

**AVISON  
YOUNG**



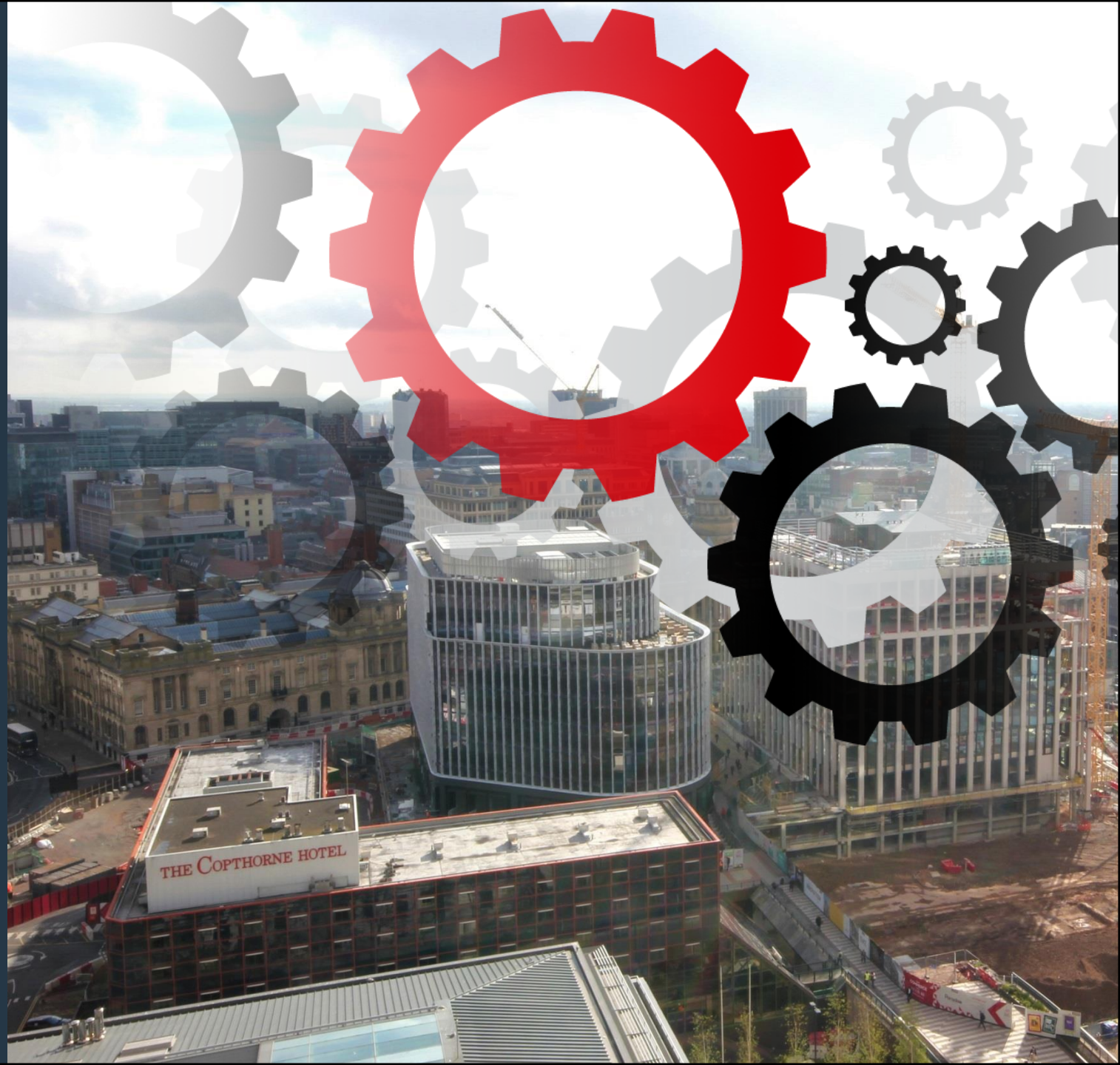
**Birmingham**  
City Council

# The Economics of Regeneration

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# Local Authorities role in driving forward regeneration

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# The ingredients



**Greater certainty  
over outcomes**

**A need to drive  
additional revenues**

**Increased  
expectations**

**Ambition to drive  
inclusive growth**



## The outcome

Proliferation of public/ private partnerships, mostly limited liability partnerships

Council controlled wholly owned company's

Increased level of Council borrowing to facilitate regeneration activity and acquisition of additional assets

# Drivers for Local Authority participation in regeneration

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# The drivers

- Cities/Towns need to embrace constant change, or stagnate
- Best performing areas take responsibility for their own development
- Market forces impacting economy, the high street is no longer what it once was
- Need to take responsibility for inward investment, job creation and safeguarding
- Taking responsibility for social cohesion
- Need to explore new ways to generate revenue as part of the budget strategy
- Maximising value of legacy assets



# Big City Plan and the Enterprise Zone

## Birmingham Council

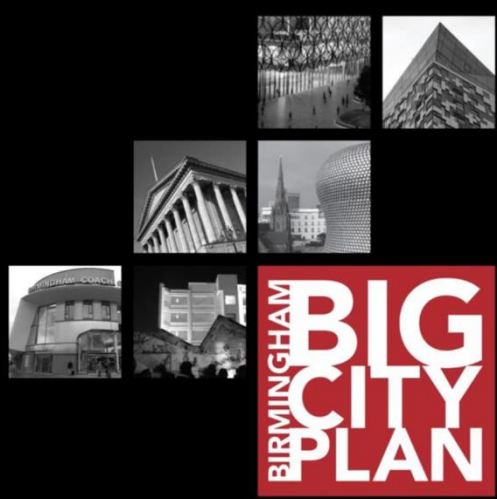
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CITY CENTRE MASTERPLAN

Sept 2010





CITY CENTRE MASTERPLAN  
Sept 2010

The Creation of the Big City Plan has been integral in providing a framework for regeneration in the Birmingham

The plan was developed in response to

- Forecast Population increases
- Requirement for the delivery of new homes
- Enabling job retention and creation

Delivery of the vision behind the Big City Plan has been made possible by establishing a City Centre Enterprise Zone

The EZ duration - 2013/14 to 2045/46

Capital investment fund of £986m

Public sector borrowing repaid through business rates growth

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# Case study

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An architectural rendering of a modern urban development. On the left is a large, historic stone building with a clock tower. The central focus is a multi-story building with a glass and white metal facade, featuring several levels of outdoor terraces. In the foreground, a large, paved public square is filled with people walking and sitting. A prominent feature is a large, ornate fountain with a central spire and water spraying upwards. To the right, a curved building with a glass facade houses an outdoor cafe with white umbrellas. The background shows a city skyline under a cloudy sky.

# Paradise Circus

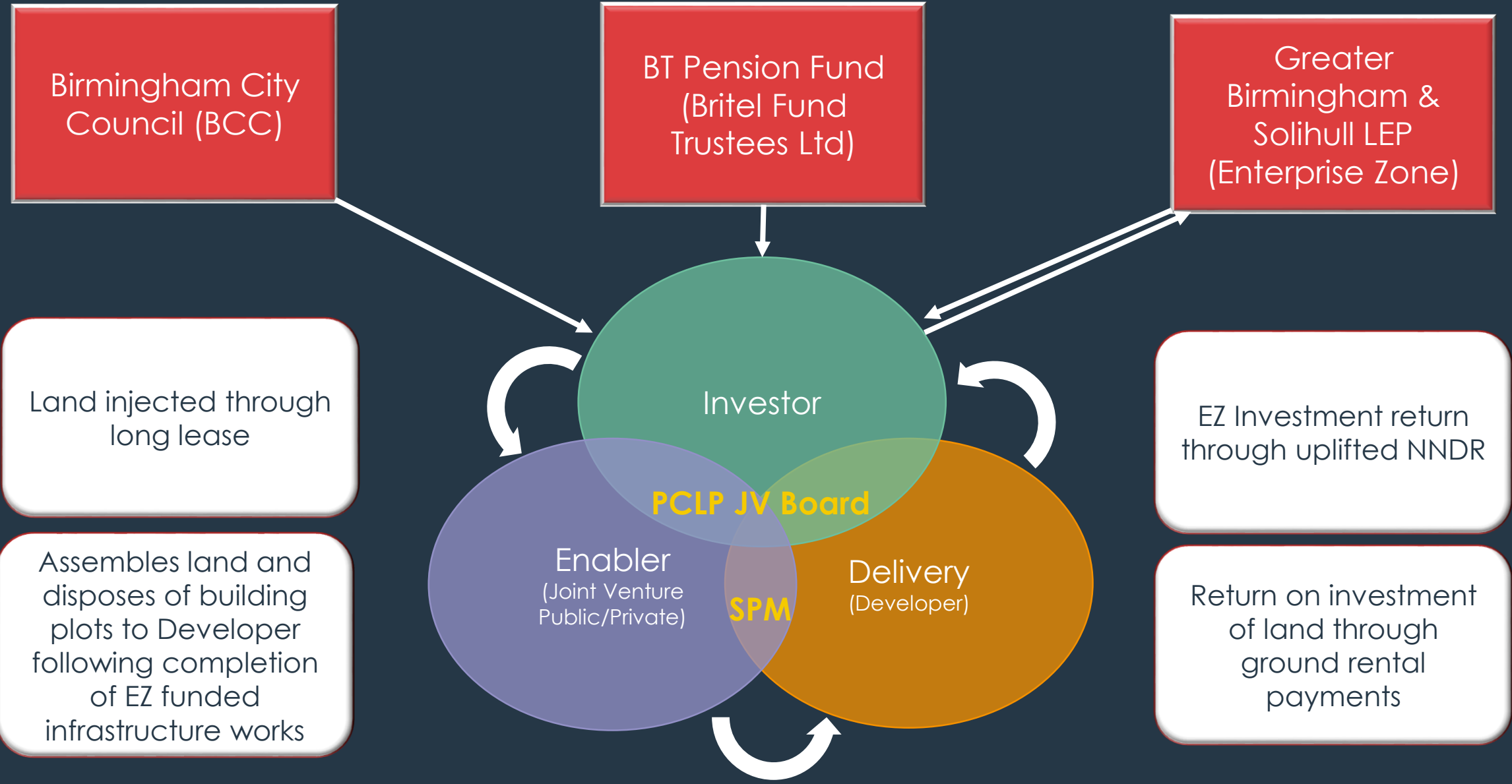






ONE  
CENTENARY  
WAY





Birmingham City Council (BCC)

BT Pension Fund (Britel Fund Trustees Ltd)

Greater Birmingham & Solihull LEP (Enterprise Zone)

Investor

PCLP JV Board

Enabler (Joint Venture Public/Private)

Delivery (Developer)

SPM

Land injected through long lease

Assembles land and disposes of building plots to Developer following completion of EZ funded infrastructure works

EZ Investment return through uplifted NNDR

Return on investment of land through ground rental payments



# Key aspects of the project structure

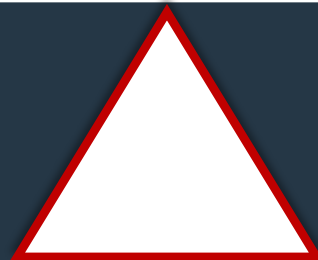
- EZ funding and methodology
- Ground rent / long term income
- Revenue neutrality
- Flexibility to appoint development expertise
- Working Capital Facility
- Commercial IRR



Balancing the competing objectives of regeneration. How can it be done?

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- Need to create a structure that addresses -  
set up costs, preparation works, borrowing and lost property income
- A need for creative delivery structure to encourage and enable economic investment
- How can we utilise property taxes to unlock development, whilst EZ were in their infancy
  - How do we ensure risk is managed by the people best placed to manage it
- How do we get the best results from scarce Council resources
  - How does the Authority manage early project deficits
- How can the project unlock investment, new jobs, prosperity
  - Sequencing of investment decisions is critical



# Lessons Learnt

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A dark blue rectangular sign with the word "OPEN" in white, bold, sans-serif capital letters. The sign is suspended by two silver metal chains. The background is dark and out of focus, featuring several warm, yellowish-gold bokeh lights and a blue light source in the upper left corner.

**OPEN**

# Finding the right partner?



- Being able to weather the storm  
- scale, experience and resilience
- Shared values and aligned objectives
- Ability to take a long term view, developer vs. investor
- Patient capital
- Providing funding in the early years of project delivery
- Prepared to stand behind public borrowing supporting the infrastructure investment, rates guarantee

# PARTNERSHIP



# Need for effective advice

Ensure to use your professional advisors effectively and up skill your own employees

Appoint a broad range of advisors that are aligned to your objectives

Expertise or rather the right expertise

Cost shouldn't be the determining factor for making appointments, VFM is key

Free up council employees to work on projects

Learn from each other and share expertise

Be brave





And finally...

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# Here to help

Avison Young locations



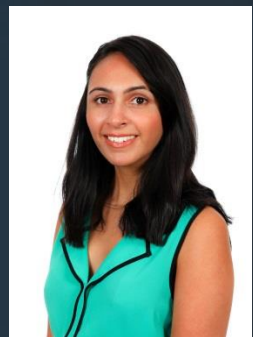
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