

Introduction

1. The BPF represents companies owning, managing and investing in commercial real estate. This includes a broad range of businesses comprising commercial property owners and developers, financial institutions and pension funds, corporate landlords and residential landlords, as well as all those professions that support the industry.
2. We welcome the opportunity to respond to this consultation. Commercial real estate represents over a fifth of total net wealth in the UK – a total of £1,662bn – and contributed £94.2bn (about 5.4%) to the UK's GDP in 2014¹. It is a key component of the UK's infrastructure, providing the homes, offices, health premises and distribution networks we need for the country to thrive. Traditional forms of infrastructure, such as road and rail, have an interdependent relationship with commercial real estate where each benefits the other. Infrastructure is crucial to attracting the investment needed to regenerate the UK's town and cities.

Do you agree with our proposed vision and outcomes? What amendments would you propose?

3. Yes. It is important that the symbiotic relationship between commercial real estate and infrastructure is recognised within this vision: infrastructure should not be defined as simply roads, rail and energy but equally encompasses the buildings necessary for economic growth – whether offices, schools, or industrial warehouses.
4. Recognising the need for alternative sources of funding and financing is critical, as it is unrealistic to assume the majority will be funded by Government.

What will be the main drivers of demand for UK national economic infrastructure over the next 35 years that we should consider in our assessment?

5. We have chosen here to focus on two of the many drivers of demand.

Population

6. The availability and affordability of housing poses a major challenge to the UK and its inhabitants, and this will continue and potentially worsen with predicted population growth. This will affect a wide range of people, from students to the elderly population. There is no one "silver bullet" to solving this, but a wide range of measures can contribute to tackling this, from encouraging the burgeoning build to rent sector to ensuring adequate provision of care homes.

¹ 'Britain's Property CREdentials', BPF/Toscafund, 2016

7. Housing delivery should be planned hand-in-hand with infrastructure, and we are pleased that in some places this sort of joined up thinking is already taking place. For example, land released by Network Rail and Transport for London (TfL) in the capital is proving attractive for build-to-rent development, providing high density quality rental accommodation, near to transport modes, for key workers and other employees.

Devolution

8. Government policy is increasingly focussed on devolution to local areas placing a strong emphasis on growth, and this is supported by the real estate industry who are investing in significant opportunities in the regions, as well as working with Local Enterprise Partnerships (LEPs) and combined authorities on their vision for their area. Recognising this change in the allocation of power is critical to developing an infrastructure assessment, as the amount spent per resident on infrastructure in London dwarfs that spent elsewhere², and while the capital clearly plays a unique role in contributing to the UK's growth there are huge opportunities to advance the growth of other areas. Prioritising the upgrading of strategic infrastructure in other city regions will help provide the catalyst for wider regeneration and leverage wider private sector activity in cities, ensuring further investment and economic growth.

What will be the main constraints on the UK's ability to provide sufficient UK national economic infrastructure assets and services over the period and what solutions or mitigations of those constraints should the UK adopt?

Political decision-making

9. It can be difficult to make these significant decisions, but strong evidence bases are helpful. The need for extensive and genuine consultation is critical, and the establishment of independent commissions to examine these can be useful. However, it is critical that these commissions are given sufficient teeth to make strong recommendations which are endorsed by Government in order to avoid drawn-out and delayed decision making which further stalls and deters investment.

Funding

10. It will be critical to set out what will feasibly be funded by Government, and to recognise the role the private sector is able to play. There are several options for this: London in particular has funded the delivery of infrastructure schemes through a tax on commercial real estate, with Crossrail 1 partly funded by a business rates supplement introduced in 2010, s106 obligations and by the mayoral Community Infrastructure Levy introduced in 2012. Mechanisms such as these can be useful, but have a consequential impact on the viability of schemes. We would be concerned that solely focusing on them and under-utilising innovative mechanisms such as Tax Increment Financing (TIF) would stall delivery.
11. TIF allows local authorities to borrow against future business rates and reinvest this back into local regeneration schemes. TIF-style models have been utilised with great success across the country, such as to partly finance the Nine Elms extension of the Northern Line to Battersea Power Station and in

2 'Transformational Infrastructure for the North – Why We Need a Great North Plan' IPPR North, August 2014

Birmingham's Enterprise Zone on the Paradise Circus scheme, and there are lessons to be learnt from its application in these examples.

Land assembly

12. Land assembly remains a key challenge in the delivery of these projects, as ownership is often disparate. With much of the land in the hands of local authorities and other public sector bodies, they have a key role to play in delivery. Structures such as Development Corporations have proved successful in bringing together land and the key players to coordinate processes.
13. There are innovative schemes where our members have worked in partnership with local government through joint ventures and other structures, in which public land is invested as part of the partnership arrangement. This can offer local councils valuable income from, and ongoing control of, their public land rather than outright sale to the highest bidder for that land. Many councils remain nervous of the best value rules and we believe there needs to be clearer guidance in this area.

What nationally significant investments in capacity or changes in policy & regulation should we prioritise to deliver these outcomes and deal with these drivers of demand?

14. Given the wide spread of our members' interests, we do not propose to suggest prioritisation of specific schemes. As mentioned above, further guidance or policy on land assembly; funding and financing; and recognising housing as infrastructure will help support the delivery of essential infrastructure.

In what areas can demand management or other forms of behavioural change make a significant impact? What are the blockers and enablers for realising these opportunities?

15. N/A

How can greater cross-sectoral decision making be encouraged?

16. To an extent, it is for those gathering the evidence to ensure they are reaching sufficient cross-sectoral groups. The composition of the National Infrastructure Commission will be critical in this, and we will provide further detail in our response to HM Treasury's consultation on the governance of the NIC. In brief, it is essential that there is cross-sectoral representation on the Commission and that there is a staggered approach in appointments to avoid a complete loss of expertise at the end of their appointment period.

What opportunities and challenges are presented by devolution of infrastructure decision making?

UK-wide devolution

17. Infrastructure decisions are a key part of the devolved administrations' remit, and we do not propose an alternative. While leaving decision-making powers with the devolved administrations, it would be useful to look at the cross-border effects of proposed projects as these clearly cannot be measured in isolation.

Devolution within England

18. It is important that nationally-significant infrastructure decisions continue to be taken at a national level with input from combined authorities and local areas. However, there are then questions as to how these are incorporated into Local Plans or region-wide strategic frameworks.
19. On smaller infrastructure projects which are specific to a local area, we welcome the Chancellor's announcement on allowing areas with an elected mayor to raise business rates to fund a specific infrastructure project, and look forward to further details on the workings of this proposal.

What new and emerging technologies and disruptive trends should we consider in producing this assessment?

20. N/A

How can we improve public engagement in infrastructure decision-making?

21. N/A

We would be pleased to further discuss or amplify any points raised in our response.

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