELIVERY**

We can produce Asset Plans to suit the most challenged centres.

*Timescale* – we see PFE as being dynamic. Once an action plan has been developed then we propose that local ownership / governance arrangements are put in place to manage progress, evaluate implementation, and evolve revisions to the action plan.

*Procurement* – the creation of a PPP from a public sector procurement perspective should be achievable without the need for a competitive tender. Each local authority should take early advice on the matter.

A visual representation (CGI's) of the proposals backed up by a narrative with PFE in its DNA, will be the most compelling and clearly understood tool for communities, businesses, councillors, officers, and partners. Worst case this should not be wasted





resource as it will help to show all partners the best way forward which would benefit the shopping centre and town centre.

For more info;

[www.whatifgroup.io](http://www.whatifgroup.io)