



**LOCAL
PARTNERSHIPS**

BIRMINGHAM CITY COUNCIL

Using assets for growth



Case Study: TIF Paradise Circus

Background

Paradise Circus opened in the 1970s as a mixed retail area featuring a new Birmingham Central Library at its heart. Since that time, the City has seen the redevelopment of Westside including Brindley Place, the International Convention Centre, National Indoor Arena and latterly the new Library of Birmingham. Major work has also been undertaken in the existing City Centre, including the Bullring and Mailbox developments and the current redevelopment of New Street Station.



The re-development of Paradise Circus represents a key priority within the masterplan for Birmingham's city centre.

As a high profile city centre site providing the link between many of the aforementioned developments, it has been recognised that far from complementing the regeneration of the City, Paradise Circus is a major barrier to the pivotal linkage that joins up the quarters of the City

Finding the right partners

The scheme is being taken forward as a joint venture partnership between Birmingham City Council (BCC) and the British Telecom Pension Scheme (BTPS), the two major land holders across the site.

The joint venture has been set up as a 50:50 limited partnership rather than a limited liability partnership as pension funds cannot invest in property through the latter without losing their tax exemption status.

The governance and spirit of partnership working is considered to be a key success factor with both parties valuing and respecting what each is bringing to the relationship and roles being ascribed in accordance with these relative strengths.

Each partner has two nominated directors on the Board and there is a monthly Board meeting which has a strong, practical focus driving progress and enforcing diligence.

The joint venture's role is to obtain the necessary consents; assemble the land, undertake demolitions and deliver servicing and infrastructure that produces viable developable plots.

Knowing and navigating financial risk

The cost of such works which includes demolition of existing buildings including the existing central library and major alterations to the highways and utilities infrastructure is £83.392m. This, along with the working capital needs of the joint venture over its lifetime, represents a substantial investment for both joint venture partners. These have been split between them with BTPS funding the working capital and BCC using prudential borrowing powers to provide the capital finance.

An important characteristic of the Paradise Circus development that enables BCC to provide the capital finance is that it has Enterprise Zone status. This allows BCC to retain all business rates collected across the site for 25 years, providing an income stream to help repay the borrowing incurred by BCC on behalf of the joint venture.

The amount of funding required from BCC, creates a significant liability for the Council which could place a considerable burden on its finances if there is an adverse variance in the scale and timing of development. Hence, it has performed rigorous financial modelling throughout the process to retain a strong understanding of the impact of development programme changes on its business rates income stream and loan repayment obligations. This financial modelling has been undertaken and maintained internally to ensure that the knowledge and understanding is retained within BCC.

The planned development programme is in three phases with the intention that all sites are drawn down and developed by 2027.

BCC and BTPS, through Argent, have a long standing, successful working relationship, forged through the development of Brindley Place where the commercial acumen of Argent and land assembly abilities of BCC are recognised as key strengths.

The joint venture entity will be collapsed on completion and a freehold interest in the site will be retained by the Council, which will then benefit from a ground rent from the site through the head leases.

Using external consultancy

It has also been important to get external, independent input to the scheme's development and BCC has drawn on consultancy support to help produce the business case and validate the outputs. However, the work has been BCC led, which is considered important given the sensitivity of the Council's finances to the scheme.



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