Cambridge Journal of Regions, Economy and Society 2017, **10,** 455–469
doi:10.1093/cjres/rsx013
Advance Access publication 18 September, 2017

Urban assets and the financialisation fix: land tenure, renewal and path dependency in the city of Birmingham

John R. Bryson[a], Rachel Ann Mulhall[a], Meng Song[b] and Richard Kenny[c]

[a]*City-Region Economic Development Institute, Birmingham Business School, University of Birmingham, Birmingham B15 2TT, UK, j.r.bryson@bham.ac.uk; rachel.a.mulhall@gmail.com*
[b]*Cardiff Business School, Cardiff University, 3 Colum Drive, Cardiff, Wales CF10 3EU, UK, SongM5@cardiff.ac.uk*
[c]*West Midlands Combined Authority, 16 Summer Lane, Birmingham B19 3SD, UK, R.Kenny@bham.ac.uk*

Received on September 30, 2016; editorial decision on July 7, 2017; accepted on August 1, 2017

Cities are places of incremental decision-making involving complex negotiations that produce accumulations of urban assets and path dependency. The ownership, control and co-ordination of urban land and its transformation into an investment asset is a key link between economic interests and urban activities that come together in site-based "financialisation fixes". A financialisation fix combines a development solution for a specific site with a financial model creating a locally embedded asset. This article examines how land tenure (freehold versus leasehold rights) influences the transformation of a city and the role a local authority plays in the financial management of land assets. This includes an analysis of the application of financialisation to urban assets and the first tax increment financing scheme of 1875.

Keywords: land tenure, financialisation, urban assets, path dependency, tax increment financing, Birmingham
JEL Classifications: O18, R11

Introduction

All cities are in a continual state of becoming, as individuals, groups and organisations adapt to processes of change and transformation. These processes of adaptation are place specific, even idiosyncratic (Boschma and Frenken, 2011), as decisions that have been made in the past influence and, in many cases, determine current investments. All cities are the outcome of layers of decisions that build upon one another providing forms of path dependency (Martin and Sunley, 2006). The ownership of freehold land, or permanent and absolute tenure, plays an important role in shaping cities providing forms of path dependency constructed around the ownership or control of locally embedded assets—land. This path dependency provides place-based distinctiveness as a process of ongoing incremental decision-making shapes the physical, social and economic environments of cities (Boschma and Martin, 2010).

This process of place-based decision-making builds upon conventions that have been established locally, nationally and internationally through investment in urban assets (land, buildings and infrastructure). Studies on the economics of conventions have explored the conventions or regularities that are incorporated into routines (Boyer, 1990; Cidell, 2012; Ponte and Gibbon, 2005; Young, 1993), highlighting that "conventions are also constraints on action" (David, 1994, 9). The concept of conventions contributes to the current debate on evolutionary approaches to economics with the emphasis placed on "routines", but also underpins investment decisions in urban assets (Boschma and Frenken, 2011; Boschma and Martin, 2010; Frenken and Boschma, 2007). In cities, such conventions or investment practices include approaches to financing and funding or financialisation of all types of urban assets.

There are many different types of decisions made in cities, ranging from those that are about the immediate or everyday activities of residents to those that have long-term consequences for a place. A city is the outcome of millions of incremental decisions, many of which involve complex processes of negotiation and renegotiation. Some of these decisions concern scarce or monopoly resources that have a major impact on shaping the conditions for everyday living. Land, buildings and transport infrastructure are critical scarce resources that can be public assets and/or private investment vehicles. The ownership, control and co-ordination of urban land and its transformation into different types of assets is a key link between a set of economic interests, including global finance, and urban activities.

The ongoing shaping of cities reflects an interactive process between land owners, property developers and financial intermediaries, including investment companies, banks, pension funds and insurance companies. It is also an account of financialisation in which "… 'things' are increasingly valued on strictly financial grounds" (Christophers, 2010, 98). This is to argue that cities are shaped by the action of finance upon land to create investment value. This link between commercial property and investment markets is well known (Bryson, 1990, 1997; Cairncross, 1934; Coakley, 1994; Wilson, 1991), with research on property-led regeneration projects and, more recently, the financialisation of property markets (Halbert and Attuyer 2016; Weber, 2010). This more recent literature has a tendency to foreground "financial investors who manage real estate assets" (Guironnet *et al.*, 2016, 1443), but paradoxically fails to fully engage with land (Ball, 1977; Lamarche, 1976), and more specifically the relationship between land tenure or land rights and the redevelopment of cities. This article seeks to fill this gap by foregrounding land, land tenure and the role played by land owners in mediating the relationship between localities, property developers and global finance. In much of the debate on the financialisation of property markets, land is taken as a given. This is unfortunate, as the rights to land reflect established conventions that are defined in land law, including the separation of land rights into freehold versus leasehold rights, and also the separation of air rights from ground rights. A city consists of a mosaic of plots with complex patterns of land ownership and land tenure. This mix of land ownership and tenures comes with different motivations and investment time horizons. On the one hand, investors may be interested in short-term development gains while, on the other hand, investors may be interested in holding land as a long-term asset. These long-term landowners include local government, charities and local and global investors.

In this article, we focus on understanding the renewal and development of the city of Birmingham, UK. The focus is on understanding the role Birmingham City Council (BCC) has played in facilitating the transformation of key sites in the city through the financial management of assets it owns, co-ordinates or controls, and the creation of investment/financing solutions for specific sites and services. The article is based on the analysis of BCC Cabinet papers and asset register, six key informant interviews with representatives of BCC, and the development of a database of infrastructure investments in the city. It is based on the analysis of three developments (National Exhibition Centre (NEC), Library of Birmingham and the New Street Gateway). These have been selected on the basis of the scale and strategic importance of these developments for the city. Each case illustrates a different use of assets over time, but within the framework of a longer-term strategy.

The article is divided into five parts. The following section outlines the theoretical framework and the development of a new concept—a "financialisation fix". Section three provides an historical overview and the application of the concept of a financialisation fix to Birmingham, with a focus on land tenure management, the ongoing redevelopment of this city and an analysis of the first tax increment financing (TIF) scheme of 1875. An analysis of three current examples of "financialisation fixes" (the NEC, the New Library of Birmingham and Paradise redevelopment project, and the New Street Station Gateway project) is provided in section four, followed by a discussion and conclusion.

The financialisation fix and path dependency

An ongoing debate in the social sciences has identified a prevailing trend since the 1970s of "financialisation". This is defined in many ways, but the term highlights the increasing importance of financial motives, markets and financial intermediaries in shaping economies (Epstein, 2005). A key element includes the securitisation of illiquid assets or groups of assets, including mortgage-based securities and TIF (Pacewicz, 2012). A TIF is a local economic development policy that enables a local authority to designate an area for redevelopment and "securitize the expected increase in property taxes from the area to pay for initial and ongoing redevelopment expenditures" (Weber, 2010, 258). TIF has been identified as an example of financialisation, as it converts property taxes from locally fixed assets into a financial instrument that can be traded globally. TIFs have been traced back to California in 1955 (Weber, 2010, 258) or to the 1950s (Pacewicz, 2012) as financial instruments used by municipalities to attract capital to invest in government-revenue-backed debt.

The debate on financialisation has a tendency not only to focus on finance capital, particular types of financial instrument and specific transactions, but also to ignore land tenure and the earlier literature on global finance and property investment. In 1975, a critical review of the property industry, for example, noted that "the development industry is a complex of interlocking financial institutions, construction firms and landowners, but at its heart lies a more imposing network of organisations. This network is called finance capital" (Ambrose and Colenutt, 1975, 41).

More research is required at the city level, including greater attention given to the manipulation of land tenure and to the "politics of financialisation at the local level" (Weber, 2010, 271), in which urban governance and formal legal agreements shape local outcomes, and also the relationships between locally embedded assets (land, buildings and infrastructure) and global finance. The financialisation of urban land suggests that urban development and regeneration is the outcome of a process of negotiation, or power relations, between a city government and the investment expectations of global finance (Guironnet et al., 2016). But the existing case studies of Chicago (Weber, 2010) and Paris (Guironnet et al., 2016) provide partial accounts, and further research is required to identify strategies developed by city governments to control, shape or influence the development process and the outcomes that come from the financialisation of urban land.

Ownership of land represents a right established and enforced by a society's legal system, but land or property ownership is, in fact, the ownership of rights prescribed by law relating to a specific piece of property; the land and buildings are incidental to the right (Lamarche, 1976). This distinction between the physical asset, land and buildings, and the legal right to title is particularly important. Different individuals and organisations may hold different types of rights or interest in the same piece of land or building. Thus, "the right of use is itself a bundle of rights which mature legal systems separate…and it quickly becomes obvious that a person may own things (legally) in a variety of overlapping but quite distinct senses" (Becker, 1977, 18). Cities are shaped by land-contingent investments, supported by social, legal and property interactions that come together on specific sites. These complex bundles of rights include the separation of freehold rights from leasehold rights, with each creating a different type of asset class. A freehold represents the ownership of land and all immovable structures attached to a site (buildings, trees) for an indeterminate duration, whereas a leasehold is the ownership of land for a fixed time, after which it reverts to the freeholder. A leaseholder purchases the rights to occupy a piece of land or a building for a set time-period, paying an agreed rent. The terms of the lease include elements of contract and property law. Thus, the debate on the financialisation of land needs to pay more attention to what precisely is being financialised—freeholds/leaseholds/ground rights/air rights or some combination. This matters as the relationship between global finance and locally embedded assets is complicated by land tenure.

Property has a temporality to it because, first, the asset has a life expectancy with associated sunk costs, and second, the return on property investment is spread over a long period (Bryson, 1990, 1997; Harvey 1982). The property development process involves an appraisal based on the relationship between finance, development (land, professional fees, construction costs and interest) and funding, revenue or rent. This appraisal is site specific as it reflects the quantity and quality of space that can be placed on a specific plot based on a property market's history—rental levels, supply and demand, historic take-up rates, historic supply trends—and the investment returns required by financial institutions that hold property as a long-term investment.

Property investment represents a process by which an investment decision or solution, partner network (developer, builder and investor), built structure and revenue model is spatially and temporally fixed. Once implemented, this plot-based solution excludes other potential solutions until the plot is released for redevelopment or is captured by another form of financialisation. The relative permanency of property investment leads to what we term a "financialisation fix" that combines a development solution for a specific site with a financial model creating a locally embedded designed structure. This "fix" is a solution that locks-out alternative solutions for this plot or area. This means that the spatial structure of a city reflects an accumulation of different place-based financialisation fixes. These fixes represent different ways in which locally embedded assets—land and property—are converted into financial assets. But this conversion process is driven by different actors with very different motivations. Some sites become captured by globally orientated finance capital and others remain under local control. In Birmingham, for example, since 1717 1600 acres of urban land has been owned by the Calthorpe Estate, and the management of this urban asset made the Calthorpe family millionaires (Cannadine, 1980). This reflects an early form of financialisation, but also one that has evolved over 300 years.

We use the term "financialisation fix" to differentiate this concept from Harvey's concept of a "spatio-temporal fix" (Harvey, 1982; Schoenberger, 2004). Harvey uses this term as "a metaphor for a particular kind of solution to capitalist crises through temporal deferral and geographical expansion" (Harvey, 2003, 115). Our financialisation fix does not focus on capital flight into fixed investments during moments of crisis, but rather to acknowledge that all property investment reflects a planning, architectural, engineering and financial or investment solution for a specific plot that has been developed by a development project team at a particular time, drawing upon a set of established conventions, or through the development of a financial innovation. This solution is fixed on to a site and reflects some form of balance between finance, funding and built structure. Each fix represents site-based path dependency that reflects the outcome of a negotiation process that locks other solutions out of the site. Many aspects of this fix are written into contract, but based on assumptions regarding the relationship between the capital cost of the development and the investment return or yield. It is worth noting that the financialisation fix involves private and public sector investment or expenditure. A development proposal will be influenced by conventions that have been established locally and nationally regarding building design and the finance/funding model (Guironnet et al., 2016). The financial aspects of a fix will reflect the accepted relationship between risk and reward compared to investment returns that are available from comparable alternative investment assets, but also determined by the motivations behind the investment and investor (long-term, short-term, capital return, yield, public/private good, etc.). The financial solution may be based on a tax-based subsidy or grant, private sector investment or a relationship between the public sector and the financial system. The existence of finance and funding conventions and expectations that have developed through practice provides another source of path dependency.

Birmingham value capture uplift strategy and the first TIF (1875)

The fixing of finance onto an urban plot provides stability, but adaptation occurs as buildings age or new buildings are created on adjacent plots. Much of the existing literature focuses on understanding private sector actors and the role they play in creating and profiting from investing in urban assets (Guironnet et al., 2016). There is an important gap to explore, which is the role that local authorities play as land owner, investor, facilitator, sometimes developer and investor, and as planning authority with the rights to grant or withhold planning permission. This role varies by city, plot and area within a city. In the UK, BCC has developed a long-term approach to the creation and management of urban land that can be traced back to 1875. In 1913, Vince provided a list, in date order, of the most important extensions to the responsibilities of what was then Birmingham Town Council. Birmingham became a city on 14 January 1889. He noted that:

> …from this table of events the reason for the importance attached by Birmingham men [sic] to the year 1875, in their local history, will be apparent. That year was the second of the three during which the office of Mayor was held by Mr Joseph Chamberlain . . . The Council, which has for years been unenterprising, responded to the stimulation of his energy and public spirit . . . and, four years later, three courageous projects were carried through in one year. (Vince, 1913, 152).

Chamberlain provided the leadership based on the application of commercial logic to the provision and financing of public services.

These three courageous projects transformed Birmingham, and this strategy continues to underpin BCC's attitude to the long-term management, co-ordination and control of land-based assets. The first project commenced in 1874, and was a proposal made by Chamberlain to the full Council for the town to take over the town's privately owned gas companies. Prior to the municipalisation of gas in Birmingham, the town's finances were based on sums that could be raised from rates, as the Town Council owned no landed property, dock dues or other sources of income. The gas takeover would increase the town's debt from £500,000 to £2.5 million, but Chamberlain's business case was based on costs, interest rates and profits. He argued that the Council would make an annual profit of £14,800 and that this could be used to support or underwrite other activities. After the takeover, the gas company made an annual profit of £34,000 and by 1880 this had risen to £57,000 (Briggs, 1952, 73). In 1885, the second phase of the town's Council House was constructed as an office for the gas department on the ground floor and the town's art gallery on the floors above. The inscription stone for this gallery states "by the gain of Industry we promote Art" or, in other words, the gallery was paid for by profits from the sale of gas. The city acquired a revenue stream from a locally embedded asset that was used to support borrowing and to provide additional public services.

The second project involved the takeover of privately-owned water companies. For the gas project, Chamberlain emphasised the economic benefits of the scheme, but with water, the argument was based on sanitary conditions, as the provision of water should never be a source of profits. The third project was a response to a piece of national legislation, the Artisans' Dwellings Act, 1875. This Act provided local authorities with the right to compulsory purchase insanitary areas without paying extra for a compulsory sale (Briggs, 1952, 77). Chamberlain applied this act to develop 93 acres in Birmingham city centre; 43.5 acres would be acquired by the Council at a cost of £1,310,000. The creation of new streets would account for 8 acres costing £34,000. This scheme led to the development of a new street, Corporation Street, with an estimated cost to the rates of £20,000 a year (Vince, 1913, 152).

There are two important aspects of this project. First, the financial model, the financialisation fix, was based on the escalation in rateable values. This is important as this is the first example of TIF in which future yearly property tax increases are used to support the loans required to finance a major urban redevelopment project. TIFs have been defined as financialised in several senses (Weber, 2010) and have been dated back to California in 1952 (Farris and Horbas, 2008). But for Birmingham, the financialisation of land using a TIF commenced in 1875, suggesting that the financialisation of land commenced in the 19th century and perhaps much earlier. Chamberlain claimed that the rateable value of the scheduled property was £32,000, but that this would increase three times and would produce an annual increase in Council revenue of £6000 to set against development costs. This would reduce the estimated net cost of the scheme to £12,000 per year. Second, the development of Corporation Street was based on releasing sites for development by the private sector on short leaseholds (75 years), with the Council retaining ownership of the freeholds. This is important, as this strategy has continued to ensure that BCC is able to shape the ongoing transformation of the city. This financialisation fix was based on: income from existing buildings, ground-rents from sites as they were released, a contribution from the rates to cover the cost of borrowing, the uplift in rates and locking-in the Council as a long-term land owner. Chamberlain termed this strategy as "sagacious audacity" and noted that "the next generation will have cause to bless the Town Council" (Briggs, 1952, 79), and this "blessing" still holds true in 2017.

The long-term consequences of Chamberlain's strategy were two-fold. First, in 2015, BCC owned 40% of freehold land in the city centre, including roads, pavements and parks, office, shops and homes (BCC, 2015a, 61). This provided annual revenue of £27 million, with 5-year upward rental reviews linked to growth in capital values. Second, the retention of freeholds and the purchase of additional freehold interests places BCC in a position of influence and power. The Council's ownership of freeholds enables it to influence the development of the city outside the planning system, by a process of negotiation with property and financial intermediates and through the establishment of joint ventures formed to redevelop plots or larger areas. This is partly about enhancing the city, but partly about a strategy of "value capture uplift" through real estate transactions. This strategy also plays a critical role in shaping the ongoing relationship between BCC and the city. Chamberlain's emphasis on retaining the ownership of freeholds has placed BCC as a central player in the ongoing redevelopment of the city. This strategy has led to path dependency that is evident today in the continued relationship between BCC, land ownership and the redevelopment/development or the city.

For BCC, this is an ongoing process. In 2016, BCC spent £10.4 million to acquire the Red Rose Centre, Sutton Coldfield, a suburban shopping centre. There were two incentives behind this purchase. First, BCC leases space for the local library in this development on a restrictive lease, and the purchase will save BCC about £10 million in revenue a year by 2019/2020. Second, the acquisition will enable BCC to work with private sector partners to transform the centre into a regional shopping centre and, at the same time, make a major capital gain for BCC to invest elsewhere in the city.

The transformation of Birmingham via the application of a value capture uplift approach has played a critical role in the ongoing transformation of the city. The latest project involves the relocation of the city's wholesale markets by BCC purchasing a site on the edge of the city. This has released the 34-acre Smithfield site in Birmingham city centre that is owned by BCC. BCC has developed a planning framework for this area, and from 2016, it is working with developers and investors to create 3.2 million sq ft of new floor space, 2000 new homes and 3000 new jobs. This scheme has an expected investment value of over £500 million. BCC will retain this site's freehold and will acquire part of the development profits created from this scheme.

Chamberlain's strategy was based on financial innovation designed to enhance urban living, and this strategy continues to shape the redevelopment of Birmingham. Unlike many other cities, BCC acts as land owner, investor, facilitator and negotiator, and is an important actor in the transformation of key urban assets through the negotiation of new financialisation fixes. Central to this policy is the continued retention of freeholds and the sale of leasehold interests.

The development of urban assets, Birmingham

BCC has experienced a turbulent financial position over recent years. Austerity in public sector spending since 2010 has demanded recurring annual cost savings. In addition, a class-action legal case against BCC by underpaid female workers left the Council with estimated liabilities of £638 million (Kerslake, 2014). The sale of property and physical assets owned by BCC are part of the strategy to manage ongoing reductions in financial liabilities (BCC, 2015a, 59), but also as a potential resource for transforming the city (BCC, 2011, 2013c, 2015a). The Council's property and physical assets portfolio is a mix of service delivery assets (community centres, schools and council offices) and commercial property (leased to third parties; BCC, 2015a, 61). Despite the poor financial state of BCC, there are several large-scale urban regeneration and infrastructure projects underway that illustrate the continued financial management of property assets owned by BCC.

The analysis of a series of key property developments in the city between 1970 and 2015 reveals how incremental decision-making, on a project-by-project basis, to meet local needs linked to specific sites, involved forms of path dependency and also adaptation. BCC has acted as a facilitator in the renewal and redevelopment of urban assets by using its freehold rights and the financial management of property assets for the long-term strategic development of the city. Three examples will be explored in this article:

(1) The NEC and the development of a new cultural asset outside the governance boundary of the city, which was subsequently used to leverage finance for further city centre developments
(2) The development of the new Library of Birmingham to replace an existing building and unlock other sites for development
(3) The New Street Gateway project that used a network approach to bring together freeholds and leaseholds to create additional use and investment value

In each example, the financialisation fix varies and BCC played a different role in the management and reworking of each development's bundle of assets.

National Exhibition Centre

The first urban asset to be explored is the development of a large exhibition centre. This is a complex case involving many different land and investment transactions, but central to these are the activities of BCC leveraging assets to transform the city, and the use of short leases. In 1970, BCC purchased 415 acres of farmland outside the city's administrative area as the proposed site for an NEC. This was a speculative investment to support an application for a grant from central government. The NEC was opened in 1976, with 89,000 m^2 of exhibition space providing the city with a nationally important exhibition centre intended to attract business and leisure tourists to central Birmingham.

The history of the NEC is one of financial innovation, ownership structures and the separation of tenure types. In the 1960s, BCC was already refurbishing a small exhibition space located in the city, Bingley Hall. A national competition to establish a NEC was announced by central government, encouraging BCC to develop a strategy that eventually led to the creation of the NEC in 1976. The NEC was owned by BCC but managed by an independent company, and became a profitable leisure complex, with BCC retaining ownership of the land and property assets.

In 1983, BCC began to explore the development of a city centre-located International Convention Centre (ICC) for 3700 delegates, combined with a concert hall for the City of Birmingham Symphony Orchestra (CBSO) and the National Indoor Arena. BCC leveraged the NEC's assets and company structure to obtain a European Union grant of £49.7 million to contribute to the £180 million cost of the scheme. The Council was unable to raise the capital through borrowing or an extension of their capital allowance from the Treasury (Tweed, 2001); the ICC complex was incorporated into the NEC company to avoid constraints related to European state aid (Tweed, 2001). Much of the funding to construct the ICC came from land assembly by compulsory purchase and its release to private sector developers to construct the mixed-use £250 million, 15-acre Brindleyplace development scheme that is adjacent to the ICC. The construction of the NEC provided BCC with an asset that unlocked the development potential of a large city centre site that contributed to raising the city's international profile through the development of a major concert venue, Symphony Hall. The Council leveraged an asset to construct another asset, creating a financialisation fix for another site.

In 2012, BCC lost the £638 million class action court case over equal pay and to partially cover this financial liability sold the NEC Group in

January 2015 to LDC, the private equity arm of Lloyds Banking Group, for £307 million (LDC, 2015). The sale of the NEC represents the financialisation of a city-owned property asset, but the key question is: what was sold? The asset that was sold was only a 125-year lease of the NEC site (186,000 m^2 of exhibition space in 20 halls) and a 25-year lease of the ICC and Barclaycard Arena (NEC Group, 2015), with BCC retaining development rights over part of the site and the freehold. Thus, the sale entailed the sale of a short-term interest in a land asset to provide BCC with access to the funds required to settle the court case. As part of the sale agreement, BCC included a clause to ensure that the venues continued to provide leisure services for the city and to maintain direct control over Symphony Hall. BCC subsequently initiated the sale of long leaseholds of two hotels (Crowne Plaza and Hilton) on the NEC site to raise additional capital (BCC, 2015b).

The retention of the freehold and development rights in the surrounding area provides a further opportunity for BCC to facilitate wider development opportunities linked to the proposed development of a high-speed rail line and to realise additional development value. The focus on freeholds by BCC builds upon the approach developed by Chamberlain, and is another element in the path dependency that underlies the ongoing redevelopment of Birmingham. The city's approach to land value capture provides continuity of ownership and the ability of BCC to shape the continued development of the city. BCC appreciates that the long-term ownership of freeholds and the release of leaseholds ensures that the city maintains an ability to negotiate with property developers and investors to the city's advantage. The creation of the NEC Group reflects the development of a leisure, employment and investment asset. The initial impetus was about job creation, but the NEC rapidly became a vehicle to support investment in the city centre. The investment in Symphony Hall, the CBSO and Simon Rattle, the then-CBSO conductor, transformed the city's external image.

The sale of the NEC Group to global finance could be interpreted as a forced fire sale, but the city's long-term strategy to retain freehold and development rights has ensured that the city continues to benefit from this development. The NEC highlights the advantages in retaining freeholds and releasing short-term leaseholds, and the contribution this strategy makes to land-centred path dependency. The origins of this approach can be traced back to Chamberlain's 1875 TIF. Perhaps, Chamberlain's model was the Calthorpe Estate's strategy to retain freeholds and release short leaseholds. For both BCC and Calthorpe, this has provided long-term continuity of land ownership and the ability to mediate and capitalise on the relationship between global finance and urban development.

Library of Birmingham and the Paradise Circus redevelopment TIF

The second urban asset concerns two sites with separate functions that became linked with supporting financialisation fixes, as BCC tried to clear one plot through the redevelopment of another. In 1973, BCC opened a new library, Central Library, located at Paradise Circus in the city centre. Central Library was designed by John Madin and was the finest example of the application of a Brutalist aesthetic in Birmingham. In 1989, the Prince of Wales described this library as more like "a place where books are incinerated, not kept" (Foster, 2005, 77). In 2001, BCC announced plans to demolish Madin's library, as this part of the city was considered "…a highly dysfunctional part of the City Centre" (BCC, 2013a, 6). The old 1971 Central Library site was considered to be strategically important because its demolition would permit the proposed redevelopment of a 17-acre site—Paradise Circus—and improve pedestrian flows in the city centre. The decision to demolish the Central Library involved the development of the New Library of Birmingham on a nearby site owned by BCC. The new library required the development of a financialisation fix that was independent to that developed for the Paradise site; the New Library released the site of the Central Library that unlocked the existing financialisation fix and enabled it to be replaced by a new round of negotiations facilitated by BCC, leading to the development of the 17-acre site.

The current interests held by the council were likely to deteriorate in value if no redevelopment took place (BCC, 2013a). The Paradise Circus redevelopment is a £500 million, 1.8 million sq ft office-led mixed commercial scheme with the potential to generate additional high-quality office space and to develop the reputation of the city core as a prime location for financial and professional services. The aim of BCC was to develop commercial interests and unlock the potential value of assets already held at the site and "[t]o ultimately secure a freehold interest and ground rent across the site for the Council" (BCC, 2013a, 17). To unlock the wider site, BCC entered into a legal partnership agreement with BT Pension Scheme, who are the holding company of Argent Development Company (the owners or holders of several properties within the proposed development site). The partnership pooled assets owned by the two parties and established a joint vehicle to compulsorily purchase the remaining privately owned properties and sites within the proposed redevelopment site. This would enable a wider and more significant redevelopment by "…unifying the ownership of various sites to facilitate a major city centre redevelopment" (BCC, 2013b). By improving the site (in terms of connectivity, image and use of space), BCC would increase the long-term value and income from the site. After completion of the regeneration programme, the joint vehicle will be wound up and freehold interests (and related ground rent) for the site will be transferred back to BCC (BCC, 2013a).

The creation of an Enterprise Zone in the city centre, the first in the UK, has been used to finance this development through a TIF. An investment of £87.79 million between 2013 and 2022, through the enterprise zone, will be made, which will generate a forecast increase in annual business rates of £3.1 million by 2018 (BCC, 2013a, 27) or £319 million over the lifetime of the enterprise zone (GBSLEP, 2014). The finance was raised through prudential borrowing by BCC, to be repaid through new business rate income raised across the enterprise zone:

> A tax increment finance type approach is proposed to use the uplift from the additional future business rates generated by the scheme to secure borrowing to fund the initial abnormal development costs and enable the scheme to proceed (BCC, 2013a, 19).

Land assembly was critical to enable this proposal (BCC, 2013b), and BCC's role as land owner and facilitator enabled the development of an innovative TIF and enterprise zone model (BCC, 2011; DCLG and Mordaunt, 2014).

The development of Paradise Circus and the Library of Birmingham highlights key interdependencies between assets across the city and the need for coordinated financial management to realise value by unlocking existing financialisation fixes and replacing them with alternative fixes. The development of the new Library of Birmingham enabled BCC to release the old Central Library site and gain additional capital receipts through the development of the Paradise development with associated business rate uplift. In land terms, BCC is a strategic actor within the city centre as it owns or controls key sites contributing to path dependency. Compared to global finance, BCC takes a long-term view of the development of the city. The continued ownership of freeholds ensures that the city is able to directly shape the ongoing transformation of the city. The development of the New Library released the Paradise site, which is partly financed by the TIF in partnership with a private developer and investor. It is too early to assess the financial success of this TIF, as the construction of the Paradise development commenced in 2015 and will be completed in 2025. Paradise will make a significant addition to the city's commercial core and it is one that has been controlled by BCC rather than completely controlled by global finance, and will provide BCC with a long-term revenue stream in the form of ground rents and development gain. The Library/Paradise scheme also provided BCC with a model to apply to the wholesale markets at Smithsfield—the relocation of a function to a more appropriate location that also releases a large development site. Both Paradise and Smithsfield involve the pooling of BCC freehold interests with property developers and investors, but with the continued retention of the freehold. There is one apparent negative. The New Library was financed partly on expectations of an escalation in local business rates that have yet to materialise. Consequently, the revenue to support the provision of library services has been compromised, leading to a reduction in the library's opening hours.

Capital gain: the New Street Gateway project and air rights

The third urban asset involved the link between local infrastructure and national infrastructure through the redevelopment and refurbishment of Birmingham's main railway station, New Street Station. The New Street Gateway project included the refurbishment of New Street Station and the construction of a new retail space, Grand Central, above the station. The redevelopment of New Street Station was considered by BCC as being critical to regenerating the City Core and Southern Quarter. The station needed to be enlarged to meet increasing current and forecast demand. There was path dependency, as the first station on this site opened in 1854. This station was damaged in bombing raids during the Second World War, was demolished in 1964 and replaced in 1967. The 1967 redevelopment of this site was based on the sale of air rights above the station. This was the first time that British Rail separated ground from air rights. A 7.5-acre concrete raft was laid, separating the station below ground from the air rights above; the decision to sever land and air rights by a concrete raft impacts on all subsequent decisions affecting this site. The air rights were sold to commercial developers in 1970, who subsequently developed the Pallasades shopping centre (NewStreetNewStart, n.d.). This shopping centre was purchased by Warner Estates in 2005 to develop the asset alongside Network Rail's planned station redevelopment (Pilkington, 2007). Network Rail and Warner Estates disagreed about the redevelopment of the station, as the proposed plan would reduce retail space.

The New Street Station Gateway project required the development of two linked assets—New Street Station and Grand Central shopping centre above the station—and a site that was vertically and legally divided between many different owners. BCC recognised the need to bring the assets and tenures back together to regenerate the space and maximise value creation, and acted as a facilitator. But BCC owned none of these assets. In 2009, BCC compulsorily purchased the shopping centre for £91 million (Pilkington, 2010), reuniting the ground and air rights, enabling the coordinated redevelopment of the site. The Birmingham Gateway Alliance, a partnership formed to undertake the redevelopment, included: BCC (co-land owner), Network Rail (existing land owners), Centro and Advantage West Midlands (Pilkington, 2009). The New Street Station redevelopment project cost £600 million (Pilkington, 2010), financed through consortium financing, with a grant from the Department for Transport to meet the shortfall (DfT et al., 2015; Pilkington, 2007). Once the development was complete, BCC sold Grand Central to Hammerson PLC in 2016 for £335 million on a 150-year leasehold, making a profit for the city of £244 million. This sale removed BCC from any direct ownership of the asset, as the freehold was retained by Network Rail (Hammerson, 2016).

Grand Central is very different to the NEC and Paradise as BCC retains no freehold interests in this site. Nevertheless, BCC was taking a long-term approach to this part of the city by trying to facilitate a major redevelopment of the railway station through the unlocking of an existing financialisation fix and the creation of a temporary fix. The compulsory purchase of the shopping centre was a strategic intervention requiring short-term borrowing by BCC, but with the expectation that the new development would enhance business rates, employment and land value, and also ensure that BCC recovered its capital investment. A city council is able to use its legal powers to unlock development sites while mediating between the interests of citizens and global capital. The separation of ground and air rights at New Street was the first time that this occurred in the UK. This is common practice in the USA, and especially in New York. More recently, it has been applied to London. The sale of the air rights had placed a constraint on the subsequent redevelopment of the station—the path dependency imposed by the 7.5 acre concrete raft and the separation of tenure. The separation of ground and air rights needs to be included in the ongoing debate on the financialisation of property markets. In New York, some air rights have greater monetary value than ground rights, and this relationship between air and ground rights will continue to distort the financialisation of urban land and air.

Discussion and Conclusions

This article has explored the development and redevelopment of urban assets in Birmingham, with a focus on understanding land tenure, the creation of plot-based financialisation fixes and the role played by BCC. The existing research on financialisation and urban assets has neglected the role that land tenure plays in shaping cities and in contributing to path dependency. Thus, one study of financial assets, financialisation and Paris concluded by arguing that "power in urban redevelopment projects may increasingly be tilted in favour of financial investors" and that cities "may thus increasingly be forced to … accommodate the expectations of financial intermediaries" (Guironnet et al., 2016, 1460). But at the moment, this does not hold for Birmingham. BCC's "value capture uplift" approach, founded on never selling freehold interests in land, places the city government at the centre of most major city centre development projects. The Council is able to shape development outcomes outside the planning process and, at the same time, it obtains financial benefits for the city. This represents a potential conflict of interests, but there is a clear administrative division between the Council's roles as landowner, property developer/investor and planning authority.

A council can acquire ownership of a plot though compulsory purchase, decisions made in the past to acquire land or buildings, via donations in the distant past and as a consequence of other types of interventions, for example, road widening. There are many types of urban assets. First, there are urban assets that experience a form of permanent lock-down or financialisation fix whose use cannot be altered, including parks and commons or green infrastructure and properties held in trust. Second, a council may own heritage assets that are listed and buildings that are difficult to alter and also may be valuable for the ongoing provision of public services. Third are investments in infrastructure that are intended to enhance connectivity, and much of this is reflected in roads and pavements. Fourth are assets that enable the provision of services, but are not currently identified as "heritage" assets. Fifth include assets that are owned by a council to support city activities, but do not contribute directly to the provision of public services. Further research is required on this last category, as this includes councils investing or retaining non-core urban assets as financial assets. These non-core assets may include ownership of freeholds and leasehold interests, but they also include air rights above roads and other city-owned assets that will become more valuable as urban density increases.

Birmingham's approach to land and freeholds reflects a strategy that was developed by Joseph Chamberlain in 1875. The land value capture model developed by Chamberlain as the first TIF has ensured that BCC has been able to mediate the relationship between global finance and locally embedded assets to the financial advantage of the city and to the advantage of citizens. This strategy has enabled BCC to create assets through cycles of financialised fixes that are intended to renew and regenerate parts of the city. It has also enabled the Council to relocate activities, releasing development sites to create new employment opportunities but also financial gain for the city and global finance.

The Council has responded to external opportunities to access project finance and tried to develop local solutions to local problems. The cross-cutting strategy, however, has been the emphasis placed on the retention of freeholds. This strategy locks-in the council as a key active player rather than passive actor in the ongoing transformation of Birmingham city centre. The primary urban asset is a plot—a piece of land. A plot has multiple values for a council and its citizens: the utility provided by the current use of the plot, the land value, the value linked to the structures that currently use the plot and reputational values (local, national and global). The ongoing debate on the financialisation of property markets must pay more attention to land and land tenure. One way of developing this relationship is through the concept of a "financialisation fix". This term builds upon Harvey's spatial fix (1982) by acknowledging that there is a special relationship between global finance and land. Part of this special relationship is related to the special characteristics of property assets (Massey and Catalano, 1978). This fix, however, combines an architect/engineering solution with a financial model. Some of these fixes reflect established conventions, for example a TIF, and other financial innovations. For a period of time, a specific financialisation fix provides a plot with a form of path dependency that locks the plot into a particular use and related financing model.

The current debate on the financialisation of property has a tendency to focus on recent developments while ignoring earlier periods in which finance was entangled with property markets and the state. This is unfortunate. This article identified the development of the first TIF in Birmingham in 1875 rather than in California in 1952. This highlights that financialisation is not a new process, but is perhaps as old as capitalism. Thus, the establishment of the Calthorpe Estate in Birmingham in 1717 represents one type of financialisation, in which a private investor manages land as an investment asset. It will be possible to identify waves, stages or phases in the evolution of financialisation. Earlier research would date the current wave of financialisation not back to the recent Global Financial Crisis (Halbert and Attuyer, 2016) but to 1947. It was in 1947 that George Ross Goobey was appointed as a pension manager of the Imperial Group Pension Fund (Ross Goobey, 1992). It was Ross Goobey who set the precedent for pension funds to invest in equities and property markets rather than in fixed income investment assets. Ross Goobey's innovation transformed cities in developed market economies by altering the relationship between the pooling of savings by financial intermediaries and built space. Financialisation is an old process, and research is urgently required to develop a more historical and systematic analysis of the financialisation of buildings and infrastructure provision and the contribution this makes to path dependency and the shaping or transformation of cities.

Acknowledgments

The authors wish to thank the reviewers and Editors for their constructive comments on different drafts of this article and comments received when the paper was first presented at the *Cities in Transformation* conference, St. Catherine's College, Cambridge

(14–15 July 2016), and from our iBUILD colleagues and friends. This research has been undertaken as part of the iBUILD Research Centre (Infrastructure BUsiness models, valuation and Innovation for Local Delivery). iBUILD is funded by the Engineering and Physical Sciences Research Council (EPSRC) and the Economic and Social Science Research Council (ESRC) (EP/K012398/1). We also thank the interviewees who gave their time to discuss this topic. The usual disclaimer applies. We thank David Bryson for his assistance with proofreading and referencing.

References

Ambrose, P. and Colenutt, B. (1975) *The Property Machine*. Harmondsworth: Penguin.

Ball, M. (1977) Differential rent and the role of landed property, *International Journal of Urban and Regional Research*, **1**: 380–403.

BCC [Birmingham City Council] (2006) *Library of Birmingham Business Case*. Birmingham: BCC.

BCC [Birmingham City Council] (2011) *Big City Plan: City Centre Masterplan*. Birmingham: BCC.

BCC [Birmingham City Council] (2013a) *Paradise Circus: Business Case, redacted version*. Birmingham: BCC.

BCC [Birmingham City Council] (2013b) *Report to Cabinet of 25th March 2013: Paradise Circus Compulsory Purchase Order*. Public Report: Birmingham: BCC.

BCC [Birmingham City Council] (2013c) *Birmingham: Council Business Plan and Budget 2013+*. Birmingham: BCC.

BCC [Birmingham City Council] (2015a) *Business Plan 2015+: Budget Report and Resource Plan*. Birmingham: BCC.

BCC [Birmingham City Council] (2015b) *Report to Cabinet 29 June 2015: Disposal of Surplus Properties: The Crowne Plaza and Hilton Hotels at the NEC Public Report*. Birmingham: BCC.

BCC [Birmingham City Council] (2016) *Report to Cabinet 5 April 2016: National Exhibition Centre: Planning Masterplan Public Report*. Birmingham: BCC.

Becker, L. C. (1977) *Property Rights: Philosophic Foundations*. London: Routledge and Kegan Paul.

Boschma, R. and Frenken, K. (2011) The emerging empirics of evolutionary economic geography, *Journal of Economic Geography*, **11**: 295–307.

Boschma, R. A. and Martin, R. (2010) *The Handbook of Evolutionary Economic Geography*. Cheltenham: Edward Elgar.

Boyer, R. (1990) *The School of Regulation*. New York: Columbia University Press.

Briggs, A. (1952) *History of Birmingham*, *Vol.* **2**. Birmingham: Birmingham City Council.

Bryson, J. R. (1990) The property industry, *Geography*, **75**: 368–371

Bryson, J. R. (1997) Obsolescence and the process of creative reconstruction, *Urban Studies*, **34**: 1439–1458.

Cannadine, D. (1980) *Lords and Landlords: the Aristocracy and the Towns 1774–1967*. Leicester: Leicester University Press.

Cairncross, A. K. (1934) The Glasgow building industry, *Review of Economic Studies*, **11**:1–17.

Christophers, B. (2010) On voodoo economics: theorising relations of property, value and contemporary capitalism, *Transactions of the Institute of British Geographers* **35**:94–108.

Cidell, J. (2012) Building quality, building green: conventions theory and industry transformation, *Urbani Izziv*, **23**: 186–194.

Coakley, J. (1994) The integration of property and financial markets, *Environment and Planning A*, **26**: 697–713.

David, P. A. (1994) Why are institutions the 'Carriers of History'? Path dependence and the evolution of conventions, organizations and institutions, *Structural Change and Economic Dynamics*, **5**: 205–220.

DCLG [Department for Communities and Local Government] and Mordaunt, P. (2014) Millions of pounds to be invested in local infrastructure thanks to enterprise zones, *Department for Communities and Local Government*, 16 December. Available online at: https://www.gov.uk/government/news/millions-of-pounds-to-be-invested-in-local-infrastructure-thanks-to-enterprise-zones [Accessed 22 September 2016].

DfT [Department for Transport], HM Treasury, Department for Business, Innovation and Skills, The Rt Hon Patrick McLoughlin MP and The Rt Hon George Osborne MP (2015) Transport Secretary hails Birmingham New Street Station Transformation, *Department for Transport*, 18 September. Available online at: https://www.gov.uk/government/news/transport-secretary-hails-birmingham-new-street-station-transformation [Accessed 28 April 2016].

Epstein, G. A. (2005) Financialization and the world economy. In G.A. Epstein (ed.), *Financialization of the World Economy*, pp. 3–16. Cheltenham: Edward Elgar.

Farris, S. and Horbas, J. (2008) Creation vs. capture: evaluating the true costs of tax increment

financing, *Journal of Property Tax Assessment & Administration*, **6**: 5–14.
Foster, A. (2005). *Pevsner Architectural Guides: Birmingham*. New Haven: Yale.
Frenken, K. and Boschma, R. A. (2007) A Theoretical framework for evolutionary economic geography: industrial dynamics and urban growth as a branching process, *Journal of Economic Geography*, **7**: 635–649.
GBSLEP [Greater Birmingham and Solihull Local Enterprise Partnership] (2014) *Birmingham City Centre Enterprise Zone: Investment Plan 2013/14 to 2022/23*. Birmingham: Greater Birmingham and Solihull Local Enterprise Zone and Birmingham City Council.
Guironnet, A., Attuyer, K., and Halbert, L. (2016) Building cities on financial assets: the financialisation of property markets and its implications for city governments in the Paris city-region, *Urban Studies*, **53**: 1442–1464.
Halbert, L. and Attuyer, K. (2016) Introduction: the financialization of urban production: conditions, mediations and transformations, *Urban Studies*, **53**: 1347–1361.
Hammerson (2016) *Hammerson to Acquire Grand Central, Birmingham*. Available online at: http://www.hammerson.com/media/pressreleases/hammersontoacquiregrandcentralbirmingham/ [Accessed 6 February 2016].
Harvey, D. (1982) *The Limits of Capital*. Oxford: Blackwell.
Harvey, D. (2003) *The New Imperialism*. Oxford: Oxford University Press.
Kerslake, B. (2014) *The Way Forward: An Independent Review of the Governance and Organisational Capabilities of Birmingham City Council*. London: Department for Communities and Local Government.
Lamarche, F. (1976) Property Development and the Economic Foundations of the Urban Question. In C. Pickvance (ed) *Urban Sociology*, pp.85–118. London: Methuen.
LDC (2015) *The NEC Group*. Available online at: http://www.ldc.co.uk/Portfolio/CompanyInfo.aspx?Id=379 [Accessed 10 July 2016].
Martin, R. and Sunley, P. (2006) Path dependency and regional economic evolution, *Journal of Economic Geography*, **6**: 395–437.
Massey, D. and Catalano, A. (1978) *Capital and Land: Landownership and Capital in Great Britain*. Basingstoke: Macmillan
NEC Group (2015) *NEC Group Sale Press Release*, 16 January. Available online at: http://www.nec-group.co.uk/news-and-media/news/nec-group-sale/ [Accessed 10 July 2016].
Network Rail (2008) *Birmingham Gateway Unlocked as Funding for New Street gets Green Light*, 12 February. Available online at: http://www.networkrailmediacentre.co.uk/news/birminghamgatewayunlockedasfundingfornewstreetgetsgreenlight [Accessed 6 February 2016].
NewStreetNewStart.co.uk (n.d.) *History*. Available on-line at: https://www.networkrail.co.uk/who-we-are/our-history/iconic-infrastructure/the-history-of-birmingham-new-street-station/ [Accessed 6 February 2016].
Pacewicz, J. (2012) Tax increment financing, economic development professional and the financialization of urban politics, *Socio-Economic Review*, **11**: 413–440.
Pilkington, L. (2007) Bright hopes, big city, *Estates Gazette*, **21**: 21.
Pilkington, L. (2009) Wheels in motion, *Estates Gazette*, **925**: 112–114.
Pilkington, L. (2010) New street on track for John Lewis, *Estates Gazette*, **1032**: 19.
Ponte, S. and Gibbon, P. (2005) Quality standards, conventions and the governance of global value chains, *Economy and Society*, **34**: 1–31.
Ross Goobey, A. (1992) *Bricks and Mortals*. London: Random House.
Schoenberger, E. (2004) The spatial fix revisited, *Antipode*, **36**: 427–433.
Steer Davies Gleave (2011) *The Value of Station Investment: Research on Regenerative Impacts*, report prepared for Network Rail: London.
Tweed, M. (2001) *Celebration*. London: James & James Ltd.
Vince, C. A. (1913) Municipal Government. In G. A. Auden (ed) *A Handbook for Birmingham and Neighbourhood*, pp. 145–156. Birmingham: Cornish Brothers.
Weber, R. (2010) Selling city futures: The financialization of urban redevelopment Policy, *Economic Geography*, **86**: 251–274.
Wilson, D. (1991) Urban change, circuits of capital and uneven development, *The Professional Geographer*, **43**: 403–15.
Young, H. P. (1993) The evolution of conventions, *Econometrica: Journal of the Econometric Society*, **61**: 57–84.