



Exeter
CityFutures

New Development Corporation Competition

Expression of Interest

February 2020

New Development Corporation Competition

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Lead Bidder	Exeter City Futures
Lead Local Authority	Exeter City Council
Other partners involved (if any)	Exeter University, Royal Devon and Exeter NHS Foundation Trust and Exeter College
Main contact name	Roli Martin

01 PROPOSAL SUMMARY AND ELIGIBILITY

Provide a summary of the housing and/or regeneration challenge(s) you are trying to address and rationale for seeking to explore an innovative delivery model (e.g. multiple delivery partners, complex land assembly, cross-border coordination).

Introduction

Exeter City Council and Exeter City Futures share the vision of a transformational approach to the delivery of homes and jobs to meet the needs of our connected city region of thriving linked yet distinct communities set within a world class natural environment. To achieve our ambitions we are planning for an infrastructure-led delivery of quality new development which better meets the needs of our growing and thriving area. We are convinced that our vision cannot be met by a “business as usual” approach to planning and development.

Exeter is a rapidly growing and dynamic city and a hub of the wider south west. It acts as a centre for high value employment and supports an increasingly large travel to work area.

The timing is now right to take advantage of new government policy and regulations and take our aspirations to the next level by bringing forward innovative models for both funding and delivering development. We recognise this as the best way to deliver the infrastructure, which is key to unlocking major developments. We want to drive an infrastructure first approach so development is located where it is most likely to achieve place-making and other success factors efficiently and cost effectively, maximising the value that can be used to invest locally.

Exeter City Council, through Exeter City Futures and it’s members, have identified a number of gaps, in terms of investment, delivery, powers and funding, which this innovative approaches seek to fill. This work complements a number of Government programmes and in accelerating development fits closely with the conclusions of the Letwin Review.

Background

The Liveable Exeter vision has identified 9 major sites to meet the area’s housing and employment land needs to 2040. Its purpose is to develop a joined-up vision for the area and to meet the area’s housing needs at the right locations.

The plan covers the period to 2040, during which the ambition is to deliver 12,000 new homes and to increase substantially the size of the economy. This number is justified to meet local housing need as well as supporting the area’s Strategic Economic Plan (SEP) and Local Industrial Strategy (LIS).

These 12,000 homes and economic growth will be focused on Exeter City, an enterprise zone, a number of sustainable urban extensions and strategic sites including those forming part of the Liveable Exeter programme. The local authority partners have already taken a very proactive approach to planning these new communities.

The partners recognise that a ‘business as usual’ approach to land allocation and development is unlikely to deliver on their vision. They aim to get ahead of the game by proactively orchestrating growth to ensure value is captured and reinvested locally for the benefit of Exeter and the wider region. Underpinning this approach is an assertive planning and delivery strategy to achieve a step change in the quality and pace of development to maximise benefits to the Exeter area that will include meeting housing and economic need and delivering a high-quality place.

Development Strategy

Liveable Exeter Garden City – a transformational programme that will deliver 12,000 homes on key brownfield sites in the city.

The area is in a strategically important location, with good accessibility to high quality jobs and the national transport network, offering the scope to lever in infrastructure investment to unlock further growth in the business sectors the partners want to attract. Because of inherent demand in the area, it has the potential to deliver at pace and meet the objectives set by Government in the Housing White Paper and the Industrial Strategy. The area is of a scale sufficient to drive strategic investment in the sustainable transport and green infrastructure required to deliver exemplary development. It is also clear that without the necessary investment in strategic infrastructure early on in the development process, the new homes will either not get built or, perhaps worse, will come forward as a series of unplanned and piecemeal developments incapable of providing and coordinating the essential strategic infrastructure, risking greater congestion and negative impact on businesses, existing residents and the environment.

A 'business as usual' model represents a high-risk approach to managing the continuing growth and productivity of the area. The partners are therefore committed to a far more interventionist approach to growth, taking a leadership role in planning for and delivering high quality housing, jobs and places. Broadly this consists of the creation of a bespoke, locally managed delivery body and the direct delivery of up-front strategic infrastructure and associated tariff recovery to create a recyclable infrastructure pot in Exeter City.

Liveable Exeter and the Exeter City Fund

Exeter City Futures, with Exeter City Council and Devon County Council have taken a lead in planning for growth centred on the existing City communities. They have created an innovative and high-powered partnership with key institutional leaders including those from the health, education and private sectors. As well as being focused on new sustainable development this partnership is responsible for considering the implementation of the zero carbon agenda, the contribution that surplus public sector land can make to the vision, and the role of an Exeter City Fund in unlocking development, infrastructure and capturing development value for reinvestment.

Significant work on the City Fund has already been carried out and there is institutional interest in investing in the fund. This element of the bid is to provide resources to take this work forward to implementation and operation (within an 24 month timescale).

Exeter City Context

In 2017 Exeter was named by the Centre for Cities as the city with the fastest growing population in the UK. The economic region is prospering, with an annual GVA growth of 3.4% for the last 15 years, and the local development framework outlines ambitious plans for growth. Hosting the largest cluster of digital economy activity south west of Bristol, the city's population is among the best trained in the UK. The City has a high level of educational attainment and several excellent education institutions that include 2 TEF Gold rated educational establishments (University of Exeter and Exeter College) and one of only two specialist maths schools in the UK (Ofsted rated outstanding at first appraisal).

To meet this growth and potential Exeter is set to deliver up to 12,000 houses over the next 20 years with its transformational housing development plan, Liveable Exeter, to promote regional growth and as part of the city's urban densification plans. Based on current trends, much of this new housing will be delivered on strategic sites around the City, exploiting existing trunk road infrastructure and, unless innovative solutions are found, will bring increased pressure on affordable housing, the transport and energy networks, employment, the environment. There is a risk of leaving planning locked and land value trapped, as well as the carbon-zero agenda unmet.

Exeter's Challenges to Delivering the Regeneration Vision

There is a significant amount of evidence that points to rising social exclusion in our Cities. Access to fundamental services such as healthcare and leisure, as well as access to education and employment, are all limiting factors on the capability development of our citizens. Exeter is no different and faces huge challenges in respect of its increasing population, expanding university and increasing the magnetism for serious business investment. If it does not tackle the existing problems around congestion, climate change, immobility, lack of housing and affordable housing then the city will not be able to continue to grow and prosper in the way it deserves.

Exeter strives to be seen as one of the world's most sustainable cities. In doing so it has declared a climate emergency and set out a bold vision for the future that aligns with the UK industrial strategy and the carbon agenda. To achieve this, huge investment is required into the billions of pounds, on new public mobility solutions, dense unit housing, new energy networks, city centre remodelling and new transport infrastructure that connects jobs to housing in the Greater Exeter region.

Challenge: Ownership, Control and Strategy: The Private Sector Agenda

The private sector development market does not always deliver for Exeter in a way that aligns with the vision for the city in the next two decades. Understandably, large scale developers tend to select projects based on profitability rather than, say, social outcomes that benefit the long-term prosperity of the city. The developers' short term accountability to shareholders has a greater premium than the accountability to the citizens of the Exeter. This divergence means that sites that could deliver social impact (and, for example, ease congestion and deliver carbon-free solutions) are typically picked off by developers and designed for profits instead. The city is at risk of missing an opportunity for real transformation and growth if developments are left to the private sector alone. The challenge remains as to how retain control over the financing and strategy for the city's infrastructure, so as to mitigate the profit-driven private sector agenda.

Furthermore, large-scale developers in the city can produce profits in the region of 20% on capital spend. Typically, the profit from these developments leaves the city to pay shareholders external to Exeter. This means that large chunks of land value uplift are leaving the region and are lost. The challenge for the city is how to ensure that value is retained within the city and delivered on projects with the right quality.

Innovative Model: Liveable Exeter and the Portfolio Approach

The Liveable Exeter programme is a 12,000 home, transformational housing delivery programme that fosters major investment into the city to renew its infrastructure for the 21st Century. The city is now partnered with Homes England to explore options for a suitable finance and delivery vehicle under a 'portfolio approach', which requires an innovative funding approach that aggregates the assets and finance across the city's public sector institutions and the private sector into a dedicated Fund and delivery capability. The Fund aims to contribute to the City's development objectives by providing the financing to bring the right place-making projects forward at pace and at scale, beginning with housing, commercial and transport development.

Rationale for a Fund and Development Corporation

Maximising Value in the Delivery Process: Public Sector Assets & Development Projects

1. The public sector in Exeter has many assets and strategic sites operating in relative silos. If these assets and sites were brought together under a single development program and fund structure, a portfolio approach, the aggregate asset pool would create greater financial power and borrowing capacity to deliver larger scale developments at pace. The Fund/development corporation aims to foster a pooled asset approach which can maximise and optimise returns.

2. Publicly financed developments are subject to restrictive planning and procurement procedures that deliver projects too slowly to both compete with the private sector land-banking and deliver the bold targets the Council has set out in its Liveable Exeter programme and carbon zero targets. A more ambitious aggregate approach is needed. The Fund/development corporation aims to operate under a pre-agreed set of objectives and frameworks so as to operate within the market with the agility akin to a private sector investment fund.

3. Silo developments result in high top and tail costs. Too much of the development of value in a typical project is lost to financial and legal advisers, refinancing costs mid project and other 'on-costs' associated with the pre-project due diligence within the public sector operating frameworks. This happens repeatedly and on a project by project basis. A pooled approach to the city's developments would reduce top and tail costs and deliver more returns for the city. The Fund/development corporation aims to finance and deliver projects through a single aperture and framework, thereby reducing on-costs and increasing profitability.

Exeter City and the Greater Exeter area already attract a wide range of successful developer projects and partnerships. It's location, demographic and financial opportunities already demonstrate that developers, businesses and investors recognise the region as having potential that converts. However, as we approach a decision point forced by the growing divide of beneficiaries of that investment, congestion, population, energy and housing pressures, it is clear an alternative model for investment and delivery needs to be explored. The basic economics of the existing investment and development environment in Exeter mean that the city may be missing out on more quality, improved growth and higher end benefits that a more cohesive development approach would bring. The Council and Homes England recognise this opportunity and is making an intervention now.

02 Provide a high-level project initiation document for the exploration of an innovative delivery model which covers:

- a) The objectives and scope of the project
- b) The planned budget (including funding sources)
- c) Specific activities and timetables planned for use of any funding and for the generation of the delivery model proposal (including a breakdown of workstreams and profile of expenditure)
- d) Impacts expected from funding (including description of outputs and outcomes you expect to achieve, and how they will be measured).

The following table sets out the budget for the bid as a whole. Details are included in the sections below.

Years	Workstream One: Exeter City Fund
2021-2022	£380,000
2022-2023	£460,000
Bid total	£840,000

Liveable Exeter and the Exeter City Fund

a) The objectives and scope of the project

Project Objectives

Recognising the challenges above, the opportunities inherent in aggregated asset pooling, ambitious framework developments and city-controlled exposure to development risk and reward, the council and Exeter City Futures won 'first gateway' funding from One Public Estate. The funding was for a proof of concept exercise to demonstrate the Fund/development corporation as an option for the financial structuring and delivery of the Liveable Exeter programme under portfolio approach:

- To develop an investment prospectus and detailed financial model demonstrating the 'portfolio approach' under a standalone vehicle structure, or Development Corporation, as a credible option for delivering the Liveable Exeter programme.
- The prospectus is to show investment timeline and project landscape, the shape and mechanisms of capital recycling and forecast profitability of the fund structure.

The work is being delivered by Exeter City Futures and an external (Big 4 accountancy firm) consultant, with whom the City fund will partner on an ongoing basis for both continuity, monitoring and quality. This work is underway in lieu of 'second gateway' funding.

The City Fund project requires a second tranche of funding to move forward with Gateway 2 of the project. This encompasses the full business case for the new development corporation:

- the provision of financial and operational model development
- pilot scheme detailed feasibility studies and due diligence
- the incorporation of the fund, and relevant ancillary work
- the formation of the senior management team and the fund management operating team.

The Fund's Objectives and Scope

The city's institutional leaders have agreed that any Fund/development corporation should represent a credible alternative to a piecemeal, private sector agenda-led programme, and would have the following key principles that govern its outcomes and objectives:

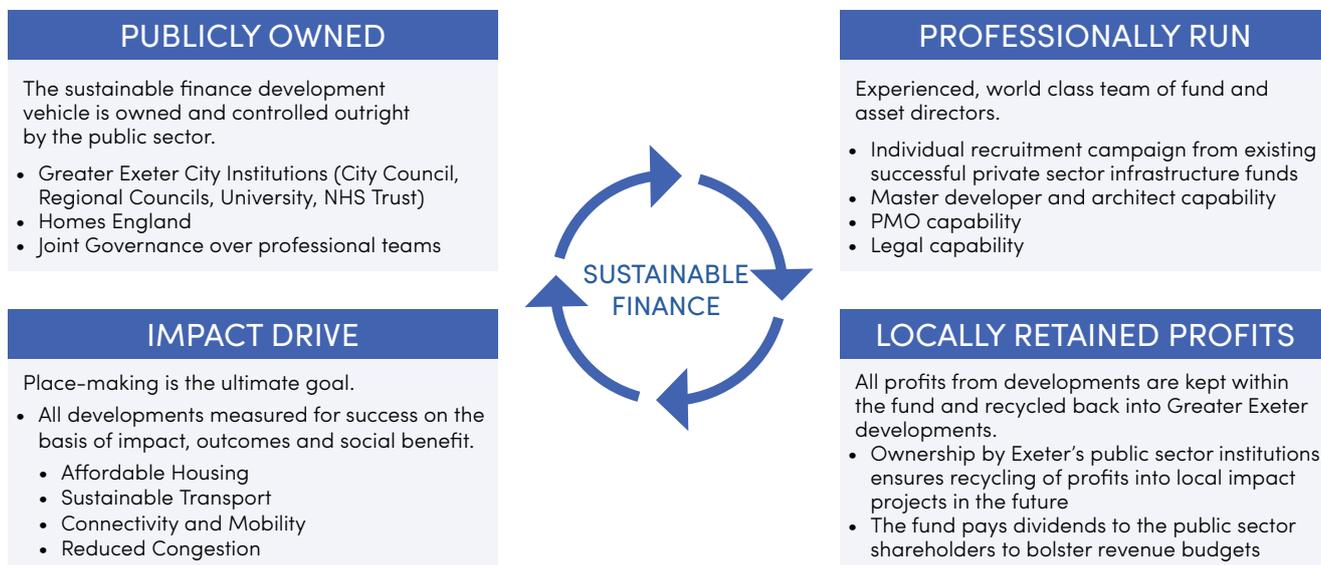


FIGURE 4 SUSTAINABLE FINANCE

1. Publicly owned:

The solution must ensure that the financing of projects is publicly owned. Only by ensuring complete overall control in the public sector can the city guarantee the outcomes of developments on a piecemeal basis

2. Professionally run:

The solution has the right team of experienced directors that have proven success in turning a profit on urban developments. Recognising that this is not the core skill set of many public sector organisations, a recruitment campaign may be necessary and the right team needs to be built.

3. Impact Driven:

Having recognised the deficiencies in the current system and in the urban development market, the solution must ensure it carries out developments to an agreed, impact-driven agenda, and one that drives place-making. While some projects have traditional profit making characteristics, others will be for impact-driven, such as cycle pathway infrastructure, walkways, carbon free energy networks etc

4. Locally retained profits:

Excess profits from the Fund are retained in the city and re-invested into the city's ongoing place-making programme.

Scope of the Fund/Development Corporation

- Exeter city's public sector stakeholder institutions incorporate a new entity whose purpose is to finance and manage the program of investments that bridge the infrastructure gap and deliver on the city's wider strategic plan.

- The Fund’s projects will range from vanilla housing development projects through to investing in dedicated transport for innovative mobility solutions and renewable energy programs.
- The Fund is capitalised by the city shareholder’s property asset base and hence obtains large scale debt finance from a variety of sources, including an anchor financier in the shape of a long term bond issued to, say, a pension fund. The bond uses the property asset base as security for the bond investor.
- The Fund then provides a single source of finance, developer services and project management to procure and deliver the pipeline of development projects within the city.
- The Fund is profitable in the round and uses the profits from the healthier schemes to finance and deliver projects with less traditional profit profiles and projects of higher social benefit (rather than relying on planning to force the private sector to deliver them).
- The projects that deliver on the city’s wider strategic plan and social impact in the short term achieve effective place-making for Exeter and hence create a more stable and investible city in the longer term.
- The Fund is also able to deliver using its ‘at scale’ protection to prove the concept and marketability of atypical developments, such as car-free housing developments, thereby attracting other developers into future schemes.

Exeter Deal, Exeter Assets

Exeter City has a wide range of property assets across various public sector institutions (the city council alone owns c.£3-400million of land and property). While not all the city’s assets are suitable for commitment into a fund, a focused property rationalisation exercise will reveal the potential locked into these sites and demonstrate optimal routes to capital raising using the strength of the value and revenue streams attached to the pooled base.

Fund Structuring

Work is underway to optimise the investment strategy, analyse forecast distributions, carry out tax planning and to consider the impact of borrowing on the balance sheet of shareholders/ owners. Some of these initial discussion points have taken shape, resulting in a proposed outline structure in Figure 5 for the Fund/Development Corporation. A working assumption has been to ensure the autonomy of the Fund and to incorporate it separately from the city’s shareholders as a standalone entity. In this way the shareholders are less exposed to risk and the Fund can operate in a dedicated investment and development capacity.

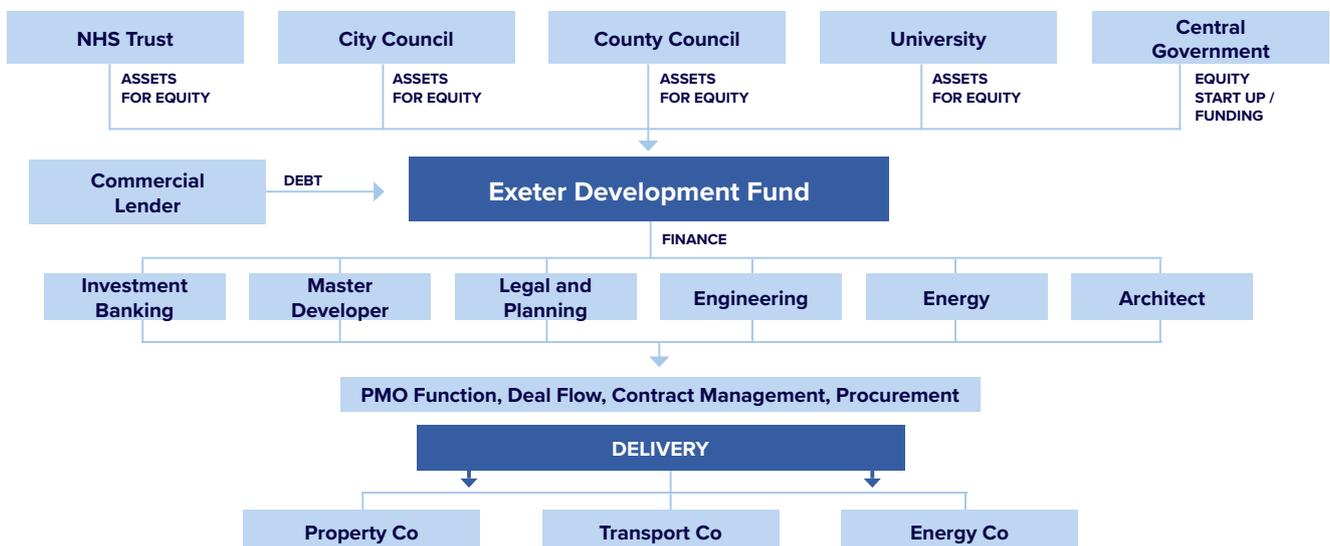


FIGURE 5 PROPOSED STRUCTURE

This example also initially assumes the Fund is a joint venture LLP, which both shields the Fund from corporation tax and better manages the impact of the Fund on the shareholder balance sheets (since equity accounting would prevail). The structure also assumes the governance of the Fund coming from the city shareholders and with operation carried out by a professional, experienced property and development fund management team, all operating under the four 'sustainable finance' framework principles described earlier in this section.

The Fund would take on the broad mechanism and shape of capital recycling shown in Fig. 6 below:

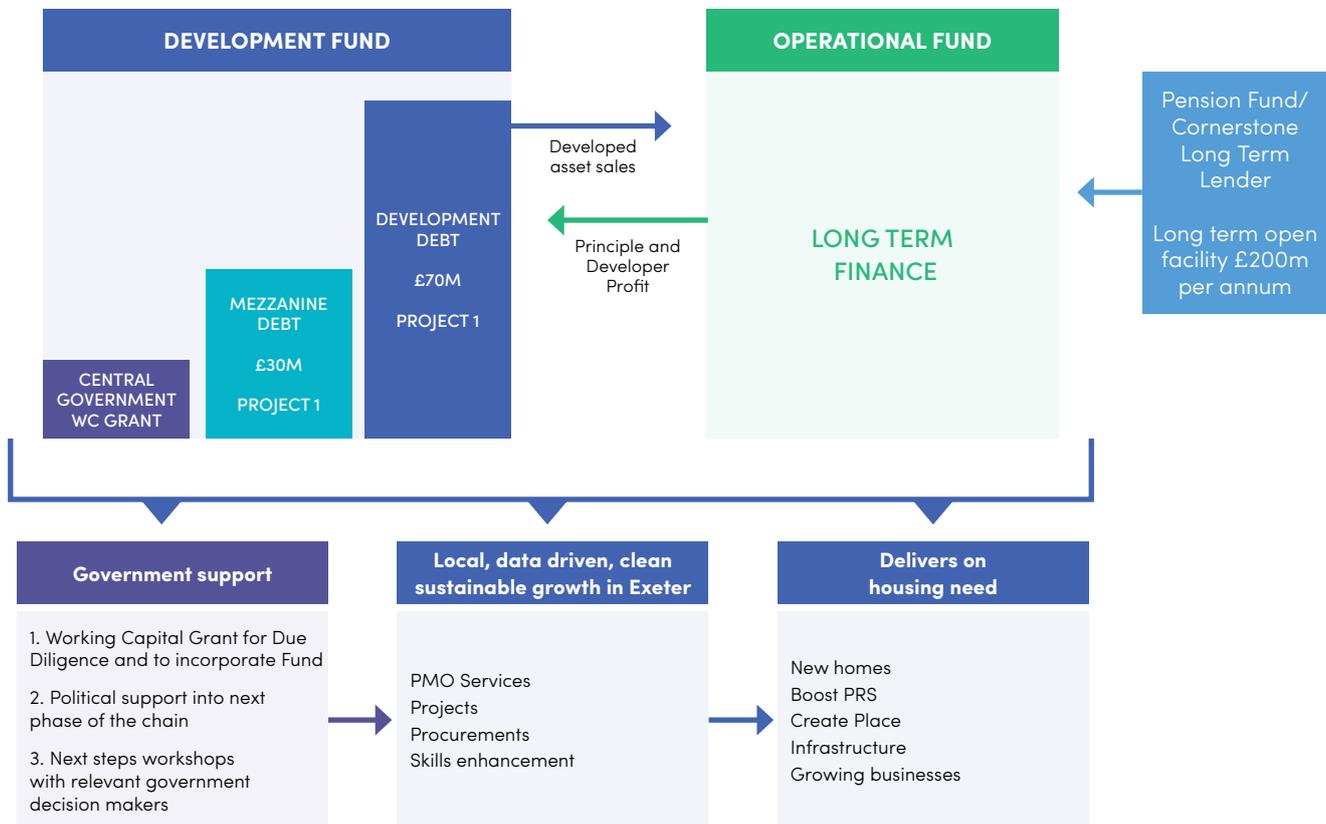


FIGURE 6 FUND MECHANISM

Figures 5 and 6 show the broad mechanisms by which the fund would operate and recycle capital, using the following steps:

- The Fund model is stress tested via due diligence work. Government finances an investment prospectus, governance and operational framework study, development design vision and financial model(s), delivered by consultants, followed by incorporation of the Fund and population of key roles.
- The Fund is divided into two internal strands under the main umbrella Fund vehicle: "Development Fund" and "Operational Fund", as shown in Figure 6.
- The Fund raises equity in the form of city shareholders' assets, transferring them into the Fund vehicle at market value in exchange for equity in the Fund.
- The Development Fund raises both mezzanine and senior debt for the development phase of the first project(s) which redevelop (a) key site(s) in the city. The development stage debt is secured against the Fund's asset base.
- At practical completion of works, the Operational Fund raises low coupon, long term debt (40-60yrs). The Development Fund 'sells' the developed out assets to the Operational Fund, recognising developer profit and repaying the development debt facilities.

- The Operational Fund ‘buys’ the developed out assets using its long term loan facility, and holds the assets for rental purposes and manages the rental contracts thereon, servicing the long term debt facility with collected rents.
- The Development Fund and Operational Fund recycle developer and operational profit into the next project, reducing the future borrowing requirement of another development or financing a budget gap within a transport innovation model, social housing project or less traditionally profit making, social impact project.
- The steps are repeated as the Fund builds up its asset portfolio and broadens its development and investment activities across the city and beyond

b) The planned budget (including funding sources)

See below in (d)

c) Specific activities and timetables planned for use of any funding and for the generation of the delivery model proposal (including a breakdown of workstreams and profile of expenditure) Note that New Development Corporation Competition funding received in a given financial year must be spent in that financial year.

See below in (d)

d) Impacts expected from funding (including description of outputs and outcomes you expect to achieve, and how they will be measured).

Gateway 2 Funding
Updating Gateway 1 Business Case: Full business case
<ul style="list-style-type: none"> • Partner and stakeholder engagement • Strategic objectives, risks, commercial options, financial outcomes • Options appraisal, VFM case and Risk analysis • Financial structuring options appraisal • Lender market engagement and analysis • Funding solutions and availability • Preferred funding option recommendation • Proposed outline heads of terms for commercial contracts and services required • Delivery programme roadmap
Provision of financial and operational model development
<ul style="list-style-type: none"> • Allow inputting of revenue and cost data on a profiled basis for a number of commercial / residential property development schemes, to include: capex, opex, maintenance cost, rental flows. • Ability to switch schemes on and off and adjust timing • Modelling of fund level financing expected to include: equity investment from public sector investors in the form of land and property contributions; debt finance provided into the Development Fund by public sector investors (potentially support by Prudential Borrowing); and/or debt finance sourced from private sector sources. Model to allow assessment of up to 3 financing scenarios. • Modelling of high-level financial statements for the Development Fund. • Indicative presentation of key financial returns metrics – Project IRR, ROI, LTV, etc. • Summary of commercial and financial structuring options considered and the rationale for the short-listed options. • Key financial return metrics for the portfolio of development schemes under each of the short-listed structuring options.

<ul style="list-style-type: none"> • Scenario analysis to allow an assessment of the feasibility of the Exeter Development Fund. • Identification of key commercial and financial risks associated with the programme. • High level description of proposed capital structure and of equity and debt instruments and outline financing terms for modelling purposes. • Summary of the debt financing requirement and key financial covenant metrics, including LTV, interest cover, etc. • A recommendation on the preferred commercial and financial structure. 	
Target Operating Model Development	
Full Pilot Scheme	
<ul style="list-style-type: none"> • Full master planning and detailed site viability/feasibility of a pilot scheme in the fund structure • Cashflow modelling ready to take to market. • Commercial analysis and Heads of Terms • Investor engagement and consultant advisory. 	
Incorporation of Development Corporation	
Legal	
Marketing	
Tax and Accounting	
Administer	
Depositary	
Senior Management Team Recruitment Costs	
Chief Executive Officer	
Finance Director	
Fund Management	
Project Management Office advisory	
Legal & Risk Advisory	
TOTAL FUNDING REQUIRED	£840,000

03 Are you content to make key learnings available to other local areas and to Central Government in order that best practice can be disseminated? Yes/No

(We do not expect commercially sensitive information to be shared)

(If no please set out the reasons why)

Yes.

Exeter's ambition and growth opportunities are unique, however, the constraints and barriers to this growth are shared with many parts of the country experiencing significant growth pressures. It is very likely that the solutions that Exeter develops will provide useful lessons that can be used to help other areas as well as being nationally important in delivering the Government's wider economic and housing agenda.

The lessons from Exeter will be particularly relevant to those areas;

- With multiple delivery partners
- Where strategies require cross authority and cross tier cooperation and coordination
- Complex geography with discrete development areas sharing common issues / constraints but different planning timescales
- Where there are complex land assembly issues to resolve
- Where growth covers exiting communities and historic environments
- Complex development and infrastructure procurement issues
- Where the conventional market response is unlikely to match local need or the pace of development required

The Exeter City Future partners are very happy to share emerging lessons and solutions at national events and would be willing to host specific networking events centred on The Exeter Development Fund. An illustrative approach to this is included within the activities set out in the draft initiation section to this EOI.

Partners will also be very receptive to learning from other areas taking part in this programme.

04 STRATEGIC FIT

a) Please describe the local housing and/or regeneration issue(s) your project is trying to address and how this compares to the national picture (please include relevant statistics such as local housing need, house price to workplace-based earnings ratio, etc.).

b) How this project will address this challenge.

a) Please describe the local housing and/or regeneration issue(s) your project is trying to address and how this compares to the national picture (please include relevant statistics such as local housing need, house price to workplace-based earnings ratio, etc).

The Growth Strategy for Exeter is based on current success. Exeter is the fastest growing city in the UK (Centre for Cities) with the area having the 6th Highest growth in GVA. The 207 hectares of commercial development space available provide significant employment opportunities, which in part will provide the location for the 20,000 new jobs that Exeter will attract over the next 10 years.

Both Exeter City and the surrounding area, is constrained. To deliver the economic growth and supporting housing in an acceptable way will require local authorities and delivery partners to have much more control in relating homes and jobs to transport and the provision of other infrastructure.

The challenge for Exeter is to deliver this in a sustainable way to ensure that growth is of high quality and part of the solution to the zero carbon challenge that all local authorities have signed up to. New housing needs to meet the needs of the existing population as well as support the economic strategy for the area. The housing challenge is specifically identified in Greater Exeter's Local Housing Need Assessment for the Greater Exeter Area - 1st Edition (June 2019). This confirms the logic for the Greater Exeter planning geography being a discrete housing market area underpinned by a clear travel to work area (focused on Exeter City).

A key objective of this work is to accelerate housing delivery generally (having a positive impact on overall affordability) as well as having greater control over the homes delivered so that they meet specific local needs.

The Local Housing Need Assessment considers this need across the whole area drawing specific conclusions relating to the levels of and need for;

- Affordable housing
- Private rented sector housing
- Self / custom build housing
- Housing for older people
- Housing for people with disabilities
- Housing for adults needing supported care
- Student housing
- Housing for gypsies and travellers
- Housing for service families

There is clear evidence that the market on its own will not meet these housing needs either in terms of the quantity or range of housing. The additional control provided by a delivery vehicle has an objective of providing the partners with the ability to deliver a greater range of new housing to meet the identified need.

Broader Strategic Context

As government develops its Industrial Strategy, local authorities have a unique opportunity to contribute and shape the future of the UK in this space through their own local strategic plans. This strategy will be key to ensuring that every part of Britain can prosper and that the government has the right policies to drive productivity and earning power. Embedded within that strategy is the principle idea that cities can hold the key and that they need to transform.

By 2050 66% of the world's population is expected to be living in cities. This rate of urbanisation presents many challenges which, if left unsolved, will give rise to inequity, pollution and costly sprawling development patterns. This limits the capability not only of our cities, but the people within them as well.

To stimulate and sustain economic development, a city, including Exeter, needs to be a vibrant place with a distinct identity and a heart. It needs to focus on attracting and retaining the most talented individuals by offering a fantastic quality of life in the very best kind of environment. This place-making goal is essential to create the momentum and investment needed to grow sustainably, inclusively and equitably for citizens. The UK needs to deliver transformational change within its cities and build growth strategies focused on better financing, innovation, responsible planning and better use of data analytics. Exeter city's vision for the future recognises this.

The UK's regeneration challenge

Traditional methods for the financing and delivery of housing and urban growth, led by the private sector developer market agendas, are not always sympathetic to the challenges of city plans. Profits made from development typically exit the city cash-flows rather than being available for reinvestment into optimising other infrastructure services. This leakage of value coupled with constraints on public sector capacity and the pace of financing for infrastructure delivery presents an acute challenge for cities.

Without a significant change in the way they manage growth and development, Exeter and many other cities could be compromised in their attempts to deliver into the wider industrial strategy. The level of housing numbers required to meet population and growth targets will unarguably lead to an urban sprawl which conflicts with road network constraints, neighbouring regions space aspirations, energy grid capacity and health and wellbeing. There exists an absence of shared understanding of the impact of peripheral housing and business growth on the fabric and functioning of the city and its future attractiveness to citizens, academics and businesses. This is the challenge that stands in the way of delivering on the place-making aspirations inherent in the Industrial strategy.

Equally, a challenge remains from a financing perspective. In typical development projects, there exists a fundamental mismatch between the purpose and outcome of short term capital and the long-term agenda of a city. In the rented sector, for example, short term capital is obtained for the build phase of a development program which then does not often deliver on the city's long-term aspirations. Then longer-term mortgage finance is brought in after the damage is done. A comprehensive 'finance first' solution is needed to better serve the overall plan.

b) How this project will address this challenge.

Liveable Exeter and the Exeter City Fund

A city development fund or development corporation, with a single point of financing and delivery represents a bold, innovative solution to the challenges outlined earlier in this section. It carries with it a fresh approach to risk, planning, management and funding, and with the city's complete pipeline of developments succeeding through a single aperture we would expect to see significantly reduced project top and tail costs, little or no refinancing costs needed and reduced professional fees relative to the quantum overall construction activity. This ultimately leads to greater returns for the Fund.

Elsewhere and more broadly, a city development fund represents a holistic approach, one that views Exeter's infrastructure investment needs as a single, self-supporting program. In this way, individual projects can cross pollinate, allowing greater social impact while ensuring the overall fund position is profitable. From a planning perspective, it also means the City Council can have more of a say in future projects and be tougher on controlling planning outcomes that ultimately create different outcomes and drive towards the wider strategic plan.

05 DELIVERABILITY

- a) Outline the key milestones for your housing and/or regeneration project. (e.g. allocation in Local Plan, start on site, delivery of key enabling infrastructure).
- b) Identify the key risks to delivery of the milestones set out above and outline the measures you will take to mitigate these.
- c) Outline any stakeholder engagement to date and provide any evidence of support (e.g. local businesses, residents, landowners, neighbouring local authorities, MPs, LEPs, etc.)

a) Outline the key milestones for your housing and/or regeneration project. (e.g. allocation in Local Plan, start on site, delivery of key enabling infrastructure).

Milestone Date	Liveable Exeter and City Fund Milestone
April 2021	Confirmation of funding released by EO1
Jan 2022	Full Pilot feasibility studies
Jan 2022	Updating Business Case from Gateway 1
Feb 2022	Provision of financial & operating model development
Mar 2022	Target operating Model development
June 2022	Fund Incorporation
June 2023	Procure exec and operational function

b) Identify the key risks to delivery of the milestones set out above and outline the measures you will take to mitigate these.

Liveable Exeter and the Exeter City Fund

The Risks for this workstream are included in Appendix A.

c) Outline any stakeholder engagement to date and provide any evidence of support (e.g. local businesses, residents, landowners, neighbouring local authorities, MPs, LEPs, etc.)

Liveable Exeter and the Exeter City Fund

Work to Date:

Exeter City Futures have been working with the Council and city leaders on bringing the Fund forward. Work carried out in 2018/19:

1. Briefing note and presentation at No.10 Downing Street and to the Prime Minister's Special Advisors: Explicit support was provided for the Fund, pending further due diligence and business case work and assessment by independent consultants and financial modellers (the subject of Gateway 1 work)
2. Engagement with BEIS: Strategic outline business case and real estate analysis was carried out on a pipeline of strategic sites for development and investment into the fund,

from various public sector partners in the city. The business case was submitted to DBEIS as part of the Greater Exeter Industrial Strategy pitch, with direct engagement with Stephen Jones in his role as then-Director of BEIS Cities and Local Growth.

3. Commitments: from Devon County Council and Exeter City Council senior politicians and councillors to proceed with the further business case work.
4. Concept testing with key consultants, pension funds and real estate investment banks. Explicit support was provided for the Fund, pending further due diligence and business case work and assessment by independent consultants and financial modellers.
5. Direct engagement with Homes England for the Liveable Exeter programme and exploration of suitable finance and delivery structures under a portfolio approach.
6. Engagement with local business community for a publicly owned development Fund.

As a city project, we have spent 12 months refining the project structure and obtaining feedback and support from stakeholders. We are now working with Homes England to become an integral part of that stakeholder group, both from a funding perspective and, crucially, from a government assurance and delivery support perspective. In addition to the critical friend role, we also recognise the inherent connections between the Government and housing/infrastructure funders such as pension funds and are keen to ensure we all work with cohesion to ensure the opportunity evidenced as recognised by the investment community is best- converted into the Fund's initial flagship development.

The City has a growing list of supporters and programmes which complement the approach described in this proposal. To truly deliver the place-based industrial strategy our approach recognises the team of stakeholders and their importance to the programme:

- Exeter City Council - ECC is the driving force behind the city's transformational programme and is the key partner to Exeter City Futures in its role as the innovation and sustainable finance enabler. The Council is already exploring strategic sites across the city to develop sustainable urban villages through the Liveable Exeter programme.
- The University of Exeter - with a new Innovation, Impact and Business team, the university is ambitious in its plans for regional economic transformation, and recognises the strength in delivering the City's vision in partnership with the City Council and Exeter City Futures. The University is also establishing a new Institute for Data Science, and is a partner in SetSquared, recognised last year as the number one University-Business incubator in the world
- Royal Devon and Exeter NHS Trust - The health agenda is at the heart of the benefits within the programme. As the Trust is currently considering its own site development plan including decisions around land disposal, housing, retail and car parking, it recognises the need for innovative input on design solutions and potential financing models.
- Exeter College - recently rated as the number one FE College in the Country by FE Week, the College and the University have submitted an Expression of Interest to bid for an Institute of Technology, specialising in Data Science and data Analytics. Along with upcoming data apprenticeships planned at Exeter City Futures, the College is integral to the key innovation and data themes and part of building our support for the collaborative, innovative approach required.
- County and District Councils - through the Greater Exeter Strategic Plan (GESP), wider planning development in the region and more devolved asset management in the next two decades, the Councils in the Greater Exeter area are key partners in the joined up approach recognised as required.

- Exeter City Futures Partner Network – the Exeter City Futures partner network, comprised of city- wide professional services and infrastructure firms, is already mobilised, having signed declarations of support for the programme, pledged expertise, attended strategic planning events and shared critical data sets for analysis in feasibility project work. The City Council and Exeter City Futures presented at and jointly facilitated a major event within the planning, professional services, developer and infrastructure industries in Exeter, many of whom are part of the Exeter City Futures Partner Network.

The event canvassed solutions for transformational change in Exeter over the next two decades and revealed, with unanimous consensus, the need for a finance first solution with genuine place-making as its objective and underpinned by innovation, data analytics and planning reform.

REFERENCE DOCUMENTS

1. GESP evidence base including Local Housing Need Assessment for the Greater Exeter Area 1st edition (June 2019)

www.gesp.org.uk/evidence/

2. Liveable Exeter Vision

www.exetercityfutures.com/news/citys-vision-to-build-12000-new-homes-in-exeter-over-next-20-years/

3. Exeter Fund Appendix A

Appended to MHCLG submission



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