



West Midlands
Combined Authority

Housing & Land Delivery Board

Date	7 July 2021
Report title	Commercial and Employment Land Fund Proposal with Supporting Delivery Strategy
Portfolio Lead	Housing & Land - Councillor Mike Bird
Accountable Chief Executive	Laura Shoaf, West Midlands Combined Authority
Accountable Employees	Gareth Bradford, Director of Housing & Regeneration (Accountable Director) Patricia Willoughby, Head of Policy (Housing & Regeneration) (Senior Reporting Officer) Amanda Holland, Strategic Delivery Advisor (Report Author)
Report has been considered by	The work has been co-developed with officers on the Delivery Steering Group and our industry-led Commercial Property Taskforce. This specific report was considered and endorsed at the Delivery Steering Group on 16th June 2021

Recommendation(s) for action or decision:

The Housing & Land Delivery Board is asked to:

- (1) **Discuss and endorse the outline proposal for a new Commercial and Employment Land Development Fund** - similar to the £100m Land Fund secured as part of the West Midlands Housing Deal, this proposal builds on the successful £50m Brownfield Land and Property Development Fund and £140m Commercial Loan Fund (CIF) which have been operated by WMCA since 2017 to support commercial and employment land delivery.

- (2) **Discuss and endorse the *principles of a supporting delivery strategy/plan*** for the new fund that will give Government and industry confidence that we have a clear plan to invest any new funding at pace and scale to deliver commercial property and buildings, leverage private investment and maximise committed public investment. We know from previous successful bids to HMG this is critical to landing any new funding from HMG.
- (3) Discuss and **agree** the recommendation from Housing & Land Delivery Steering Group to form a **dedicated officer working group** to support the development of the supporting Delivery Strategy and emerging site pipeline.
- (4) **Note** that WMCA has a **track record of successfully investing in residential and commercial land** since 2017 through grant and loan investments.
- (5) **Note** that the submission of a commercial land investment case to secure funding to invest in stalled sites for commercial properties is a **key intervention of the approved Housing and Land Portfolio Covid19 Recovery Plan and the Housing & Land Delivery Board 2021/22 Deliverables**.
- (6) **Note** the approach presented here is **consistent with the successful approach under the leadership of the Housing and Land Board** used to secure the £100m Land Fund in 2018; the £84m Brownfield Housing Fund in 2020 and the £24m National Brownfield Fund award in 2020.
- (7) **Note the emerging funding proposal and supporting delivery strategy has been, and continues to be, a collaborative effort**. We would like to thank members of Delivery Steering Group (DSG), the West Midlands Growth Company (WMGC) and Commercial Property Forum (CPF) for their thoughts, insights and contributions over the last year.
- (8) **Note** we have collectively built a **pipeline of housing and employment sites across the region since 2018** which has been very effective in showing Government we are *ready to go* once any new funding is secured. This collaborative pipeline will be critical as we seek to secure the new funding and to unlock it.

1.0 Purpose

- 1.1 The purpose of this paper is to set out the high level principles of a proposal to secure from Government a new fund ('Commercial and Employment Land Development Fund'), which will build from and augment the track record of the WMCA in driving the delivery of stalled residential and commercial sites that are currently unviable in the market-place and would not otherwise come forward for development.
- 1.2 Just like previously successful devolved housing and land fund bids from the WMCA (eg £100m Land Fund, £24m National Competitive Fund), **the funding proposal needs to be supported by a clear investor facing delivery strategy** for the accelerated delivery of commercial land and commercial properties on that land across the West Midlands, increasing the number of new jobs, the level of private investment and the amount of commercial floorspace available.

1.3 This paper sets out the **high level offer/asks of the funding proposal, the key principles of the supporting delivery strategy and some sample sites** we have extracted from the latest project pipeline which we expect to benefit from this funding. As with recent successful bids to HMG and the current Brownfield Land & Property Development Fund (BLPDF) and Commercial Investment Fund, the new funding will be embedded in the Single Commissioning Framework approved in April 2019 and overseen by WMCA's Housing & Land Delivery Board and Investment Board.

2.0 Background

2.1 Before the pandemic, the West Midlands was the fastest-growing region outside London and our distinctive strengths, from world-leading automotive innovation, green technology to health and life sciences, were recognised as being globally competitive and set us apart from other regions. Post pandemic, our exposure to sectors such as automotive, manufacturing, leisure and hospitality has meant that the region has been disproportionately impacted.

2.2 The "Recharge the West Midlands" submission of Summer 2020 made the strategic case for substantial investment in the West Midlands to support regional and national recovery. It also stated that we already have the right partnerships and networks across the region, delivery infrastructure and links to key businesses to ensure success. It is critical that we quickly regain this growth momentum, to avoid a steep rise in unemployment and long-term economic scarring.

2.3 **The region should feel confident as we enter negotiations with Whitehall on a new commercial land fund bid** because:

- We have a strong track record of securing devolved housing and land funds and delivering on the ground. The current £100m Land Fund is overperforming against the delivery targets set by Government and securing numerous additional local benefits – namely minimum of 20% affordable housing, AMC, design charter compliance and wider inclusive growth – and we have been able to demonstrate pace in bringing sites from concept to delivery.
- There is a ready market for commercial land and our Commercial Property Forum has endorsed the need for this funding now as we emerge out of the Covid pandemic. Local agents tell us that there is strong demand but an absence of sites ready to invest in. We have a pipeline of projects with strong occupier demand in the system waiting for this funding to come forward.
- Local authorities are making provision in their local plans for a range of employment sites but many are difficult to move forward due to infrastructure requirements, contamination issues and fragmentation of land ownership – issues with which this funding bid will directly assist.
- By focusing on commercial land and unlocking the clear potential of these sites, we can deliver the jobs and floorspace that we need, bring forward more brownfield land (reducing its adverse visual impact), recycle a wasted resource, redevelop more land within the built up area and reduce pressures on greenfield land and Green Belt.

2.4 The proposal was considered and endorsed by the Housing & Land Delivery Steering Group on 16 June 2021 and it was agreed that it would proceed to Housing & Land Delivery Board in July. The proposal for a new funding bid was very well received at DSG, in particular the support for the creation of new jobs and a complementary funding stream to housing. A number of useful points were raised which will be considered as part of developing the funding bid and delivery strategy including the potential to support the upgrading of existing premises; potential for revenue funding to support SMEs (business support) and relocation of existing businesses to free up urban sites. It was suggested that a dedicated officer working group should be established to take these ideas forward and develop the proposal through a collaborative approach.

3.0 Commercial and Employment Land Development Fund

3.1 WMCA is currently investing in a number of commercial and residential sites across the region through grant, loan and equity investments and acquisitions that deliver substantial jobs and floorspace. However, the amount of funding specifically available for commercial sites is limited and it is clear that, if we are to achieve economic growth and recovery, we will **need to secure additional funds**. Our proposal is an ambitious funding ask of Government of around £200 million to support the growth of at least 10,000 jobs and 100,000 m2 of commercial floorspace. Like the Housing Deal, this bespoke commercial land deal would seek to be the first and most ambitious for any combined authority.

3.2 The key principles of our funding bid are:

- To deliver new sites to accommodate new businesses in new and existing sectors and provide land for the expansion or relocation of existing businesses and to free up land for residential development
- Support private sector confidence and investment by reducing risk to private sector investors
- Create the types of sites which are sought by international and long term investors and growth industries
- Invest in and accelerate the delivery of brownfield sites that have stalled, providing the gap funding that is not available elsewhere
- Support timely progression of local plans by assisting deliverability of residential and commercial schemes

3.3 Like all programmes under the leadership of the Housing & Land Delivery Board this would be a public-private sector team approach. The WMCA team will be working hand in hand with local authorities, LEPs, the West Midlands Growth Company and other stakeholders identifying stalled sites and enabling the delivery of sites through this funding stream. The aim is to support our partners in their ambitions by utilising our skills in the Combined Authority to co-design schemes, negotiate funding with HMG, unlock private sector investment and deploy new funding efficiently and effectively.

4.0 The Proposed Delivery Strategy

4.1 To assist the decision-making process on the deployment of the Commercial Land Fund, and give Government and industry assurance, we propose **the following guiding principles for the underpinning delivery strategy for the new fund**:

- Bring forward commercial sites that require public intervention to support economic needs on a 'brownfield first' basis
- Provide the right physical environment for existing and new businesses so that they can grow and thrive
- Bringing forward land that supports the creation of green jobs in the region and invest in green skills and training
- Maximise opportunities to support green principles including encouraging the use of zero-carbon principles on commercial sites.
- Promote inclusive growth
- Provide the right physical environment and site availability for advanced manufacturing, including AMC, and promote sites to this market through an investment prospectus
- Maximise the use of surplus public land for commercial development where appropriate
- Bring together public and private partnerships to deliver commercial development schemes
- Bring forward affordable commercial land and buildings in conjunction with local partners and explore co-investment opportunities.
- Support the rejuvenation of town centres by introducing new commercial uses in town centres.

5.0 Accompanying Schedule of Sites

- 5.1 A pipeline of development sites has been prepared in collaboration with local authorities, LEPs and other partners through the Covid-19 recovery work under the Housing & Land Delivery Board. We are seeking to augment and refine this over the next few weeks for this funding proposal. This can also be aligned with the investment prospectus which WMCA and WMGC are working on together, to be produced this year in collaboration with local councils, LEPs and other partners to promote strategic sites.
- 5.2 In recent months, WMCA has received a number of applications for sites which seek WMCA investment to deal with funding gaps which are preventing the investor/developer bringing them forward and creating much needed jobs and commercial floorspace. We know that there is a strong demand to bring forward commercial sites that the market cannot deliver alone but we don't have the available funding to invest in them.

6.0 Example Sites

- 6.1 A number of sites could be unlocked by securing a new Commercial and Employment Land Development Fund. A few examples currently in our pipeline are given below:

- A £multi-million investment by the WMCA into a mixed-use development scheme in Wolverhampton could lead to the direct delivery of over 100 new jobs in the first phase and would also support the creation of over 700 new homes in the second phase, alongside contributing to a reduction in carbon emissions and wider circular economy. The WMCA is currently progressing this scheme through its Single Commissioning Framework, with work expected to start on site in this financial year. The WMCA currently has limited funds available to invest in schemes like this which deliver jobs first and homes much later in the delivery programme. New investment from a Commercial Land Fund would directly enable us to unlock far more long term mixed use regeneration schemes.
- An employment scheme in Shropshire provides a major development opportunity for the region, supporting new jobs to drive the region's green growth. New investment from a Commercial Land Fund would directly enable us to unlock far more strategic employment sites like this.
- The impact of Covid-19 on working arrangements, travel options and requirements for workspaces has led to an upsurge in demand for co-working spaces and community hubs to provide local alternatives for those who no longer need to be office based. Several proposals for such job creating developments are coming forward via the WMCA SCF process, often as part of wider regeneration schemes and/or seeking to repurpose existing buildings often in town centres. New investment into a Commercial Land Fund would directly enable WMCA to support such schemes and drive this agenda to support local communities and entrepreneurialism.
- The WMCA has received an application for £multi-million of funding for the acquisition and remediation of a brownfield site in the Black Country to deliver thousands of m2 of new industrial space – a site of significant scale and the potential to deliver transformational growth. With major investment secured from a Commercial Land Fund, the project could begin this year.

6.2 Early discussions have taken place between the WMCA and a local authority about an urban 40-acre site which could be transformed into an industrial employment site providing up to 1 million sq ft of commercial floorspace and 3,000 jobs. The site is currently unviable due to poor ground conditions and changes in levels across the site. The site sits in close proximity to a proposed Metro route, exemplifying how the WMCA and TfWM can work together to deliver new employment sites in key transport corridors and encourage a shift away from car usage. New investment from a Commercial Land Fund would directly enable us to unlock far more industrial sites like this.

7.0 Financial Implications

7.1 There are no direct finance implications from this paper, however there are financial implications to deliver the Commercial Land Fund Delivery Strategy and subsequent funding bids to HMG. To ensure solid financial stewardship the team will endeavour to utilise internal resource first, only commissioning externally after all the internal options have been exhausted.

7.2 Any WMCA investment to deliver the Commercial Land Fund Delivery Strategy and subsequent funding bid to HMG would be governed and administered through the WMCA Single Assurance Framework, Single Commissioning Framework, the Commissions Pathway and in line with the accounting and taxation policies of the WMCA and HMRC.

8.0 Legal Implications

8.1 Section 113A(1)(a) of the Local Democracy, Economic Development and Construction Act 2009 gives the CA a power of competence appropriate for the purposes of carrying-out any of its functions. Part 4 of The West Midlands Combined Authority Order 2016 (2016 No 653) confers that the functions relating to any Economic development and regeneration in the constituent councils are exercisable by the CA. Part 3 of The West Midlands Combined Authority (Functions and Amendment) Order 2017 confers the functions corresponding to the functions of the Housing Community Agency has in relation to the combined area. Paragraph 10 (2) (a) of the 2017 Order confers the function of improving the supply and quality of housing to the Combined Authority, 10 (2) (b) to secure the regeneration or development of land or infrastructure in the combined area, 10 (2)(c) to support in other ways the creation, regeneration or development of communities in the combined area or their continued well-being and 10 (2)(d) confers the function of contributing to the achievement of sustainable development and good design.

8.2 It is noted that the Report sets out the key principles and aims of a Commercial Land Development Fund and delivery strategy. Although there are no direct legal implications arising from this Report, legal input will be required on a case by case basis in relation to the contractual arrangements for each scheme. Any co-investments including grant and/or loan funding from WMCA will need to comply with the criteria and governance systems set out in the WMCA Single Commissioning Framework.

9.0 Equalities Implications

9.1 There are no immediate equalities implications in relation to this report. However, individual strategies and delivery schemes will need to take into account local area needs and local stakeholder needs to ensure the schemes developed through the commercial land development fund benefit local residents, including harder to reach groups.

10.0 Inclusive Growth Implications

10.1 The commercial land development fund will enable investment in sites encouraging business growth and new jobs in local areas. The physical fabric of local environments will see significant improvement where once blighted brownfield sites are transformed into areas of thriving activity. This in turn will lead a better quality of life for existing residents

11.0 Geographical Area of Report's Implications

11.1 The recommendations of this report apply to the whole of the WMCA area.

12.0 Other implications

12.1 None.

13.0 Schedule of Background Papers

13.1 None.

Included for information