



Creative Industries in Historic Buildings and Environments

DEVELOPER PERSPECTIVE

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1 INTRODUCTION

This is one of four documents that report research done into the role of historic parts of towns and cities in nurturing groups of organisations that are involved in creative industries.

A Summary report explains all the work done and summarises the main conclusions.

Other reports have full analysis of data from Companies House about companies defined by the Department of Culture, Media and Sport (DCMS) as being creative industries located in conservation areas in England, and case studies of 12 conservation areas.

This report summarises interviews with four deve

2 CONTEXT

Developers are individuals and organisations that deliver building projects. They are central to the provision of building space of different types. They acquire sites, develop the plans, secure planning permission, obtain funding to pay for the development, select the contractor(s), manage the building works and, for commercial developments, let the space. They commonly sell the development on completion to a finance institution such as a pension fund, endeavouring to make a profit to carry forward to other projects. They may, however, retain ownership as an asset. Three were interviewed for this study and this section summarises what they said.

Colliers International¹ did a large study for Historic England² in 2011 which was predominantly about issues involved in the development of historic buildings formerly used for industrial purposes. It included 17 case studies of former industrial buildings that have been developed. Several had been successfully developed to provide workspace for companies in creative industries. They include the Tobacco Factory in Bristol, Paintworks in Bristol, Custard Factory in Birmingham, the Mill Yard in Staveley (Cumbria), Ducie House in Manchester, Ropewalk in Barton-upon-Humber (Lincolnshire).

The research included analysis of the pattern of development of buildings that were or had been on the Heritage at Risk register, particularly those of industrial origin. It found that the potential for sustainable development of any heritage asset is determined largely by economic conditions of its location. Data in this study showing the density of creative industry companies in central London conservation areas, and the rental levels achieved there, provides further evidence of this.

The research showed that some types of historic buildings have market appeal, but others do not. The more specialised the form of the building or structure, and more ruinous its remains, the more difficult it tends to be to adapt it to new uses without destroying the elements or the character that warranted its protection. Conversely, the more unspecific and regular the space, the easier it tends to be to reconcile the historic interest of the structure with new use.

Textile mills and warehouses therefore tend to be more easily adapted whereas sites associated with the extractive and chemical industries are particularly problematic because the structures are essentially an envelope to contain the process plant and machinery. This is evident in the density of creative industries in areas studied in this report in which that type of building dominates e.g. South Shoreditch, Bermondsey High Street. Smithfield in Manchester.

¹ With the assistance of Drury McPherson Partnership

² Then called English Heritage.

The 2011 study concluded that sub-division of mills and warehouses tends to detract from their spatial qualities. Open plan uses, such as offices and studios, are normally preferable, in terms of maintaining their character, to uses that subdivide, notably residential. Sub-division is in theory reversible, but in practice will only happen in commercial use (and is particularly unlikely for residential conversions sold to individuals on long leases) but is generally acceptable unless the exposed structure is outstandingly important.

2.1 IGLOO

www.iglooregeneration.co.uk

Igloo calls itself “the UK’s leading responsible real estate business working with investors, communities, local authorities and landowners who want to make the world better one place at a time”. The igloo Regeneration Partnership Fund was established by Chris Brown with funding from Norwich Union (now Aviva) in 2000. It was the first investment fund created to follow the recommendation of the Urban Task Force that institutional investors be encouraged into the UK regeneration sector.

It undertakes regeneration work, often in partnership with the public sector, using funding from a regeneration fund established in 2002. The fund has invested £300 million since then in developments that include eco-friendly homes and commercial space. Ongoing schemes include Nottingham Waterside, Ouseburn Valley Newcastle, Maryhill Lock Glasgow and Ironworks Leeds. The fund’s assets were recently bought by one of the UK’s largest housing companies, Places for People. Igloo will work in partnership with them, as development manager, in continuing its work.

Interview with Peter Connolly, Chief Executive.

Their main experience with providing space for creative industries was with the Round Foundry complex in Holbeck Urban Village, just south of Leeds city centre. It is a former engineering works, built in the late 18th century. It has seven listed buildings.

Igloo acquired the complex in 2011 and worked in partnership with Creative Space Management Ltd, a company that specialises in operating workspaces for creative industries, to convert Marshall’s Mill into Leeds’s best location for office space for digital and media businesses. They created 160,000 sq ft of work space.

The architects were Bauman Lyons and Group Ginger. They exposed the historic features, created higher ceilings and put in high quality lighting and super-fast broadband. The aim was to enable people to get a sense of the historic building. The development has restaurants, bars and cafés set in courtyards that utilise the character of the historic space. It has won many awards.

The infrastructure, attention to design detail, and proactive site management proved attractive to the creative industries sector. The businesses attracted to this type of scheme tend to be very entrepreneurial. They are just like other businesses in searching for office space. Many are relatively small or medium size. They typically want to attract young, dynamic staff. They like to be located close to city centres, for access to amenities, and transport hubs. They want working accommodation that makes a statement about themselves. A lot of their clients come from London or overseas.

A standard grade A modern office block does not necessarily appeal to this type of company. The basics of a good office – a comfortable environment, data, lighting etc. – is the first priority, however, and has to be to Grade A standard.

Marshall's Mill has been one of the best performing office schemes in Leeds with high occupancy. Rents were about £14.50 per square ft (psf) at the start. They soon moved up to £19.00 psf and more. Igloo sold the completed development to Hermes Property Unit Trust in 2015 at an attractive yield.

It created a hub that put Holbeck Urban Village on the map for design-led and creative businesses. That has led to further investment in the area to provide space for that type of occupier. About 150 creative businesses are said to be located in the neighbourhood now.

Igloo is now recognised as a residential-led rather than commercial-led developer, although there is still a substantial commercial element in their schemes. Ironworks is the next development at Holbeck Urban Village. It will be a residential development of apartments and town houses.

It is not easy to secure development funding for such projects. Creative industry companies tend to be young and a bit risky. Igloo used to get a lot of grant funding for schemes like this. It is a lot more difficult than it used to be, however. Space is sometimes provided in compliance with a local authority's desire for affordable workspace. This is true of an igloo development at 400 Caledonian Road, Islington, where a listed stable block is being converted to affordable workspace in a scheme that is, otherwise, eco-friendly residential.

2.2 CAPITAL & CENTRIC

www.capitalandcentric.com

Interview with Max Bentham, Development Director.

Capital & Centric, based in Manchester, was set up in 2011 by two people who had previously been with two larger regional developers. The company describes itself as: "We dream up ways to turn unloved land and buildings into brilliant new places".

A first scheme was converting Tempest in Liverpool, a 1970s office block in the brutalist style, into a "cool, collaborative community within an inspiring space", with assistance of grant funding from European Regional Development Fund. It provided 44,000 sq ft.

<https://capitalandcentric.com/workspaces/tempest-liverpool>

A second was the Bunker Building, another concrete framed building from the 1970s, on Edge Land in Liverpool. It was restored with assistance from Liverpool City Council / Homes & Communities Agency / European Regional Development Fund to provide 20,000 sq ft of workspace.

A third was Foundry, a development of 12 business units, alongside the Manchester Ship Canal and facing historic Ordsall Hall.

Working with old buildings became, as a result of the success of these developments, the core of their model. They now have over 1 million sq feet commercial space. They were now weighted towards residential, however.

They purchased the Littlewoods Building in Liverpool³ and had just taken on a building in Sheffield.

The original schemes tended to involve public funding. This is becoming less so. Grant funding for projects are aimed at job creation. It is not as easy to get grants for residential development.

There will potentially be some grant funding for the Littlewoods development.

³ Which was the victim of a major fire subsequent to the interview.

Viability is always an issue with these schemes.

Their strategy is to create residential for sale, but to retain most of the commercial development. They play an active role in the management to make sure that the property looks good. They like to have features that will appeal to the occupiers.

They try to offer as flexible terms as possible, aiming to keep it simple. It is always necessary, however, to ensure correct mechanisms are in place to collect rent, as that underpins the business.

Their developments tend to attract creative industries and they work hard to do so. It typically takes a long time between when a building is acquired and when the development can start while planning permission and funding is secured. They seek to introduce meanwhile uses like food and drink and space for artists while that takes place. It gets people using the building and relating them.

They do not necessarily find that tenants are not able to afford market rents. Most understand what market rents are and sense that they need to be able to afford them.

A big challenge for the developer, however, is strength of covenant. That is not good with young companies, which impacts on the reversionary value and the availability and cost of finance.

There are not many historic buildings left undeveloped in Manchester. The trend towards wanting to live in the city centre has continued. People like to spend time in historic buildings. Traditional red brick mills have largely been taken up.

There is more opportunity in Liverpool. It is more challenging in Liverpool, however, because construction costs are similar to Manchester, but values are significantly less.

It is more difficult now to acquire sites. Values have moved up and any historic buildings that come onto the market are snapped up, normally for conversion to residential. There is not a big difference in cost between refurbishing buildings and building new. Developers that do not have experience of older buildings do not realise this and can overpay as a result.

The use of the building is ultimately dictated by the market. They would ideally like to create a lot more offices and they think there is a lot of demand for it, but it is difficult when competitors are appraising buildings for use as residential and bidding for buildings on that basis.

They don't usually have problems with planning and with Historic England. This is because they understand historic buildings and have empathy with them.

2.3 ACME STUDIOS⁴

Acme Studios was formed by Jonathan Harvey and David Panton, who had graduated from art college, in 1972. It was constituted as a charitable housing association. Its mission is to support artists in economic need through providing low cost studios and accommodation.

⁴ DP, separately from Acme, was a founder of Ocean Studios in the Royal William Yard in Plymouth. They took a lease on one of the few buildings that was not converted for residential use. It was not suited to residential. They were able to lever funding from a variety of sources e.g. ERDF and Historic England. They would not have been able to do it without grant funding.

They currently manage 16 buildings, 15 in London and 1 in Cornwall, providing 572 studios and 24 work / live units. About 700 artists benefit from this. They also have a Residency and Awards Programme, run with a range of partners, that makes awards such as rent-free studios, bursaries, professional mentoring, publishing and exhibiting opportunities. David Geddes interviewed David Panton in Acme's offices.

Acme began in the early 1970s when the founders realised that there were rows of redundant houses in the East End of London that were scheduled for demolition and were suited to a combination of living and working space for artists.

It was set up as a housing association to facilitate this. Many houses that were taken on by Acme in this way escaped demolition and artists were eventually able to purchase them at low cost because of right-to-buy.

The supply of houses began to dry up and Acme moved into acquiring and converting former industrial and warehouse buildings for studios, normally on a short-term basis. This had been pioneered by SPACE at St Katharine Dock, next to Tower Bridge, in 1967. Buildings of this nature had the advantage of being suited to art work of large scale, increasingly a feature of artistic output.

The first Acme project of this nature was 52 Acre Lane, Brixton, a collection of sheds that had been used for meat processing. It was used by prominent sculptors until being handed back for redevelopment in 1996.

Acme subsequently took on factories at Orsman Road N1 (1983), Carpenters Road E15 (1985-2001), Childers Street, SE8 (1990) and Copperfield Road, E3 (1992). These were all rectangular buildings with high ceilings and windows that could be subdivided to create large, private open plan spaces for artists. They were all fully occupied shortly after completion.

The supply of redundant factories in London also, however, started to dwindle and competition from alternative use, especially residential, increased. It also became more expensive to convert historic buildings because of requirements relating to health and safety, energy efficiency and conservation.

Acme shifted, in the new Millennium, to providing space in new buildings that were provided as part of mixed-use developments. This started with a partnership with Barratt Homes in Peckham, SE15. The local authority had insisted that the scheme should involve employment space because of the site's previous employment use. The agreement with Barratt was that they would build to Acme's specification and Acme would pay a sum based on about half the average development cost.

This enabled Acme to pay finance costs on loans taken out to fit the studios, charge affordable rents and manage the building while making a small surplus. The building, called Galleria, opened in 2006 and has 50 self-contained studios from 24 m² to 46 m² over 5 floors.

Acme have since done projects on this "planning gain" model at Leven Road E14 (21 studios with Swan Housing Group, 2009); Harrow Road NW10 (12 studios with Catalyst Housing Group, 2010); Matchmakers Wharf E9 (49 studios with Telford Homes Plc, 2012); the Glassyard, SW9 (24 studios in partnership with Spiritbound, 2012); and Wharton House E15 (24 studios in partnership with Genesis Housing Group, 2014).

Their most significant recent project has been creation of High Point Studios in Purfleet, part of a vision to create a world-class centre for the cultural and creative industries on an abandoned 14-acre farm by the Thames Estuary, close to the Dartford Bridge. It is anchored by a purpose-built production

centre for the Royal Opera House which opened in 2010. Teams of painters, carpenters and metalworkers create sets and scenery there for productions at Covent Garden. Acme were able to design, with HAT architects, a purpose-built three-storey artists' studio building with 39 self-contained studios and four work/ live units. It was built at a cost of only £836/m².

It is fully occupied with rent being about £9 psf. It was funded by Thurrock Thames Gateway Development Corporation (TTGDC), in partnership with Arts Council England (ACE) and the East of England Development Agency.

Key points Mr Panton made:

- "Affordability is the sole criteria for Acme. It does not matter what the building looks like".
- "We do not look at historic buildings anymore unless they come with attached funding".
- "Acme has recycled hundreds of buildings since 1972. There is a cycle. Buildings that were once utilitarian become unwanted. They need to re-cycled. They then become used again by people from higher value. Acme has played a major role in the recycling stage".
- There is great demand. They have a waiting list of 1,800.
- Artists normally require space that offers privacy. Some arts activities, like sculpture and printing, tend to be more collaborative.
- They have a staff of 24.
- Arts Council England (ACE) has, until recently, provided core funding representing about 10-15% of revenue. Acme has become entirely self-funding recently.
- There are many art colleges producing a continuing stream of graduates. London is the world capital of art, with phenomenal desire from people in the Far and Middle East to participate. The demand for the work of artists, and for space in which it is produced, is insatiable.

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