



Resuscitating Urban Regeneration: Surgery or Supplements?

Executive Summary

Property Intelligence

Spring 2010

Executive summary

GVA Grimley is pleased to present this latest Thought Leadership report on urban regeneration. We would like to recognise input from PPS, a leading communications consultancy well known for their work in complex policy areas, into the report. At this time, regeneration is going through a very challenging phase. Physical regeneration has stalled, whilst social and economic regeneration has failed to address long-standing deprivation and equality issues, despite many success stories.

The Issue

- Regeneration has been costly. We estimate that regeneration has seen upwards of £180 billion from central government over the last 20 years. Alongside local authority and private sector investment, regeneration may well have seen in excess of £720 billion of funding – slightly less than the current national debt of the UK.
- Going forward there is going to be limited funding from the public purse for regeneration – we may be lucky to

get three-quarters of what we have had over past decades. Creating more successful regeneration is therefore going to be of critical importance to maximise return on investment and effort going forward

- GVA Grimley and PPS have examined the potential solutions to the regeneration crisis. This includes a number of practical measures for securing funding over the short-term, to more fundamental changes to the regeneration agenda.

- The implications for regeneration of the plans and policies put forward by the main political parties are also identified, including potential responses from the regeneration sector.
- The Executive Summary highlights a number of our conclusions and recommendations. Further explanation is provided in the Key Findings report.

The Solution

- Over the short to medium term access to funds is going to be a critical issue to maintain momentum in delivering and improving regeneration. A significant 'untapped' source includes banks and major funds that have, and are setting up, funds for such investment.
- There are also funding opportunities from within the public sector, which require a focus on smarter delivery and resource management to unlock. This may release access to assets in excess of £230 billion.
- There is an alternative approach being developed to release these opportunities in the public and private sector, which GVA Grimley are progressing with a range of organisations. This revolves around the coordinated delivery of place-making regeneration, and ranges from a 'packaged portfolio' focus at one level, to a 'capacity enhancement' focus at the other.
- This requires suitable 'de-risking' from the public sector, which involves having a suitable and appropriate strategy in place to support regeneration. Critically, this includes addressing socio-economic needs.





The Funding Models

- To support the above we have identified a number of specific measures by which funds can be achieved, although they do need to be tailored to individual circumstances.
- We discuss each of these measures in more detail in our Key Findings, which range from the emerging 'new funds on the block', such as JESSICA and TIFs, to more innovative measures we are engaged in, such as regeneration 'design, build, manage and operate' schemes and green enterprise districts.
- Underlying this, however, is the need for a more fundamental review of the purpose and delivery of regeneration. This revolves around the need for governance change in the UK, including the securitisation of local taxation returns to support regeneration. The success of regeneration will, in fact, be about more than just money, but will require that regeneration forms part of an integral outcome of the taxation system.
- Political will and a positive policy landscape needs to work with the public and private sector to drive forward change. Difficult decisions will need to be taken to achieve a positive outcome in the long-term.

The Justification

- Regeneration can provide a good investment return – as good as commercial property as a whole. This is reinforced from our analysis at local authority level. What is particularly interesting, however, is that this is not necessarily dependent upon economic

or context conditions in the local authority as a whole.

- Also, given that almost £31 billion is spent each year on addressing social exclusion issues, then regeneration measures that successfully tackle such problems can pay for themselves.
- Even a 20% reduction in the disparity between the most deprived 10% of neighbourhoods and the national average could, we estimate, release £1.2 billion of funds each year. This ignores potential tax receipt benefits to the Treasury as well the general 'well being' benefits to individuals

Recommendations

- A series of key recommendations have been developed on the basis of the research. These are summarised below by major interest group.

Public Sector

- **Simplify.** Simplify processes, procedures and agencies involved in regeneration. More needs to be done with less.
- **Synthesize.** Bundle services and opportunities where they can be and where appropriate.
- **Identify.** Identify the unique selling points of regeneration initiatives, and how this fits into the competitive advantage of the local authority or area.
- **Clarify.** Focus on the 'de-risking' of regeneration, by providing an appropriate and agreed strategy for regeneration activity.
- **Quantify.** Select appropriate funding measures and mechanisms to support the regeneration strategy.

- **Engage.** Maintain and enhance engagement with communities and the private sector.

Investors

- **Focus.** Investment in locations and opportunities outside of the normal investment parameters should be considered.
- **Timescale.** Investment and engagement over the long-term is needed to secure optimal regeneration investment returns under the new economic context.
- **Models.** Innovative and alternative funding models should be explored with the public sector. This will mean highlighting the range of ways in which the private sector can become involved in regeneration, as it is not always apparent to local authorities and the public sector.

Developers

- **Geography.** Good regeneration development returns can be obtained in a wide variety of contexts, so consideration should be given to regeneration opportunities in what are perceived as challenged locations.
- **Role of Property.** Property needs to be recognised as 'part of the solution' rather than being 'the solution'.
- **Engagement.** Related to the above, effective engagement with the public sector, the third sector and communities is vital.
- **Funding Options.** Explore long-term funding stream options with public sector partners, as long-term commitment will be sought from private sector partners.

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