I am Chief Executive and co-founder of Unicorn Property Group (www.unicornpropertygroup.com). We are an entirely private enterprise created in 2006 to purchase and develop the non-operational port area of Dundee – around 30 acres of former light industrial and historic building space. Since 2006 we have invested £60M of private funds in capital projects including 250 new residential units and over 150,000sqft of commercial space including the award winning regenerations of the Panmure Shipyard and the Clocktower. This latter residential conversion of a former jute factory won the Dundee Civic Trust award and the Saltire Society award for Regeneration in 2010. We have just received detailed and listed building planning consents for the conversion of the historic Customs House and Harbour Chambers into a 5 star hotel. We have a slate of other sites of historic interest in our development pipeline including the Lower Dens Mill in Stobswell and the last historic shed at City Quay, Shed 25.

We have considerable experience therefore in the practical impact of regeneration on the physical environment and the creation of sustainable communities.

Introductory Commentary:

Having read the Call for Written evidence, I was struck by the thoughtful and thorough approach to reviewing the regeneration landscape: the outcomes laid out are sensible and achievable and the definition of regeneration one that I would endorse both as a developer and as a BIG Committee member who works closely with executive colleagues on the highly successful Growing Community Assets. The holistic approach based on the three dimensions - Physical, Social and Economic – is one that I fully endorse and have seen in action in Dundee on a daily basis.

I would like therefore to submit my own practical first-hand evidence (as a private entrepreneur) of best practice in regeneration and to highlight some areas of success and opportunities for improvement.

An observation on Dundee:

Before I begin, as a matter of evidence I would like to state that being closely involved in regeneration in Dundee is a more rewarding experience in this city region than others in Scotland due to the rigorous vision for a regenerated City centre and Waterfront that the Council has set out here. Dundee Council has created a blueprint for regeneration and then systematically invested in the city infrastructure and capital projects which have created a
momentum for regeneration and a shared vision of the future that citizens can understand and support. DCC has created a positive and dynamic atmosphere for regeneration within the city and we can play our part in that project with confidence that the time spent here will not be wasted. It is a strong example of civic leadership in regeneration: clear direction and practical support.

A Developer’s Perspective:

My single major concern when reading the call for evidence was the distinct lack of reference to private sector participation in regeneration beyond an acknowledgement on page 48 that it is important but the practical detail or explanation of this importance is lacking in rigour. The private sector and in particular the SME community in Scotland is at the very heart of wealth and job creation in our country and this central role should not be marginalised. My concern is that the paper has an extremely heavy public and third sector emphasis and no real understanding or empathy with the role and function of the private sector. To that end, I wanted to explain the regeneration experience from a private developer’s perspective and to give real material points of evidence that can be used to inform the consultation.

In Unicorn, we resolutely seek to make profit from the risks that we take in tackling commercial opportunities in Dundee. We created an enterprise to develop City Quay and to make a return for the investor who backs us. Even in disastrous economic environment (2008 – 2011) we have managed to be profitable and to maintain our developments through sound financial structures and flexible funding approaches. At our busiest we have employed 300 separate workers through contracts and subcontracts creating employment and wealth in the city. We have received no direct grants, support, lettings or funding from a public source. This is enterprise at its most raw.

In general, our experience has been that new build offices or houses/ flats built on cheap or nil value land have been quite profitable – build costs vary from project to project but new build has been successful in taking level, open plots of regeneration land and creating attractive modern built environments that have created new communities. These are aspirational private owners and we do not have any subsidised or social housing. While this work has improved the physical attractiveness of Dundee and City Quay for incomers and those seeking to trade up, it has not greatly contributed to the regeneration of a community.

However, we have also addressed historic buildings such as our Victorian Railway Sheds (26/27) and the Clocktower residential development. This latter has been a notable failure as a development despite winning all kinds of awards and offering the best new apartments in Dundee. It has been hugely expensive to renovate and costs spiralled ever upwards, even when we built the building ourselves as main contractor: 3 years on it is only 70% sold and the rest are let. Why a failure? To build 12 flats in an historic A Listed building cost £3.5M not including the land. In contrast, in an adjacent plot we have recently built 12 new build flats for £1.1M. This will be very profitable with 5 flats already reserved off plan as I write this, and the contrast in risk between new build and refurbishment could not be more stark.

So high quality regeneration is expensive and mitigating costs is hard with no tax incentives for residential conversion of former commercial premises. Grants too,
from bodies like Historic Scotland, are often too binding in their regulation adding to costs while supposedly seeking to support a project.

In stark contrast, we have benefitted from Treasury incentives for commercial regeneration and this is a good example of best practice in regeneration. Dundee benefits from Business Premises Renovation Allowance which is highly beneficial to developers and investors who are taking on historic or listed buildings.

BPRA provides 100% tax relief for qualifying capital expenditure on a development. Introduced by the 2005 Finance Act, the scheme was set up to encourage regeneration of derelict or unused buildings in assisted areas. This scheme was set for closure in 2012, but lobbying led to HMRC extending BPRA for until 2016: it could be considered for a permanent extension until further notice as it is an excellent regeneration tool. In Dundee the Malmaison redevelopment of the Tay Hotel and the Prestige Hotel conversion of the former Customs House are prime examples of regeneration being enabled by sensible fiscal incentives. As an interesting adjunct to this, the scheme has a redistributive effect as investors in BPRA schemes tend to be High Net Worth individuals from the South and we see the flow of wealth and investment from them to areas of greatest investment need under BPRA in the North.

The government announced plans in the 2011 Budget to levy VAT on alterations to listed buildings as it does with repairs. But it put in place transitional arrangements allowing schemes under contract at the time of the Budget to escape tax until March 2013. In 2012, it bowed to pressure and allowed all those projects that had applied for building consent before Budget day in March 2012 to pay no tax until April 2015. It is still counter intuitive, however, to continue in this vein which financially penalizes development of historic buildings while BPRA tries to incentivize this work: these schemes both seem to be working at cross purposes. The ongoing uncertainty of VAT impact on Listed/ Historic building conversions/ repairs should be removed. No VAT on historic buildings would support regeneration directly.

Whilst bringing regeneration developments to market is challenging enough as a commercial venture, selling the units at competitive prices is also inherently risky. As I mentioned before, the experience of this company on the listed Clocktower development saw us incurring huge additional costs while regenerating a listed building that is not easy to recoup in a competitive sales environment when faced with the lower cost of new build peers. Hence, it would incentivise buyers to look at newly converted Listed Units if they were exempt from Stamp Duty (SDLT).

Naturally, regeneration would also benefit hugely from ongoing business rate relief as in the former Enterprise Zones and the Scottish Government’s new Enterprise Areas are to be widely welcomed. It would be beneficial, however, if the designated regeneration areas under BPRA and JESSICA, say, also benefitted from business rate relief making those areas highly attractive to work in the long term as opposed to developing at the front end. Business rate relief would underpin regeneration projects and create a sustainable business community in the regenerated geographical zone.
The points that I have raised so far tend to surround the fiscal environment and do not address the direct role of government agencies or funds in the regeneration process. Scottish Government has established the JESSICA and SPRUCE funds with European and Lottery funds. This programme is designed to address market failure in the lending and development world, and it is very early days to comment on their efficacy and impact.

I will say, as an applicant to SPRUCE, that it is a protracted process seeking support and that it managers tend to seek commercial terms and risk mitigation (e.g. pre-lets, statutory body guarantees and large plc tenancies) which in reality are just not achievable for regeneration areas. Thus the whole purpose of the funds is potentially undermined and impact reduced if they are not willing to demonstrate a more risk tolerant stance. Regeneration is by nature risky but the rewards for a community can be very great indeed.

**Summary of material recommendations:**

- Indefinite continuation of BPRA as a regeneration incentive
- Clarification and removal of VAT for work on listed/ historic buildings
- Adoption of reduced business rates for defined regeneration areas
- Residential Stamp Duty reduction/ removal for historic/ listed building conversion
- Streamline SPRUCE/JESSICA to address market failure and adopt risk taking profile as lender

**Conclusion:**

Regeneration is not by any means solely the physical improvement and upgrading of a neglected urban realm. Placemaking through coherent civic planning and co-ordinated civil society, hand in hand with an informed and resourced community utilising their own natural assets to create healthier, safer and happier communities is what regeneration is. Wealth creation, new employment, stake building are all keys to regenerating communities and localities that are low in self confidence and low in attainment. But, the task of actually renovating the wider physical environment is often broadly the role of the private investor, seeking to create value from a low base. The role of government, local and national, is to create in turn a positive atmosphere from the perspectives of physical infrastructure, investment and fiscal policy so that private enterprise can flourish in our local communities.