TIF TPSP RESPONSE TEMPLATE

THIS TEMPLATE SHOULD BE COMPLETED AND RETURNED TO SFT BY WAY OF EMAIL RESPONSE TO: TIF@scottishfuturestrust.org.uk **BY 19th AUGUST 2011.**

LOCAL AUTHORITY
[redacted] Aberdeen City Council 2nd Floor The Old Town House Broad Street Aberdeen AB10 1FY
TIF CONTACT
NAME [redacted] EMAIL [redacted]@aberdeencity.gov.uk PHONE [redacted] MOBILE [redacted] OR NAME [redacted] EMAIL [redacted]@aberdeencity.gov.uk PHONE [redacted] MOBILE [redacted] Aberdeen City Council 2nd Floor Marischal College South Wing Broad Street Aberdeen AB10 1EZ

ADDITIONAL LOCAL AUTHORITY COMMENTS (IF APPLICABLE)
It is noteworthy that as part of Aberdeen City Council's agreed capital budget 10 February 2011 The capital programme reduces from £40,000 in 2011-12 to £16,950 by 2014-15. In this financial year the majority of projects will be complete by 2012-13 with only funding available for Roads, Small Capital Grants to 3rd Parties, ICT and Corporate Property and Suitability. None of the elements within the City Centre re-development projects within this response is planned to be funded from the agreed capital Plan. Detail of this reference is in Appendix B

1. TIF PROJECT BACKGROUND

- Provide background to the basis of the project – does this proposal satisfy the mandatory project characteristics detailed below.

- Why is this the chosen TIF project for your Local Authority? How does it fit with existing LA plans?

- Provide basis for satisfaction of the but-for-test

- Identify the likely TIF Assets (i.e. the public sector enabling infrastructure), likely cost & why you consider these will enable private sector investment.

- Provide a high level indication of the likely red-line area and basis for selection of this area

- Detail the level of internal Local Authority support received for this TIF proposal, work undertaken to date and the internal resource available to take forward the project

-

EVALUATION CRITERIA

Please note that further pilot projects must be of a primarily non-retail led nature. It should also be noted that of the three remaining pilot projects:

- one project should be below £20m; and

- one should have a renewables focus

Preference will be given to projects which satisfy these criteria and in selecting the three pilot projects, SFT will seek, if possible, to identify at least one project that meets each of the characteristics outlined above.

Ultimately any proposal for a TIF project must demonstrate to Scottish Ministers that:

- the enabling infrastructure will unlock regeneration and sustainable economic growth;
- it will generate additional (or incremental) public sector revenues (net of the displacement effect); and
- it is capable of repaying, over an agreed timescale, the financing requirements of the enabling infrastructure from the incremental revenues.

This scored section of Section 1 of the TPSP proposal will attract a maximum of 20 points (refer to Appendix 1 of this TPSP Response Template for scoring methodology). As well as the criteria above, scoring will consider:

- How has the project been chosen

- How well has the 'But For' test been evidenced

- Identification of TIF Assets, likely cost and ability of these assets to attract private sector investment, and any evidence to support this

- Initial identification and rationale of the proposed Red-Line area

- Extent of the Local Authority's internal support & approvals, work undertaken to date and the internal resource to take forward any proposed TIF project

LOCAL AUTHORITY RESPONSE (Limit to 1 page only)

Background

Aberdeen is the North East of Scotland's economic hub, a vital economic engine for Scotland & a major contributor of tax and export revenues to the United Kingdom (UK). The city's recent economic power is mainly from producing North Sea oil and gas. This industry's global nature makes the city a strong exporter. A recent survey indicates over the last 2 years 55% of the region's Energy exporters increased exports. In 2010 a rising oil price allowed the city's economy to grow by 4.8%. Due to the energy sector the city has built a robust engineering supply chain, enviable skills base and an entrepreneurial dynamic business environment with a high level of foreign investment, exports and business start ups. The city hosts many major companies' global or regional headquarter of which 6 of the top 10 largest companies in Scotland are in Aberdeen[i]

Why this is the chosen TIF project- Building on Energy, The Economic Manifesto for Aberdeen City and Shire

The City & Shire's Economic Manifesto[ii] anticipates the city building on its oil & gas expertise as a Global Energy City specialising in alternative energy research, development logistics, services and jobs. The aim is to retain multi-national companies, ensure Aberdeen continues to be a host City for Scotland's largest companies & encourage these companies continue ho drive the economy by applying their skills and services to new markets; the attraction of new investment, new talent and new opportunities; and the provision of a platform for long term economic diversification and sustainable growth. This will <u>not</u> be achieved without the regeneration of the city centre. Aberdeen's current corporate and skills base is an asset, but is also transient, as high numbers of migrant workers are drawn from Scotland, the UK and from overseas. Research shows that such people tend to choose place rather than the job when making such moves[iii] [As a World Energy City the city competes for skilled people and investment with locations closer to the major production growth locations like, Abu Dhabi, and Perth (Australia)]. However, the city struggles to attract the talent required to deliver growth, with employment levels of 80%. To retain and attract talent while securing the investment required, the city must offer excellent quality of life and a diverse range of economic opportunities. An attractive city centre is seen as a vital to achieving this and provides confidence and an image boost to the city, enabling it to launch and promote its economic future outwith North Sea oil and gas production. With a focus on attracting further renewables investment, this will strengthen Aberdeen's position as a global destination.

Prioritised Assets

The Council's Plans (See Appendix B) identify that the city centre must attract the investment required to stimulate economic growth. The City Centre Development Framework provides the means to achieve this. These plans predict a growing economy so the impact of declining investment from the public and private sectors makes these plans difficult to deliver. On 19 May 2010 the Council agreed to pursue a scheme to deliver a major City Centre Regeneration project with TIF identified as a potential funding mechanism. The following 5 priority elements were identified to deliver city centre regeneration building on the Council's horticultural excellence and the Marischal re-developments:

1. The City Gardens Project (CGP) 56,000 sq m redevelopment Providing outdoor performance space; at least 11,000sqm of gardens; at least 6,000 sqm Contemporary Arts and culture, connections to bus and rail;
2. Enabling infrastructure for the vacated St Nicholas House site to create a prime city centre development site and new civic quarter;
3. Public ream for the 'City Circle' route from the rail station linking the major shopping developments to the Cultural and Civic Quarters, through the redeveloped Gardens linking back to the rail station improving public access to the city centre;
4. Extending and Improving the City Art Gallery with improved public access to the cultural realm and city gardens; and
5. Enabling infrastructure for the North Denburn redevelopment providing improved city centre office opportunities.

The 5 elements require £182m of investment in enabling infrastructure, however £90m is being provided by private sector contributions and grant, leaving a gap of £92m to be funded by the Council. This enabling infrastructure will link current and future developments in the city centre and create the conditions to attract private sector investment to meet the required economic growth. The proposal is necessarily bold in order to help Aberdeen shake its 'oil and gas only' image, re-launch the city as a broader destination for business and leisure, and enable the city to compete for investment and skilled labour in a global context. The city is considering using the developments as a spring board from which to launch a European Capital of Culture 2017 bid to firmly establish the city as a location in which to live and invest. The proposed red line area comprises of the city centre and two large development areas whose prospects for development will be significantly enhanced with the TIF. More detail at section 2 and map at Appendix [B]

The "But For Case"

But for the TIF the Council will be unable to deliver <u>any</u> of these plans. Like most local authorities, Aberdeen faces constrained financial conditions. The current approved budget has no allocated capital funding to city centre redevelopment with other council priorities and services taking precedence (See Appendix B). Without this investment, as outlined above, Aberdeen risks an uncertain economic future as oil and gas production declines. The city risks a gradual de-population of skilled workers, businesses and investment. Due to Aberdeen's importance as a generator of economic wealth for the Scottish Economy, this decline would undoubtedly have a significant adverse impact on the whole of Scotland.

Delivery to Date

The Council is moving to Marischal College & have developed extensive plans for the Art Gallery redevelopment. The City Gardens has identified its site, established a resourced Trust to procure a reputable management team to run a Design Competition, established an expert panel, jury and process, short-listed 6 International Design Teams, and provided the funds necessary to prepare a detailed TIF Business Case. We are in the process of undertaking an economic assessment with the business case being delivered by 14/12/2011.

1. PRIVATE SECTOR INVESTMENT, ECONOMIC AND REGENERATION IMPACT

PRIVATE SECTOR INVESTMENT

- Detail the anticipated private sector involvement and investment enabled by the TIF Assets
- If possible, please identify your private sector partners and give an indication of the level of discussions which have taken place and the level of development to date within the redline, if any
- Comment on the ability of this private sector investment to generate incremental NDRs within the proposed red-line area. N.B. target private sector development will be relatively biased towards commercial rather than residential development due to the use (primarily) of NDRs as the income stream captured to fund the TIF infrastructure
  Provide further detail in relation to the private sector development types enabled by the proposed TIF project (e.g. renewables, commercial, leisure)

ECONOMIC IMPACT

- Detail the potential economic impact and additionality that your TIF project will have at the following levels: Local / Regional / National
- This section should give high level consideration as to the likely levels of displacement which will arise as a result of the TIF project and the anticipated private sector investment (either estimates of displacement levels across development types if available, or an indication of whether displacement is high, medium or low and a short justification for these assumptions)

REGENERATION IMPACT

- Detail the high-level outcomes that are expected in terms of regeneration, including the impact on the physical environment and social / economic outcomes

EVALUATION CRITERIA

10 points will be allocated to the private sector element of the response, 10 points to the economic analysis response and 10 points to the regeneration impact response (Refer to Appendix 1 for scoring methodology). Scoring will consider the proposal's identification of :

PRIVATE SECTOR INVESTMENT (10 points out of 30)

- What private sector investment activity will likely be enabled that will generate the incremental NDRs and hence TIF revenues, and where available, the potential level of private sector investment in £s terms
- The extent that a proposal is able to identify private sector partners undertaking this investment
- What current private sector investment is planned or taking place in the area, if any.
- The breakdown of the sectors that will deliver NDR growth under the anticipated project

e.g. renewables, commercial, leisure
- The ability of the proposed TIF project to deliver additional NDR

ECONOMIC (10 points out of 30)

- Identification and analysis of potential additional economic impacts arising from the proposal, e.g. jobs, business space, sectors
- Consideration of likely displacement levels across development types – i.e. high medium or low or estimated % if this information is available. N.B. it is not a requirement for a Local Authority to engage external consultants to undertake economic impact assessments etc at this stage

REGENERATION (10 points out of 30)

- How the project will benefit local people, in particular how it will support the local economy and provide jobs and training opportunities and maximise community benefits

LOCAL AUTHORITY RESPONSE (Limit to 1 page only)

Private Sector Investment and Economic Impact

Private Sector investment is crucial to this project. Private sector commitment can be demonstrated by the fact that to date the majority costs borne in this process have been committed by the Private Sector, in partnership with ACSEF and Scottish Enterprise. Furthermore unlike any Scottish TIF project to date the private sector are committing significant contributions to the enabling infrastructure (only circa 50% of the funding is coming from the Council prudential borrowing). It is estimated that the enabling infrastructure would stimulate investment in the order of £100+ million.. See section 2 (Financial Viability) below for further details of the private sector contributions to the enabling infrastructure.

As discussed at Section 2 below the council believes the project will deliver significant economic benefits to the city but crucial for any TIF is the ability for this to unlock new revenue streams to service and repay the upfront borrowings. To help estimate the quantum of such revenues the Council have been working with CB Richard Ellis (CBRE) to investigate the potential for uplift further. As part of a previous outline feasibility study prepared in 2010 CBRE considered three main areas: uplift in business rates from new development, potential income from the spaces created as part of the City Gardens and uplift in the business rates generated by existing properties located on key streets in the city centre1. Their work has been based on known planning applications, discussions with planners (and assessors where possible) and CBRE's experience of the local property market. At this stage only a high level interim view is possible with further research to be undertaken to validate the scope for uplift further. On the basis of this initial work however, and as summarised at table 1.1 below, it is currently estimated that up to £13m of new revenue streams could be unlocked by the scheme.

Source of Incremental Revenue	Real Steady State Amount Per Annum (Gross, £)
Business Rates from New Development in Red Line	11,100,000
Business Rates from Gardens	200,000
Rental Income from Gardens	400,000
Business Rates from Existing Developments[1]	1,300,000
Total	**13,000,000**

Table: 1.1 Incremental Revenues please refer to Appendix 2

Excluded from the figures above is any income that could be derived from hiring out of the main concert space and the smaller conference and events spaces planned for the gardens.

We would expect that the focus of individual private sector investment will be in the oil and renewables sectors further strengthening Aberdeen's status as a major contributor of tax and export revenues. While we cannot pre-empt the outcome of the economic impact assessment currently being undertaken in relation to the project, based upon our financial analysis (outlined in section 3), 45% displacement is the breakeven value (the maximum level of displacement at which the debt could still be repaid in 25 years). The types of development identified in CBRE's feasibility study included a range of uses including office, retail, leisure and commercial/industrial. Due to the specialist and export focused nature of the anticipated private sector investment in the oil and renewables sectors we would anticipate that the assessment of displacement levels will result in a value lower than 45% being both achievable and justifiable.

Regeneration Impact

This proposal has the Scottish priorities of creating jobs through sustainable economic and environmental development at its heart. Pressures such as the UK government's 'windfall tax' have compromised investment plans and job creation. In order to diversify the City Centre re-development project will deliver the cohesion, attractiveness and vibrancy that are essential for the city to become a global destination of choice for talent and the investment.

The project not only creates better transport connections, accessibility across the city but will make use of the latest technology to reduce carbon emissions and improve air quality in the city centre. This proposal aims to link the city centre and attract people back into the city. The redevelopment of Marishal College has been the first phase of this regeneration, along with Union Square, the Town Heritage Initiative and the recent new hotel and office developments in the city. This proposal aims to link the city centre and attract people back into the city. By making Aberdeen a more attractive place for people to live, work and visit, this project has the undoubted potential to acts as the catalyst for new investment in the Energetica Corridor and Dyce Drive Business Park.. These developments are areas outlined in the Local Development Plan, which also highlights the need for parallel investment in the City Centre, within the context of the City Centre Development Framework.

[1] The Council note that the inclusion of uplifts in business rates from existing properties is currently outwith the scope of TIF as envisaged by SFT and Scottish Government. However, the Council consider this is likely to be a valid impact of the scheme and have therefore included it in our assessment of revenues at this stage pending further discussions with you on how this is excluded, or otherwise, from the capture mechanism in practice

2. FINANCIAL VIABILITY

- An indication of how much the proposed TIF Assets will cost / how much the Local Authority will have to borrow
- Consideration should be made here as to the source of funding for the TIF Assets and approach to repayment
- Identify, and quantify where possible, incremental NDRs which the project is expected to generate over the TIF period (25 years from first TIF investment)
- An indication should be made as to the level of certainty the Local Authority has in these high level assumptions and an explanation of why
- Outline any sensitivity testing undertaken to date

EVALUATION CRITERIA

The maximum score for this section is 20 (Refer to Appendix 1 for scoring methodology) and scoring will depend on the extent of analysis undertaken to determine:

- Levels of expected incremental NDRs across development types
- Ability to repay debt drawn down the fund the TIF Assets
- The outturn findings of any sensitivity analysis undertaken to date, if available (e.g. the impact upon the financial viability of the proposed project from increased infrastructure costs, NDR take reduction, changing displacement levels)

LOCAL AUTHORITY RESPONSE (Limit to 1 page only)

Most of the schemes which ACC are looking to include as part of the TIF scheme have been planned for some time and are at a well developed stage. Consequently, relatively detailed technical reports and feasibility studies have already been produced and have provided an evidenced and documented basis upon which to assess the financial viability of a TIF. The detail of these documents is not for this paper however we have referenced these at Appendix B and copies can be provided upon request in support of the costs referred to in this paper. The council is aware of the restrictions around PWLB borrowings and has considered the extent to which the works identified would be eligible. For the most part it is satisfied that the schemes would be permissible under the prudential borrowing code but work is continuing in this area in relation to specific items.

Funding Requirement and Sources of Funds
Table 2.1 included in Appendix 1 illustrates the total cost of delivering the schemes identified and the potential sources of funding. In total, an estimated £182m is required to deliver the identified City Centre Regeneration schemes, but the funding gap to be covered by any TIF scheme is much lower at approximately £92m. This much lower funding requirement is as a result of significant contributions from the private sector and the potential for grants to be secured in relation to the Art Gallery. Of the £70m of private sector funding identified for the City Gardens £55m of this has already been pledged with the majority comprising a £50m donation from Sir Ian Wood. Previous consultations in relation to the Union Terrace Gardens project have identified further scope and willingness for private sector donations of a further £15m. In relation to the Art Gallery an application will only be submitted to the Heritage Lottery Fund if the Council has a positive outcome with this TIF proposal. .

The Council also continues to assess the costs of delivering the projects and the possibility of sharing the cost with potential partners in the private sector such as developers. However, the council is also keen to ensure that it is able to fully participate in the value it creates and this is particularly the case in relation to the two development sites (St Nicholas and Denburn) where the potential sale value of the sites, and the likelihood of realising appropriate future development, is higher if sold as cleared and serviced sites. As an example of ongoing consideration in this area the Council is considering options for TIF as a source of bridging finance (covering the period between site preparation and site sale) which it believes may provide scope to deliver better value for money overall. Scottish Government, Visit Scotland, Arts in Business, Creative Scotland and European funding will be explored.

Incremental Revenues- See Section 1 above, which details how the project will deliver significant economic benefits to the city and unlock new revenue streams to service and repay the upfront borrowings.

Results & Analysis
The council recognises that TIF is about the net additionality of any revenues unlocked and must account for factors such as displacement. Therefore on the basis of the cost and revenue information above the council has asked PwC to update the financial analysis from the earlier feasibility study to reflect the changes to the project since that time. For prudence the incremental revenues from existing businesses have been excluded at this stage and revenue reaches steady state after 7 years. Indexation of revenues is assumed at 2% pa. Table 2.2 below summarises the results of three different scenarios that outline the viability of the proposals at varying displacement levels, infrastructure costs and repayment periods. The 'best case' assumes 100% of revenues are additional, the 'breakeven case' considers the maximum level of displacement at which the debt could still be repaid in 25 years and the 'middle case' assumes displacement between the two at 30%. This analysis helps to illustrate the boundaries of feasibility given the revenue stream presently identified.

Outcome	Best Case	Middle Case	Breakeven Case
Percentage of revenue assumed to be non-additional (displacement)	0%	30%	45%
Annual Steady State Revenue (real)*	£11,700,000	£8,310,000	£6,660,279
Outturn net additional tax revenue over 25 yrs*	£258,220,412	£183,764,727	£147,531,372
Level of up-front debt that could be supported over 25 yrs	£160,741,449	£114,502,077	£92,000,000
Max percentage of funding gap coverable by TIF over 25 yrs	142%	114%	100%
Repayment period required to cover base case funding gap (£92m)	7.5 years	20 years	25 years

Table 2.2 Scenarios and Viability Assessment

Please refer to Appendix 2 and the Middle case scenario is used for calculation purposes.
The analysis suggests that, on the basis of the currently identified revenue streams, the project is viable up to displacement levels of 45%. Further work will need to be progressed in assessing the revenue streams and costs and this is already underway. We would anticipate that the assessment of displacement levels will result in a value lower than 45% being both achievable and justifiable.

Appendix 1 Table 2.1 Cost and sources of funds for enabling infrastructure

Project	Estimated Cost (£)	Private Sector (£)	Other (Grants, £)	Funding Gap (TIF, £)
City Gardens	140,000,000	70,000,000	-	70,000,000
City Circle	6,000,000	-	-	6,000,000
St Nicholas House	6,000,000	-	-	6,000,000
Aberdeen Art Gallery	24,000,000	-	20,000,000	4,000,000
Upper Denburn	6,000,000	-	-	6,000,000
Total	182,000,000	70,000,000	20,000,000	92,000,000

3. KEY RISKS & POTENTIAL MITIGANTS

- Key project risks should be identified. These may be wide ranging, however, are likely to include:
  - State aid (Local Authorities will be encouraged to liaise with the Scottish Government's State Aids team on all potential state aid matters).
  - Procurement
  - Private sector failure to deliver/ invest
  - Certainty of NDR take
  - Availability and ownership of land

- A brief outline of any risk quantification and mitigation strategies should be detailed insofar as is possible

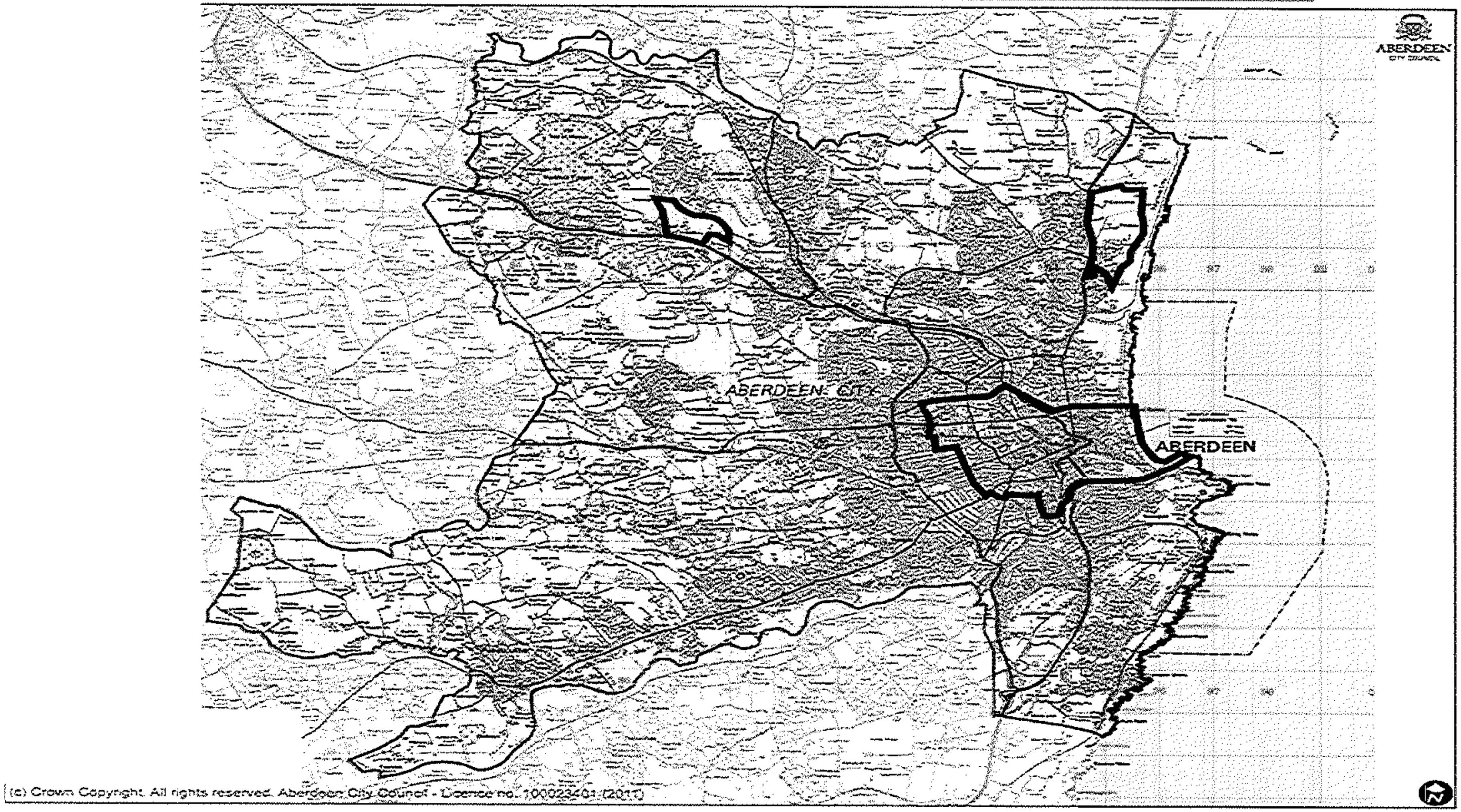
EVALUATION CRITERIA

The maximum score for this section is 20 points (Refer to Appendix 1 for scoring methodology).

Scoring of this section will consider the extent that a Local Authority has thought about project risks which may arise and how it can potentially manage and mitigate these risks.

LOCAL AUTHORITY RESPONSE		
TASK	**START**	**FINISH**
TIF Specific		
Economic Assessment	01/06/2011	31/10/2011
Financial Analysis	01/06/2011	31/10/2011
Drafting of Business Case	01/08/2011	31/10/2011
Review & Approvals	1/10/2011	30/11/2011
Council Approval	1/11/2011	15/12/2011
St Nicholas House		
Prioritisation of Invest undertaken		31/05/2010
Building Placed on Market	2011	
Vacate St Nicholas House	01/05/2011	30/09/2011
Next steps conditional if building unsold	TBC	TBC
Art Gallery		
Feasibility Study		2010
Commencement	1/04/2015	
Completion		15/12/2016
City Gardens		
Land Assembly and SPV Business Plan	01/01/2011	07/09/2011
Scheme Design - Competition Phase	11/08/2011	14/12/2011
Scheme Design - Competition Phase	11/08/2011	14/12/2011
Scheme Design - Main phase	15/12/2011	16/05/2012
Scheme Content	10/03/2011	16/05/2012
Funding	22/07/2010	14/12/2011
Scheme Planning Process	17/05/2012	17/04/2014
Scheme Construction	18/04/2014	28/04/2017
Scheme Operation	01/05/2017	01/05/2017
North Denburn Valley		
Prioritisation of Invest undertaken		31/05/2010
Master Plan	TBC	TBC
Competitive dialogue for investors	TBC	TBC
Private Sector development	TBC	TBC
City Realm- subject to TIF funding		
Planning phase	TBC	TBC
Scheme Planning Process		
Implementation	2015	2017

APPENDIX A Redline Area – City Centre, Dyce & Area by Aberdeen Exhibition & Conference Centre



LOCAL AUTHORITY RESPONSE (Limit to 1 page only)

The Governance for this project is detailed. A project management board, chaired by Cllr John Stewart Depute Leader has been established to drive the project forward, consisting of representatives from the City Council, Aberdeen City Centre Association, ACSEF, Wood Family Trust, & Aberdeen City Alliance & Scottish Enterprise. It also has a project advisory with not only experts from the same organisations but from NESTRANs & Creative Scotland. There is also City Gardens implementation team who undertake the work required from their different areas. The Council has a Project Monitoring Group chaired by the Convenor of Housing & Environment Aileen Malone & it has Councillor cross party representation. All minutes and agendas are available for public scrutiny online.

The Council has considered the risks as described and ranked the accordingly below:-

Risk 1 Certainty of quantum and timing of NDR take is the highest Risk to this project.
The Steps taken to mitigate this risk are as follows:-

- Work with experienced advisers to develop a robust business case with robust sensitivity analysis and market testing;
- The case must be able to withstand, financial, political, business and public scrutiny;
- Apply prudent displacement assumptions;
- Undertake a comprehensive survey to ensure a robust economic impact assessment;
- Maximise private sector contribution beyond that already committed as donations and grants such as the £55k donation from the Wood Family Trust and other private sector donors. To minimise public sector investment
- Phased investment to minimise risk to the Council, by ensuring that decisions can be made at each stage on whether and how to proceed;
- Pursue other potential funders such as European Commission etc; and
- Risk sharing with private sector partners / developer.

Risk 2 Availability and ownership of land.
The Steps taken to mitigate this risk are as follows:-

- The majority of land identified for the project is mainly owned by the Council and so this reduces the risk;
- Part of the North Denburn site is owned by the NHS and the Council and NHS have already agreed to jointly develop the site. This public sector partnership will result in shared service approach that spreads risk and guarantees the development will be wholly in accordance with the aims of the City's Development Framework
- Discussions are currently underway with identified non-Council owners of neighbouring land to secure maximum connectivity between the CGP and the surrounding streets. Network rail are working positively to facilitate necessary arrangements relating to construction over the railway.

Risk 3 Procurement and Construction risk.
The Steps taken to mitigate this risk are as follows:-

- Strict adherence to the OJEU Procurement rules;
- Utilising experience from the Councils previous successful projects such as Marischal College;
- Robust and structured project management on a timeous basis;
- Explore options for private sector development agreements, and fixed price contracts;
- Explore opportunities to reduce the borrowings required to the minimum needed to enable development;
- Utilise project SPV for delivery of the City Gardens Project to ensure appropriate experience and management of risks within SPV;
- Optimise the timing of the debt draw-downs (e.g. phasing to see allow flexibility in investment plans); and
- Appoint an experienced designer from our shortlist.

Risk 4 State aid.
We will liaise with the Scottish Government's State Aids team on all potential state aid matters. The area indicated is on publicly owned land. Current legal advice is that there is unlikely to be any state aid issues if advice is followed. Where there are ownership issues regarding design and access, these issues are being discussed with the relevant parties through a transparent process.

4. TIME SCALES

- Proposals should provide indicative timings for: the preparation and submission of a business case if identified as a pilot project, the likely date of the first TIF investment, timing of private sector investment and commencement of incremental NDR capture.

- Please detail any timing dependencies.

EVALUATION CRITERIA

A maximum of 10 points will be available in consideration of the timing of the business case delivery and of the indicative timing for the forecast first TIF Investment.

Evidence that robust analysis has been undertaken to support these timeframes should be provided in the TPSP response, e.g. Local Authority capacity to deliver the project within the timeframes outlined.

APPENDIX B

Council Policies & Plan:-

Aberdeen City & Shire Structure Plan 2009
Aberdeen Local Development Plan 2011 (under examination with Scottish Ministers)
Aberdeen City Centre Development Framework 2001
Aberdeen City and Shire Economic Future Manifesto 2007 'Building on Energy'

Aberdeen City Council's General Fund Capital Programme 2011/12 –2014/15 and Prudential Indicators as agreed at Full Council 10 February 2011

SCORING METHODOLOGY

Maximum Score for Response: 10 points	Maximum Score for Response: 20 points	
1-2	1-4	Initial concept considered
3-4	5-8	High level analysis with some thought to TIF project specific factors.
5-6	9-12	Fair progress with significant work outstanding
7-8	13-16	Good progress with some work outstanding
9-10	17-20	Well advanced.

[i] Business Insider Top 500 Companies_2010
[ii] Aberdeen City and Shire Economic Future (ACSEF) are a highly regarded coalition of public and private sector bodies in both City and Shire and includes Aberdeen City Council as a key member.
[iii] CEOs for Cities 2008 (Chicago)

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THIS TEMPLATE SHOULD BE COMPLETED AND RETURNED TO SFT BY WAY OF EMAIL RESPONSE TO: TIF@scottishfuturestrust.org.uk **BY 19th AUGUST 2011.**

LOCAL AUTHORITY
ARGYLL AND BUTE COUNCIL KILMORY LOCHGILPHEAD ARGYLL PA31 8RT
TIF CONTACT
NAME [redacted] HEAD OF ECONOMIC DEVELOPMENT AND STRATEGIC TRANSPORTATION EMAIL [redacted] argyll-bute.gov.uk PHONE [redacted] MOBILE [redacted]
ADDITIONAL LOCAL AUTHORITY COMMENTS (IF APPLICABLE)
A further point of contact for this application is: [redacted] CHORD Programme Manager – [redacted] @argyll-bute.gov.uk [redacted]

1. TIF PROJECT BACKGROUND

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- Why is this the chosen TIF project for your Local Authority? How does it fit with existing LA plans?

- Provide basis for satisfaction of the but-for-test

- Identify the likely TIF Assets (i.e. the public sector enabling infrastructure), likely cost & why you consider these will enable private sector investment.

- Provide a high level indication of the likely red-line area and basis for selection of this area

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- the enabling infrastructure will unlock regeneration and sustainable economic growth;
- it will generate additional (or incremental) public sector revenues (net of the displacement effect); and
- it is capable of repaying, over an agreed timescale, the financing requirements of the enabling infrastructure from the incremental revenues.

This scored section of Section 1 of the TPSP proposal will attract a maximum of 20 points (refer to Appendix 1 of this TPSP Response Template for scoring methodology). As well as the criteria above, scoring will consider:

- How has the project been chosen
- How well has the 'But For' test been evidenced
- Identification of TIF Assets, likely cost and ability of these assets to attract private sector investment, and any evidence to support this
- Initial identification and rationale of the proposed Red-Line area
- Extent of the Local Authority's internal support & approvals, work undertaken to date and the internal resource to take forward any proposed TIF project

QUESTION 1 - LOCAL AUTHORITY RESPONSE (Limit to 1 page only)

Oban has been an important economic and social centre for the Highlands and Islands for many years. With the town currently celebrating its bi-centenary the Lorn Arc project will develop Oban, and the surrounding area, as an important growth pole for the west coast of Scotland for the coming decades. The investment will not focus on retail but will develop the full potential of the following industries: renewable energy; marine sciences; tourism; manufacturing; transport and communication; and food and drink, including aquaculture. The project does not exceed £20m.

Oban has been selected as the infrastructure investment will stimulate sustainable economic growth by building on the area's unique factors of competitive advantage; including marine and wind resources, world class research and transport connectivity. Given the range of industries that will benefit from the investment within the red-line area and the associated cumulative causation effect in the local economy, the prospect of generating the additional public sector revenues and meeting repayment requirements is appreciably enhanced.

Economic data demonstrates that Oban is a vibrant economy that has a key role in wealth creation for the west coast of Scotland. The project fully aligns with Council and national aspirations for Oban as detailed in the Council's Single Outcome Agreement, Economic Development Action Plan, Development Plan and Renewable Energy Action Plan (jointly developed with HIE). These documents integrate with national government aspirations.

But for this infrastructure being developed, there will be significantly less investment across a range of industries that are crucial to the economy of the Highlands and Islands and to Scotland's sustainable economic growth. This would see significantly less additional GVA, employment and NDR generation at the local, regional and national levels. This infrastructure will not be developed without TIF and therefore these benefits not secured.

The infrastructure relates to the extension of Oban's North Pier and the construction of a development road at Dunbeg / Dunstaffnage. The cost of this infrastructure is c. £19.6m. This complementary infrastructure will unlock private sector investment: the North Pier extension will be a catalyst for the growth of the renewables industry, marine tourism (including the cruise ship market) and aquaculture; the road will allow development of industries relating to the improved harbour facilities and other key investments at Dunbeg / Dunstaffnage, such as the European Marine Science Park. The project will also facilitate the development of other areas of zoned industrial land within the red-line area e.g. Barcaldine (a location promoted by Scottish Development International for the renewable energy industry) and Oban airport.

A high level indication of the proposed red-line area, known as the Lorn Arc, is appended. This area has been selected on the recognition of the interdependency and synergies of a range of differing economic functions and potential revenue generators within this boundary.

The Lorn Arc is supported at the highest level of the Council including the Council Executive and Strategic Management Team. The preparation of this application has been developed in conjunction with a range of internal and external stakeholders in both the private and public sectors. The project builds on previous and current work, such as the Oban Action Plan and outline business case for the CHORD regeneration programme. The resource is available to progress the full TIF business case and will be led by the economic development team.

2. PRIVATE SECTOR INVESTMENT, ECONOMIC AND REGENERATION IMPACT

PRIVATE SECTOR INVESTMENT

- Detail the anticipated private sector involvement and investment enabled by the TIF Assets
- If possible, please identify your private sector partners and give an indication of the level of discussions which have taken place and the level of development to date within the redline, if any
- Comment on the ability of this private sector investment to generate incremental NDRs within the proposed red-line area. N.B. target private sector development will be relatively biased towards commercial rather than residential development due to the use (primarily) of NDRs as the income stream captured to fund the TIF infrastructure
  Provide further detail in relation to the private sector development types enabled by the proposed TIF project (e.g. renewables, commercial, leisure)

ECONOMIC IMPACT

- Detail the potential economic impact and additionality that your TIF project will have at the following levels: Local / Regional / National
- This section should give high level consideration as to the likely levels of displacement which will arise as a result of the TIF project and the anticipated private sector investment (either estimates of displacement levels across development types if available, or an indication of whether displacement is high, medium or low and a short justification for these assumptions)

REGENERATION IMPACT

- Detail the high-level outcomes that are expected in terms of regeneration, including the impact on the physical environment and social / economic outcomes

EVALUATION CRITERIA

10 points will be allocated to the private sector element of the response, 10 points to the economic analysis response and 10 points to the regeneration impact response (Refer to Appendix 1 for scoring methodology). Scoring will consider the proposal's identification of :

PRIVATE SECTOR INVESTMENT (10 points out of 30)

- What private sector investment activity will likely be enabled that will generate the incremental NDRs and hence TIF revenues, and where available, the potential level of private sector investment in £s terms
- The extent that a proposal is able to identify private sector partners undertaking this investment

- What current private sector investment is planned or taking place in the area, if any.
- The breakdown of the sectors that will deliver NDR growth under the anticipated project e.g. renewables, commercial, leisure
- The ability of the proposed TIF project to deliver additional NDR

ECONOMIC (10 points out of 30)

- Identification and analysis of potential additional economic impacts arising from the proposal, e.g. jobs, business space, sectors
- Consideration of likely displacement levels across development types – i.e. high medium or low or estimated % if this information is available. N.B. it is not a requirement for a Local Authority to engage external consultants to undertake economic impact assessments etc at this stage

REGENERATION (10 points out of 30)

- How the project will benefit local people, in particular how it will support the local economy and provide jobs and training opportunities and maximise community benefits

QUESTION 2 - LOCAL AUTHORITY RESPONSE (Limit to 1 page only)

Private Sector Investment

Our private sector partners have been engaged and have informed this application. Our partners include Argyll and Bute Renewable Alliance (including Scottish Power Renewables and Scottish and Southern Energy), Argyll and the Isles Strategic Tourism Partnership (which includes significant private sector operators), Highlands & Islands Enterprise and HITRANS.

If extended, the North Pier will be a stimulus for offshore and marine renewables, marine tourism and aquaculture. In turn, this will encourage ancillary businesses to establish and grow, locating in areas such as the Marine Resource Centre at Barcaldine (e.g. manufacturing / engineering) or at Dunbeg / Dunstaffnage (e.g. light engineering, research & services). Other locations zoned for industrial development will also benefit e.g. Oban Airport. The European Marine Science Park at Dunbeg, currently being developed, will provide high quality laboratory and office space for new, expanding and inward investing companies with a focus on marine energy and science. This offers co-location with one of the world's leading marine science institutes and will assist the repositioning of the wider local economy. These industrial and research sites are being promoted to the private sector by Scottish Development International and HIE. The project will also encourage additional spin-off investment in the town itself in marine & business tourism, transport and communication etc. The ability of this private sector investment to generate incremental NDRs within the proposed red-line area is explored further in Question 3. It is estimated that there will be £5-10 billion of capital expenditure in nearby offshore renewable sites in the coming decade.

Economic impact

Oban's unique geographic location and function as "Gateway to the Isles", combined with it's marine and wind resources, world class research, transport connectivity, quality of environment and produce represent distinct factors of competitive advantage. These sources of growth can create high levels of additionality across a range of measures and low levels of displacement (at the local & national levels) in the industries noted: renewable energy, marine sciences, manufacturing, tourism, transport and communication. The associated job creation within the red-line area will be in excess of 1,000 FTEs, many of which will be high skill and high wage, and also over 500 construction jobs. The employment opportunities will accelerate the area's demographic growth of 4% and labour market growth in recent years. It will consolidate Oban as one of the UK's main tourist towns and increase its already high daily visitor expenditure of £90 and increase annual tourism expenditure by over a third.

Economic impact / additionality	*Nat.*	*Reg.*	*Loc.*	*Justification*
Employment 10%+ local	H	H	H	Industries assisted have high job creation potential.
GVA – high growth	H	H	H	Positive impact across a range of growth industries.
Private Sector Investment (multi-billion) local/regional	H	H	H	Significant increase in inward & indigenous investment across a range of industries.
Visitor Expenditure 33%+ local	H/M	H	H	Visitor no, duration & spend per visitor increased.

Regeneration impact

TIF will complement the Council's ambitious CHORD regeneration programme – currently £6m is allocated for Oban. TIF will generate a wide range of employment opportunities, increasing the participation and employment rates for residents. The project is linked to the Oban Action Plan & Community Plan that will maximise training and community benefit. The investment will support an increase in the area's population of approximately a quarter.

3. FINANCIAL VIABILITY

- An indication of how much the proposed TIF Assets will cost / how much the Local Authority will have to borrow

- Consideration should be made here as to the source of funding for the TIF Assets and approach to repayment

- Identify, and quantify where possible, incremental NDRs which the project is expected to generate over the TIF period (25 years from first TIF investment)

- An indication should be made as to the level of certainty the Local Authority has in these high level assumptions and an explanation of why

- Outline any sensitivity testing undertaken to date

EVALUATION CRITERIA

The maximum score for this section is 20 (Refer to Appendix 1 for scoring methodology) and scoring will depend on the extent of analysis undertaken to determine:

- Levels of expected incremental NDRs across development types

- Ability to repay debt drawn down the fund the TIF Assets

- The outturn findings of any sensitivity analysis undertaken to date, if available (e.g. the impact upon the financial viability of the proposed project from increased infrastructure costs, NDR take reduction, changing displacement levels)

QUESTION 3 - LOCAL AUTHORITY RESPONSE (Limit to 1 page only)

The public sector enabling infrastructure relates to the extension of Oban's North Pier and the construction of a development road at Dunbeg / Dunstaffnage. The cost of both pieces of infrastructure is c. **£19.6m** which will be funded through borrowing. The estimated cost of each element of the work is: £17.5m for extension to North Pier; and £2.1m for road infrastructure. These proposals are based on outline business case figures and work undertaken for the Oban Action Plan.

The funding for the scheme will come from a mixture of increased pier dues and increased NDR income from private sector investment. The pier dues are related to both cruise ships and commercial traffic using the North Pier. The funding will be sufficient to cover the loan repayments which will be made on an annuity basis. The sources of the incremental NDRs and the likely amounts are outlined below:

Element	**Rateable Value £000's**	**Annual NDR £000's**
Dunbeg / Dunstaffnage	345	147
Oban airport	364	155
Glenshellach	1786	761
Barcaldine	430	183
Oban Harbour and Waterfront Area	--	140
Pier dues	250	
Total	**1636**	

Based on the assumptions outlined above the additional income generated will be sufficient to meet the annual repayment costs of the capital infrastructure when repaid over a 20 year period. With a 25 year repayment period it is estimated the income generated would exceed repayment costs by £175,000. If the infrastructure costs were 20% below estimate then income would exceed repayment costs by £269,000 and £418,000 per annum over 20 and 25 years respectively. If costs were to rise to 20% above estimate then income would fall short of meeting repayment costs by £332,000 (16.9%) or £117,000 (6.7%) per annum over 20 and 25 years.

The estimates in respect of the cost of the works are based on the Council's extensive knowledge of the likely costs of constructing marine, roads and transportation infrastructure. In terms of the likely income in respect of additional pier dues this is based on work being undertaken as part of a review of all the Council's piers and harbours. The figures in respect of the general uplift in NDR are based on a 2.5% increase within the red-line area; the remainder are based on estimates of the new developments, their estimated rateable values and the current rate poundage of 42.6p.

Initial sensitivity testing has been carried out to identify factors that may impact on the project, and the likely effect these factors may have, e.g. a longer development period, higher or lower costs etc. Many of these have been carried through to the initial risk register.

4. KEY RISKS & POTENTIAL MITIGANTS

- Key project risks should be identified. These may be wide ranging, however, are likely to include:
    - State aid (Local Authorities will be encouraged to liaise with the Scottish Government's State Aids team on all potential state aid matters).
    - Procurement
    - Private sector failure to deliver/ invest
    - Certainty of NDR take
    - Availability and ownership of land

- A brief outline of any risk quantification and mitigation strategies should be detailed insofar as is possible

EVALUATION CRITERIA

The maximum score for this section is 20 points (Refer to Appendix 1 for scoring methodology).

Scoring of this section will consider the extent that a Local Authority has thought about project risks which may arise and how it can potentially manage and mitigate these risks.

QUESTION 4 - LOCAL AUTHORITY RESPONSE (Limit to 1 page only)

The Council has a robust approach to all of its investment decisions. This approach is adopted from project inception (i.e. developing business cases) through to project implementation and utilises both the Office of Government Commerce methodology and PRINCE2 principles. Risk management is inherent in our approach to capital investment. An initial risk register has been prepared and is outlined below. The infrastructure to be developed will be in public ownership, will be used by multiple economic actors and should not constitute a state aid.

Ref.	Category	Risk Description	Chance	Impact	Score	Mitigating Actions	Risk Lead
LA01_R001	Funding	Construction cost projections incorrect leading to shortfall in funding.	3	4	12	Regularly revisit costings and obtain robust pre-tender estimate.	Project Manager
LA01_R002	Funding	That the financial regime for Local Authorities remains sufficiently stable to deliver the project.	3	4	12	Keep Local Authority funding regime under review.	Finance Advisor
LA01_R003	Political Risk / Approval	Full Business Case does not receive approval.	1	4	4	Ensure FBC is robust. Ensure communication throughout the process is maintained.	Head of Service
LA01_R004	Political Risk / Approval	Statutory approvals cannot be secured.	2	4	8	Ensure robust communication/consultation process and pre-application enquiries.	Project Manager
LA01_R005	Political Risk / Approval	That the political regime remains sufficiently stable to deliver the programme.	3	3	9	Ensure that clarity is maintained in terms of delivering agreed project scope and avoiding scope creep.	Head of Service
LA01_R006	Cost escalation and over-run	Timescales for projects too optimistic.	4	2	8	Regularly revisit project plan.	Project Manager
LA01_R007	Other risks	Poor contractor performance.	2	4	8	Ensure robust procurement process.	Head of Service
LA01_R008	Other risks	Unanticipated site issues – e.g. ground / seabed conditions.	2	4	8	Ensure design development process is as extensive as possible.	Project Manager
LA01_R009	Other risks	Private sector fail to invest in the area.	2	4	8	Ensure communication throughout the process is maintained with international, national and regional investors and partners.	Head of Service
LA01_R010	Other risks	Certainty of NDR take.	2	4	8	Ensure FBC is robust.	Head of Service

5. TIME SCALES
- Proposals should provide indicative timings for: the preparation and submission of a business case if identified as a pilot project, the likely date of the first TIF investment, timing of private sector investment and commencement of incremental NDR capture. - Please detail any timing dependencies.
EVALUATION CRITERIA
A maximum of 10 points will be available in consideration of the timing of the business case delivery and of the indicative timing for the forecast first TIF Investment. Evidence that robust analysis has been undertaken to support these timeframes should be provided in the TPSP response, e.g. Local Authority capacity to deliver the project within the timeframes outlined.

QUESTION 5 - LOCAL AUTHORITY RESPONSE **(Limit to 1 page only)**

Project Plan

	Year 1		**Year 2**		**Year 3**		**Year 4**		**Year 5**	
	Oct. '11 – Mar. '12	**Apr. - Sep. '12**	**Oct. '12 – Mar. '13**	**Apr. - Sep. '13**	**Oct. '13 – Mar. '14**	**Apr. - Sep. '14**	**Oct. '14 – Mar. '15**	**Apr. - Sep. '15**	**Oct. '15 – Mar. '16**	**Apr. – Sep. '16**
Preparation and submission of a business case.										
Procurement										
Likely date of the first TIF investment.										
Construction										
Timing of private sector investment.										
Commencement of incremental NDR capture.										

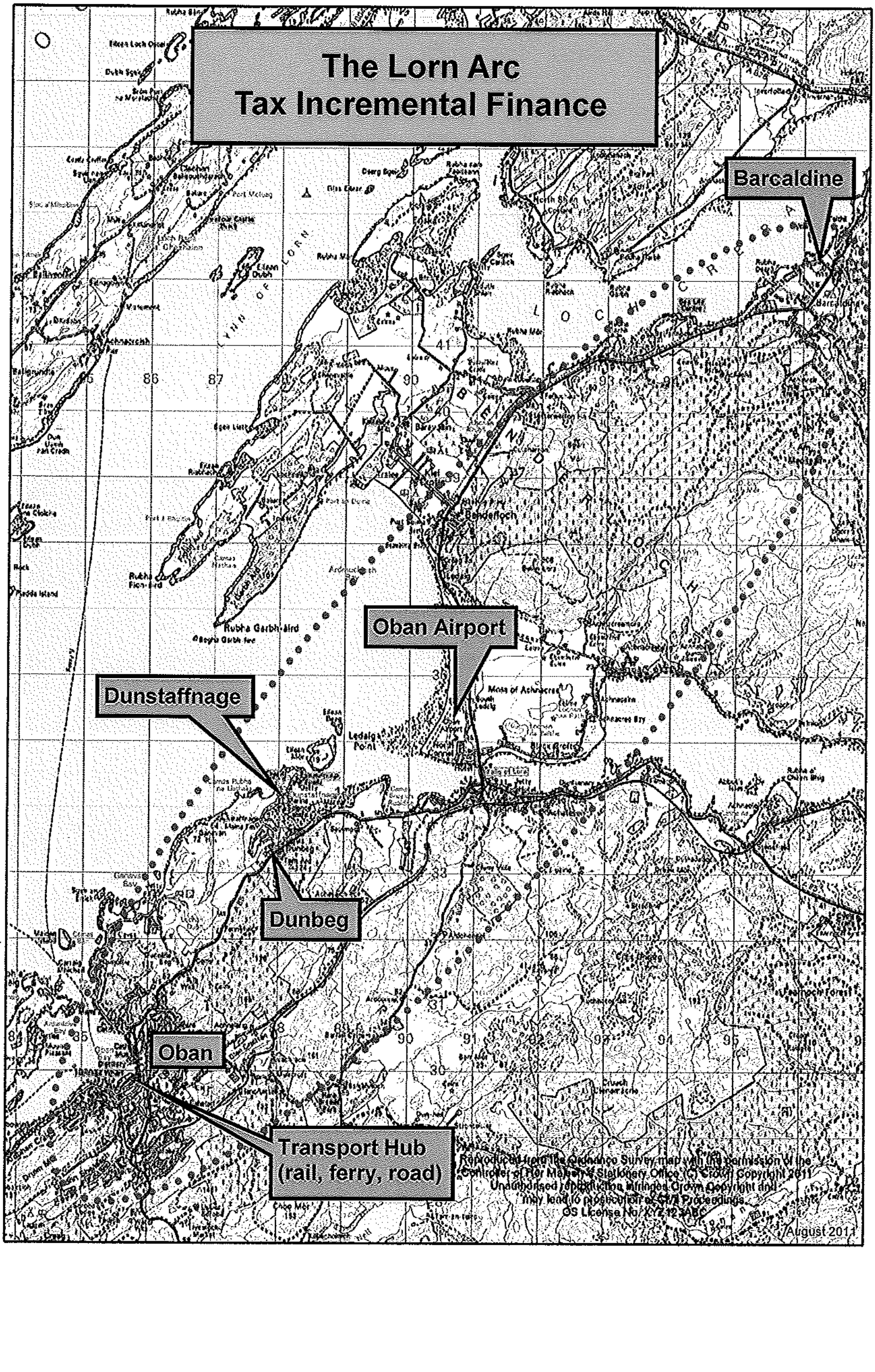
We are aware of a range of inter-dependencies that will be reviewed as part of the Full Business Case, e.g. statutory approvals, private sector investment. The local authority has the capacity and commitment to deliver the project in the timescales noted above.

Argyll and Bute Council has developed a robust approach to project management, based on PRINCE 2 principles and Office of Government Commerce methodology, and this will be applied to this project. We have been recognised as taking a rigorous approach to the delivery of large scale capital infrastructure projects.

APPENDIX 1

SCORING METHODOLOGY

Maximum Score for Response: 10 points	Maximum Score for Response: 20 points	
1-2	1-4	Initial concept considered
3-4	5-8	High level analysis with some thought to TIF project specific factors.
5-6	9-12	Fair progress with significant work outstanding
7-8	13-16	Good progress with some work outstanding
9-10	17-20	Well advanced.



The Lorn Arc
Tax Incremental Finance
Barcaldine
Oban Airport
Dunstaffnage
Dunbeg
Oban
Transport Hub
(rail, ferry, road)
August 2011

TIF TPSP RESPONSE TEMPLATE
East Ayrshire Council

LOCAL AUTHORITY
East Ayrshire Council London Road Kilmarnock KA3 7BU
TIF CONTACT
NAME : [redacted] EMAIL : [redacted]@east-ayrshire.gov.uk PHONE : [redacted] MOBILE ADDRESS : Johnnie Walker Bond, 15 Strand St, Kilmarnock KA1 1HU
ADDITIONAL LOCAL AUTHORITY COMMENTS (IF APPLICABLE)

1. TIF PROJECT BACKGROUND

- Provide background to the basis of the project – does this proposal satisfy the mandatory project characteristics detailed below.

- Why is this the chosen TIF project for your Local Authority? How does it fit with existing LA plans?

- Provide basis for satisfaction of the but-for-test

- Identify the likely TIF Assets (i.e. the public sector enabling infrastructure), likely cost & why you consider these will enable private sector investment.

- Provide a high level indication of the likely red-line area and basis for selection of this area

- Detail the level of internal Local Authority support received for this TIF proposal, work undertaken to date and the internal resource available to take forward the project

EVALUATION CRITERIA

Please note that further pilot projects must be of a primarily non-retail led nature. It should also be noted that of the three remaining pilot projects:

- one project should be below £20m; and

- one should have a renewables focus

Preference will be given to projects which satisfy these criteria and in selecting the three pilot projects, SFT will seek, if possible, to identify at least one project that meets each of the characteristics outlined above.

Ultimately any proposal for a TIF project must demonstrate to Scottish Ministers that:

- the enabling infrastructure will unlock regeneration and sustainable economic growth;
- it will generate additional (or incremental) public sector revenues (net of the displacement effect); and
- it is capable of repaying, over an agreed timescale, the financing requirements of the enabling infrastructure from the incremental revenues.

This scored section of Section 1 of the TPSP proposal will attract a maximum of 20 points (refer to Appendix 1 of this TPSP Response Template for scoring methodology). As well as the criteria above, scoring will consider:

- How has the project been chosen

- How well has the 'But For' test been evidenced
- Identification of TIF Assets, likely cost and ability of these assets to attract private sector investment, and any evidence to support this
- Initial identification and rationale of the proposed Red-Line area
- Extent of the Local Authority's internal support & approvals, work undertaken to date and the internal resource to take forward any proposed TIF project

LOCAL AUTHORITY RESPONSE

This transformational project aims to support the regeneration of key areas within Kilmarnock, within the overall focus of the 'Make it Kilmarnock' economic regeneration initiative, and is in accord with the East Ayrshire Community Plan and Local Development Plan. 'Make it Kilmarnock' was set up in 2010 in response to the closure of the Johnnie Walker bottling plant on Hill Street by Diageo (final closure Spring 2012). The bottling plant was the largest manufacturing employer in a town that had until recently been focused on manufacturing employment. Without regeneration, unemployment rates could rise to one of the highest levels for any area in Scotland including Glasgow and the town will be left with a derelict area adjacent to the town centre of equivalent size. The Make it Kilmarnock initiative aims to transform the economy of East Ayrshire's major town to a structure fit for the 21st century, and build on the Council's track record of significant capital investment (in excess of £25m) in regenerating the town centre.

Make it Kilmarnock is being driven forward by a public-private partnership (including the Council, Kilmarnock College and a range of national and local business leaders including Diageo) and have developed an Integrated Urban Development Plan (IUDP) to focus and co-ordinate activity. The project submitted for TIF would enable the partnership to realise key elements within the IUDP.

The principal development sites are located immediately adjacent to the railway station with half-hourly services to Glasgow. Road access to the national motorway network is excellent, with two international airports within 30 minutes drive. The business concept is to create a 'sub-regional' business centre, through attractive rentals, high speed broadband, excellent transport connections, proximity to a town centre with major shops, leisure and cultural opportunities, and close support from the College and other educational institutions. It is estimated that the development could bring approximately 2,300 new jobs to the town in sectors that will transform the town's economy from a manufacturing focus and provide a platform for sustainable development in the future.

The aim of the project will be to attract new investment in 12,000 sq m. of office and small business floorspace, a new hotel, and a care home on the present Diageo Hill Street site and the northern end of the town centre (the 'Top of the Town') with smaller scale investment throughout the town centre. Kilmarnock College is a primary partner in the regeneration initiative and there are proposals to establish a new leading-edge learning campus on the Hill Street site. The TIF Project includes a super-fast broadband hub and localised network serving the new business premises (and potentially other town centre businesses). There will be a supporting development of 12,000 sq m of retail space, extending the existing shopping mall, and 300 residential units. The retail development and residential units will support a strand of the IUDP that aims to revitalise the town centre. In support of this, recent independent research commissioned by the Board on the retail market in the town, has identified a gap in suitable locations for large retailers in the existing core. Collectively, the proposals will regenerate key sites within the town centre, and act as a catalyst for economic regeneration across East Ayrshire.

It has been clear from the work undertaken for the IUDP and wider consultations with the development industry that private investment will only take place on the scale needed to regenerate the town's economy if there is a major transformation of negative features of the town centre and the provision of 'building ready' sites.

The TiF project will deliver major reconfiguration of the existing one-way road system in the town centre, widely seen as an outmoded barrier to future development, major work to form a high amenity link between the town centre and the Hill Street site integrated with upgrading of the listed railway station, car parking, site servicing, public realm works and the high speed digital hub and area network. The total public sector capital cost is estimated at £18m.

The 'red-line' boundary of the proposed TiF project, will be the Kilmarnock Urban Envelope as described in the Local Development Plan (map appended to this report). While the focus of the TiF expenditure will be within the core of the town centre, the benefits will reach across the Urban Envelope. This is consistent with the approach being taken by the Council in the development of

Enterprise Zone proposals which are at a formative stage and in respect of which we are in consultation with Civil Servants.

Key elements of the project have benefited from previous detailed consideration and design; this together with the granting of planning consent for the Hill Street site proposals will ensure a smooth and sustained path for delivery.

East Ayrshire Council's Cabinet has approved the principles of the TiF submission.

2. PRIVATE SECTOR INVESTMENT, ECONOMIC AND REGENERATION IMPACT

PRIVATE SECTOR INVESTMENT

- Detail the anticipated private sector involvement and investment enabled by the TIF Assets
- If possible, please identify your private sector partners and give an indication of the level of discussions which have taken place and the level of development to date within the redline, if any
- Comment on the ability of this private sector investment to generate incremental NDRs within the proposed red-line area. N.B. target private sector development will be relatively biased towards commercial rather than residential development due to the use (primarily) of NDRs as the income stream captured to fund the TIF infrastructure
  Provide further detail in relation to the private sector development types enabled by the proposed TIF project (e.g. renewables, commercial, leisure)

ECONOMIC IMPACT

- Detail the potential economic impact and additionality that your TIF project will have at the following levels: Local / Regional / National
- This section should give high level consideration as to the likely levels of displacement which will arise as a result of the TIF project and the anticipated private sector investment (either estimates of displacement levels across development types if available, or an indication of whether displacement is high, medium or low and a short justification for these assumptions)

REGENERATION IMPACT

- Detail the high-level outcomes that are expected in terms of regeneration, including the impact on the physical environment and social / economic outcomes

EVALUATION CRITERIA

10 points will be allocated to the private sector element of the response, 10 points to the economic analysis response and 10 points to the regeneration impact response (Refer to Appendix 1 for scoring methodology). Scoring will consider the proposal's identification of:

PRIVATE SECTOR INVESTMENT (10 points out of 30)

- What private sector investment activity will likely be enabled that will generate the incremental NDRs and hence TIF revenues, and where available, the potential level of private sector investment in £s terms
- The extent that a proposal is able to identify private sector partners undertaking this investment
- What current private sector investment is planned or taking place in the area, if any.

- The breakdown of the sectors that will deliver NDR growth under the anticipated project e.g. renewables, commercial, leisure
- The ability of the proposed TIF project to deliver additional NDR

ECONOMIC (10 points out of 30)

- Identification and analysis of potential additional economic impacts arising from the proposal, e.g. jobs, business space, sectors
- Consideration of likely displacement levels across development types – i.e. high medium or low or estimated % if this information is available. N.B. it is not a requirement for a Local Authority to engage external consultants to undertake economic impact assessments etc at this stage

REGENERATION (10 points out of 30)

- How the project will benefit local people, in particular how it will support the local economy and provide jobs and training opportunities and maximise community benefits

LOCAL AUTHORITY RESPONSE

The investment that will be levered in directly by the TiF assets is expected to be £210m. The provision of well located serviced sites will be essential to mobilise private capital for the floorspace development and this will be enable by joint venture partnership including partners that are willing to invest at high risk for the long term and earlier approaches made have been met with positive responses. Evidence of the strength of the Kilmarnock market is the track record of attracting call centres and head office operations and the strong pipeline of current inward investment enquiries.

Discussions with Diageo on the release of the Hill Street site are at an advanced stage. The Make it Kilmarnock Board includes property development interests, and the partnership has taken advice from a group of property developers on how to shape regeneration of the town in order to attract private investment over the next ten years. The proposal is supported in principle by the Council's partner in the town's Burns Mall shopping centre, and has support and other land owner and developers in the town.

The private development facilitated directly as a result of the TiF investment will include 12,000 sq m of offices and small business units, over 300 residential units, a 60 bed care home, a 60 bed hotel, and 11,000 sq m of additional retail space. Most of the offices and small business spaces, the care home and the hotel will be located on the Hill Street site. The retail space will be integrated with the existing Burns Mall and the bus station. It will involve construction of a replacement, larger multi-storey car park. Some of the retail units and the small business units will be integrated with a new residential development and further enhancements to the public realm.

It is estimated that the direct NDR uplift from the direct investment will be £30m over a 25 year period after allowing for displacement of 15% and small business relief continuing (£15m commercial, £8m industrial and £7m retail)

It is anticipated that the development will directly attract approximately 2,300 jobs. After allowing for displacement of 20% and multiplier effects it is estimated that this will result in a net increase of around the same number of jobs locally. A proportion of the direct jobs created will be in businesses that might alternatively locate elsewhere in the West of Scotland. The focus of activity will be on key growth sectors promoting the unique features that Kilmarnock has to offer.

Our key objective is to increase the number of jobs in currently under represented sectors. This will have a number of direct benefits both to the individuals who live in the area and in terms of the broader economic impact to the area. Training associated with the new jobs will help in re-skilling the workforce. New business opportunities will include small business start ups, business expansions and inward investment. Local people will be supported to secure and retain employment through our wide ranging employability programmes which include the Council's recent business enterprise initiative in schools supported by local and national business leaders including The Klin Group, The Cook School of Scotland and Sir Tom Hunter though The Hunter Foundation.

There will also be a major environmental benefit to many of the sites, including the Hill Street Site, which is of equivalent size to the entire town centre. The regeneration will lift the amenity and revitalise our major town, a major theme in our Community Plan.

3. FINANCIAL VIABILITY

- <u>An indication of how much the proposed TIF Assets will cost / how much the Local Authority will have to borrow</u>

- Consideration should be made here as to the source of funding for the TIF Assets and approach to repayment

- Identify, and quantify where possible, incremental NDRs which the project is expected to generate over the TIF period (25 years from first TIF investment)
- An indication should be made as to the level of certainty the Local Authority has in these high level assumptions and an explanation of why
- Outline any sensitivity testing undertaken to date

EVALUATION CRITERIA

The maximum score for this section is 20 (Refer to Appendix 1 for scoring methodology) and scoring will depend on the extent of analysis undertaken to determine:

- Levels of expected incremental NDRs across development types
- Ability to repay debt drawn down the fund the TIF Assets
- The outturn findings of any sensitivity analysis undertaken to date, if available (e.g. the impact upon the financial viability of the proposed project from increased infrastructure costs, NDR take reduction, changing displacement levels)

LOCAL AUTHORITY RESPONSE

Preliminary estimates of the cost of TIF assets:

	£m
Road works	9.03
Hill Street access	1.20
Broadband infrastructure	0.28
Car parks	2.60
Public realm	1.00
Site assembly and services diversion	4.00
	18.10

The TiF assets will be paid for from the Council's Loans Fund. It is assumed that the broadband infrastructure will attract ERDF grant at 40-45% Under Priority 3 of the LUPS programme).

The Loans Fund is funded by borrowing from the PWLB. Calculations of the financing costs are based on a constant repayment at 4% (the current PWLB rate) over the TIF period of 25 years from the start of the project. The annual cost on this basis will build up over the period to £1.2m pa.

The net NDR uplift is estimated at £600,000 in Year 5 (completion of the TIF investment) rising to £1.6m in Year 25. Assumptions: SME discount continuing to apply at current rates, and displacement of 15%.

On these assumptions a positive cashflow will emerge in Year 18. There will be a net accumulated balance on the TIF account of £3m at Year 25.

There are no major uncertainties about ground conditions. Diageo have carried out ground investigations on the Hill Street site and have found no major issues. They are also committed to clearing the site before it is passed over for development. Extensive surveys were carried out on the Top of the Town site in recent years confirming there are no major constraints.

There are some major costs which it is difficult to estimate without detailed design work, in particular the reshaping of the sections of the peripheral road, the improved access between the town centre and the Hill Street site, and the new retail development within the Top of the Town. The estimate of the cost of modifying the road is based on experience in other towns, and the Council's own experience in earlier road improvements of a similar kind.

A high level sensitivity analysis has been carried out. An increase in costs of 10%, a higher PWLB rate of 5%, displacement higher by 5%, or a delay of 2 years in the private investment generated would all leave a net surplus in Year 25.

4. KEY RISKS & POTENTIAL MITIGANTS

- Key project risks should be identified. These may be wide ranging, however, are likely to include:
    - State aid (Local Authorities will be encouraged to liaise with the Scottish Government's State Aids team on all potential state aid matters).
    - Procurement
    - Private sector failure to deliver/ invest
    - Certainty of NDR take
    - Availability and ownership of land
- A brief outline of any risk quantification and mitigation strategies should be detailed insofar as is possible

EVALUATION CRITERIA

The maximum score for this section is 20 points (Refer to Appendix 1 for scoring methodology).

Scoring of this section will consider the extent that a Local Authority has thought about project risks which may arise and how it can potentially manage and mitigate these risks.

LOCAL AUTHORITY RESPONSE

The site is within an Assisted Area for State Aid, and enjoys the ceiling permitted for Article 837(3) (c) areas (15% - 35% depending on size of business). The Council has recently been involved in detailed discussions on the implications for State Aid of a major ERDF supported investment in an edge of town Industrial Park (Moorfield). It is presumed that the same considerations will apply to the planned regeneration project. From this advice it is concluded that the external works, including the new car parks and railway station access improvements will be constructed as public infrastructure. The broadband hub and network will be provided as public infrastructure and owned by East Ayrshire Council. The ERDF grant for this will 'flow through' to the users, and no state aid will occur. Any subsidy to users would apply only to SMEs, and the ceiling would be 35% or the de minimis limit of €200,000 over three years (cumulated with any other state aid subsidy offered to the enterprise).

All assets will be procured through competitive tender within EU rules for public procurement. The operation of the broadband facility will be procured by competitive tender

The principal risks of non-delivery are the attraction of key private developers for the business centres, the offices, and the extended shopping centre. Without these investments the prior investment would be abortive and the uplift in NDR anticipated would be much reduced. Our track record and all of the evidence we have, points to investment in public infrastructure delivering the private sector investments we require to see.

There is no doubt that some investment will take place on the Hill Street site. The Council would be prepared to consider a wide range of partnership ventures, including the business centre. Both the business centre and the offices would be candidates for JESSICA funding (the successful JESSICA operating consortium included one Make it Kilmarnock project in their initial 'pipeline').

The investment in the new car park, access and public realm works at the Top of the Town sites will be undertaken once there are firm commitments from a developer for the extended shopping centre. The Council owns most of the required land and is a part owner of the Burns Mall. It will therefore be in a position to offer incentives to potential developers through a joint venture.

The road improvements, by their very scale and nature, will require to be phased, and accordingly, there will be a close correlation between public and private sector spend.

The Council are convinced that regeneration of Kilmarnock, its principal town, is key to the economic recovery of the town and the wider community of East Ayrshire. This can be clearly demonstrated and evidenced by investment decisions previously taken by the Council. The proposals contained within this document form an essential part of the overall package of financial support the Council requires to assemble to deliver the vision it shares with its communities.

5. TIME SCALES

- Proposals should provide indicative timings for: the preparation and submission of a business case if identified as a pilot project, the likely date of the first TIF investment, timing of private sector investment and commencement of incremental NDR capture.

- Please detail any timing dependencies.

EVALUATION CRITERIA

A maximum of 10 points will be available in consideration of the timing of the business case delivery and of the indicative timing for the forecast first TIF Investment.

Evidence that robust analysis has been undertaken to support these timeframes should be provided in the TPSP response, e.g. Local Authority capacity to deliver the project within the timeframes outlined.

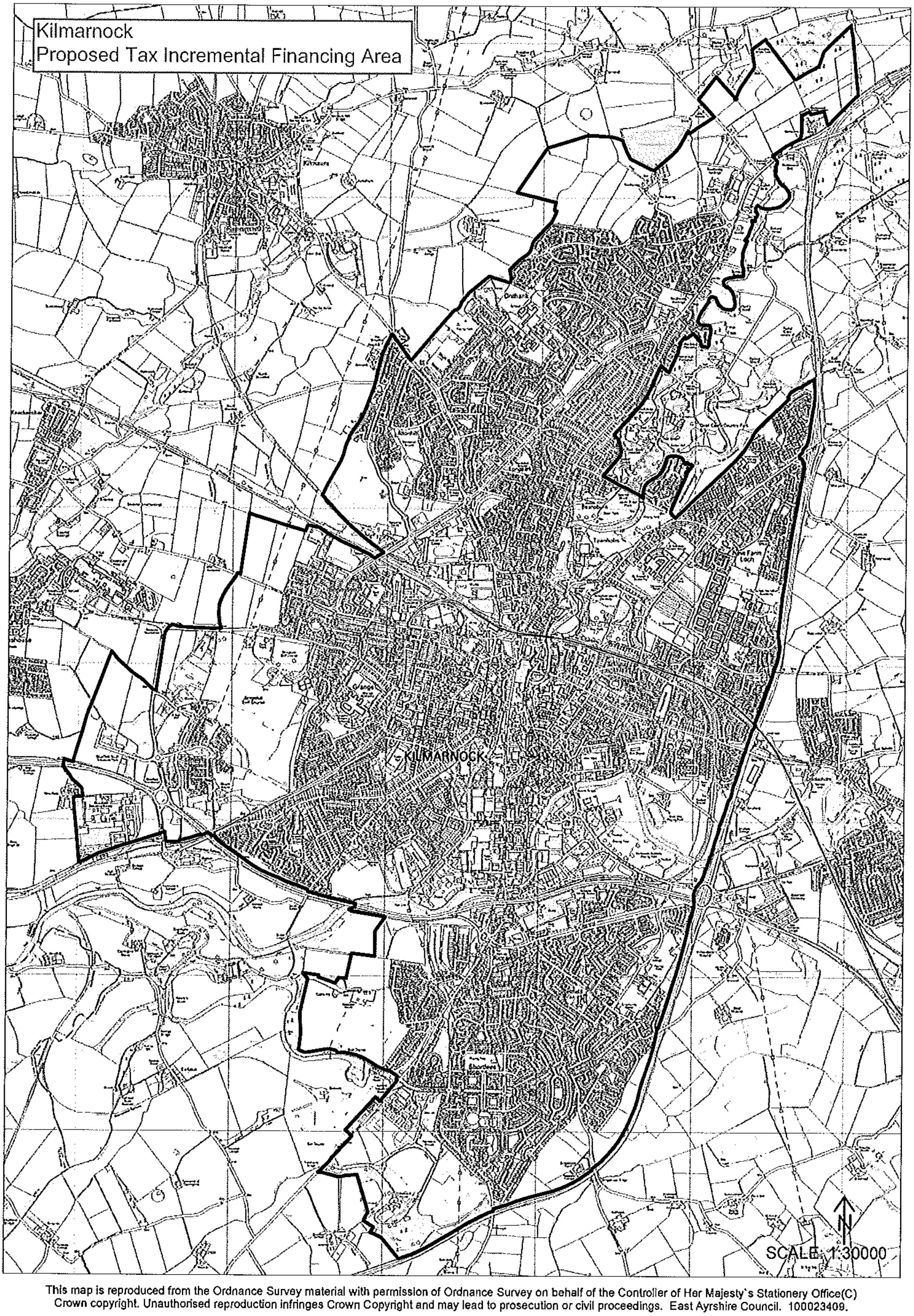
LOCAL AUTHORITY RESPONSE

Indicative programme:

	Hill Street	Roads	Top of the Town	Access to Hill Street	New multi-storey carpark
To June 2012	Site design, planning application, detailed feasibility studies for business centre and offices	Outline design and traffic modeling	Initial design in liaison with Precinct partnership and Stagecoach	Design concepts - liaison with Scotrail and Transport Scotland	See Top of the Town
To Dec 2012	Site becomes available	Phase 1 design, and procurement	Development partnership agreement in principle, design and build procurement	Detailed design and commissioning	Design and commissioning
2013	Site works, business centre	Roads works (1) Phase 2 design	Site assembly	Construction	Construction
2014	Offices (1)	Roads works (2)	Site preparation		
2015		Road works (3)	Main build phase		
2016	Offices (2), carpark expansion	Road works (4)	Main build phase		

Key points that will assist in the process:

- The planning framework is in place. The redevelopment of the Hill Street site has outline planning permission and the Top of the Town Developments would be in line with the Local Plan
- The Council has established partnerships with key stakeholders, in particular Diageo, the Burns Mall joint owners, Stagecoach, Scotrail and the College
- The proposals take account of other major upgrades including those planned by the station in 2014 by Scotrail
- The Council has undertaken major works within the town centre over the last 15 years, including major public realm improvements and investment in Council offices (worth a total of £25m plus), substantial road improvements, and improvements to the bus station
- Outline design work has been undertaken by development partners for developments similar to that now proposed at the Top of the Town in recent years (these did not proceed because the Council could not fund the necessary associated developments in public infrastructure, particularly roads, which were greater than could be met by the private developers.
- The Council has a fully calibrated traffic model, which will enable the outline design for the remodelling of the roads to be undertaken within a short timescale
- The majority of the land required for development is owned by the Council and Diageo. Discussions with Diageo on transfer of the Hill Street site, cleared and at no cost, are at an advanced stage. Funding for the new College is being facilitated by the SFT.


Kilmarnock
Proposed Tax Incremental Financing Area
KILMARNOCK
SCALE 1:30000
N

TIF TPSP RESPONSE TEMPLATE

THIS TEMPLATE SHOULD BE COMPLETED AND RETURNED TO SFT BY WAY OF EMAIL RESPONSE TO: TIF@scottishfuturestrust.org.uk **BY 19th AUGUST 2011.**

LOCAL AUTHORITY
East Dunbartonshire Council Development and Enterprise 2nd Floor, William Patrick Library Kirkintilloch G66 2AD
TIF CONTACT
NAME: [redacted] Enterprise Manager EMAIL: [redacted]@eastdunbarton.gov.uk PHONE: [redacted] MOBILE: [redacted] ADDRESS: as above
ADDITIONAL LOCAL AUTHORITY COMMENTS (IF APPLICABLE)

1. TIF PROJECT BACKGROUND

- Provide background to the basis of the project – does this proposal satisfy the mandatory project characteristics detailed below.

- Why is this the chosen TIF project for your Local Authority? How does it fit with existing LA plans?

- Provide basis for satisfaction of the but-for-test

- Identify the likely TIF Assets (i.e. the public sector enabling infrastructure), likely cost & why you consider these will enable private sector investment.

- Provide a high level indication of the likely red-line area and basis for selection of this area

- Detail the level of internal Local Authority support received for this TIF proposal, work undertaken to date and the internal resource available to take forward the project

EVALUATION CRITERIA

Please note that further pilot projects must be of a primarily non-retail led nature. It should also be noted that of the three remaining pilot projects:

- one project should be below £20m; and

- one should have a renewables focus

Preference will be given to projects which satisfy these criteria and in selecting the three pilot projects, SFT will seek, if possible, to identify at least one project that meets each of the characteristics outlined above.

Ultimately any proposal for a TIF project must demonstrate to Scottish Ministers that:

- the enabling infrastructure will unlock regeneration and sustainable economic growth;
- it will generate additional (or incremental) public sector revenues (net of the displacement effect); and
- it is capable of repaying, over an agreed timescale, the financing requirements of the enabling infrastructure from the incremental revenues.

This scored section of Section 1 of the TPSP proposal will attract a maximum of 20 points (refer to Appendix 1 of this TPSP Response Template for scoring methodology). As well as the criteria above, scoring will consider:

- How has the project been chosen
- How well has the 'But For' test been evidenced
- Identification of TIF Assets, likely cost and ability of these assets to attract private sector investment, and any evidence to support this
- Initial identification and rationale of the proposed Red-Line area
- Extent of the Local Authority's internal support & approvals, work undertaken to date and the internal resource to take forward any proposed TIF project

LOCAL AUTHORITY RESPONSE (Limit to 1 page only)

In the Adopted Glasgow and Clyde Valley Joint Structure Plan (2006) Westerhill, Bishopbriggs, is designated as a Strategic Industrial and Business Location (SIBL). Westerhill SIBL, in turn, is identified as a Flagship Location for economic development opportunities in the East Dunbartonshire Local Plan 2. Council policy is to actively promote business development at this location through master planning and, where appropriate, land assembly and infrastructure preparation.

However, despite long standing land-use zoning for economic development and the creation of several development frameworks and masterplans, there remains large tracts of unutilised land and developable brownfield sites. The most recent development framework for the area was completed by consultants for Scottish Enterprise and East Dunbartonshire Council in 2008. The Westerhill Corridor Development Framework Final Report (2008) concludes that completion of the link between Westerhill Road and Auchinairn Road - phases 3 and 4 of the Bishopbriggs Relief Road (BRR) - is paramount to any further private sector development in the area. This latest development framework was completed in consultation with landowners and identified a former oil depot, derelict since the late 1960s as an ideal Phase 1 development site if it could be remediated and funding could be found for supporting roads, drainage and utilities infrastructure including the BRR.

In 2008 the oil depot was purchased by Westerhill Developments Ltd (WDL), a company fully owned by the same holding company as Luddon Construction Ltd. Since then a £1m bioremediation programme has been completed. Over this period the Council has been working closely with WDL to bring forward options for regeneration of the site and recently, Committee approval has been granted to build bespoke Council offices with an associated depot as the key element of the Council's operational accommodation strategy. In order to build on this commitment the Council has also continued to pull together the necessary funding for construction of the BRR and the public roads and utilities required for the Phase 1 development site. While some funding and infrastructure provision has been earmarked in the Council's capital programme and secured through planning conditions and Section 75 agreements, it does not come close to the required total. This scenario makes Westerhill an ideal opportunity for TIF investment. The TIF assets required are:

- BRR Phase 4 - £8.5 million
- Westerhill Phase 1 Development Site (Roads, Drainage, Lighting and Utilities) - £3.5 million

This would be funded by:

- EDC - £2 million capital contribution towards BRR
- EDC - £3.6 million secured through Section 75 Developer Agreements towards BRR
- TIF Borrowing - £6.4 million

Without TIF the Council has no ability to borrow the funding required for the infrastructure and while the new office accommodation and depot will still be delivered this would not be enough to ensure the wider regeneration of the area. This is demonstrated by the construction of a new Aviva call centre in 2005 which has not led to any further inward investment. Without TIF investment the regeneration of Westerhill will progress as it has done for the last 40 years since the closure of the oil depot with one development opportunity being secured approximately every 10 years. Based on the findings of the 2008 Development Framework, with TIF investment the potential of the Phase 1 development site can be realised within 5 years and this will act as a catalyst for the wider regeneration of the Westerhill area which makes up the red line boundary in the attached map.

2. PRIVATE SECTOR INVESTMENT, ECONOMIC AND REGENERATION IMPACT

PRIVATE SECTOR INVESTMENT

- Detail the anticipated private sector involvement and investment enabled by the TIF Assets
- If possible, please identify your private sector partners and give an indication of the level of discussions which have taken place and the level of development to date within the redline, if any
- Comment on the ability of this private sector investment to generate incremental NDRs within the proposed red-line area. N.B. target private sector development will be relatively biased towards commercial rather than residential development due to the use (primarily) of NDRs as the income stream captured to fund the TIF infrastructure

  Provide further detail in relation to the private sector development types enabled by the proposed TIF project (e.g. renewables, commercial, leisure)

ECONOMIC IMPACT

- Detail the potential economic impact and additionality that your TIF project will have at the following levels: Local / Regional / National
- This section should give high level consideration as to the likely levels of displacement which will arise as a result of the TIF project and the anticipated private sector investment (either estimates of displacement levels across development types if available, or an indication of whether displacement is high, medium or low and a short justification for these assumptions)

REGENERATION IMPACT

- Detail the high-level outcomes that are expected in terms of regeneration, including the impact on the physical environment and social / economic outcomes

EVALUATION CRITERIA

10 points will be allocated to the private sector element of the response, 10 points to the economic analysis response and 10 points to the regeneration impact response (Refer to Appendix 1 for scoring methodology). Scoring will consider the proposal's identification of:

PRIVATE SECTOR INVESTMENT (10 points out of 30)

- What private sector investment activity will likely be enabled that will generate the incremental NDRs and hence TIF revenues, and where available, the potential level of private sector investment in £s terms
- The extent that a proposal is able to identify private sector partners undertaking this

investment

- What current private sector investment is planned or taking place in the area, if any.
- The breakdown of the sectors that will deliver NDR growth under the anticipated project e.g. renewables, commercial, leisure
- The ability of the proposed TIF project to deliver additional NDR

ECONOMIC (10 points out of 30)

- Identification and analysis of potential additional economic impacts arising from the proposal, e.g. jobs, business space, sectors
- Consideration of likely displacement levels across development types – i.e. high medium or low or estimated % if this information is available. N.B. it is not a requirement for a Local Authority to engage external consultants to undertake economic impact assessments etc at this stage

REGENERATION (10 points out of 30)

- How the project will benefit local people, in particular how it will support the local economy and provide jobs and training opportunities and maximise community benefits

LOCAL AUTHORITY RESPONSE (Limit to 1 page only)

PRIVATE SECTOR INVESTMENT: The expected private sector development, the resulting NDR and the estimated delivery timescales are indicated in the following table. These uses have been arrived at based on WDL's knowledge of the investment market and particular uses which fit with the nature of the local economy. The management of WDL have current experience related to the provision of Combined Heat and Power gasification plant which is categorised as renewable energy provision and is self financing. Co-location with the Council depot will mean a long term supply of source material for this facility.

Use	Gross Sq. ft	RV	Rate	NDR	Year
EDC Office	55000	500,000	0.433	216,500	14/15
CHP Plant		n/a		n/a	14/15
Restaurant x 2	4,000	75,000	0.433	32,475	15/16
Office c x 5	21,525	264,241	0.433	114,416	15/16
Care Home	34,980	130,000	0.433	56,290	15/16
Day Care Unit	4,306	24,000	0.426	10,224	15/16
Health Centre	7,000	110,000	0.433	47,630	15/16
Childrens Day Nursery	5,000	20,000	0.426	8,520	15/16
Cinema	28,220	290,000	0.433	125,570	16/17
Office b x 3	31,485	414,276	0.433	179,382	16/17
Office a	24,200	318,421	0.433	137,876	17/18
3 Star Hotel	49,500	175,396	0.433	75,946	17/18
TOTALS		**2,321,334**		**1,004,830**	

ECONOMIC IMPACT: Employment benefits created as a result of the above interventions have been calculated by applying standard employment densities to the proposed uses. Total employment effect (direct, indirect and induced) equates to a minimum of 1353.8 FTE. Assuming Scottish average GDP per employee this amounts to a £27 million per annum (GVA) injection to the local economy.

DISPLACEMENT: Due to the inclusion of significant care and leisure sector development it is expected the investment will have a low displacement effect (25%). This displacement rate is supported by the 2008 Westerhill Development Framework.

REGENERATION IMPACT: The development will also have environmental and social benefits. The cinema, hotel, nursery and restaurants create a social hub catering for daytime and evening economic activity. These uses also increase the overall sustainability of the area as local people and visitors (including business visitors and employees) won't have to travel further afield for these services as is currently the case. The focus on the care sector has a direct link to the current and future local economy as the average age of the population in East Dunbartonshire is one of the most elderly in Scotland and is predicated to rise even further when compared to other local authority areas. The Council's Economic Development team will also ensure a considerable proportion of construction related investment benefits local and regional firms/workforce. Examples of current activity include: investigating opportunities for joint working with the new Low Moss prison (within the TIF red line area) in terms of training and rehabilitation activities for prisoners; establishing 'local labour agreements' and; providing business support to local firms e.g. the Supplier Development Programme which prepares local businesses to gain contracts with the public sector. Finally, the inclusion of the CHP plant will provide heating and power to the new developments minimising the carbon footprint of the entire project.

3. FINANCIAL VIABILITY

- An indication of how much the proposed TIF Assets will cost / how much the Local Authority will have to borrow

- Consideration should be made here as to the source of funding for the TIF Assets and approach to repayment

- Identify, and quantify where possible, incremental NDRs which the project is expected to generate over the TIF period (25 years from first TIF investment)

- An indication should be made as to the level of certainty the Local Authority has in these high level assumptions and an explanation of why

- Outline any sensitivity testing undertaken to date

EVALUATION CRITERIA

The maximum score for this section is 20 (Refer to Appendix 1 for scoring methodology) and scoring will depend on the extent of analysis undertaken to determine:

- Levels of expected incremental NDRs across development types

- Ability to repay debt drawn down the fund the TIF Assets

- The outturn findings of any sensitivity analysis undertaken to date, if available (e.g. the impact upon the financial viability of the proposed project from increased infrastructure costs, NDR take reduction, changing displacement levels)

LOCAL AUTHORITY RESPONSE (Limit to 1 page only)
The attached spreadsheet provides a financial overview of the amount of borrowing, the levels of expected NDR (based on the development types, rateable values and delivery timescales outlined in the table in section 2) and repayment profile. The Council will borrow the required funding from the Public Works Lending Board and the financing costs of this borrowing in the early stages of the project will be managed through Council budgets. The explanation of the robust governance arrangements in the next section, the level of market research carried out to date and the conclusion of the 2008 Westerhill Development Framework that construction of the BRR is the key to future investment provides confidence that the debt repayment schedule is realistic. The financial analysis shows significant surpluses in the latter years and this demonstrates the project has the flexibility to be viable even if interest rates rise, construction costs increase or the rate of private sector investment is slower than expected.

4. KEY RISKS & POTENTIAL MITIGANTS

- Key project risks should be identified. These may be wide ranging, however, are likely to include:
    - State aid (Local Authorities will be encouraged to liaise with the Scottish Government's State Aids team on all potential state aid matters).
    - Procurement
    - Private sector failure to deliver/ invest
    - Certainty of NDR take
    - Availability and ownership of land

- A brief outline of any risk quantification and mitigation strategies should be detailed insofar as is possible

EVALUATION CRITERIA

The maximum score for this section is 20 points (Refer to Appendix 1 for scoring methodology).

Scoring of this section will consider the extent that a Local Authority has thought about project risks which may arise and how it can potentially manage and mitigate these risks.

LOCAL AUTHORITY RESPONSE (Limit to 1 page only)
The proposed governance structure for the TIF project has been chosen in order to mitigate certain risks associated with delivery. The Council and the single landowner for the Phase 1 development site, Westerhill Developments Ltd (WDL), have the necessary control in place through ownership and legal agreements to implement the TIF assets. If selected, both parties are willing to enter into a joint venture (JV) arrangement to ensure robust governance for the project. This arrangement would include a commitment to the creation of a TIF Delivery Board to oversee the implementation of the project. The JV agreement would also set out the terms and conditions associated with the construction and operation of the Council's office accommodation & depot, the CHP plant and the Phase 1 development site TIF assets. The basis of the deal has already been discussed between the parties and will focus on WDL providing full title and ownership of the office/depot in return for the Council borrowing and providing the funding for the Phase 1 development site infrastructure through the TIF process. As part of the arrangements WDL will be required to agree to a reasonable level of risk in relation to underwriting borrowing repayments should the expected level of NDR not be forthcoming. The office/accommodation will be delivered through the West Territory Hub mechanism and is fully financed through the sale of other EDC assets. An enabling fund of £1m has recently been agreed through the hub process. The costs of providing the CHP gasification plant can be repaid in approximately six years by the profit generated and it will be financed as a separate commercial venture. Discussions with the Council's Corporate Procurement team have approved this approach and clarified compliance with State Aid regulations. Given the level of discussions to date and the existing relationship between WDL and the Council the partnership is confident that the final legal agreements to secure the joint venture could be prepared and approved relatively quickly. Phase 4 of the Bishopbriggs Relief Road would be subject to normal procurement procedures. Planning permission and the legal agreements to occupy the land required for construction are already in place. The most significant risk associated with delivery timescales is the construction of a new bridge over the main Edinburgh to Glasgow railway. However, the project and delivery options have already been discussed with Network Rail and would be developed further during the development of a detailed TIF business plan to ensure sufficient timescales for the agency's in-house clearing procedures. In relation to the certainty of private sector investment and resulting NDR, the timescales indicated in section 2 have been used as the basis for the financial analysis in section 3 and are based on WDL's ongoing discussions with investors. The commitment from the Council to bring a workforce of approximately 700 staff combined with the existing presence of companies like Harper Collins and Aviva and the provision of the Bishopbriggs Relief Road through TIF add to the likelihood of securing the investment outlined. Further to this the red line area has been specifically chosen as it is expected that the TIF investment will actually have a wider positive development impact on the wider Westerhill area. This area would be the focus for reinvestment of the surplus NDR revenue shown in the later years of the attached financial analysis and this theme could be developed further during the preparation of a detailed business plan.

5. TIME SCALES

- Proposals should provide indicative timings for: the preparation and submission of a business case if identified as a pilot project, the likely date of the first TIF investment, timing of private sector investment and commencement of incremental NDR capture.

- Please detail any timing dependencies.

EVALUATION CRITERIA

A maximum of 10 points will be available in consideration of the timing of the business case delivery and of the indicative timing for the forecast first TIF Investment.

Evidence that robust analysis has been undertaken to support these timeframes should be provided in the TPSP response, e.g. Local Authority capacity to deliver the project within the timeframes outlined.

LOCAL AUTHORITY RESPONSE (Limit to 1 page only)

One of the key strengths of this proposal is its deliverability. The table below indicates estimated timescales for achieving key project milestones. These align with the high level project expenditure outlined in the attached financial analysis.

Key Project Milestone	Estimated Delivery Timescale
Business Plan preparation	Oct 2011 – March 2012
Prepare tender documentation for BRR	Oct 2011 – March 2012
Begin Negotiations with Network Rail	Oct 2011
Phase 1 Planning Application submission	Dec 2011
Finalisation of Joint Venture documentation	March 2012
Phase 1 Planning Application to Board	June 2012
Approval of Business Plan	June 2012
Commence procurement BRR Phase 4	June 2012
Commence Phase 1 development site infrastructure	August 2012
Finalise Procurement BRR Phase 4	November 2012
Commence construction BRR Phase 4	January 2013
Complete Infrastructure works Phase 1	Oct 2013
Complete BRR Phase 4	March 2014
Complete first development on Site	March 2014
Commence incremental NDR capture	2014-15

In TIF terms this project is relatively small and due to the excellent working relationships already existing between the Council and WDL, the project team believe a business case could be developed over the second half of 2011-12. The landowner is prepared to work with the local authority to finalise a planning application for the Phase 1 development site alongside the development of a TIF business case. Planning permission is already in place for the construction of BRR Phase 4 and a procurement process could begin as soon as the funding is confirmed. If chosen as a TIF pilot scheme the Council will immediately engage consultants to prepare the detailed tender documentation for BRR Phase 4. While this is a risk as the business plan will not be approved, the capital programme funding already allocated to this project can be utilised at this stage and the work would not be completely abortive should the TIF business plan not be allowed to proceed. The landowner will be responsible for construction of the Phase 1 development site infrastructure which includes roads, drainage, lighting and utilities. All of this infrastructure will be constructed to a standard adoptable by the Local Authority. The JV arrangement allows these site infrastructure works to proceed without a lengthy procurement process. Delivery of the site infrastructure will be co-ordinated with the construction of the Council's new office accommodation and depot.

The Council's Enterprise manager will lead the project on a day to day basis for the Local Authority. A working group involving all the necessary managers and Heads of Service (e.g. Assets; Finance; Legal; Roads and Neighbourhood Services) will be established and chaired by the Director of Development and Infrastructure. The Council has recent successful experience of a similar project delivery model in relation to £8m acquisition of commercial property. Within the Development and Enterprise Service the Enterprise manager is responsible for two teams - Strategic Developments and Transportation (SD&T) and Economic Development. The Service has been structured in this way to ensure efficiency when dealing with projects of this scale. Team responsibilities include processing of strategic planning applications, development of business plans, overseeing procurement and contracts.

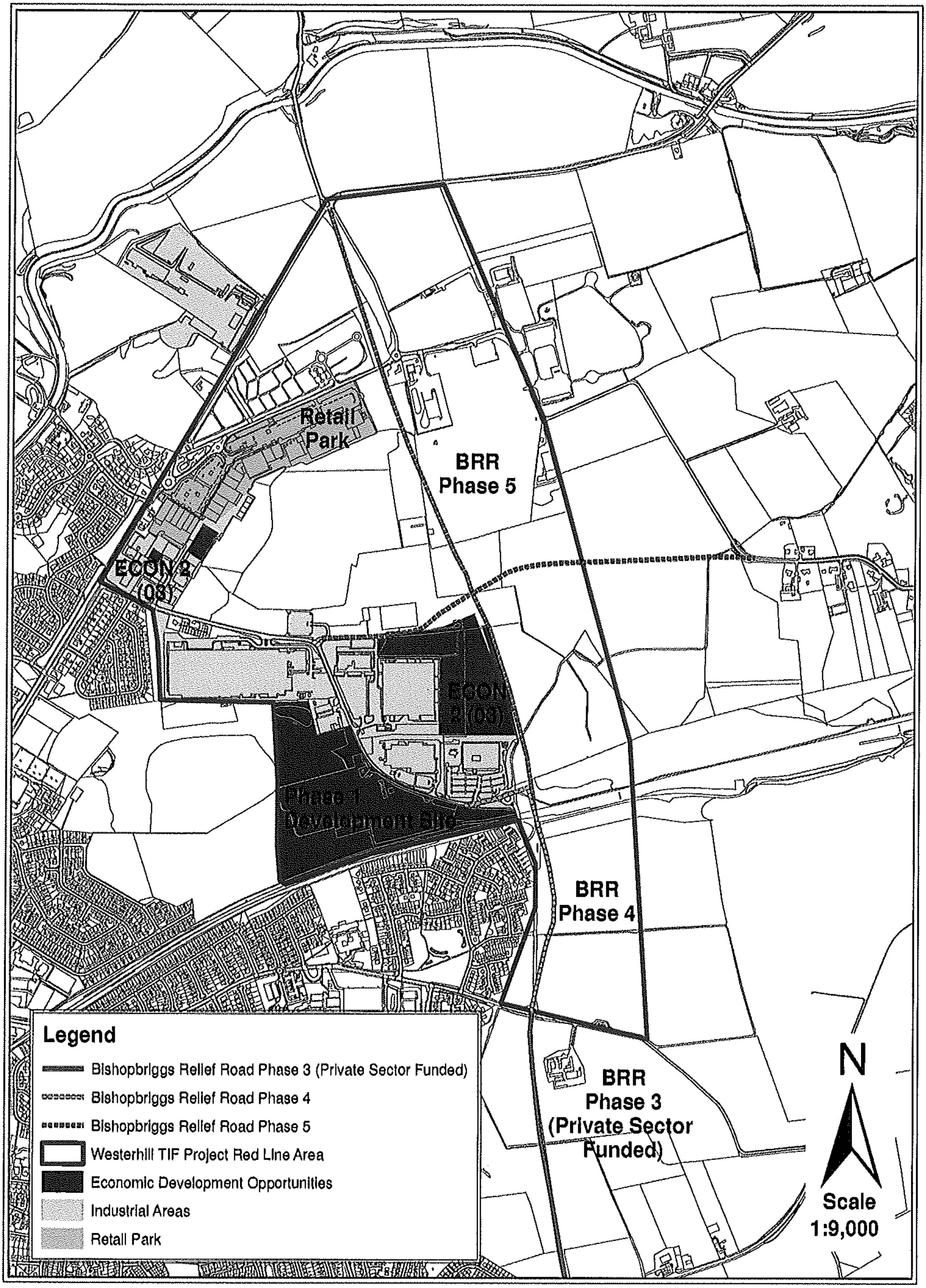
APPENDIX 1

SCORING METHODOLOGY

Maximum Score for Response: 10 points	Maximum Score for Response: 20 points	
1-2	1-4	Initial concept considered
3-4	5-8	High level analysis with some thought to TIF project specific factors.
5-6	9-12	Fair progress with significant work outstanding
7-8	13-16	Good progress with some work outstanding
9-10	17-20	Well advanced.

Westerhill TIF Project Red Line Area

sustainable thriving achieving
East Dunbartonshire Council
www.eastdunbarton.gov.uk



TIF TPSP RESPONSE TEMPLATE

THIS TEMPLATE SHOULD BE COMPLETED AND RETURNED TO SFT BY WAY OF EMAIL RESPONSE TO: TIF@scottishfuturestrust.org.uk **BY 19th AUGUST 2011.**

LOCAL AUTHORITY
East Renfrewshire Council Eastwood Park Rouken Glen Road Giffnock, G46 6UG
TIF CONTACT
[redacted] Principal Projects and Programmes Manager [redacted]@eastrenfrewshire.gov.uk [redacted] Council Offices, 2 Spiersbridge Way, Spiersbridge Business Park, Thornliebank. G46 8NG
ADDITIONAL LOCAL AUTHORITY COMMENTS (IF APPLICABLE)

1. TIF PROJECT BACKGROUND
East Renfrewshire Balgray Link Road Summary • ERC proposes to use TIF to construct an £8-£12M new "Balgray Link" road to provide access to a major new sports village and related commercial development • There is strong development interest in the sports village, which can be located in 1 of 2 sites, both currently in different land ownerships

- A masterplan produced for East Renfrewshire Council by Jones Lang Lasalle in August 2011 to inform the Local Development Plan identifies further development opportunities in addition to the sports village. No RV or NDR assumptions have yet been made on these additional developments but the red line area has been drawn to include the additional development sites

- The development start of the sports village could be late 2014, with the first TIF investment in early 2013

- The basis of this proposal to SFT is to use the availability of TIF as a marketing tool to incentivise the sports village and additional development. It follows that the Council does not propose to construct the Balgray Link road until the sports village development is fully committed.

Context

East Renfrewshire Council (ERC) in partnership with Scottish Development International has just completed a major masterplanning exercise promoting mixed urban expansion, leisure and commercial developments from Junction 5 of the M77 (Maidenhill) to Junction 4 (Crookfur, Newton Mearns). ERC has already successfully delivered a major urban expansion at Greenlaw (Junction 4) and has secured Scotland's first new build Waitrose, a neighbourhood shopping centre with Tesco Express as anchor, the new Isobel Mair Secondary School, an 80 bed Premier Inn and a variety of private and affordable housing developments.

Growth Opportunities

The masterplan was commissioned to provide a vision for the area and to identify long term economic potential in East Renfrewshire, to build upon recent successes, target employment growth sectors, identify infrastructure needs and recommend delivery mechanisms. The masterplan was carried out for ERC by Jones Lang Lasalle between March and August 2011.

A key feature of the finalised masterplan is the unique sports village proposal which is potentially of national significance. Set within Dams to Darnley Country Park, this development will feature a hotel and holiday apartments, indoor and outdoor football academies, extreme sports zone, rackets club, health and fitness zone, children's activity and a water complex.

Whilst the business model is geared mainly towards short stay tourists, the facility will also be open to day visitors and the local community. The build costs are estimated at £90m and the potential benefits when the village is fully operational to both the Scottish and Regional economies are significant;

Gross Employment Impact	**Gross**	**Net of Displacement**
Scotland	2,410	830
East Renfrewshire	2,160	1,210

Note that these figures relate focus on the sports village development and don't capture the wider economic benefits provided by the developments listed below

Recent advice from the Renfrewshire Valuation joint Board estimates the sports village will generate somewhere in the range of £4.5 to £5m Net Annual Value. When additionality and displacement factors are considered, there is ample scope to recoup costs from NDR to fund the scale of infrastructure required from the Sports Village alone.

The Balgray Link Road Project Selection

TIF is sought to finance the new Balgray Link Road which has been estimated at £8-£10M (depending on the final route chosen). A further £2M has been added to the budget cost for contingencies. Using a combination of upgraded existing roads and new construction, this new link road will open up the both optional sites for the sports village, and provide vehicle access to previously inaccessible development sites, as well as creating valuable connections between Newton Mearns and Barrhead.

Private Sector Investment Potential

This link is seen as key to stimulating new sustainable economic growth and it provides a more deliverable alternative to the previously promoted Junction 4 link road proposals. Although the major focus has been on the development of the sports village, the M77 masterplan concludes that the Balgray Link will help unlock additional further leisure and employment generating uses, such as:

- **Maidenhill** (mixed urban expansion – medium to long term potential for 800+ houses, neighbourhood centres, and modern workspaces)
- **Netherplace Works** (former Coats Viyella factory complex – short term potential for residential and care home provision)
- **Pollok Ryat South** (former Single User High Amenity Site – potential for leisure and commercial development/tourism, retail and sports village)
- **Balgray Reservoir (**South – tourism, retail and sports village proposal)
- **Balgray Reservoir** (East – infrastructure improvements for Country Park)
- **Springfield / Springhill / Lyoncross** (urban expansion zone, 1,400+ houses)
- **Barrhead** (Regeneration programme)

Jones Lang Lasalle have market-tested these proposals and ***have concluded that there is strong developer interest*** in the masterplan proposals.

"But For" Test

The scale of development as outlined above is of regional if not national significance. The "but for" test is evidenced by the requirement to finance the initial infrastructure investment. The early costs, such as the anchor "Waterworld" development, within the Sports Village proposal are significant, and are being met by the developer. The Balgray Link road which opens up the site(s) becomes prohibitive for the developer to finance without support. East Renfrewshire or its partners are unable to access any alternative funding, such as ERDF or JESSICA, to meet the costs of the infrastructure investment, despite the project providing better access to Barrhead and consequently supporting the ongoing regeneration programme. The TIF mechanism would appear to be the only option to unlock the potential of these sites.

Proposed ERC Approach

M77 Corridor Masterplan, incorporating the sports village, will be the key economic driver for the Council over the next 15 years. On the basis of the sports village alone, the Council believes that a convincing case can be presented for the use of TIF to fund the Balgray Link Road. Clearly, a fully developed and agreed TIF proposal which is ready to implement when development is secured would be a powerful marketing tool in the promotion of these sites and will expedite development. ***The Council's proposal to SFT is to use TIF as a development incentive to the sports village developer to locate in the area.*** Whilst this approach does not compel the project to a specific timescale, it does minimise the risk taken by East Renfrewshire Council in funding infrastructure prior to committed development. When the developer is ready to invest and is legally bound to the deliver, the Balgray Link Road can be funded and implemented in tandem.

Local and Political Support

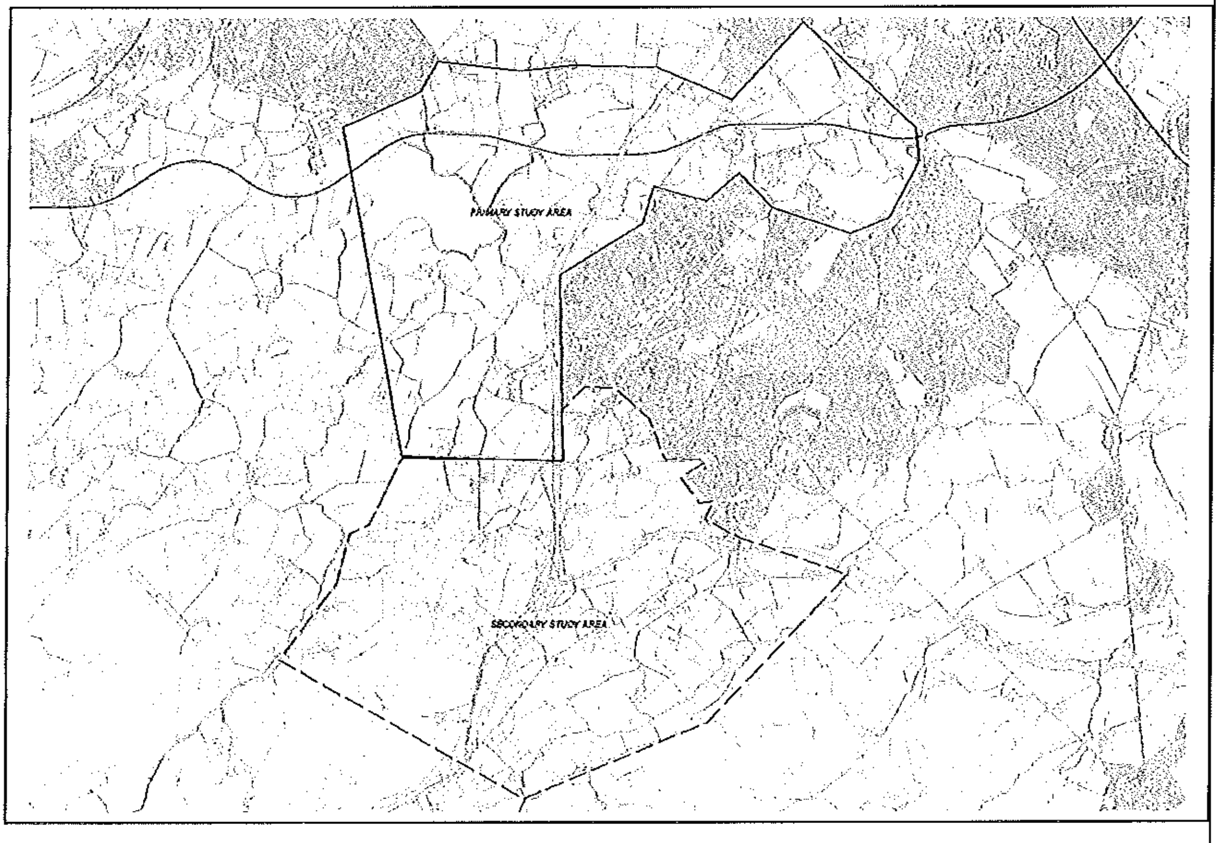
The Balgray Link Road and M77 Masterplan has significant political and local support, including developer support The proposals will be formally endorsed in the Council's Local Development Plan (LDP), the consultation on the Main Issues Report being carried out between Oct '11- Jan '12, and in the M77 Masterplan Supplementary Planning Guidance which will be incorporated in the LDP.

Resources

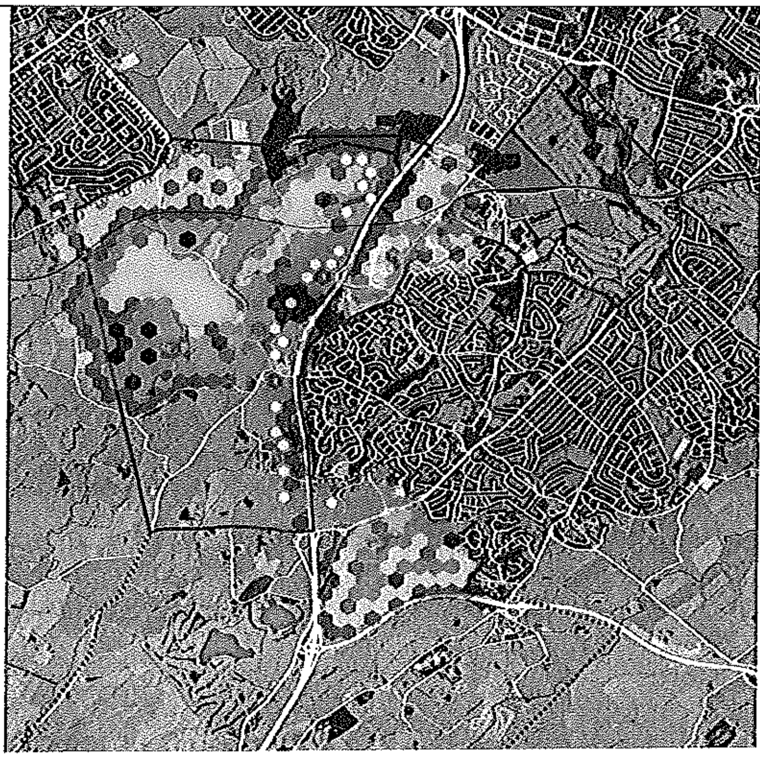
On approval of the first stage, ERC will commit to providing a senior projects team covering financial, legal, development and regeneration disciplines and led by the Head of Planning, Property and Regeneration to work with SFT on the development of a full business case.

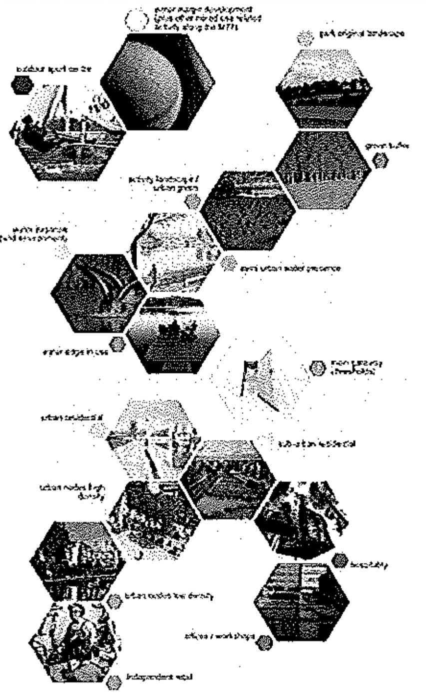
Red Line Area

The red line area is shown below and has been chosen as it covers the identified masterplan zone. The development sites in the masterplan are bound together in relation to their cumulative impacts on the economy, and their ability to help support other essential infrastructure within the Country Park and local road network (via developer contributions). Masterplan, and consequently TIF eligible developments, are defined as those within this red line boundary.



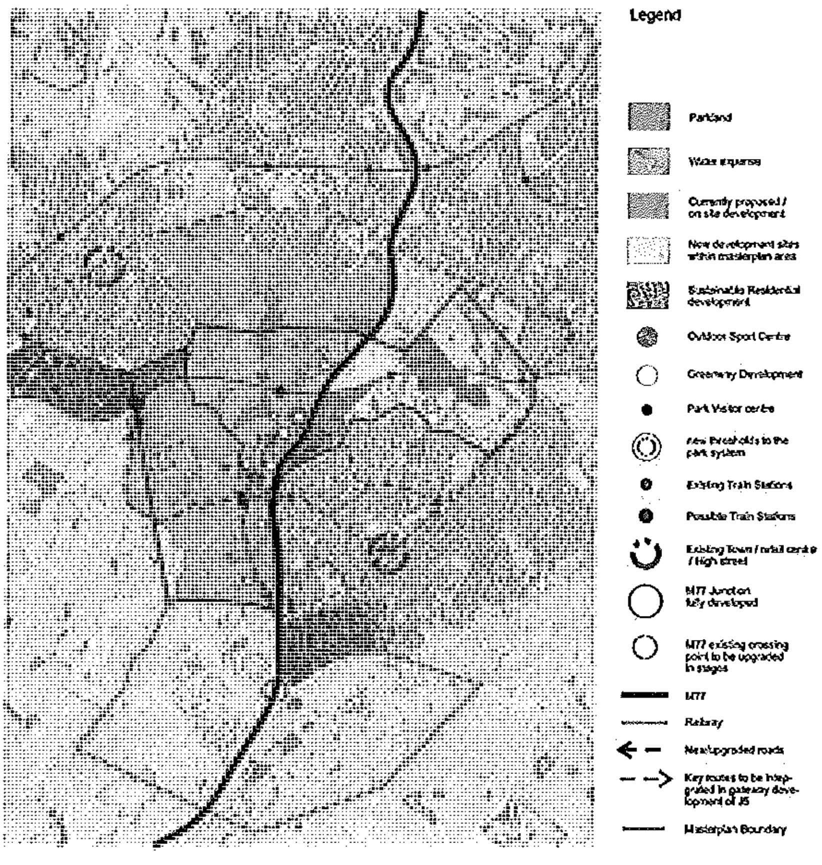
The Red Line Area

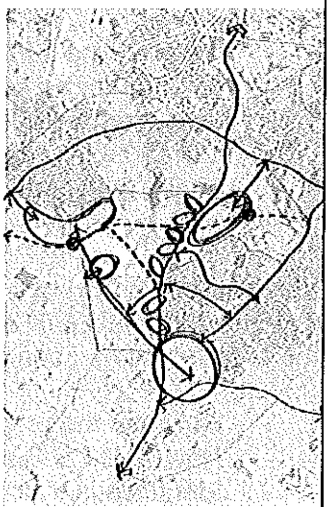




The Balgray Link road (below) M77 Masterplan (above)

Masterplan





In conclusion, the Balgray Link road supports the TIF Guiding Principles and criteria in the following ways:

- The road is achievable and deliverable, and poses minimal constraints.
- The enabling infrastructure will unlock significant private investment, at least £1.6M of additional NDR annually (based on the sports village alone), meaning that the financing and repayment requirements are achievable
- The proposals is in line with Scottish Enterprise's economic growth areas and our approach has been endorsed by Scottish Development International

EVALUATION CRITERIA

Please note that further pilot projects must be of a primarily non-retail led nature. It should also be noted that of the three remaining pilot projects:

- one project should be below £20m; and
- one should have a renewables focus

Preference will be given to projects which satisfy these criteria and in selecting the three pilot projects, SFT will seek, if possible, to identify at least one project that meets each of the characteristics outlined above.

Ultimately any proposal for a TIF project must demonstrate to Scottish Ministers that:

- the enabling infrastructure will unlock regeneration and sustainable economic growth;
- it will generate additional (or incremental) public sector revenues (net of the displacement effect); and
- it is capable of repaying, over an agreed timescale, the financing requirements of the enabling infrastructure from the incremental revenues.

This scored section of Section 1 of the TPSP proposal will attract a maximum of 20 points (refer to Appendix 1 of this TPSP Response Template for scoring methodology). As well as the criteria above, scoring will consider:

- How has the project been chosen
- How well has the 'But For' test been evidenced
- Identification of TIF Assets, likely cost and ability of these assets to attract private sector investment, and any evidence to support this
- Initial identification and rationale of the proposed Red-Line area
- Extent of the Local Authority's internal support & approvals, work undertaken to date and the internal resource to take forward any proposed TIF project

LOCAL AUTHORITY RESPONSE (Limit to 1 page only)

All of these questions are addressed in 1, above.

2. PRIVATE SECTOR INVESTMENT, ECONOMIC AND REGENERATION IMPACT

PRIVATE SECTOR INVESTMENT

- Detail the anticipated private sector involvement and investment enabled by the TIF Assets
- If possible, please identify your private sector partners and give an indication of the level of discussions which have taken place and the level of development to date within the redline, if any
- Comment on the ability of this private sector investment to generate incremental NDRs within the proposed red-line area. N.B. target private sector development will be relatively biased towards commercial rather than residential development due to the use (primarily) of NDRs as the income stream captured to fund the TIF infrastructure
  Provide further detail in relation to the private sector development types enabled by the proposed TIF project (e.g. renewables, commercial, leisure)

ECONOMIC IMPACT

- Detail the potential economic impact and additionality that your TIF project will have at the following levels: Local / Regional / National
- This section should give high level consideration as to the likely levels of displacement which will arise as a result of the TIF project and the anticipated private sector investment (either estimates of displacement levels across development types if available, or an indication of whether displacement is high, medium or low and a short justification for these assumptions)

REGENERATION IMPACT

- Detail the high-level outcomes that are expected in terms of regeneration, including the impact on the physical environment and social / economic outcomes

EVALUATION CRITERIA

10 points will be allocated to the private sector element of the response, 10 points to the economic analysis response and 10 points to the regeneration impact response (Refer to Appendix 1 for scoring methodology). Scoring will consider the proposal's identification of :

PRIVATE SECTOR INVESTMENT (10 points out of 30)

- What private sector investment activity will likely be enabled that will generate the incremental NDRs and hence TIF revenues, and where available, the potential level of private sector investment in £s terms
- The extent that a proposal is able to identify private sector partners undertaking this

investment

- What current private sector investment is planned or taking place in the area, if any.
- The breakdown of the sectors that will deliver NDR growth under the anticipated project e.g. renewables, commercial, leisure
- The ability of the proposed TIF project to deliver additional NDR

ECONOMIC (10 points out of 30)

- Identification and analysis of potential additional economic impacts arising from the proposal, e.g. jobs, business space, sectors
- Consideration of likely displacement levels across development types – i.e. high medium or low or estimated % if this information is available. N.B. it is not a requirement for a Local Authority to engage external consultants to undertake economic impact assessments etc at this stage

REGENERATION (10 points out of 30)

- How the project will benefit local people, in particular how it will support the local economy and provide jobs and training opportunities and maximise community benefits

LOCAL AUTHORITY RESPONSE (Limit to 1 page only)
Private Sector Investment ***Value*** The investment enabled includes the sports village, the rateable value of which is estimated at between £4.5M and £5M. Further developments include: • 35,000 sq m of commercial development including both retail and office space; • A retirement village consisting of a 120 bed care home and around 45 retirement villas and associated leisure • facilities; • 2,650 new homes; and • associated roads infrastructure and green space including significant improvement of the tourism offer at Dams to Darnley Country Park. ***Committed Interest*** The sports village developer, Landcorps UK has the majority of finance in place and a range of operators committed to the village complex. Site layouts have been produced and the developer's design team have carried out transport assessments in conjunction with ERC and Transport Scotland. There remains a gap in funding related to infrastructure costs, plus additional development finance to secure. ***Committed Interest*** The Strathallan Group have been promoting a retirement village on the site of the former Coats factory at Netherplace Works. A financial appraisal has been received by ERC from and the development has secured funding and is viable. The masterplan has endorsed this proposal. The developer is expected to submit a planning application by November 2011. ***Additional Interest*** Jones Lang Lasalle has market tested the additional development opportunities provided by the masterplan and has concluded that there is significant developer interest in the breadth of proposals Economic Over the course of the masterplan period, these developments are likely to contribute a total of around **£2.3 billion GVA** to the Scottish economy and support almost **4,800 jobs.** In addition, it is estimated that the construction of these developments will contribute around £292.6 million GVA to the Scottish economy, £149.7 million GVA to the Glasgow City Region economy and £92.8 million GVA to the East Renfrewshire economy. It is expected that around 1,450 years of employment will be supported in the Scottish construction sector as a result of this work of which around 900 will be in the Glasgow City Region and around 800 in East Renfrewshire. The value of this economic impact in current prices can be calculated by discounting the total impact using a discount rate of 3.5%. In this way it can be estimated that the net present value (NPV) of the developments identified above amounts to just under £1.5 billion GVA (Jones Lang Lasalle, Draft M77 Masterplan, August 2011) Regeneration In addition to the economic benefits and jobs potential outlined above, the Balgray Link improves accessibility from Newton Mearns and the M77 to both Dams to Darnley Country Park and to Barrhead. The Country Park provides extensive leisure and health opportunities, and whilst investment has been made in providing footpaths, access to the Country Park is currently hampered from all routes by poor roads and transport network. More significantly, the Balgray Link road, in providing access to Barrhead, supports the

ongoing regeneration programme for Barrhead that features:

- A modernised town centre including East Renfrewshire College, a central supermarket/retail development and the recently completed Health and Social Care Centre
- Mixed housing development and employment opportunities provided by the Glasgow Road Corridor development, including Crossmill Business Park, and the redevelopment of Shanks
- Social, community and leisure improvements including the proposed Cowan park Sport Hub, Phase 1 of which has already attracted funding

In particular the improved link between Barrhead and Newton Mearns will help reinvigorate the private housing market in Barrhead

3. FINANCIAL VIABILITY

- An indication of how much the proposed TIF Assets will cost / how much the Local Authority will have to borrow

- Consideration should be made here as to the source of funding for the TIF Assets and approach to repayment

- Identify, and quantify where possible, incremental NDRs which the project is expected to generate over the TIF period (25 years from first TIF investment)

- An indication should be made as to the level of certainty the Local Authority has in these high level assumptions and an explanation of why

- Outline any sensitivity testing undertaken to date

EVALUATION CRITERIA

The maximum score for this section is 20 (Refer to Appendix 1 for scoring methodology) and scoring will depend on the extent of analysis undertaken to determine:

- Levels of expected incremental NDRs across development types

- Ability to repay debt drawn down the fund the TIF Assets

- The outturn findings of any sensitivity analysis undertaken to date, if available (e.g. the impact upon the financial viability of the proposed project from increased infrastructure costs, NDR take reduction, changing displacement levels)

LOCAL AUTHORITY RESPONSE **(Limit to 1 page only)**

Written advice has been provided by the Renfrewshire Joint Valuation Board on the RV of the proposed Sports Village. This has formed the basis of the financial assumptions.

The sports village is the anchor project within the TIF proposal, but the recent Draft Masterplan (Jones Lang Lasalle, August 2011) concludes that there are other significant development opportunities and market demands within the M77 area. East Renfrewshire Council proposes that the M77 Masterplan study area becomes the red line area for the purposes of TIF. Assumptions have not yet been made on the RV for the additional (non-residential) developments; however a strong business argument can be made to proceed with TIF on the basis of NDR recouped from the sports village alone.

East Renfrewshire Council proposes to borrow **£12m** for the construction of the Balgray Link road.

In relation to the structure of the financing, East Renfrewshire Council would borrow from PWLB. On the basis of the assessment of an RV of **£4.5 – 5m** for the sports village alone and NDR of around **£1.6 -2m pa**, the Council would prefer to take a loan over approximately 11 years to allow for the building period and 8 years of NDR income, building in an estimated 3 years construction period for the road and the anchor development.

In estimating the value of NDR, displacement is considered to be low for the sports village, due to its unique nature and function as a new destination in the Region.

The initial repayments would be funded by the Council, with this being recouped once the NDR income starts flowing. i.e. the first two years of NDR would have to cover the loan repayments for these years plus the earlier years' repayments met by the Council

4. KEY RISKS & POTENTIAL MITIGANTS

- Key project risks should be identified. These may be wide ranging, however, are likely to include:
    - State aid (Local Authorities will be encouraged to liaise with the Scottish Government's State Aids team on all potential state aid matters).
    - Procurement
    - Private sector failure to deliver/ invest
    - Certainty of NDR take
    - Availability and ownership of land

- A brief outline of any risk quantification and mitigation strategies should be detailed insofar as is possible

EVALUATION CRITERIA

The maximum score for this section is 20 points (Refer to Appendix 1 for scoring methodology).

Scoring of this section will consider the extent that a Local Authority has thought about project risks which may arise and how it can potentially manage and mitigate these risks.

LOCAL AUTHORITY RESPONSE **(Limit to 1 page only)**

Risk Analysis			
Risk	**Comment**	**Risk Assessment**	**Mitigant(s)**
Private Sector Investment	Whilst the sports village developer already has considerable financial backing, the balance of finance needs to be secured. Even in this marketable area, the current economic climate cannot provide full investment certainty.	High	1. Delivery of TIF project does not begin until development is committed 2. An alternative marketing strategy for the development sites(s) is put in place should the developer not reach specific milestones (there is evidence of alternative developer interest in this concept)
Certainty of NDR Take	Financial assumptions made on the basis of the anchor development alone indicate an additional £1.6-2m pa, against an initial capital investment of £12m	Low	
Landowner Approval (this relates to sports village development and not TIF asset i.e. the road construction)	2 optional sites are proposed for the sports village, both having landowner support. This risk however remains until missives are concluded	Medium	There is more than one option for the location of the sports village
Project Budgeting	Construction budgeting presents risk due to supply cost fluctuations and other external factors.	Medium	A contingency of £2m has been added to the initial budget cost of £8-10m for the Balgray Link road.

5. TIME SCALES

- Proposals should provide indicative timings for: the preparation and submission of a business case if identified as a pilot project, the likely date of the first TIF investment, timing of private sector investment and commencement of incremental NDR capture.

- Please detail any timing dependencies.

EVALUATION CRITERIA

A maximum of 10 points will be available in consideration of the timing of the business case delivery and of the indicative timing for the forecast first TIF Investment.

Evidence that robust analysis has been undertaken to support these timeframes should be provided in the TPSP response, e.g. Local Authority capacity to deliver the project within the timeframes outlined.

LOCAL AUTHORITY RESPONSE **(Limit to 1 page only)**

Development Timescales		
Milestone	**Timescale**	**Dependencies**
Full Business Case Prepared	December 2011	
Developer Negotiations/Site Promotion	Present – Sep 2012	Whether negotiations take place with more than 1 prospective developer
Private Developer Commitment/Landowner Support/Land Securities (if appropriate)	September 2012	Confirmation of developer finance Agreement of acquisition terms with landowner(s)
Planning	March 2013	Support of adjacent local authorities
Road Tenders Received	March 2013	Can be tendered prior to securing developer commitment
First TIF Investment	**March 2013**	
Road Construction Commencement	May 2013	
Road Construction Completion	February 2014	
Sports Village Construction Start	March 2014	Completion of road
Sports Village Construction Completion	February 2016	
NDR Capture Commencement	**2016/17**	
Proposed NDR Capture Completion	**2027/28**	**Proposed 11 year term of NDR capture supported by SFT/Scottish Government**

APPENDIX 1

SCORING METHODOLOGY

Maximum Score for Response: 10 points	Maximum Score for Response: 20 points	
1-2	1-4	Initial concept considered
3-4	5-8	High level analysis with some thought to TIF project specific factors.
5-6	9-12	Fair progress with significant work outstanding
7-8	13-16	Good progress with some work outstanding
9-10	17-20	Well advanced.