Institute of Transport Economics
Norwegian Centre for Transport Research

Summary:

What can be done to make city centres more attractive locations for retail and service?

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Many cities have long-standing objectives to strengthen their city centres, while at the same time experiencing city centres losing market shares to external shopping areas. There are several and complex explanations for this. In this study, we focus on how city centres can win back retail and service that makes the city centre a high quality shopping area which attracts people. Case studies in four cities (Hamar, Oslo, Asker and Mosjøen) were conducted. In addition, surveys were sent to planning officials and retail associations in Norwegian cities. The most distinct finding is that property ownership in the most central parts of city centres needs to be reorganised and restructured if city centres are to become more attractive locations for trail and service. State and regional authorities may provide new tools and a subsidy scheme for projects contributing to this. Limiting expansion of retail areas outside the city centre whilst steering new development of housing, jobs, etc. towards the city centre is also important. An important challenge is to get all stakeholders to pull together to strengthen their city centres.

Background and research questions

Ministry of Local Government and Modernisation (KMD) wanted an assessment of what could be done to strengthen city centres' attractiveness for retail and service companies. The purpose is to generate new knowledge, recommendations and good examples that can serve as a basis for evidence-based, targeted and long-term local and regional decisions for strengthening the city centres' attractiveness as location for retailers, where both public authorities and private actors contribute actively to achieve a positive development.

In this work, focus is on the competition for attracting 'the good tenants' – retail and service companies that draw many customers to the city centre. We were particularly concerned about how property structure and landlords' actions affect the city centres' attractiveness for the desired tenants.

The client defined three research questions to be investigated in the project:
1. Identify and analyse knowledge, attitudes, commitment, organization, roles, plans, actions, etc. of public authorities and private actors with respect to developing their city centres into attractive locations for retail and service, as well as analysing which factors hinder and which factors promote such development.
2. Identify and analyse existing and planned cooperation targeting retail, shopping and services in city centres. This specifically regards cooperation between i) various private actors, ii) cooperation between private actors and public authorities, and iii) cooperation between different public authorities.

3. Provide concrete recommendations that could form a basis for local and regional strategic decisions to develop city centres in medium-sized cities to become more attractive locations for establishing retail and services.

Approach and methods

These issues are complex, and we found that case studies of a small number of cities (Hamar, Oslo, Asker, Mosjøen) to be an appropriate research approach. This would help us examine in-depth what is being done in the cities and how cooperation takes place, the challenges that arise, and how actors involved seek to resolve these issues. It further provided opportunities to examine which main mechanisms are at work, and which conditions need to be present for the collaboration to work properly and produce the desired results. In the case studies we interviewed representatives from municipal planning departments, (large) landlords, local retail associations and other key actors involved in developing the city centre. Further, surveys were sent to planning officials and retail associations in all Norwegian cities. The purpose was to examine whether the findings from the case studies are representative for situations, comprehensions and experiences in other Norwegian cities.

Findings from case studies and surveys

Based on case studies of four cities, we analysed which factors hinder and which factors promote developments of city centres to be more attractive locations for establishing retail and services. This was summarized as key conditions for success, factors that work well and should be maintained, and key challenges that needs be addressed if city-centres are to increase their attractiveness for retailers. The surveys showed that findings in the case cities mainly are representative. The same challenges and the same solutions are pointed out both in the survey and in the case studies.

Key conditions for success

When analysing the case studies, we found that the following factors are important conditions for success in making the city a more attractive arena for establishing retail and service:

- Clear, strong and long-term political commitment and leadership
- Local authorities need to take responsibility for process, progress and continuity
- The attitude among key actors is that they should contribute
- That the different actors have good knowledge regarding their own and other actors' domains and issues
- Good cooperation between the actors, appropriate arenas where main actors meet regularly over a longer period of time, and a continual discussion of roles and responsibilities

The surveys were not suitable to identify such conditions, but answers to questions related to cooperation and commitment mainly confirmed findings in the case studies.

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Factors that work well and should be maintained

Both the case studies and the surveys showed that much of what has previously been considered as difficult challenges for city centre development now seems to work well:

- The physical environment of the city centre does not seem to be a major challenge. Streets, squares and buildings are continuously renovated, and the quality of the physical environment is perceived as good.
- Short walking distances and good walking environments makes the city centre more attractive. All the case cities are aware of and working towards this.
- Operation and maintenance of the city centre are considered important, and seem to work well.
- Shopping malls in the city centre can be a strength if properly located, dimensioned and designed. If not, they can weaken the existing centre.
- All case cities are working towards a wide and varied range of retail, services and other activities in the city centre.
- Accessibility to the centre, by all modes, need to be good. The case cities believe this is the case in their cities.
- Parking availability is not considered a hinder for city centre development in the case cities. They seem to have found the right dimensions, organisation, regulation and pricing of parking in their city centres. Still, this is continuously discussed and refined.

These findings are also present in the survey.

Key challenges

In interviews with various stakeholders in the case cities, we asked what they believe are key challenges - what is most difficult to achieve - to make the city centre a more attractive arena for locating retail and service. Four challenges stand out:

- The current fragmented structure of property ownership makes it difficult to strengthen city centres' attractiveness as locations for retail and services
- Competition from externally located shopping and retail weakens the possibilities for strengthening city centres' attractiveness
- Large parts of construction of residences and workplaces has occurred and still are occurring elsewhere than in the city centre. This weakens the possibilities for strengthening the attractiveness of the city centre
- All actors needs work together to strengthen the city centre – this is difficult!

These challenges were also pointed out as most important in the surveys.

More on issues related to the structure of property ownership

Issues related to the current fragmented property structure were highlighted in all the interviews, and were highlighted as one of the main challenges in the surveys. It was generally agreed that this hinders the possibilities of making the city centre a more attractive arena for locating retail and services. To our knowledge, this topic has not been much discussed in previous Norwegian research (see e.g. Healey 1994 or Korzer 2013, Portas 2011, Turok 1991, Warnaby et al. 2005 for discussions on British and German cases). Below, we have provided a more thorough description of

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problems, different solutions that have been tried in the cities, as well as which lessons have been learned in some Norwegian cities.

There are usually many and different property owners in city-centres. These can broadly be divided into four categories:

- Large, professional and development-oriented property-owners with local roots. They see joint efforts and cooperation to strengthen the city centre's attractiveness as a useful and necessary part of their business strategy. These are the actors that to the greatest extent can and will cooperate and interact to make the city centre more attractive for retail and services.
- Large, professional and development-oriented property owners *without* local roots. They might have the knowledge regarding positive effects of cooperation on city centre's attractiveness for retail and service, but they are not necessarily interested in spending much resources on this.
- Small, local property owners who are not operating their property as professional actors. These are often not concerned with developing their properties or spending resources on cooperation to strengthen the city centre's attractiveness. The high portions of such property owners in Norwegian cities are highlighted as problematic.
- Small, professional and development-oriented property owners. None of our interviewees mentioned such property owners.

There are mainly five issues associated with the complex and fragmented structure of property ownership, and which are seen as hindering the development of the city centre as an attractive arena for locating retail and service:

- Poor opportunities for developing real estate across property boundaries
- Poor opportunities for providing suitable premises to potential tenants are poor
- Lack of a management organisation working towards potential tenants, negotiating with them and helping them find the right premises, while boosting their own profile
- Fewer opportunities for structuring and profiling retail – retail-mix, opening-hours, marketing, etc.
- Reduced possibilities for landlords for getting their point of view through in dialogue with local authorities

Property owners in the four cities described various forms of organization and cooperation, which can help overcome challenges caused by the fragmented property structure. The descriptions are based on their own experiences as well as their knowledge concerning how other property owners organize themselves. This can be summarised in four models of organization and cooperation:

- *Cooperation:* Independent landlords working together to develop properties, merge premises, structuring and organizing trade and have joint dialogue with local authorities, etc. (Drammen)
- *Establishing a property serving company*: Property-owners form joint-stock company serving the owners by working towards tenants, profiling premises, negotiating contracts, organising retail-mix, opening-hours etc., while each property-owner still owns their own properties (Hamar)
- *Forming a joint-stock company:* Property-owners put their properties into a joint-stock company, which then owns, develops and manages these properties. The company is a contact point for tenants, as well as controlling management, marketing, leasing, tenant requirements, etc. (Mosjøen)

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- *One large or a few large owners*: One or a few landlords control much of the property portfolio through acquisitions and long-term leases, and thus manage most of the real estate development, administration, marketing, leasing, tenant requirements, etc. (Asker)

Based on the actors' descriptions of their own experiences with various forms of organisations, and the landlords' descriptions of their general knowledge concerning this, we assessed the potential of the different models to overcome the challenges of today's fragmented property structure as a barrier for making the city centre more attractive for retail and service. The assessments are summarised in Table S1.

Table S1: Our assessments of the potential (small, medium, large, very large) of different models to meet challenges of today's fragmented property structure.

Challenges	*Property development*	*Suitable premises*	*Tenant-unit*	*Structuring, profiling*	*Dialogue with the municipality*
Cooperation	Medium	Small	Small	Medium	Medium
Property serving company	Medium	Medium	Medium	Medium	Large
Joint-stock company	Large	Large	Large	Large	Large
One or a few large owners	Very large	Very large	Very large	Very large	Very large

As shown in the table, our assessment is that fewer and larger property-actors in the most central parts of city-centres contribute to reduce many of the challenges city centres are facing today, as well as contributing to strengthening the city centres' attractiveness for establishing retail and service.

Recommendations

Based on the analysis of the case studies and the survey, we developed recommendations to stakeholders in cities, counties and the state, on what is needed to strengthen city centres' attractiveness for locating retail and service.
The recommendations to local public and private actors can be summarized as follows:

1. Things take time – long-term efforts are necessary
2. Clear political commitment and leadership is needed
3. Local authorities must take responsibility for process, progress and continuity
4. All participants must contribute - but free-riders should not hinder action
5. Participants should have good knowledge about their own and others' domain
6. Collaboration, arenas for cooperation and clarification of roles are important
7. The property-owner structure needs to be reorganized and restructured in the most central parts of city-centres
8. New housing- and workplace- developments are to be steered towards the city centre
9. Development of external shopping and retail areas must be restricted
10. The physical environments in city centres need to be of high quality
11. City centres needs to be compact and walkable

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12. Shopping malls in the city centre must be properly located, dimensioned and designed
13. A wide and varied range of services in the city centre are necessary
14. Accessibility by all vehicles must be good.
15. Parking needs to be properly organised, regulated and priced

Recommendations to Government, state and regional authorities on how they can support the work being done in the cities, can be summarised as follows:

1. Clear policy signals for land use- and retail development should be given, as well as a greater political focus on the importance of vibrant city centres and city centre development
2. Introduce BID[1] in Norway
3. Develop and disseminate tools to facilitate the reorganization and restructuring of property ownership in the most central parts of city centres
4. Establish a subsidy scheme targeting measures that facilitate reorganization and restructuring of property ownership in the most central parts of city centres

Recommendations for further research

Upon completing this work, we are left with more questions. The following appears to be key in further research:

- What are the large retail-chains' explanations for why they choose not to establish themselves in city centres in mid-sized cities, and what are their experiences when trying to establish themselves there and when they have located there?
- Do smaller property owners agree with the description of reality in this report? Why do they act the way they do, and what is needed if they are to participate in the work of strengthening the attractiveness of city centres?
- Which tools and policy instruments can help accelerate the restructuring and reorganization of the property ownership in the most central part of city centres?
- How is the property owner and property structure in Norwegian cities, and is there coherence between property structure and city centre development?
- What have other countries done to strengthen their city centres' attractiveness as location area for retail and services, and what can we learn from their experiences?

[1] BID (Business Improvement District) is a system where all businesses in an area are bound in joint efforts to improve and revitalize the area.

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