



**UK COLLABORATIVE
CENTRE FOR
HOUSING EVIDENCE**

Housing the creative sector

A comparative study of Paintworks, Bristol
and Baltic Triangle, Liverpool

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All opinions and errors are my sole responsibility.

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Executive summary

This project examines potential innovations in the housing sector. Paintworks in Bristol and Baltic Triangle in Liverpool were chosen as case studies. Both cases used to be obsolete industrial sites, and now have undergone a relatively successful regeneration process by attracting the high-tech and/or the creative sectors. Paintworks features a cluster of digital companies; whereas Baltic Triangle is gaining reputation as a creative cluster. Correspondingly, the bulk of employees working in these sites are knowledge workers or the creative class.

International literature on the creative class points to their desire for a better life-work balance, personalised designs and urban amenities. So, the pressure on the housing sector to provide innovative products and services is presumably higher in these two cases. This project started with this hypothesis and explored the mixed-use housing, the locations of housing provision, and the modes of provision in Paintworks and Baltic.

Findings from 12 interviews with key local stakeholders are surprising, as they went against the hypothesis and the literature on the creative class.

In terms of mixed-use housing, it was noticed that risk-aversion applied in both housing constructions and financing. The lack of supportive regulations and the potential complexities involved in taxation further discouraged this innovative housing product. On the demand side, this study reveals the 'sticky' preference for traditional housing. These inertias in housing supply and demand, therefore, underline the context-specific nature on the presumed unique housing preference of the creative class. It also highlights the challenges in introducing innovative products in the housing sector.

Regarding the locations of housing supply, both cases emphasised mixed land use as a way of building sustainable communities. Nonetheless, the potential mismatch between live and work still existed, as people who bought the houses or apartments in Paintworks and Baltic were often not those who work there. Moreover, a certain degree of speculation could be detected in both cases, and in Liverpool in particular, where a high proportion of housing approved was small-sized studios, not suitable for families. The prevalence of fractional sales, and the associated misconduct in Liverpool, further impacted on the confidence of investors.

In terms of the mode of housing provision, this study investigates housing tenure, housing providers and the role of the planning authorities in this process. The two cases diverged noticeably in these regards. The company that developed Paintworks used long-term leases to control the development trajectory of this place. It also directly provided both residential and commercial properties at the beginning to make sure the tenure mix was beneficial to the whole community. The planning authority in Bristol treated this site as an experiment at the start, which offered the valuable freedom for Paintworks to take-off. In comparison, housing ownership dominated Baltic. Local developers were very quick in capturing the value created by the creative cluster, but a long-term, coherent strategy for the growth of Baltic was lacking. A loosely defined planning framework existed but it was both too broad to control speculative development and too strict to encourage innovations. Despite these divergences, this study did notice a tightening of planning controls in both cases, which, ironically, was partially the result of the growing success and wider exposure of these two clusters.



Introduction

Setting the urgency

Innovation is a fundamental driver of industrial development and competitiveness, which applies to the housing sector as well. There are at least two ways of examining the innovative elements in housing. First, and the most common approach, is to look for new ways of supplying, financing, constructing and purchasing housing (i.e. innovation within the housing production and supply chain, as well as new products of housing niches in the form of things like hybrid tenures, land trusts, and shared equity, etc.). The second, and less explored approach, is to look at the housing implications resulting from the wider structural transformation from manufacturing- to knowledge-based development, and, more specifically, the rise of the innovative economies. The second approach is the key focus of this report. In the UK, for example, a recent government-commissioned report highlighted the positive contributions of the creative and digital sectors to the national economy (Techcity 2015). These structural changes necessitate insights into the housing sector, in order to understand how it responds to the new mode of production.

On the one hand, the traditional approaches in project feasibility studies, property evaluation and housing design might prove to be too rigid and thus less suitable for an increasing desire for bespoke housing by the creative class. On the other, the institutional inertia in the housing sector and its upstream and downstream industries, as evidenced in the speculative housebuilding sector (Payne et al. 2019), could defer changes and assume 'business as usual'. But if we accept that innovation has become increasingly important for economic growth and other social objectives, such as well-being and inclusiveness, we need to address some of the crucial questions here: what are the features of the knowledge economy in general, and the creative sectors' in particular, that impact the housing sector? To what extent is our current housing sector coping with these changes, and what is the scope for improvement?

This project sits within the wider objectives of The UK Collaborative Centre for Housing Evidence (CaCHE) by contributing to knowledge that will help to tackle the UK's housing problems at a national, devolved, regional, and local level. It looks at ways in which tenants, developers, local communities and councils join forces to enact change and meet housing demand. To this end, the project chose Paintworks in Bristol and Baltic Triangle in Liverpool as case studies, and draws upon in-depth interviews with developers, residents, and local authorities who have insights or direct engagement with these projects.

The wider debates

Influential accounts have long argued for the structural transformation of national economies from labour to capital and now knowledge-intensive sectors (Castells, 2000; 2010; 2011). Associated with such transformation are the gradual shifts in the labour market and spatial landscapes. Although it is less clear whether changes happening in the labour market can be adequately captured under the umbrella of the 'creative class' (Berry, 2005; Peck, 2005), the related literature is nevertheless useful to explore the features of new knowledge and inspire a re-think of housing in local economic development (Maclennan and Miao 2017).

To start with, scholars argue that 'the old mode of people moving to follow jobs is turned on its head' in the new economy (Baris, 2003: 42), so Florida and Glaeser suggest that companies should choose to locate where their key employees would like to live and work. Yet for Krugman and Storper, the classic location theory and the benefit of increasing returns that derive from agglomeration point to the persistent importance of established employment centres. Leaving aside the 'chicken-and-egg' debate surrounding employment and mobile workers, this project focuses on the assumed and real housing market practice in creating attractive environments for knowledge and creative workers.

¹ Creative sectors refer to those drawing on knowledge as a key product, and include for example advertising, media, publishing, ICT and financial services.

Both Glaeser and Florida suggest it is the 'good quality' urban areas that function as a magnet for human capital. This is because members of the creative class tend to pay more attention to the attractive living conditions rather than proximity to their job. Florida therefore argues that it is more important to focus on attracting the right, talented people than on attracting firms (Florida, 2002: 293). Crucial to achieving this is to cultivate a good quality of place: somewhere 'attractive, diverse and tolerant'. This entails a set of factors including economic and spatial diversity; specific leisure and cultural amenities that fit the interest of the creative class; a mixed population; the chance of informal meetings in so-called "third spaces"; safety; vibrancy; and other intangible aspects such as authenticity, tolerance, street life, buzz, and urbanity. Table 1 provides a brief summary of the prescriptions for a 'good quality' place.

Table 1: Main Elements of Quality of Place and Indicators

Quality	Indicators
Diversity	Functional diversity, distinctive neighbourhoods, sufficient density
Specific amenities	Individual sports facilities, recreation areas and restaurants per capita; (semi-)public spaces for informal meetings ("third spaces")
Liveliness; culture	Cultural and musical events; live performance venues per capita
Technology; innovativeness	Patents per capita; relative percentage of high-tech output
Talent	Percentage of people with a bachelor's degree and above
Creativity, bohemia	Percentage of artistically creative people
Tolerance; openness	Relative percentage of foreign-born people; idem LGBTQ
Aesthetics	Architecture; parks; urban heritage
Environment; sustainability	Natural environmental assets; environmental quality; reuse of older industrial sites
Safety	Crime figures

Source: Trip (2007, P502)

Yet, curiously, the role of housing, and the policies shaping the housing sector, in particular, have been marginalised within these discussions. Tangible factors such as infrastructure and housing provision barely figure in Yigitcanlar et al.'s (2007: 22–24) four magnets to the creative class, or in Florida's six factors defining the 'quality of space' so sought after by the creative class (Berry, 2005). But given the implication of collective consumption needs of these new industrial spaces, in forms of transport and communication infrastructure but also accommodation (Jonas et al., 2010), housing should have featured prominently in the current debate. Emerging discussions have highlighted the tangled relationship between the knowledge economy and housing that lies at the heart of localised planning dilemmas (Valler et al., 2012; 2014; While et al., 2004) or urban regeneration (Burfitt and Ferrari, 2008) in Britain and elsewhere.

The framework

In Miao's (2017) study of housing provision around three high-tech clusters in China, three dimensions of tangled relations between housing and the creative sectors were identified.

The first relates to the work–life balance. At the very fundamental level, housing is a basic need of human beings, and its distribution and consumption influence much of the urban layout and structure, the composition and dynamic of communities and, ultimately, social reproduction. To live adequately, and, even better, to live as we desire, could influence our productivity, mental health, esteem and general wellbeing (Maclennan et al. 2015). As a consequence, 'work–life balance' has increasingly become a concern for individuals but also companies who thrive on their employees' creativity and self-motivation (Cervero, 1989; Liu et al., 2009). Google, for example, has launched its famous Google Play WorkStation where work is part of its employees social and play activities. Apple also promotes a highly flexible working arrangement where its talents could choose to work at home or office. Yet beyond these forerunners, what we see in general is a noticeable misalignment, or slow adjustment of such misalignment, between housing demand emanating from the clusters of creative sectors and the existing or planned housing supply. One such adjustment is mixed land use on a district or sub-district level, which has been promoted actively throughout the world as a potential solution to this misalignment. On a more defined project level, and often embedded across these mixed-use neighbourhoods, are the live-work properties, or the so-called 'loft living' that first noticed in New York (Zukin 1982) and now spread to other global cities such as London (Hamnett 2009) and Montréal (Podmore 1998). Both seem to capture the desire of creative and knowledge workers in seeking a better work-life balance.

The second concern relates to the residential location preference of knowledge workers. If we tentatively accept that firms are following the locational preference of talents, then given the latter's high mobility, purchasing power and particular locational and residential appetite (Markusen 2006a), knowledge workers are likely to be pushing the transformation of the urban economic landscape via their demand for housing. Musterd (2004) believes that the creative class will be highly urban-oriented. Lee and Murie (2004, p242) also suggest that the creative class 'appears to reject large parts of traditional housing markets and especially monotonously designed suburbs built for the conformity of the organizational age'. Yet, many of these assumptions regarding the urban preference of creative workers may be exaggerated given evidence of creativity in the suburbs (Phelps 2012; Tomaney and Bradley 2007). Vice versa, Payne et al. (2019) found evidence in the literature that most housebuilders still need to be convinced of the strength of the demand for greater customised homes.

A third dimension relates to the mode of provision. So far, the discussion and debate around urban amenity is primarily around its intangible features as 'something in the air'. Yet the fact that urban amenity not only has its tangible facet but also is the subject of collective consumption and provision (Clark et al. 2002; Frug and Barron 2008) is often overlooked. That is to say, the mode of housing supply is an important tangible, planned ingredient in urban amenity. The development of different tenures and mix of housing types is the subject of a more or less effective territorial politics and planning alongside road, rail and communication infrastructure. In the UK, Segal Quince (2000) found that planning controls were loosened partly because major local employers were faced with recruitment difficulties resulting from earlier restrictions in housing supply. Similar debates around housing mix and tenure continue to resurface in the desire to promote 'big science' in the UK, against the context of severe accessibility and environmental constraints (Valler et al., 2014).

If we are to cultivate and capture the benefits of the creative economy and the knowledge-based development, their interactions with the housing sector need to be established conceptually and impact examined empirically. Following a statement on the methodology used, this report turns to two case studies in Bristol and Liverpool, which demonstrate different approaches and coalitions between local stakeholders in handling the housing-creativity challenges.

Methodology

Not much has been done on the housing market implications of the emerging creative clusters in regional centres of the UK, which inspires this project to choose case studies outside the London metropolitan area. It is important to choose creative clusters that are relatively mature so that the housing market could have time to respond. Bearing in mind the different definitions for creative industries (Markusen 2006b), this study adopted the creative and knowledge industries definition used by the UK Department of Culture, Media and Sport (2001), and the significant creative clusters in the UK were identified by Mateos-Garcia and Bakhshi (2016).

Bristol and Liverpool emerged as two 'hot' regional centers of creative clusters. They were chosen to showcase dynamics in the Midlands and the South West of the UK. Within the two cities, a multimedia and policy document search, including development plans, city regeneration strategies and industrial investment strategies, lead this study to focus on Paintworks in Bristol and Baltic Triangle in Liverpool as two relatively successful and widely exposed creative clusters.

Paintworks is a small-scale yet interesting regeneration project. It is located along the A4 Bath Road near Totterdown, on the South East of Bristol Temple Meads train station, and around 30 to 40 minutes walking distance to the city centre. From the Temple Meads station, the journey to London Paddington station is about 2 hours. Driving distance to Bath is around half an hour. Paintworks was opened in 2006 and now covers 4.86 hectares of mixed-use development, mainly for media, digital and publishing businesses. Its occupancy rate was around 93% according to the marketing manager interviewed.

Similar to Paintworks, Baltic Triangle in Liverpool also features a mixed-use profile and is going through a significant regeneration process. It is adjacent to Liverpool city centre, bordered by Park Lane/St James Street, Parliament Street and Wapping Street, and contains a mixture of small independent businesses in its southern two thirds, and residential to the northern part. Covering 37.6 hectares, Baltic is now home to over 150 digital and creative industries, many located in the historical built fabric re-purposed by the Baltic Creative, a Community Interest Company (CIC)².

First-hand data were collected through individual interviews with 14 informants in the two cities (see table 1). The informants in each region include government officials (3), business leaders (3), civic leaders (2), and representatives of developers (3) and housing associations (3).

Target sampling was used to select those informants most relevant to these two cases, both on the project level and on the city level. Semi-structured interviews were conducted in October 2018, using the same interview guides in each city. These guides were adjusted to different informant groups, i.e. to representatives of developers, politicians, and local business owners, in order to fit with their background and knowledge. In the interviews, indicative words, such as creative class and gentrification, were avoided to get the real opinions from informants. Interview transcriptions were sent to the informants for verification, which sometimes led to the correction of factual faults and new information. Atlasi.ti was used for interview analysis, following the procedure of coding, categorising, theme generating, and checking. It was repeated three times to make sure the themes emerging were consistent. Besides interviews, a large amount of grey literature, including local archives, government documents, reports, newspapers and multimedia reports, were collected and analysed through Atlasi.ti, in order to contextualise and validate the interview materials. Results are presented below.

² CIC was established in 2009 through the City Council's regeneration body, Liverpool Vision, and ACME, a public organisation embedded within the City Council whose main remit is to support the creative and digital sectors.

Paintworks, Bristol

Story so far

Paintworks is a small-scale yet interesting project under the broader initiative of city regeneration. It is very centrally located on the A4 (Bath Road) near Totterdown, on the South East of Bristol Temple Meads train station, and around 30 to 40 minutes walking to the city centre. From the Temple Meads station, the journey to London Paddington station is about 2 hours. Driving distance to Bath is around half an hour.

The story of the Paintworks dates to 1850 Phoenix Wharf, when it was a paint and varnish factory built by Bristol Paintmakers, Colthurst & Harding. Extended and altered over 100 years, it was taken over by Courtaulds and fell into decline as manufacturing moved elsewhere. The whole 12 acres had been assembled by the 1930s. As buildings were vacated from paint making, they were let out to other users. Eventually all paint manufacturing ceased, and the site became known as Central Trading Estate. It then changed hands several times. The various owners all showed a lack of interest, which manifested in a lack of investment, in this site. By the time Verve bought the site in 2003, much of it was empty, some for 15 years (Paintworks 2016). Verve property has since been the key driver behind the growth of Paintworks. This company is experienced with developing unusual buildings with industrial heritage and places emphasis on the quality of design, effective estate management and the mix of inhabitants. Besides Paintworks in Bristol, Verve also has other portfolios in Bedford Heights (office), Sunlight Mews Fulham (mixed-use) and Hunt's Paper Factory (residential), among others (Verve 2019).

One key manager of Verve, and the conceiver of Paintworks, Ashley Nicholson, recalls that, when his business partner bought this site, the idea was to follow the normal business route by turning it into an industrial estate. But because the site is on a hill, lease turned out to be challenging. So, Ashley was brought in to rethink the use of the space. 'The idea of turning it into a mixed-use site just manifested itself', as he described: 'I sketched it on a napkin on the train back, and the construction more or less follows it. What I like are these small alleyways and public realms, to make it like a small, old town.' [interview 15th Oct 2018]. Ashley's vision for Paintworks was given the green light by the Local Authority, despite initial suspicion, and work commenced in 2004.

Opened in 2006, Paintworks now covers 12 acres (522,720sqft) of mixed-use development. It is made up of work studios, live/work units, events space, a bar and flats. It is primarily targeted at creative workers and companies. There are currently over 100 small and medium-sized businesses, alongside a central hub with a café/bar, performance space, gallery and events space. Paintworks has already completed three phases of development, with the final phase looking to commence in 2019. Phase 3 was estimated to provide around 6,700 square metres of new employment and commercial floor space, 11 live/work units and 210 houses and apartments. This work was undertaken by Crest Nicholson in association with Verve (Bristol Temple Quarter 2016). The occupancy rate in Paintworks is now around 93% according to a marketing manager in Alder King, the property management company for Paintworks [interview: 15th Oct 2018].

Housing sector

According to a recent report presented to Bristol City Council and revealed via Bristol Live (Cameron 2018), Bristol is facing an increasingly severe housing crisis. It was estimated that the residential stock in Bristol stood at around 200,284. Just over 50 per cent were owner occupied, 29 per cent were privately rented and 18 per cent were social rented. Over the years the private rented sector has been growing due to rising house prices, which saw a 56.5 per cent increase in the last decade, growing faster than in any other major "Core City" group

of Birmingham, Cardiff, Glasgow, Leeds, Liverpool, Manchester, Newcastle, Nottingham and Sheffield. In August 2018, the average house price reached £282,624, which was around £50,000 higher than the UK average. Looking at house price to income ratios, in 1999, the cheapest homes cost more than three times the annual earnings of the poorest households in Bristol. Now they cost more than nine times the lowest earnings.

Private rental market is therefore booming, and rents have risen by about 25 per cent in the past four years, reaching an average of £1085 per month. But it was noticeably more expensive to rent a home in Bristol than in any of the other core cities, and the monthly average rental cost was £250 more than that in England (an increase of around 10 per cent since 2014). On the other hand, the social rental sector has shrunk, with fewer homes built and fewer allocated in recent years. It has been estimated that Bristol needs an extra 16,228 affordable homes by 2036. That means the city needs 811 more affordable homes each year until then. But it has gained fewer than 200 affordable homes each year for the past three years, and fewer homes were built by developers as part of planning requirements last year than the year before.

Against this backdrop of a looming housing crisis, it is understandable therefore that Paintworks is required to provide some housing as part of the planning requirement. The housing landscape in Paintworks is primarily shaped by Verve as the land owner. Verve developed some residential units in Phase 1 and 2, but the number was limited. Over time, it has been proactively exploring partnerships with other housing builders such as Crest Nicholson on mass production (in Phase 3). The figures provided by Alder King showed that, in Phase 1, there were only 9 residential units against 100,000 square foot of commercial. In Phase 3, there were 220 residential units and 55,000 square foot commercial. In Phase 4, the plan is to provide 1,887 square metres of commercial space and 92 residential units (Bristol Temple Quarter 2016).

The Planning Committee and the City Council were relaxed about Verve's experimental development scheme at the beginning, although planning does get tighter with the rising reputation and exposure of Paintworks. What is interesting about Paintworks, which also distinguishes it from the Liverpool case discussed later, is the independence of Verve and its clear vision for Paintworks at the start.

The following sections will discuss the housing sector around Paintworks.

Work-life balance

Work-life balance has always been a key focus of Verve in conceiving and developing Paintworks, although the exact development sequence might sometimes conceal this vision, given the market condition and the necessity of assembling a critical mass first. Ashley Nicholson explained that:

I feel mix-use could work. ...For a place to truly work it has to be like a bit of a town, has employment, has facilities. Just providing a bunch of houses won't work... I remember the first planning meeting I went to, people were asking whether there would be any residential. I said I wanted to have employment first, but I planned to have residential...because what I wanted was a natural surveillance, I want 24-hour. The solution to it is mixed-use.

But to realise work-life balance is a big challenge in the current financial landscape. Ashley Nicholson explained the reason:

Commercial properties are heavily influenced by institutions, such as the big insurance companies, pension funds, and big banks, as they have the fund for big buildings... They want to manage it easily, so often they could go and buy business parks as it is easier to spend the money. The property companies follow them. Housing is opposite. It is similar in the way that a high percentage was built by the five big-volume builders. But in general, house builders are bred in a different way: they operate in a very thin capital model, i.e., they have very little own money but heavily geared financially. So, what drives them is their financial model, not housing design. So, on the one hand, house builders want to cut out innovation risk... On the other [hand], house builders do not like [to refurbish] existing buildings, because there are too many uncertainties with the fabric and structure. They like new build housing plots without any commercial if they can.

Verve was lucky to skirt around the financial constrain in the Paintworks project as it attracted a family-based wealth fund, which is not as profit-driven as the high street banks. A strong interpersonal relationship between the funders of the two institutions also entails trust in what Verve wanted to do. Such financial independence, however, should be regarded as an exception in the property sector.

Besides the challenges in the existing financial models, the established norms and consumer preferences are other major obstacles in spreading the mixed-use model.

The marketing manager from Alder King revealed that:

As the first live-work project in Bristol, there were basically no restrictions on the proportion [of commercial and residential] for Paintworks, which was good and bad. It was good because it gave people flexibility in terms of how they wanted to use their space. The negative is that, I don't think any of these units was used as the traditional live-work place. They either all live or all work. No mix in between... Maybe this is because there are not a lot of people looking for that kind of property, although many of us might think it is a good idea.

This surprising finding is in contrary to the hypothesis of this report and the emerging literature on the housing desires of the creative class (Florida 2002) and the knowledge workers (Miao 2017) in terms of flexibility, convertibility and multi-functionality. This manager, nonetheless, suggested that such situations might change slightly in the future, as Paintworks created so little residential during its early phases. A similar paradox was also noticed in the case of Liverpool, which is discussed further below.

Planning support for mixed use has also become tighter over time. The Marketing Officer believed that 'Verve was fortunate as Paintworks was the first live-work project in Bristol, so there were basically no restrictions with the proportion'. Ashley Nicholson from Verve provided more details here:

It became more and more difficult to get mixed-use planning permission. When we started the first phase, they (planning authority) didn't even conduct a site inspection, as Paintworks was so low down their priorities. We only had one condition. For the second phase, they made an inspection and that was fine. In Phase 3, it took three years to get the planning permission, and now in Phase 4, it might take us four years to get the permission.

Interviews with the Bristol City Council somewhat confirm Verve's perception. One Officer mentioned that 'I don't think they (Verve) had an easy journey initially in terms of getting planning permission, because of that hybrid mix of retail, working, living. Now people start to understand it more'. The author's ground observation also hinted at the slightly marginalised position of Paintworks. It seems that Temple Meads, and its associated Engine Shed – a joint initiative between Bristol University and the City Council – have occupied the central attention of the local government as its major regeneration projects. Paintworks, on the other hand, is a completely private-led and private-financed initiative, so there was not much responsibility on the Council to ensure its success, even though, at the moment, Paintworks has been incorporated into the Enterprise Zone³.

Location of provision

As mentioned earlier, there were housing provisions on the site of Paintworks, especially in Phase 3, where a significantly larger number of houses and apartments was constructed. Paintworks tried live-work mix and residential over studio/office in Phase 1 and 2⁴, but, as suggested before, the outcome was unsatisfactory. So, in Phase 3, the majority of residential provided was of the traditional type, including 140 one and two-bedroom apartments; 11 three-bedroom live/work spaces; and 73 two, three and four-bedroom townhouses (Figure 1).

Crest Nicholson was brought in to develop the mass residential mainly due to its reputation, as told by the marketing officer from Alder King. The legal structure between Verve and Crest Nicholson was described by the same interviewee as being 'quite complicated', where Verve sold a 250-year lease to Crest Nicholson, who then developed everything. Crest Nicholson then sold all the commercial units back to Verve.

³ See <https://www.bristoltemplequarter.com/portfolio-items/masterplan/?portfolioCats=141>

⁴ See <https://www.paintworksbristol.co.uk/map/interactive-site-plan/>

Figure 1: Phrase Three Housing Provision in Paintworks



Source: Dr Julia T Miao

The location choice for residential development was, again, sketched by Ashley Nicholson. But it was perhaps designed in a less scientific way but following the rule of convenience or ‘as appropriate’. The expertise of Verve as a commercial developer also meant that it was easier and safer to start with something it is familiar with. The small scale of residential, plus the targeted marketing for creative industrials, ensured that this spontaneous design worked just fine [interview: Alder King]. But when it comes to mass production, a professional developer [in this case Crest Nicholson] was preferred.

It is interesting to explore whether and how a traditional housing developer could fit in with the creative cluster image that Verve tries to build. When asked whether Crest Nicholson did anything different from what they normally do, Ashley was very frank in responding:

No, I did the master plan, everything was fixed, they cannot change it. I put the Diagonal road in. What happened was that, once they (Crest Nicholson) started doing this, they immediately got a 25% primer on value because of the paintworks factor. So, in the end, they let me do what I wanted.

The Marketing Manager added that:

Well, if you go to Crest Nicholson with the same question, they would say yes; but if you ask Verve, they would probably say no. I think in some of the units they put pastel colour there, and that for them was an innovation. There is a clear compromise... It is very interesting, as the two sites look like kind of polar-opposites.

Crest Nicholson contracted Stride Treglown for the residential design and Vital Energi to design and build the community energy scheme and provide 30 years of on-going energy supply and services as the Energy Services Company on the project. Stride Treglown (2019) highlighted its innovation

taking of the design, which is more of a 'fit-in' to the existing atmosphere of Paintworks.

The entire development is constructed on a podium, allowing a network of pedestrianised streets, alleyways, public plazas and courtyards, with car parking hidden away underneath. To build on Paintwork's character, design cues have been taken from the existing development, including materiality and vibrant colours that shines through at every corner. Street furniture encourages residents to venture beyond their front doors and meet each other, while in the centre, a central plaza can be used for markets, open-air cinema and day-to-day amenity space.

It is clear that the tested model of Paintworks reduced the risk for the developers and encouraged them to be slightly more innovative.

Mode of provision

Maclennan and Miao (2017) argue that housing should be included in the discussion on infrastructure and asset distributions, and the mode of housing supply is an important tangible, planned ingredient in urban amenity. This study investigates the different tenures and mix of housing types, and their connections with planning.

In terms of attracting the right tenants, there are two innovative approaches of Verve that are worth noting. First of all, Verve was very clear on what types of tenants it wanted to attract. Ashley remarked that:

Over the years of practice, I notice that, a company, typically with 15 and above members of staff, tends to be insular and self-contained. But companies with 15 or less staff are entirely dependent on their neighbours. So we always put in hub spaces to encourage social interactions and to provide means for people to share technologies and expertise. . . We are very specific about targeting the creative industries, because we are aware there is a short supply of space to talented, creative people in Bristol. What they (the creative people) said was that they like the opportunity to interact with people, their clients also like to come here. That promotes their business as well. We attract our tenants definitely not through rent.

To implement this selective tenant policy, Alder King was instructed to conduct interviews with potential tenants in Phases 1 and 2:

Right from the start, Verve wants to create a community feel. It has a vision of what they want to do from Day 1, and they right stick to it. They were fortunate in identifying the niche in the Bristol market, no one else had. . . so that essentially created the creative cluster first. As soon as we started marketing the Phase 1, we have an interview process, so if you are not creative, you won't come on to the site. Some time ago a financial office wanted to come and buy a unit, they were offering 20% higher than what we were asking for. But Verve said no. Also, when we were giving advice, we could suggest a lease figure to Verve, but they sometimes got back and said, 'no, we are actually happy with something lower'. So, you see, their thinking is that if they treat their tenants fairly, that could help create a sustainable environment.

The second innovation is in the tenure mix. Although Verve is the developer, it 'doesn't want to sell the units, and then leave the whole site to die' [interview: Alder King]. Instead:

There are flexibilities in unit size but also tenure as well. Verve doesn't mind selling the units, but what they did was to set up a long-term lease holding arrangement, so Verve remains freeholder of the site, so it could remain in control of its future development. In Phase 1 and 2, Verve was actually selling 999-year leases, so that won't put people off.

Planning and the planning department in the City Council did not feature strongly in the Paintworks case, as compared to what happened in Baltic Triangle. As mentioned earlier, the Temple Meads area has occupied the central attention of the City Council, as one Officer remarked that:

Temple Meads area has attracted a lot of development. It has a high concentration of offices, little restaurant offers...so in the evenings and at weekends it is almost dead. At the moment this area is kind of being left, waiting to see what could happen. [Officer A from the Regeneration Team, interviewed on 16th Oct 2018]

We are doing a master plan for Temple Meads, one thing is to understand tenants' needs. I have to admit that, traditionally, spatial plan doesn't link well with others such as the employment, we have been thinking on that, such as transport connections with housing and employment. We are still early in that thinking. [Officer B from the Planning Team, interviewed on 16th Oct 2018].

The same interviewee also expressed concerns for Paintworks' current and future development mode, saying that:

Paintworks responded quite well for the future of Bristol (at the beginning), it is independent, colourful and full of characteristics. Subsequently, the development has been pretty much residential-led, and arguably more traditional than innovative.

But as aforementioned, both Verve and the City Council realise the value of supporting each other, although for different purposes. For Verve, it is mainly for getting planning permissions, whereas for the City Council, the reputation and model of Paintworks offer immediate 'best practice'.

In summary, Paintworks' development benefits from: 1) identifying a clear market niche; 2) financial independence; 3) 'early-mover' advantage; 4) creativity of Verve, whose visions are shared by its partners and tenants; and 5) a 'hand-free' attitude of the City Council at the beginning, and a supportive attitude now due to Paintworks' established reputation.

Baltic Triangle, Liverpool

Story so far

Liverpool grew exponentially throughout the 19th century's first wave of globalisation. Founded on the river Mersey, its location became the key route for imported raw materials to reach the industrial mills and factories that supplied Victorian Britain. The first steam powered railway line was built to transport goods from the docks to growing manufacturing bases in Manchester and Lancashire and in doing so the docks created both employment and opportunity for many. At the dawn of the 20th Century, Liverpool still remained a world class maritime city but the decline of the transatlantic cruise industry, growth of large ocean tankers and, ultimately, the lack of demand for raw materials to support domestic manufacturing, led to the deterioration of the docks, loss of employment and opportunities dried-up. The demise of the inner-city residential areas and a huge decline in industry led to social deprivation during the early 1980s.

The latter years of the 20th century were stagnant for Liverpool. A central government report suggested a process of 'managed decline' through withdrawal of financial support for development and social issues in the city (Gardham, 2011). This was never wholly implemented, however several generations of poor and formerly working class stayed on social security benefits in deteriorating areas of the city. Many of those who were educated moved to the South East of England, leaving a huge burden on the people left to do the work in the creative sector, such as run museums, shops and art galleries, with little or no funding and resources. The inevitable 'brain drain' to the South East of England happened consistently for decades. Educated, middle-class, skilled men and women were either commuting or moving away to better paid work and opportunities. As a result, work that was innovative, challenging and world-leading was happening away from Liverpool.

From the mid-1980s onwards, there were small incremental changes in the core infrastructure of the city. Work started to conserve and bring back to use the derelict Albert Dock from 1984 to 2003, taking nearly 20 years where the Tate opened their first regional art gallery outside London in 1994. The music industry as always found a way to innovate in Liverpool. Sony invested in a game development centre for several years and small start-up initiatives were launched at the onset of the new millennium. The city bid to host the European Capital of Culture in 2008 and won (Carter 2010). This gathered momentum and confidence in the City Council, the creatives and tourists. Capital of Culture status puts the spotlight on cities in many ways and allows property investors to speculate. Yet on the local level, there was a shared recognition that those developers are the only long-term winners, often driving up rents for profit in previously run-down areas; areas that were home to burgeoning creative start-ups are now barely affordable. On the other hand, property and land are also recognised as a means of security and business asset, but more importantly for the creative community as a whole.

It is under such inspiration that Baltic Creative Community Interest Company (CIC) was established in 2009 through the City Council's regeneration body, Liverpool Vision, and ACME, which is a public organisation embedded within the City Council whose main remit is to support the creative and digital sectors [Interview with CIC: 18th Oct 2018].

The plan was to purchase, restore and revitalise 18 single-storey warehouses built in the 1980s, covering over 45,000 sqft previously owned by the North West Regional Development Agency in the Baltic Triangle area⁵. This space would be ring-fenced and rented out exclusively to "creative and digital" businesses. Any profit made by the CIC would be reinvested back into the company, enabling it to further acquire deserted land and properties. Located in an underused part of town, between the regenerated Albert Dock and the looming Anglican Cathedral, Baltic Triangle is now a burgeoning creative quarter filled with light industry such as printers and mechanics and arts scene.

⁵See page 4: <https://liverpool.gov.uk/media/9387/baltic-triangle-planning-framework.pdf>

Figure 2: The Jerboa Sculpture and warehouses in front of CIC



Source: Dr Julie T Miao

Baltic Creative started operation formally in October 2012. In less than a year it was fully let with a considerable waiting list. Its current tenants range from well-known, established music producers, app developers, as well as photographers, journalists, digital marketing agencies and developers. Its businesses are rapidly gaining global recognition. The environment offers a collaborative and collegial setting with many tenants receiving work from networks and recommendations fostered in the Creative Campus. The CIC approach is recognised as a fair and sustainable business model and has been replicated by some of Baltic Creatives own tenants as a preferred route to enterprise.

Baltic Triangle is now recognised as a key urban regeneration site by the City Council, which stands in contrast to Paintworks, and speculative development continues to flood in. But how does its housing market react?

Housing sector

Liverpool, like many other reviving cities, is facing a housing shortage and affordability challenges. ECHO (Gouk and Thorp 2018) reported that between April 2009 and March 2016, an average of 713 new homes - a mixture of houses and flats - were built in Liverpool every year, whereas between mid-2009 and mid-2015, the population of the city had risen by an average of 6,047 people every year. That implied for around every eight extra people in the city, one new home is being built, twice as severe as the national average. Population growth in the city centre was more pronounced – with the population increasing by 181% (9,100 to 25,600 people) between 2002 and 2015. In 2016, 62.3% of households living in the city were owners, which was down 9.1% on when ownership peaked in April 2003. The average property price in Liverpool was £163,839 as of July 2018, while the average salary was £23,849. The house price to income ratio is 6.87, significantly higher than the average over the North West region as a whole (Cooper 2018). Private rents in the city currently stand at around £450 per month, which was regarded as higher than most households. On the other hand, the number of social homes being built in the region had plummeted from 873 in 2011/12 to just 49 in 2018 (Gouk and Thorp 2018).

Sitting against this background, in Baltic Triangle, its housing landscape is shaped by three bodies: the developers, who seek opportunities and profits; the City Council, who plan for housing supply; and the Baltic Triangle Area CIC, who run a business model to benefit the interests of the community that it serves in a financially responsible and sustainable way. But without financial and political power, CIC, at the moment, is mainly an influencer, albeit a strong influencer, of the local housing development schemes. What is also unique about Liverpool is the close partnership between the several independent arts and creative groups and the city. Both sides recognise the benefit creation cycle where artists and culture add value to a place, and people become attracted to these environments – for entertainment, leisure and work. Recently several newspaper reports have highlighted key enabling factors for the growth of Liverpool such as affordability of housing, currently 40% cheaper than the average home in the UK (Lewis, 2016), and its status as the 2nd happiest city to work in the UK (Seager, 2016) due to an open and collaborative culture. But there is also recognition that where there is a growing arts and creative economy, it attracts developers to capitalise on the land value.

The following sections will discuss the implication of the growing Baltic Triangle on local housing sector in detail.

Work-life balance

The existing planning document for Baltic is the planning framework released in 2008. It was framed while the Liverpool Unitary Development Plan & Local Development Framework (UDP) was still in use. UDP defined the Baltic Triangle area as a primarily industrial area. Nonetheless, the subsequent plans had identified Liverpool city centre as a priority for regeneration which also extended to the Baltic area as a potential mixed-use site, and this was identified within the City Centre South “Zone of Opportunity” under the Housing Market Renewal initiative.

The Baltic forms the edge of the city centre and the buffer zone between the centre and Inner Core. Consequently, The Baltic Planning Framework requires that the new residential community within the area respect this distinction and be a mix of owner-occupied, apartment living and housing. This framework required an appropriate housing balance so that the Baltic would not become another part of the city centre that had been taken over by one and two-bed apartments. To reflect the features of local landmarks, buildings in Baltic Triangle are required to be developed with mid-range height (1-10 storeys). It was envisaged that 70% of the parking provision should be developed at basement level. For residential developments exceeding 25 dwellings, the City Council required developers to make provision for recreational open space.

Good work-life balance was emphasised and the Baltic Planning Framework intends to achieve this through the whole Baltic area⁶. Specifically, Area A was defined as ‘primarily commercial use’, such as hotels and Grade A offices. Area B concentrated the majority of existing housing permissions. The planning framework required that apartments in this area should be designed to encourage a mix of housing types and tenures, in order to cultivate a sustainable community. Area C was largely empty and was planned to accommodate a rich mix of uses including residential, offices, a public square and multi-storey car park. Area D was predominantly for business use and the plan would like to consolidate this, turning this area into an employment district. Complementary residential uses on upper floors were also encouraged to create further mixed use.

My interviewees, however, pointed out that most people working in Baltic do not actually live there. Nonetheless, a good work-life balance is achievable as remarked by many employees, due to the proximity of Baltic Triangle to major urban amenities, the relatively small size of Liverpool, and the wider availability of affordable housing.

⁶ See page 34: <https://liverpool.gov.uk/media/9387/baltic-triangle-planning-framework.pdf>

Of particular interest to this study is the local appetite for mixed-use housing. My interviewees valued its importance. Some mentioned that:

Yes, you do need 'live-work' mix, because if nobody lives here, then there are certain things that cannot happen. Without the mixed-use, you cannot have a sustainable community. [interview: Liverpool combined authority, 17th Oct 2018]

In terms of the shared model, potentially for people working in similar industries, living together could help bouncing ideas around. It would also facilitate working at extra hours, as creative people do. [interview: Regenda Homes, 19th Oct 2018]

The reality, however, might be counterintuitive, as in the Bristol case. Mixed-use might be intended on a whole development zone, but not so many mixed-use houses got built in Liverpool and in Baltic. Verve, in the Bristol case, articulated the reasons from the financial/development side. Here, one manager in Regenda Homes explained more:

Live-work accommodation hasn't seen a lot developed in Britain. It happens more and more in London, and I think it happens a bit in Manchester, but not so much in Liverpool yet. Regarding the reasons, I think the living and working pattern in the UK is still very traditional: people commute to work, and then go back to the suburbs; to separate work and life. Perhaps it is less important now in London... I suppose we are just traditional on housing.

The low demand and potential higher risk of mixed-use has resulted in the low supply of mixed-use housing. Regenda Homes, a not-for-profit housing association, was among the few housing suppliers that have explored the possibility together with CIC:

We have begun to explore opportunities in the Baltic triangle. On the basis that we could work with the Area CIC to provide some live-work space, potentially for people working in the digital industry. We are very interested in this mixed-use project, we not only will have some residential blocks but also sharing some commercial spaces on the lower floors. Through that we developed some property prototypes, essentially shared houses/apartments with shared work spaces, or shared accommodation but with easy access to commercial space underneath... so essential live-work in the same place.

Similarly, CIC has been proactively exploring the possibilities of offering mixed-use spaces.

There is a property we own, a typical low value, low rise property. We have plans to build 10 stories here. We are looking at that with a housing developer. We are thinking about using some of the social housing units as rental units, together with some co-living spaces. Essentially, we view it as an opportunity to sell our properties not only as a place to work but also a place for young staff to live (as short rental). We workshoped this with 7-8 business owners and got very positive feedback – they would take residential spaces from us, to put their guests and visitors there.

All these explorative works, however, had not gone very far at the time of writing. Regenda Homes explained the reason.

It was not feasible from our point of view... There is some limits in Baltic in terms of what you could get on that site... What we explored with CIC was to lease the commercial space back to it. But we need a certain number of residential units to make the space below work... Beyond that, there are some physical challenges as well. Like I said, this is already a dense area, so parking is quite an issue. But it costs millions of pounds to build an underground car park. The only way we could do that is to go higher... but then there is the height limit, particularly to ensure the visibility of the cathedral and the sea views from the waterfront... So the parking issue, the visibility issue, and the height limit all make it less feasible.

Therefore, the issues relating to partnership, finance and planning constraints further limit the supply of mixed-use housing in Baltic. The biggest barrier has been value and finance.

Location of provision

Several regeneration masterplans had overlapped with Baltic Triangle. These include the St. James Place Gateway Study, which aimed at transforming St. James Place from an unwelcoming, fragmented and rundown housing area into a new, mixed-use hub and gateway to the city centre. The framework recommended high-density housing, commercial and retail space along Parliament St. and St. James Place, towards the South Side of Baltic, with medium density (3-4 storey) housing adjacent.

Great George St. redevelopment on the East Side of Baltic was another initiative launched in 2004 with the aim of bringing forward the redevelopment of Great George Housing Estate. The masterplan proposed for the site involved the demolition of most of the existing stock and the development of a mixed tenure residential development, incorporating both houses and apartments. The masterplan seeks to enhance pedestrian links to Great George Street from the Baltic Triangle and Ropewalks.

The North Side of Baltic merged into the city centre, so traditionally, this was where most of the housing stock and new supply happens.

According to CIC, half of the Baltic area was used as residential; the other was for commercial. But different from Paintworks, which features a clear boundary and a single land ownership, Baltic is a loosely defined area, and there is no neighbourhood development plan in place that can be used as a guideline for further residential development. What Figure 6 presents is a very broad-brushed zoning for different land usages. In the words of a manager from the Liverpool City Residential:

Notably the residential redevelopment happened in Baltic is what I could describe as poor quality residential. There are a lot of studio (flats) being built; a lot of student-focused development. ... we are not building the right type of properties that people do actually want to come and live in [interview: 18th Oct 2019].

Mode of Provision

Housing provision in Baltic is primarily market driven. Housing ownership dominated the current tenure structure. A local activist, however, bitterly complained about the near non-existence of social housing:

There is a severe lack of affordable housing/social housing in the city centre. [I think] There is only one model in Liverpool, we might call the capitalist free market model of city development. Developers are not obligated, and they are not thinking of, creating the kind of apartments that families want to live in, or affordable apartment, or for older people. We have a huge number of people who will need to sell their big houses and move to smaller accommodations, but no one is building that yet. Of course, in the UK there is a scheme requires a certain number of social housing. Liverpool however already has a higher proportion of social housing. Therefore, when new housing comes on, it is not difficult to show there is already high proportion of social housing, so no requirement for new-built. That means we are creating a city centre with virtually no social housing, there are only one or two very tiny developments. In terms of new apartment built, there is none. The impact is that we are creating a city centre that lower incomes feel excluded. It is not an option for them. It means that, demographically, the city is unbalanced [interview: 19th Oct 2018].

Other severe concerns raised by property professions, local activists, as well as the Baltic Area CIC, were around the over-supply of student accommodation and the fractional sales used by many local developers.

For student accommodations, Liverpool City Residential (2018) reported that Liverpool had outperformed the UK in terms of attracting students for the past three years. But the concern was that there was no guarantee that this performance would continue. An interview with one manager in this company revealed his feeling about Baltic:

Although Baltic is perceived as a successful example of regeneration, I do not think it brings a good live and work mix, just yet. People want to live in Baltic. But Baltic is crying out for 'normal residential', not the blocks built just for the investors and students. [interview: 19th Oct 2018].

Fractional sales have been used by developers to secure investment before they complete the project. The use of fractional sales is not uncommon given the long development cycle and the difficulty of borrowing. But in Liverpool, two accompanying phenomena have raised the criticisms of many interviewees.

The first is their gentrification effect. At least three of my interviewees described the process:

The relation between creativity, regeneration and housing is where the city [of Liverpool] is lack of planning. We are very fortunate that Baltic Creative was set up with its own premise, enabling CIC to buy other premises, so a certain number of creative industries was protected under the umbrella of the CIC. However, the CIC is not big enough to cover anybody who would like to work in this area, because this area is suffering from enormous process of gentrification. It happened when creatives came to a pretty run-down area, which this area used to be. Following the normal process, when creative industry comes to cheap places with low land value, they were able to set up industries pretty cheaply, which enables them to really develop their products. Then because this area becomes attractive to live, land value starts to rise, making it possible for speculators to come in very quickly, buying low grade buildings, demolishing them and building high-rises. [interview: Engage Liverpool, 19th Oct 2018].

The second concern relates to the illegal conducts of the sales in Liverpool. Investigation by Thomas, Houghton and Thorpe (2018), for example, revealed that investors could be left £90m out of pocket. Some high-profile stalled developments in Liverpool include three by developer North Point Global, which had announced it was quitting the city. Those developments are New Chinatown, Pall Mall and Baltic House (Figure 7, below). Under pressure, the Council created a Fractional Investment and Development Scrutiny Panel in 2018 to explore how fractional sales developments were progressing in the city.

One of my interviewees described this conduct:

Fractional sale is a very complicated process, it is a scam, predominantly in Liverpool more than anywhere else...We are sitting opposite a stalled high-rise building. Nobody is working on for 12 months, exactly because they are using fractional sales, to go to Asia, particularly China, to get people to invest in this project, using the brand of the City Council, to gain credibility, and then just go bankrupt. This is happening in a number of places in Liverpool, not just Baltic [interview: Engage Liverpool, 19th Oct 2018].

Cross-case discussions

This section will compare findings from both cases, in order to identify the similarities and differences relating to the following three key themes: 1) the relationship between creative/digital industries and housing; 2) the innovative elements in the two cases; and 3) the role of planning.

The relationship between creative/digital industries and housing

There is no explicit relationship emerging from the two case studies, despite the growing literature pointing out the special housing needs and desires of knowledge workers and the creative class. The validity of this finding is particularly strong given the contradictory, yet representative, nature of the two cases: Paintworks stands out as a well-planned, private project with clear boundary and financial independence. Cultivating a good community feeling and providing mixed live-work spaces are among the deliberate efforts of Verve. Even its latest housing partner, Crest Nicholson, has been influenced by the vision and fashion of Paintworks. In comparison, Baltic Triangle is loosely defined, lacks a coherent plan, and is missing dominant drivers in its development. Although Baltic Area CIC is very influential, its small scale and limited financial liability means that CIC will hardly be the key shaper of the housing development in this area. The new Spatial Framework will, the Area hopes, have legislative planning teeth. Currently private property developers and, to a lesser extent, the planning authority, play a bigger role here. But in both cases, this study reveals that the mixed-use housing development was not successful. In Paintworks, tenants turned mix-use into single-use; in Baltic, there was hardly any mixed-use housing provided.

The finding went against the common wisdom about the prototype creative class – who tends to work over-time and/or in abnormal hours. Three reasons are plausible here:

1) Financial constraint: mixed-use projects tend to find it harder to get funding from the main street banks. The tax regime further complicated the situation as residential and commercial are subject to different taxation. So, for investors, the activities to put in these spaces are primarily determined by the current market rent levels. There are two potential solutions. First, the project developers would choose to only lease these properties to avoid the complexities in taxation and investment rush, as Verve has done. But this puts financial pressure on the developers. The second solution is to target those creative classes who are genuine home-buyers. So, they have the real needs of using these properties as homes. The attachment of a working space is more like a bonus but would very likely add value to the housing. But this solution adds administration costs to developers/marketing agencies.

Since neither solution is viable at this stage, what we see are highly limited or altered-usages of mixed living-working spaces.

2) Planning constraint: as explained earlier, there is no planning code for mixed-use, so planners have to add conditions on mixed-use, which in turn, tend to bring extra development risks. In Liverpool, CIC has been proactive in exploring bottom-up solutions, and there were developers who were sympathetic to the small digital start-ups. But planning constrictions on height, car park, and density all made it financially less attractive.

3) Convention constraint: this applies to both supply and demand sides. For the former, both commercial and housing developers are risk-averse and are content in their comfort zones. For the latter, the bulk of consumers, even many creative classes, are still used to the traditional look and feel of housing, and the custom of separating life and work. The strong path dependency nature in the housing sector is therefore verified.

The innovative elements in the two cases

Since the housing sector was lacking innovative elements, what practices in these two cases are novel? Here divergence emerged most notably from the two sites.

In Paintworks, its development model, development sequence and project design are the most important innovations that support the success of this project. Verve conducted detailed market analysis and has, from the very beginning, led the development trajectory of Paintworks. The simplicity of the shareholder structure ensures the implementation of the company's vision. In terms of development sequence, Verve started with commercial properties in order to assemble employment and cultivate a crucial mass. It was only in the later stage that residential and service functions were added in. This was a deliberate choice made by Verve instead of an ad hoc process. For the design of this place, Verve believed in 'honesty and simplicity', i.e., everything exists for a reason and function, not just for the sake of design.

In Baltic, the strong bottom-up culture and the formation of CIC are most noteworthy. Although initially set up as a trust, CIC successfully fulfilled its target set by the funders and essentially turned itself into a development company with social interests and targeted tenants (digital companies). But the proactive role of this company in assembling the initial digital cluster and providing value-added services has meant that it contributes to, as well as benefits from, Baltic's growth. Together with CIC, there are a network of proactive businessmen in the Baltic areas, who share a similar vision for this area and want to shape its further development. As remarked by the Managing Director of CIC, ever since 2012, 6-7 business managers in Baltic all agreed on a vision for this area. They produced a Vision Manifesto of what they wanted this area to be, and shared it with their tenants, shareholders and potential investor. The purpose was to bring on board further investors/developers to reflect this vision. Such bottom-up initiatives are now too strong to be totally ignored by the local council, to which we now turn.

The role of planning and land ownership

A similar evolution in the planning engagement in the two cases can be distilled. It started with little interest ('so low on the priority list in Bristol' and 'dry and vague planning framework in Liverpool'), and then slowly grows as the two sites gain a reputation. But the growing attention more often comes with a restrictive nature than support. In Paintworks, stricter planning speculations were conducted, and it took longer and longer to get planning permissions. In Baltic, planning interventions took the form of planning frameworks, and the restrictions on height and densities. CIC was not very supportive of these planning controls, as they essentially depress the area's growth, which would exacerbate speculative development.

On the other hand, most private interviewees admitted the importance of keeping a good relationship with the planning authorities. It was for a smooth development/planning approval in the case of Paintworks and for shaping the future of an area in the case of Baltic. At the same time, the future development of the two cases does need more planning attention as well, both for the purpose of getting more infrastructure investment and for wider investment promotions.

Land ownership also becomes an influential factor that shapes how the two cases are evolving and how planning authorities are able to exert their imprint. Verve bought the land from the Council at the start and has since been managing this site as the single land owner, so Paintworks is able to retain a coherent morphology and a relatively healthy mix of property types. Although being out of the centre might be regarded as a downside by the creative class literature, Verve and its property management agency have been clever and selective in choosing tenants. In Baltic, land is still scattered across different owners, with the City Council being one of the largest asset owners. Here public entrepreneurship might come into the scene as well, given that maximising the land revenue might sometimes overtake the 'public interest' of subsidising the artists and the creatives.

Conclusion

This study was conceived against the rising importance of innovation and creativity in growth. To attract increasingly mobile knowledge workers and the creative class, a good quality of place, including a hybrid offering of amenities, is considered to be of greater importance. Housing is part of the urban amenities, but there is a dearth of understanding on its particular roles in the whole knowledge economy discussion. This report identified three mechanisms.

The first area is in relation to housing services. There is now an emerging consensus that innovation has replaced factor inputs as the key driver for productivity growth and competitiveness. Although the housing sector has been more resilient to changes, we do see new practice and new technologies being adopted. Housing financing and marketing have perhaps gone the furthest in terms of embracing innovations.

Second relates to the housing products offered. There is preliminary evidence that knowledge workers and the creative class have peculiar tastes in consumption. They tend to prefer personalised design and the freedom of shaping places in their own way. More widely, we see a growing number of home-based businesses and the violation of the traditional 9-5 working patterns. Life-work-play are more and more integrated, especially for the creative workers. Responding to these changes, we could perceive more bespoke housing on offer, where multiple functions could be organised under one roof.

Last, but not least, to accommodate and to support innovations in the housing sector, planning regulations and the wider policy frameworks need to be adaptive as well. Novel partnerships between the public and private sectors are also necessary to facilitate innovation. Strategic planning frameworks, which draw inputs from the citizens, organisations and professionals, should also provide flexibilities, and the mechanisms to realise these flexibilities, for future changes.

A fuller account of all three spheres is beyond the scope of this project. Instead, this project focuses on the housing products offered in Paintworks Bristol and Baltic Triangle Liverpool, in order to distil: the work-life balance; the location of housing provision; and the mode of provision. Yet in examining these three themes, this report did manage to unveil other important issues surrounding the potential innovative practice in the housing sector, and whether/how developers, local communities and city councils join forces to meet housing demand from their burgeoning creative sectors.

The primary angle I used to explore the work-life balance was through the offering of mixed-use housing. Findings from both cases, surprisingly, went against the literature in that there was a low supply and low demand for mixed-use. On the supply side, risk-aversion by both the builders and the financial sector explained the reason of such small uptake. On the one hand, local and regional developers in the UK are highly specialised and focused on what they have been developing in the past. Knowledge gaps and the lack of market evidence on mixed-use housing scared most of them off. On the other hand, the high street bankers are equally nervous with new housing types and the potential complexities involved. Verve in Paintworks managed to trial some mixed-use, because it has the land ownership, it has experience, and it is not subjected to financial constraints. All three are important enabling factors in this case. On the demand side, it is also interesting to find the strong traditional taste in housing consumptions, perhaps even among some creative workers. So, the presumed blurring of work and live is to a certain extent exaggerated, or highly context-dependent – as the extant empirical studies that verify the unique housing desires of the creative class are predominantly based in the most innovative regions, such as London, New York and San Francisco. Their younger, mix-ethnic demographic compositions also help in this regard. Many interviewees saw the market potential of mixed-use, but they also admitted that the time of mass production was not ripe yet, at least in Bristol and Liverpool.

In terms of the location of housing supply and the location preference of knowledge workers, academic literature tends to support the urban orientation of knowledge workers in choosing where to live. Related, mixed land use of residential, office, retail and open spaces, is perceived as beneficial to support the urbanisation economy, and being socially and environmentally sustainable. In both cases, mixed land use was emphasised. Yet Paintworks followed a bottom-up approach and Baltic was top-down planned in implementing this strategy. The key rationale was to develop a community instead of just office blocks. Incorporating residential would help subsidise services and justify a wider variety of retail provision. However, two unforeseen challenges were identified in the two cases. First, the mismatch between live and work still existed, as people who bought the houses or apartments in Paintworks and Baltic were often not those who worked there. The reasons were twofold. First, both cities were geographically compact enough to allow commuting in a reasonable time frame. Second, a certain degree of speculation could be detected in both cases; and in Liverpool, in particular, when there was no unified land ownership, and when local development and regeneration pressures loomed large on the City Council. Further research will be needed to depict a clearer picture regarding the implementation and impact of mixed-use planning in reality.

When exploring the housing supply mode, the two cases offered interesting contradictions on various fronts. Paintworks used long-term leases to retain its ownership and control of the site, while at the same time did not discourage investors and home-buyers. Baltic in comparison was dominated by home-ownership. It was also much more fragmented and subjected to several planning frameworks in its adjacent areas. Second, Paintworks developed some mixed-use housing at the beginning, and it was not until Phase 3 that a private developer was brought in – which was happy to follow the established architecture styles and layout of Paintworks. In Baltic, private local developers were the main housing suppliers. Fragmentation and speculation were noticeable from the large number of student apartments built within and surrounding Baltic. The geographical proximity of Baltic to the city centre and the waterfront further fuelled speculative investment. Planning frameworks and the relationship between the local stakeholders and the City Council were the third difference between the two cases. There was no explicit planning regulation for Paintworks and the City Council was perceived as taking an ‘experimental attitude’ towards what Verve was doing. Conversely, Baltic was subjected to a loosely defined planning framework early on, and a neighbourhood plan was on the agenda for a while. But local businesses perceived these frameworks as a lack of consultation and imagination. Instead, some active players, such as CIC, were proactive in disseminating their own visions for Baltic.

Perhaps the only similarity shared by the two cases, was the growing difficulty of working with the planning authorities. In the case of Paintworks, its growing reputation and public exposure means that the City Council needs to have tighter speculations and regulations. In Baltic, the drained resources in local authority adversely impact the energy they were willing, or able to, devote to work with the local small businesses. As a result, locally initiated innovations in housing and other sectors might be undermined in the long run.

All in all, the two cases demonstrated that, there is still a long way to go before we could notice any significant innovations in the housing sector. The practice of Paintworks in offering mixed-use housing was encouraging, but its business model was an exception to the norm. Conversely, what happened in Baltic might be more representative of the wider creative and digital sectors in the UK. It would be worthwhile to follow these two cases when their combined city regional governments and their city council housing companies become more mature.

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