TIF TPSP RESPONSE TEMPLATE

LOCAL AUTHORITY
Renfrewshire Council Renfrewshire House Cotton Street Paisley PA1 1LL
TIF CONTACT
[redacted] Director of Planning and Transport [redacted]@renfrewshire.gov.uk Tel. [redacted]
ADDITIONAL LOCAL AUTHORITY COMMENTS (IF APPLICABLE)

1. TIF PROJECT BACKGROUND

Nature of Proposal – This proposal by Renfrewshire Council in partnership with Moorfield Group Ltd and British Airport Authority considers implementation of the TIF model to develop the **Glasgow Airport Strategic Economic Investment Zone** - a world class hub for the development and manufacture of renewable energy infrastructure in conjunction with the development of Glasgow Airport as the West of Scotland's gateway to European and international destinations.

Red Line Area - The **Glasgow Airport Strategic Economic Investment Zone** comprises an area of 240 ha around one mile north of Paisley town centre, the main commercial centre for Renfrewshire (see attached plan). The TIF Zone centres on the established Airport campus (111 ha), its proposed expansion area (71 ha) and the Westway Industrial Park (58 ha).

Background - The selection of the TIF Zone has been informed by a strong policy framework and proposals for major private sector investment in the area.

- The *Scottish Government Economic Strategy* and the *National Planning Framework* identify renewable energy and Glasgow Airport as development priorities
- The *Proposed Glasgow and Clyde Valley Strategic Development Plan* identifies the Glasgow Airport Zone, as a Strategic Economic Investment Location for key economic sectors

Supported by this policy framework, major investment is proposed at both the Glasgow Airport and Westway sites. In particular:-

- The Glasgow Airport Masterplan 2011 identifies the potential for expansion of the existing airport campus to the north east (Netherton Farm)
- A masterplan for the development of Westway seeks significant expansion of the industrial park. In particular, the document provides for major infrastructure investment, including a new surface road bridge to link with Glasgow Airport and the significant refurbishment of existing harbour infrastructure to maximise the potential for water based transportation.

Rationale - Two key occupiers of the Westway location are Doosan Babcock and Steel Engineering both of whom are at the leading edge of the development and manufacture of renewable energy infrastructure. Their growth potential is limited by current infrastructure capabilities but if overcome the location offers significant advantages and potential.

These infrastructure issues, particularly road and water transport infrastructure, cannot presently be resolved by the private sector as a result of current economic circumstances. A major opportunity for economic growth and regeneration could be lost in the event that public sector investment cannot be provided. TIF funding would unlock the significant potential of this location.

Infrastructure - The assets subject to TIF funding include:-

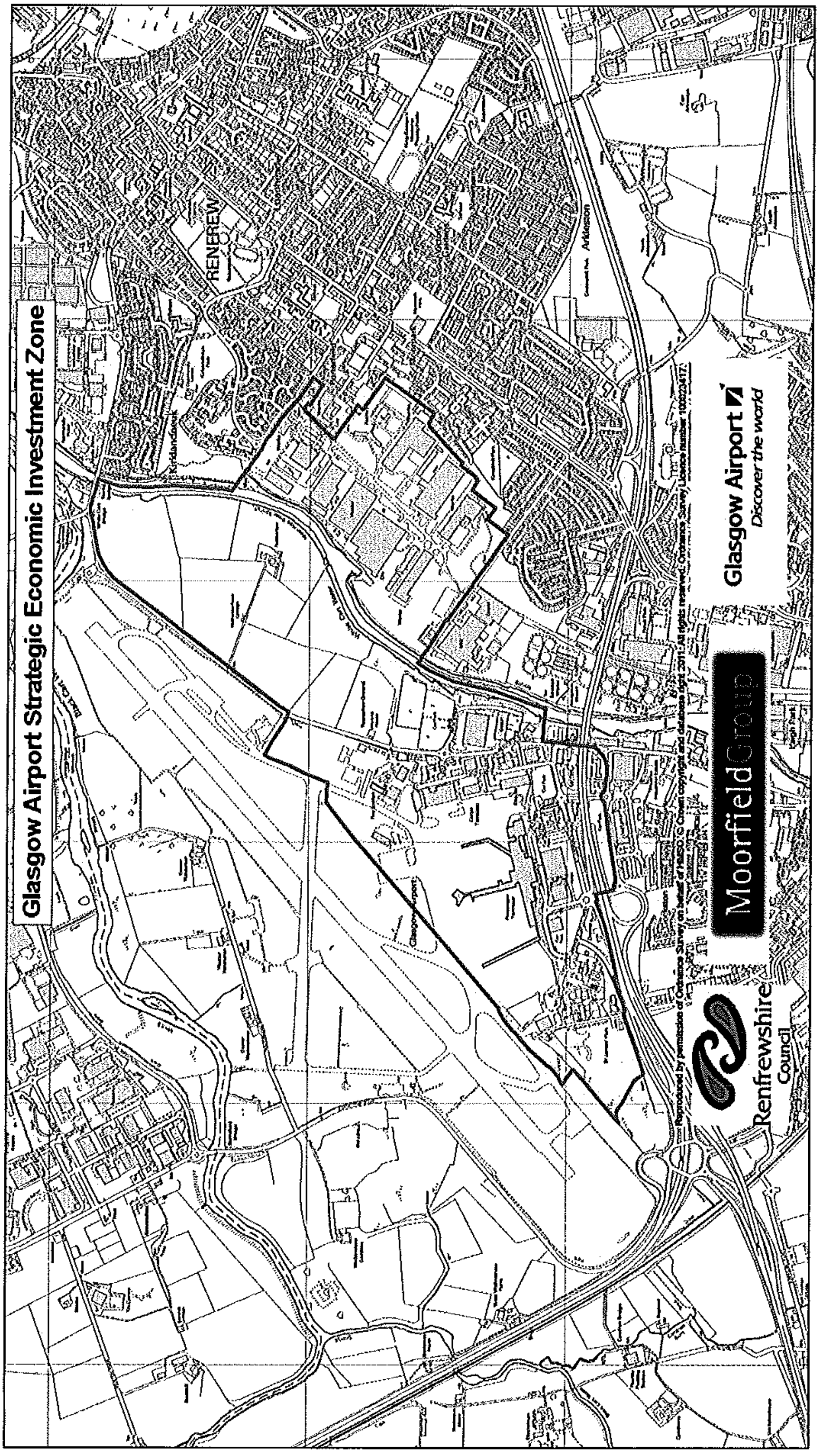
- Bridge across White Cart Water to link Westway Industrial Park and Glasgow Airport
- Refurbishment of Westway Dock, improvements to river wall and dredging requirements
- Access roads and utility infrastructure to open up Netherton Farm for airport expansion

Initial assessment undertaken by the Council and its partners indicate that the costs associated with the provision of this infrastructure are around £17.1 million. Further detailed investigation is however necessary to inform a full business case.

Local Authority Support - The Council has progressed this submission in close co-operation with potential private sector partners. To date this process has been led by relevant senior officers, reporting to the Corporate Management Team. The Council is committed to playing a key role in the further development of proposals and this will include:-

- The implementation of the Council's Project Management Framework (PMF) to develop proposals, including the TIF business case, in accordance with HM Treasury Green Book
- A dedicated staff resource both in respect to the preparation and management of the PMF, together with the resource necessary to investigate proposals in detail, leading to the preparation of the business case

Glasgow Airport Strategic Economic Investment Zone – Location plan



2. PRIVATE SECTOR INVESTMENT, ECONOMIC AND REGENERATION IMPACT

Private sector investment - It is expected that private sector investment enabled by the TIF Assets will be focussed on Glasgow Airport and Westway Business Park. Discussions have taken place with both potential partners concerning the benefits of co-ordinated development. The bridging of the river that would serve the Westway site requires access over land controlled by BAA thus linking the two components of the TIF Zone physically and operationally.

Now that the possibility of TIF resources being allocated is being considered, these discussions will, if this bid is successful, move quickly into a more formal partnership arrangement.

From information supplied by both potential partners, it is anticipated that the TIF Assets will facilitate investment, phased over a 25 year period of approximately **£130m**. Private sector development types enabled by the TIF will be primarily new Class 4 business space and Classes 5/6 industrial/distribution space, a hotel, car parking, upgraded dockside facilities, aircraft maintenance repair and overhaul and cargo handling facilities. It may also facilitate additional investment in sustainable public transport and renewable heat and energy systems for the site (these are not included in the £130m).

The Council has investigated three scenarios for the 25 year period within which additional NDR revenue can be used to service the initial loan, a best, worst and most likely case. The most likely outcome assessment suggest that the project will create additional net income (i.e. adjusted for displacement, additionality and void periods) totalling **£45m**.

Economic impact - As both development areas are expansion sites, it is considered that the element of additionality that can be applied to the economic impact is high. Additionality is expected to be high (local and regional) and med – high (national).

The opening up of the Westway Area and, especially, the improvements to the dock area, will allow engineering/manufacturing companies to operate at a larger scale, this stimulating enhanced activity with worldwide partners who consider the existing facilities to be insufficient to match their requirements.

Expansion of the airport into Netherton Farm allows the airport to rationalise some of the uses near the terminal building, allowing it to expand to meet the demands of projected future passenger and cargo volumes. Expansion will include the development of further airport/aircraft maintenance operations to the site.

Around 3350 FTE jobs could be created over the 25 year period in question, representing an estimated GVA of up to approximately **£62m p.a.** calculated on a regional per capita basis.

The likely level of displacement is considered to be low having regard to the target sectors for investment. The renewables sector is new and expanding and the airport expansion is planned on the basis of new traffic and operational necessities.

Regeneration impact - The Westway site sits within a Scottish Index of Multiple Deprivation Area data zone and immediately bounds another zone included in the most deprived 5% data zones in Scotland. There are a further 10 similarly defined zones in the Paisley and Renfrew area.

Glasgow Airport is the single biggest private sector employer in Renfrewshire and the majority of airport employees come from Renfrewshire. The whole airport site accommodates over 120 companies providing almost 4,500 jobs. The social and economic impact on local communities is potentially very significant. The Council is in a joint partnership with Jobcentre Plus to run a recruitment and training centre at the Airport to enable local people to access opportunities and this will continue and extend as the airport expands.

3. FINANCIAL VIABILITY

Financial appraisal – An appraisal of costs, borrowing requirement and NDR uplift has been undertaken by the Council. This is summarised as follows.

TIF Assets -

New bridge	£5,000,000[1]
Harbour and river works	£1,600,000[2]
Access roads/services/utilities	£10,500,000[3]
Total	**£17,100,000**

[1] Based on previous Council experience of designing and costing another river crossing upstream
[2] Moorfield Group/Scottish Enterprise feasibility report 2011
[3] BAA assessment updated for this bid

Private sector investment -

134,175 sq.m. @ £1000 per sq.m. - **£134,200,000**

Estimated NDR uplift over 25 year period -

Class 4	£19,100,000[a]
Class 5/6	£22,500,000[a]
Hotel	£2,200,000
Restaurant	£80,000
Car/lorry parking	£1,000,000
Total	**£44,880,000**

[a] Includes new, extended and refurbished floorspace

All figures are adjusted for additionality and displacement, then timing/voids in keeping with the high level of appraisal expected by the bid. The NDR uplift estimates follow the Assessor's 2010 Revaluation base figures used to value properties of this nature. An average figure has been used allowing for buildings of reasonable specifications. The valuations of hotel, restaurant and parking are based on current Valuation Roll entries for local comparable facilities.

Funding of TIF Assets – It is proposed that the Council will use prudential borrowing to fund the delivery of the TIF assets. If elements of the TIF assets are not to be owned by the Council specific Government consent would be sought to provide the Council with the necessary borrowing powers. An assessment of NDR uplift on the basis of a phased delivery programme has been made to determine affordability for the Council and to identify the overall risks of any shortfalls in income throughout the life of the TIF project. This has identified risks in the early years as NDR income comes on stream. To mitigate this the Council anticipates a requirement for some security from its private sector partners and will seek back to back agreements to legally secure private sector investment within agreed timescales and/or commitment to underwrite debt repayments whilst development comes forward. In addition, the Council would also explore securing specific Government consent under the provisions of paragraph 16 of Schedule 3 of the 1975 Act, to facilitate deferring the commencement of loans fund repayment to assist in managing the financial challenges in the early years of the project. These issues would require further detailed discussion with both the private sector and Scottish Government at the business case stage.

Sensitivity analysis – A best, worst and most likely case has been developed to inform this bid. The figures quoted above are from the most likely case assessment. Each case has varied displacement/additionality and development phasing resulting in variations in total and timings of NDR uplift. The worst case scenario pushes out NDR uplift income, to cover annual borrowing costs, to a time that would make the project unattractive to the Council.

The analysis has drawn out material differences in the financial cases for the Westway area and the Airport expansion area at Netherton Farm. The Airport expansion is bigger, more sensitive to risk and likely to take longer to complete. Nevertheless it is important to the development of the airport's potential and to allow the benefits of a river crossing to Westway.

4. KEY RISKS & POTENTIAL MITIGANTS

Key project risks have been identified using the Council's Risk Management Framework, and are summarised below:

Risk	Impact	Response	Possible Mitigating Action
Under estimate of TIF resources required to fund infrastructure needed to facilitate private sector investment	Medium	Prevent	Ensure that more detailed appraisal is undertaken at next stage
Private sector unable to secure funding necessary to undertake development activity and therefore does not deliver product that matches expectation	Medium	Reduction Accept	Enter into agreement with partners that is predicated on them have access to necessary funding
Renfrewshire Council unable to secure funding necessary for all TIF Assets	High	Prevent	Ensure a detailed appraisal is undertaken at business plan stage
Development activity does not take place within a timescale that ties in with TIF expected outcomes resulting in lack of receipts to service loan payments as they are made or discharge loan after 25 years	High	Prevention Reduction Transferral	Enter into agreement with partners that places onus of infrastructure funding and construction on them until such time preliminary works are complete and development underway, at which time the Council borrows capital needed to recompense partners. Ensure that more accurate of likely future returns, adjusted for external factors such as displacement and timing of receipts, is undertaken.
Planning consent is not forthcoming within an acceptable timeframe, and/or is granted with conditions that are difficult to comply with.	Medium	Reduction	Enter into early discussions and undertake assessments that permit an application that addresses potential concerns
Change of ownership of either Glasgow Airport or Westway, resulting in reassessment of Masterplans	Low	Accept Reduction	Enter into legal agreement that attempts to lock in partners and any new owners.
Continuation of adverse economic conditions resulting lack of growth and confidence. Uncertainty over the impact of inflation, unsustainable alterations in interest rates and other factors such a fluctuations in the cost of materials adversely affects the viability of the product.	Medium	Accept	Monitor
TIF intervention may be considered as State Aid, resulting in EU sanctions	Low	Prevention	Preliminary contact made with State Aid Unit for informal guidance. More detailed contact will be made when Business Plan is formulated.
Potential partners do not have control over all land required for development activity.	Low	Accept	So far as Council is aware, at this stage, Partners are in control of all necessary land assets.
Site conditions are such that development activity, including infrastructure works, is more expensive than originally envisaged	Low	Reduction	Ensure that proper investigation into ground conditions is facilitated as part of Business Plan appraisal.
Changes in demand for air transport and migration of engineering activity decrease viability of project	Low	Accept	Monitor
Regulatory changes result in reduction of activity that constrains growth of airport.	Low	Accept	Monitor
Procurement process, involving private sector, partners, will not comply with EU guidelines	Low	Prevention	Detailed discussions with Councils Corporate Procurement unit will ensure compliance.

5. TIME SCALES

Timescales - It is anticipated that the infrastructure necessary to deliver the TIF Zone will be phased over a short to medium term horizon, taking cognisance of the aspirations and anticipated timescales of the private sector partners. The following key stages and timescales have been identified to provide an indicative framework for delivery.

Date	Task/Stage
October 2011	**Assumed announcement of pilot TIF schemes**
November 2011 – March 2012 (6 months)	**Formation of TIF Delivery Partnership** Formation of partnership with private sector partners, SG and SFT. Creation of appropriate partnership structure to enable delivery.
November 2011 – November 2012 (12 months)	**Detailed Business Case** Preparation and submission of detailed business case. Secure appropriate funding sources. Preparation of procurement strategy. Business case recommendation to Scottish Government/approval.
December 2012 – August 2013 (9 Months)	**Planning/Procurement** Submission for/determination of statutory consents. Implement procurement strategy.
September 2013 – June 2015	**Phase I Construction** - Initial phase of construction for infrastructure works at Westway

Delivery mechanisms - The most appropriate delivery structure and associated funding mechanisms require to be considered further, informed by the outcomes of the detailed business case. In view of the above however it is anticipated that:-

- The likely date of the first TIF investment would be September 2013, to coincide with the commencement of construction.
- The timing of private sector investment would be in the initial stages of construction. While appropriate delivery structures require to be considered in detail, it is anticipated that the private sector would take the lead in delivery, with funds subsequently released by Renfrewshire Council at agreed points.
- The commencement of NDR capture is anticipated to take place at the appropriate stage in the initial construction phase. This is likely to be mid 2014 but is dependent on a range of factors including timescale for construction, market forces and the subsequent effect on potential uptake of new accommodation at Westway.

Renfrewshire Council

MoorfieldGroup

Glasgow Airport
Discover the world

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
West Dunbartonshire Council Council Headquarters, Garshake Road, Dumbarton, G82 3PU
TIF CONTACT
NAME [redacted] EMAIL [redacted]@west-dunbarton.gov.uk PHONE [redacted] MOBILE ADDRESS IF DIFFERENT FROM ABOVE]
ADDITIONAL LOCAL AUTHORITY COMMENTS (IF APPLICABLE)
This project is being submitted in conjunction with Strathleven Regeneration C.I.C. (SRC), Walker Group and Scottish Enterprise (SE). The proposal has received support from the Council Leader and from the Board of SRC (which includes WDC and SE) and is subject to approval at the September meeting of West Dunbartonshire Council. The Council and its partners are seeking to develop a TIF pilot to provide infrastructure to accelerate development at the Lomondgate Business Park site and to modernise infrastructure and attract new businesses to the Vale of Leven Industrial Estate. The central proposition is that, together, Lomondgate Business Park and Vale of Leven Industrial Estate are positioned as a strategic business district of scale through a coordinated approach to enabling infrastructure and private sector development where the whole is greater than the sum of the parts. Lomondgate has been identified as a Strategic Economic Investment Location (SEIL) within the Glasgow and Clyde Valley Strategic Development Plan and is located within the Clyde Waterfront area. We consider that this project merits inclusion in the pilot programme as it is under £20 million and is a cost-effective, high additionality intervention, targeted at achieving sustainable economic growth and with excellent prospects for rapid delivery and early results. SE's interest is as a landowner within the Vale of Leven Industrial Estate and through its relationship with SRC on Lomondgate, as well as under its general economic development remit. Estimated figures suggest that through £6million of infrastructure investment, over £50m of private sector investment can be generated and 906 jobs.

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)

The project covers the proposed Lomondgate Business Park and the adjoining Vale of Leven Industrial Estate (VoLIE) to the west of Dumbarton and south of Loch Lomond and the Trossachs National Park. The site is located at the edge of the A82 trunk road and is in close proximity to Glasgow Airport.

The Business Park is part of the wider Lomondgate Development www.lomondgate.com being progressed by Strathleven Regeneration C.I.C. and Walker Group (Scotland) Ltd through a formal Development Agreement. Lomondgate is a long-term regeneration response to a major closure and the Council is a key stakeholder. A detailed masterplan exists, covering 38 hectares of land either side of the A82. To the south is BBC Scotland and three sites for 338 homes. To the north is a £20 million, 18,500 sq metre manufacturing facility for Aggreko and the development of destination services of which a hotel and pub/restaurant are now operational. Lomondgate is already a successful regeneration project which demonstrates private sector commitment and occupier demand as well as effective local partnership working. However, the remaining challenge is delivery of Lomondgate Business Park. While significant critical success factors (anchor occupiers and on-site amenities) are in place and overall prospects are good, the provision of advance enabling infrastructure should offset the adverse impacts of prevailing market conditions and accelerate the pace of development.

The adjoining Vale of Leven Industrial Estate is long established, within a semi-rural setting. Occupiers include Polaroid Eyewear, Wideblue, Diamond Power Speciality and Chivas Brothers/Pernod Ricard. Scottish Enterprise (SE) owns 3 undeveloped sites which are currently being marketed and there are other developable sites within private ownership which offer opportunity for existing businesses to expand. The Estate – which has a track record of success in attracting inward investment – requires infrastructure modernisation if it is to regain its competitiveness, secure new development and realise the opportunity presented by the catalytic effect of Lomondgate. However, it is unlikely that optimal private sector development within the Estate will happen without substantive improvement of its core roads infrastructure and the provision of new infrastructure and services for those remaining development sites. With modern infrastructure the Estate has the potential to develop in parallel with Lomondgate and be an integral component of the Lomondgate Strategic Economic Investment Location (SEIL). Without it, there is real risk of decline and diminution of the strategic opportunity.

In selecting a TIF project, the Council has liaised with a number of its regeneration partners and representatives from the Scottish Futures Trust. This project was felt to have the best potential fit for the TIF model at this moment in time, as it would be the most likely to generate the highest levels of Non Domestic Rates. The development of Lomondgate and the regeneration of the Vale of Leven Industrial Estate are supported within the Council's Local Plan and recently produced Economic Development Strategy 2011-2016.

The likely TIF assets required are site services, roads, footways, hard and soft landscaping, and land acquisitions (to extend existing sites subject to occupier demand). These are anticipated to cost in the region of £6 million. This will enable private sector investment (estimated to be approximately £50m) by covering substantial infrastructure costs and works and will enhance the development potential of both Lomondgate Business Park and the VoLIE.

The Council, SRC, Walker Group and SE are in favour in principle of the proposal which was discussed and agreed at an SRC Board meeting on 12 August 2011. This proposal is being submitted by the Council subject to approval at the next Council meeting at the end of September 2011.

To date, the Lomondgate JV partners have been marketing the Business Park and progressing enquiries with a view to securing pre-lets. The project would be progressed jointly by the Council's Regeneration Team and Strathleven Regeneration Company and the Walker Group with support from one officer from West Dunbartonshire Council. The Council has a Local Economic Development budget which could support this Project Management activity.

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

One of the strengths of this proposal is that Lomondgate development has in place a master-developer (Walker Group) committed, through a Development Agreement with Strathleven Regeneration, to procuring private sector development of that project. The Development Agreement provides for Walker Group to undertake specified advance infrastructure (now completed) and either undertake development itself or bring in other developers (including owner occupiers). To date Walker Group has invested over £14m including acquisitions and has itself recently commenced development of a 110 unit housing site and a drive-thru outlet pre-let to Costa Coffee. Walker Group brought in Whitbread to develop a Premier Inn hotel and Brewers Fayre at Lomondgate Services and Persimmon Homes and (subject to completed contract) Taylor Wimpey to the other residential sites at Lomondgate. The petrol filling station site at Lomondgate Services is currently under offer. The Lomondgate partners worked closely together to secure Aggreko's £20m investment in a new, expanded manufacturing facility. The total capital expenditure at Lomondgate will be well in excess of £100 million. Within the overall Lomondgate development the focus of the TIF proposal is the business park, which has a significant area of masterplanned Class 4 commercial space with outline planning consent. The business park concept incorporates a Hub building which includes small scale support retail and a crèche/nursery. The Council has positive and effective working relationships with the Lomondgate partners with whom dialogue regarding this TIF proposal and its principles has taken place.

Although this proposal has two core components – Lomondgate Business Park and Vale of Leven Industrial Estate – the relationship between the two has consistently been reflected in strategic planning and there are linkages between the stakeholders. The Council is preparing a masterplan for the Vale of Leven Industrial Estate (in the context of its relationship with Lomondgate) and Strathleven Regeneration is working as a local marketing partner to Scottish Enterprise (SE) in relation to the SE owned development sites at Vale of Leven. The Walker Group recognises the logic for and potential of a coordinated approach (and the need for investment in Vale of Leven IE to ensure that the strategic opportunity is realised and the risks of degeneration effects are mitigated). These linkages provide a foundation for coordinated vision and action informed by excellent market intelligence in relation to occupiers and developers. It is anticipated that, in this context, development of the SE owned sites at Vale of Leven IE will predominantly be of industrial orientated floorspace. It should be noted that Vale of Leven IE includes a number of sites designated for expansion by existing occupiers (notably, Chivas Brothers) and that modernisation of the Estate's infrastructure may facilitate such expansion as well as retaining existing businesses.

ECONOMIC IMPACTS

The following information has been provided by Roger Tym and Partners to outline the potential economic impacts from this TIF pilot project;

Area	Development	Development Details	Gross Jobs Op 2018/19	Net Jobs Op 2018/19	Net GVA 2001/02 to 2018/19	Estimated Completion
Business Park - General	General units (Class 4)	14,679 sq m	917	599	£148.9m	2013 - 2018
Business Park – Small Units	Business village & hub	3,763 sq m	132	24	£9.3m	2011 - 2013
VOLIE (local figures)	Class 4/5/6	44,500 sq m	433	283	£82.1m	2013 - 2018
Total		**62,942 sq m**	**1,482**	**906**	**£240.3m**	

High levels of additionality are anticipated as there is no modern Class 4 space within a business park environment in the local area. Previous work by Roger Tym and Partners for Lomondgate has suggested that displacement at a national level could be high but would be much lower at a regional level.

REGENERATION IMPACT

The overall project will, as evidenced by the economic impact assessment, generate significant numbers of a jobs and economic activity in an area with demonstrable need (as publicised in national media, recent TUC surveys have shown West Dunbartonshire to be the most difficult place in the UK to get a job) and real opportunity (gateway to Loch Lomond / beside Clyde Waterfront / close to Glasgow Airport / excellent connectivity by rail & road to Glasgow / with strengths in key sectors). The proposed TIF project will accelerate completion of Lomondgate – itself a response to a major closure – and re-establish Vale of Leven Industrial Estate as a competitive location for investment, together fulfilling the policy-acknowledged opportunity for a Strategic Economic Investment Location in the city-region. Lomondgate Business Park will create modern business park infrastructure which does not exist in the local area, so continuing the diversification and expansion of the local business base and adding to the success of the Clyde Waterfront regeneration. Vale of Leven Industrial Estate – which is set in an historic estate landscape in the heart of the community – will be rejuvenated to the benefit of those who are employed there and the community which uses the estate as part of a green network. The Council will work with the project partners to optimise economic additionality and leverage and with a range of external partners to maximise local employment and training opportunities. In particular, community benefit clauses would be included within any TIF related contracts.

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)

It is estimated that the proposed TIF assets would cost approximately £6 million and would result in the delivery of 62,942 square metres of business, industrial and commercial floorspace. The project is expected to generate approximately £553,000 per year of additional NDRs from the new businesses located within the Lomondgate and Vale of Leven Industrial Estate once the total project is delivered, which is anticipated to be in 2018/19. Whilst this NDR figure is a best estimate at the current time, the Council is confident on the types of uses that the site could potentially attract. However no sensitivity testing has been undertaken at this stage. The following table illustrates our calculations;

Area	Development	Total Sq M	Total Rates Per annum	Estimated Infrastructure Costs
Lomondgate	Class 4	18,442	£239,561	£2.7m
Vale of Leven Industrial Estate (incl expansion sites)	Use Classes 4/5/6	44,500	£313,645	£2m
Improvements to Stirling Road (A813)	/	/	/	£0.5m
Contingency/ Variance sum	/	/	/	£0.8m
Total	/	62,942	**£553,206**	**£6m**

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)
All State Aid issues will be considered and discussed with the Scottish Futures Trust. Issues regarding displacement, cost over-runs, and delays will be monitored and reviewed as part of the overall project management system. Advice will be sought from the Council's Legal and Corporate Procurement Teams to ensure that the most appropriate procurement approach and strategy is adopted and followed. The project will be delivered on a phased basis to review occupier interest and continued market viability at the first phase, prior to subsequent phases of infrastructure and related costs being committed. The availability of land and ownership of land are not considered to be major risks associated with this project as the majority of land is owned by the Council's partners, apart from potential areas for expansion of existing businesses within the Vale of Leven Industrial Estate. A detailed risk strategy will be developed for the project in conjunction with the Councils Risk Management Team.

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)

Project timescales will be provided in more detail for the pilot. However the following dates provide a rough estimate of timescales.

Project Timescales

	Stages	**Timescale**
1	Preparation and submission of business case	March 2012
2	Date of first TIF investment (commencement of design work for phase 1 works and marketing of all TIF sites)	September 2012
3	Completion of Phase One infrastructure works	September 2013
4	Timing of private sector investment (subject to market interest)	September 2013
5	Subsequent phases incl works at the Vale of Leven Industrial Estate would be subject to interest generated by Phase 1 These phases may happen earlier should there be a high level of interest.	2014 onwards
6	Commencement date of incremental NDR capture	April 2018

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.

West Dunbartonshire Council

Title : Vale of Leven IE and Lomondgate

Map No :
Date :18/08/2011

Map Ref :NS3977
Scale :1:4000

West Dunbartonshire Council

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
Comhairle nan Eilean Siar Sandwick Road Stornoway Isle of Lewis
TIF CONTACT
NAME [redacted] EMAIL [redacted]@cne-siar.gov.uk PHONE [redacted] MOBILE ADDRESS As above
ADDITIONAL LOCAL AUTHORITY COMMENTS (IF APPLICABLE)
Stornoway Wind Farm was established to develop a wind farm on the Isle of Lewis. The company is a joint venture between AMEC and EDF Energy, with the project being developed in partnership with the Stornoway Trust, the community owned charitable trust, which owns the site that has been chosen. The Stornoway Trust has been in community ownership since 1923, when much of North Lewis was gifted to the people of the Island by Lord Leverhulme. As part of the wind farm development process, The Stornoway Trust has negotiated a 20% community ownership stake with Stornoway Wind Farm. The present project is therefore not to secure the development of the wind farm itself but to enable the community to own a proportion of the wind farm and therefore retain a significantly higher proportion of the benefit in the Islands to assist regeneration. This represents a significant improvement in the level of community development delivered by wind projects.

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)

The Stornoway Wind Proposal is for a 42 turbine 151.2MW development on Stornoway Trust land in North Lewis.

The development of renewable energy is a long standing objective of the Comhairle which recognises the significant economic benefit that can flow from renewable energy investment.

The proposed development has arisen from a study entitled "Economic and Community Benefit Study", which was commissioned by the Scottish Government following the rejection of the original Lewis Wind Power project in 2008. It is anticipated that the development will bring significant economic benefit in manufacturing (at the Arnish Point fabrication facility) and construction; on-going supply chain impacts; environment benefits and will be the stimulus to drive new grid investment into the Outer Hebrides, which will be important to the development of marine technologies to the West of the Hebrides.

The community also aspires to maximise benefits and returns from the project and through the Stornoway Trust have negotiated a 20% ownership stake in the project. This will ensure that a significant level of the profitability of the overall project is maintained for investment and recycling within the economy and community of the Outer Hebrides.

The challenge for the community will be to raise the appropriate financing to allow the 20% ownership stake to be taken up. In the present financial climate TIF provides the only feasible means of unlocking investment on the required scale to enable such community ownership to be realised.

The benefits are significant and the 20% share would see community benefit rise from £4k per MW (£120k) to annual profitability of circa £4m.

The TIF investment would comprise £17m of publicly funded borrowing and £25m of private finance raised by the community, with the £17m funded through the incremental taxes generated by the development.

The TIF proposal therefore is that but for the investment of the incremental taxes from the development the island economy will not secure £4m of annual investment. Overall this will amount to circa £100m over the 25 year life of the project. These would be funds that would otherwise be lost to the local community and lost for reinvestment in both the Outer Hebrides and the wider Scottish economy. There is clear evidence from other island projects that the private sector will support community developments but not 100% and a split of the 20% community share between private and public finance is the only feasible way to deliver the potential benefit.

The community in the form of the Comhairle would retain ownership of the element of the project funded through public money and paid for by the incremental taxes.

The red line area would match the planning application of the developer and would include all developments within the wind farm project. There would be no displacement.

This project would meet the criteria of an innovative approach to a renewables based project.

The Comhairle has a dedicated Energy Unit with expertise in working with developers on projects of all scales which together with legal and financial support would enable the project to be developed.

The current project has been developed to enable it to comply with planning and environmental matters that have previously constrained developers in North Lewis.

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)

It is clear from the current market that private investors would be prepared to finance community ownership provided the funding is shared. The identification of a partner has not yet started but would be procured through an open process.

Incremental tax estimated at £1.24m would be generated by the wind farm based on a 30% productive assumption. This is a conservative assessment as the developer assumes around 36% productivity. If the project proceeds the only risk will be around a fall in productivity of the turbines. As present there will be no displacement effect for such a development.

The Comhairle has carried out a number of studies into the impact of renewable developments. The proposed investment would represent one of the largest ever private sector investments into the Outer Hebrides. This type of investment is critical for an area that is substantially reliant on the public sector.

Displacement is not considered a factor on a project such as this as it introduces a new sector and new activity into the economy. Retaining these revenues and ensuring their recycling within the local economy will allow greater economic impacts and will allow a degree of import substitution to be achieved. This is critical for an area such as the Outer Hebrides, which has one of the weakest economies in Scotland and the lowest GDP in both the Highlands & Islands and the wider Scottish economy.

Community benefit of circa £4m per year would generate in the region of 220 FTE over the life of the project depending on the utilisation of benefits by the community. Adding initial manufacture, construction and on-going maintenance requirements would create an overall economic impact of circa 310 FTE.

A detailed strategy has been developed in the Outer Hebrides in regard to investment of community benefit. Three strands have been developed: Financial Support for Business and Community Projects; Alternative and Renewable Energy Research and Energy Generation and Efficiency Schemes.

STRAND 1: SUPPORT FOR BUSINESS AND COMMUNITY PROJECTS

This will include supporting the local supply chain to ensure local businesses are well-positioned to take best advantage of renewable developments and also:

- Support for individuals to ensure local skill levels are appropriate;
- Support for businesses that can identify new developmental opportunities as a result of renewable energy developments;
- Support for projects that build on the area's natural and environmental capital; and
- Support for educational, environmental, cultural, social and recreational projects, which make a direct contribution to developing the local economy.

STRAND 2: ALTERNATIVE AND RENEWABLE ENERGY RESEARCH

In the local context this ranges from opportunities in the areas of hydrogen, wave / tidal technologies and biomass. There are related opportunities in technical areas such as the grid and energy flows and in considering issues of global warming and how they will impact on the Western Isles. Some of the areas that community revenues would support include: identifying the local effects of climate change; the impact of renewables on the natural environment; socio-economic impact of renewables - on business, community, crofting, and tourism interests and the identification of new development opportunities; development of local intelligent grid networks utilising web based technologies for implementation of intelligent demand side management and analysis of waste streams and opportunities for energy recovery or recycling - for example using old motors in the construction of micro wind turbines.

STRAND 3: ENERGY EFFICIENCY SCHEMES

It is anticipated that there are three main areas of opportunity: projects which encourage community-scaled energy generation; local community infrastructure projects (examples of these projects may be community buildings, crofting diversification, amenity lighting, etc) and addressing Fuel Poverty. There are significant levels of fuel poverty in the Outer Hebrides and community benefit revenues will seek to mitigate the effects of fuel poverty by helping to identify innovative approaches to improving the energy efficiency of homes, increasing the income of poorer households and seeking to reduce the cost of fuel.

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 proposed TIF element of the project is £17m of prudential borrowing from the PWLB over 25 years. At an assumed interest rate of 5% repayments will be £1.24m per year. Discussions on the 20% ownership have been on the basis of investment at the point of commissioning which would eliminate the upfront financing requirement any match revenues to repayments. A 0.25% variance in interest rates equates to annual costs of £30k and a range of +/- 0.5% would amount to +/- £60k in costs or savings. The only uncertainty around incremental Tax from the development relates to the turbine productivity, currently assumed as 30%. This has been taken at the lower end of the likely range as the scale of the development means the Comhairle would need to take this conservative approach. By way of comparison the developer estimates turbine productivity at 36%. A 1% variance in productivity would see a £68k variance in rate income. Any increase in project costs would be reflected through a reduction in community benefit rather than incremental taxes and the risk would be to the level of regeneration rather than to the Comhairle. Based on other projects in the Islands the construction cost per MW has been assumed at £1.4m. A 10% over spend would consequently lead to a proportional reduction in the £4m community benefit.

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 most significant risk to the delivery of this project is the UK approach to transmission changes which will determine the viability of wind energy projects in the Western Isles. Additional key risks are: • Planning Approval • Investment in the Interconnector • Securing Private Finance The Comhairle has worked closely with the Scottish Government State Aids department on energy projects and based on experience to date no issues are anticipated as any private sector involvement will be subject to open competition. The landowner is the Stornoway Trust who has already concluded a lease with the developer so land access and ownership are not project risks. If the project progresses to conclusion then incremental taxes will be generated. The Comhairle will require to take a conservative view as to these revenues as the downside risk could be material for a small authority.

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)
The delivery of the economic benefits that would arise from the retention of TIF and the investment of them in community ownership would start in 2015. A planning application has already been submitted and is expected to be considered by the Comhairle in October. • Q3 2011 Planning concluded • Q2 2013 Financial close • Q1 2013 Construction start • Q1 2015 Operations Start • Q1 2015 TIF revenues commence If approved for TIF funding a business plan would be submitted by March 2012. It is anticipated that TIF funding would be drawn down in Q4 2014 that incremental tax revenues would accrue from Q1 2015.

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.

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
Comhairle nan Eilean Siar Sandwick Road Stornoway Isle of Lewis
TIF CONTACT
NAME [redacted] EMAIL [redacted]@cne-siar.gov.uk PHONE [redacted] MOBILE ADDRESS As above
ADDITIONAL LOCAL AUTHORITY COMMENTS (IF APPLICABLE)
The Comhairle will be undertaking this project in partnership with other local stakeholders and asset owners including: Stornoway Trust, Stornoway Port Authority and UHI Lews Castle College. There are well established partnership mechanisms in place. The proposals for Lews Castle are the main driver for the project. This is the subject of current funding bids to the Heritage Lottery Fund, ERDF and Highlands and Islands Enterprise with TIF identified as a means of closing the gap funding and enabling the project to proceed. A full design team is in place for this project which is at RIBA stage D. This proposal fits the TIF criteria for a small (under £20m) non-retail project. It will have significant regeneration impacts both for the immediate locality and for the wider communities of the Outer Hebrides.

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)

This project involves the regeneration of Lews Castle, parts of its designed landscape and the waterfront and public realm of Stornoway inner harbour. The main components of the project are:

- Regeneration of Lews Castle to provide a museum, archive and high quality hotel facilities
- Improvements and enhancements within the designed landscape
- Improvements and enhancements within Stornoway Inner Harbour

The museum and archive will be operated by the Comhairle. The restored castle will be leased to a private sector operator. Landscape improvements will include key roads and paths linking to the town centre. Inner Harbour improvements will include a new pedestrian bridge linking the town centre and the castle grounds.

The total investment cost for the first phase (Lews Castle) is £13.5m of which £1.6m is required as TIF funding to enable the project to proceed. This project will generate sufficient incremental NDR revenues to meet borrowing requirement for this contribution. In addition to the capital investment an independent study has estimated the gross impact of the project will add around 126 jobs and £4.2m to the island economy. Displacement is assessed to be very low and will be more than compensated by the future additional private investment stimulated by the project.

This project represents a major investment in cultural and tourism infrastructure led by the Comhairle. Regeneration of Lews Castle and the inner harbour area are included in the Western Isles Local Plan. The project will build on the Stornoway Townscape Heritage Initiative which is nearing completion and focused mainly on the adjacent town centre. The project also aligns with the Stornoway Port Authority Strategic Plan, 2011-21.

There have been several past proposals to regenerate Lews Castle and to redevelop Museum nan Eilean but these have failed to secure the necessary funding. The Castle has been unused for over 15 years and its condition has deteriorated. Recent surveys confirm that unless repair work is commenced soon the building will deteriorate rapidly and the cost of repair will escalate.

Repair of the castle and the new museum/ archive are mutually dependent as a key requirement of the HLF funding is a sustainable end use. Consequently neither element can proceed without the other. If the funding package is not secured, the economic benefits will not materialise. Whilst relatively small on a national scale a shortfall of £1.6m is a material constraint for an authority the size of the Western Isles and but for utilisation of the incremental tax revenues the project will be unable to progress.

The asset created by the project will be the regenerated Lews Castle which will be Comhairle owned. The red line area will encompass the present Castle site and its grounds to be redeveloped. As present these buildings are derelict and no rates are generated.

The project has a well established project team chaired by the Comhairle's Head of Economic Development. The project has a dedicated project manager supported by a team including procurement, heritage, finance, legal and technical specialists from within the Comhairle. The technical work is led by external consultants.

The project is presently progressed to RIBA design stage D and as the Castle is a Category-A listed building all work has been done in close consultation with the internal planning team and Historic Scotland.

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)

Based on the private sector bids the Private Sector Partner will invest at least £2m in the hotel and hospitality accommodation.

The Comhairle has undertaken a competitive procurement process to identify a private sector partner and at the current stage there are two bidders for the project.

It is estimated that the project will generate an additional NDR through a combination of revenues from the museum /archive and the new hotel accommodation.

The combination of the Comhairle and Private Sector Partner working together within the project mean that if the project goes ahead additional rates income is a certainty. The risk / reward lie around hotel turnover.

An independent study on the economic impact of the project identified the following impacts by year 5 within the Outer Hebrides:

Construction Employment 310 FTE years @ £25k per FTE = **£7.75 million**
GVA @ 1.6 x Earnings **= £12.4 million**

Operating Employment

	Direct	In-Direct	Total
Hotel *(from Business Plan)*	35	17	**52**
Museum & Archive *(Projections)*	6.5	8.5	**15**
College *(from College Principal)*	5	5	**10**
Miscellaneous On-site Facilities	3	0	**3**
Additional Visitor Spend Related	35	11	**46**

Total **Employment Impact** **126 FTE @ £20k per FTE = £2.52 million**
GVA @ 1.6 x Earnings **£4.03 million**

The economic impact of the project will arise from the creation of Lews Castle as a heritage destination in its own right and specifically through attracting additional visitors and visitor spend in the local economy. On the basis of the analysis to date we can assume at least 50,000 visitors per annum.

High quality function suites and up to 20 bedrooms within the restored castle will attract a significant level of new business to the island. Stornoway currently has no hotels above 3-star level and consequently displacement is considered to be marginal.

Restoration of Lews Castle and the development of a modern museum and archive will have a significant and highly visible impact in terms of physical regeneration and community confidence. There is a very high level of community support for the project – evidenced by the recent open doors day which attracted almost 1,000 people. Less tangible but no less important in terms of regeneration impact are the Gaelic language and culture of the Outer Hebrides. The new museum which will have a strong Gaelic ethos and will work closely with communities and schools to deliver benefits throughout the Outer Hebrides.

If the project proceeds it will be able to build on and grow the training investment made through the Townscape Heritage Initiative in specialist construction skills appropriate to the restoration and maintenance of historic and listed buildings such as Lews Castle.

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 proposed TIF element of the project is £1.6m of prudential borrowing from the PWLB over 25 years. At an assumed interest rate of 5% repayments will be £113k per year.

Incremental Tax from the Museum/Archive element will be a fixed rate. Based on the design proposals for this aspect of the project this is estimated at £65k. If the project proceeds the Comhairle can be confident in this aspect of income.

Incremental Tax for the hotel facility will depend on turnover. An annual turnover of £1.25m which will generate rates estimated at £48k. There is no guarantee about this aspect. However, the estimate is considered to be conservative and it is expected that actual revenues will exceed this by the end of the project.

In terms of risk the factors that could affect the prudential borrowing are

- Variances in interest rates: A 0.25% percentage change in rates equates to £3k in annual borrowing costs. Based on current treasury advice the range of rates could be +/- 0.5% or +/- £6k.
- Variances in rates income: Rates income for the museum element can be considered fixed and the sensitivity for incremental tax is therefore dependent on the hotel turnover. A 10% variance in turnover equates to around £5k reduction in rates.

Displacement is not considered to be a material consideration in this project. The existing museum building will continue to be used by the Comhairle. The new museum and archive at the Castle will generate new activity and attract additional visitors to the island and the hotel/hospitality facilities will fill an acknowledged gap in the accommodation infrastructure.

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)

A full Risk Assessment of the Lews Castle, Museum and Archive has been undertaken as part of the development of the Business Plan. These cover all Technical, Market, Financial, Economic and Management risks. Risk factors are identified and considered which are relevant to the development and delivery phase of the project and the operation following project completion.

Advice has been sought and received from the Scottish Government State Aids Unit on all aspects of the Lews Castle Museum and Archive project. This has not identified any constraints.

All procurement related to the project has been advertised on the Public Contracts Scotland Portal. The appointment of the Design Team was the subject of an OJEU notification.

The procurement of a Private Sector Operator was conducted using a Competitive Dialogue Process and has resulted in two final tenders being submitted.

Comhairle nan Eilean Siar is the landowner in respect of the first phase of the project. The Comhairle has long term partnership agreements with adjacent landowners, namely the Lews Castle College, Stornoway Trust, and Stornoway Port Authority.

The partnership nature of the project means that if it can be progressed to completion then incremental taxes will be generated. The previous section outlines the sensitivity of the NDR income to project variances. At this stage these are not considered to represent a material risk to the Comhairle.

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)

The project is at an advanced stage of development and the timetable for delivery is as follows:

- 15 November 2011 - HLF funding agreed
- December 2011 - ERDF / HIE funding agreed
- April 2012 - Construction tenders issued
- July 2012 - Contract Award
- September 2012 - Construction Start
- July 2014 - Operations Start

If approved for TIF funding a business plan would be submitted by November 2011, assuming a decision on TIF in September 2011.

It is anticipated that TIF funding would be drawn down as the last tranche of funding in quarter 4 2013 and that incremental tax revenues would accrue from July 2014.

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.

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
WEST LOTHIAN COUNCIL CIVIC CENTRE HOWDEN SOUTH ROAD LIVINGSTON EH54 6FF
TIF CONTACT
NAME: [redacted] EMAIL [redacted]@westlothian.gov.uk PHONE [redacted] ADDRESS County Buildings High Street LINLITHGOW EH49 7EZ
ADDITIONAL LOCAL AUTHORITY COMMENTS (IF APPLICABLE)
Alternative contact: NAME: [redacted] EMAIL [redacted]@westlothian.gov.uk PHONE [redacted] ADDRESS – Civic Centre

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)

West Lothian Council (WLC) is seeking approval for a TIF pilot to support the mixed use development of the Armadale Core Development Area (CDA). CDAs are the focus for sustainable growth, both residential and employment, in the medium to long term. The Structure and Local Plans require the identification of land for 12000 houses in the three CDAs, of which 2070 are allocated to Armadale. However, the Armadale CDA is spread over three separate geographic areas and multiple ownerships, making delivery of common infrastructure extremely challenging.

The promotion of the CDAs is therefore a priority for the council and for the economic development of West Lothian. Armadale has been selected because it has a number of advantages:

- It is the most advanced – planning consent is in place for infrastructure and initial development, including 50ha of employment land – and has the best chance to make an early contribution to the Structure Plan housing requirement
- There is benefit in a single lead party promoting the provision of enabling infrastructure
- Although education capacity is required, secondary school capacity has already been provided – a TIF would therefore capitalise on existing public sector investment
- It would build on the impetus of new rail infrastructure (Airdrie to Bathgate line), including new stations at Armadale and Blackridge
- It has the potential to generate higher and quicker additional NDR income

The CDAs are predicated on developer investment in enabling infrastructure: i.e. direct investment in transportation and utilities; and developer contributions towards education capacity. In the current economic climate developers are finding it difficult to raise funding for advance investment in infrastructure, particularly where a performance bond may also be needed. Developer contributions, which are usually expected to be paid in advance, have reduced considerably and are being phased. (There is evidence that some house builders are paying for development land incrementally on completion of units, and we anticipate a similar approach towards developer contributions.) To date limited development in Armadale has been facilitated by modest investment in school extensions, but the CDA is likely to falter unless a mechanism is found to support investment in the remaining enabling infrastructure, which will require substantial upfront funding.

The principal TIF assets are:

- Road infrastructure and utilities – internal distributor roads and the partial dualling of the A801
- Education capacity – two primary school extensions; two new primary schools (one of which is two stream) and a new nursery.

Improved access is fundamental as the existing road network is insufficient to accommodate the additional traffic generated from a mixed use development. Without education capacity there can be no additional residential development, and business and commercial development will not take place without local population growth. These TIF assets are required for all three locations within the CDA. The costs of the TIF assets and the investment that will be levered are detailed in subsequent sections.

The proposed red line area is identified on the attached plan. As well as encompassing the full CDA, it includes local settlements (Blackridge and Westfield) and development opportunities that will both benefit from and contribute to enhanced education capacity and to the road infrastructure improvements, principally the partial dualling of the A801. It reflects existing supplementary planning guidance, and developer contribution requirements, for this infrastructure.

Our proposal is for a hybrid combining TIF and a development completion tariff, i.e. deferred developer contributions, which would kick start the CDA. We believe this innovative proposal is ground breaking, and has potential for use in the other CDAs, and indeed in similar projects throughout Scotland. This has been approved by the Council Executive (WLC's decision making committee of elected members) who agreed that the CDAs represented a strong business case for the use of TIF, and that a submission based on Armadale CDA should be put forward as a potential pilot.

An initial scoping paper and high level financial model have been prepared by officers, and approved by the council's Executive Management Team. If WLC is selected as a pilot the full development of the proposal will be facilitated by officers in Planning and Economic Development; Transportation; and Finance and Estates Services. However, it is anticipated that external consultants will be required to assist in producing economic and regeneration impact reports. Financial resources for this work can come from the council's Local Infrastructure Fund. The Fund was set up in 2009 to help deliver key infrastructure needed to support Local Plan implementation across West Lothian. £1.6m is currently available, which can be used for feasibility, design and project preparation.

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)

The principal private sector partners are:

- EWP Investments Ltd – developer/landowner of the major part of South Armadale – capacity for 1000 houses and 50ha of business land. Key partner for road infrastructure
- Achadonn Properties Ltd – owner of the remaining land in South Armadale
- Dundas Estates and Development Co Ltd – the main owner in north Armadale

Initial discussions have been held with EWP, who are supportive of the proposal. The other developers are aware of the submission.

Within the CDA the main sources of additional NDR will be c19800m^2 of office development; c32000m^2 of industrial space and c7000m^2 of retail. As the CDA is mixed use we also expect contributions from leisure (health club, hotel); ancillary retail (restaurant, garden centre); health and care; and education. Development at J4M8 Distribution Park – enabled by the partial dualling of the A801 – will also contribute. The Distribution Park is situated adjacent to the M8 motorway to the north of Junction 4. However, demand for large scale distribution facilities has weakened, and this investment may be long term. Excluding the education infrastructure, the leverage of additional investment in the CDA alone is expected to be c£60m for NDR generating assets, with in excess of £150m on residential development. A considerable proportion of the NDR generating investment will come from EWP Investments, either directly or in partnership. Additional NDR income could reach c£1m per annum within the CDA towards the end of a TIF project. This estimate is based on 2011 rates levels, adjusted for displacement and small business relief.

Economic Impact

The CDAs represent residential development to accommodate population growth. In this respect it may be argued that the impact will be additional at all levels. There are arguments to suggest that displacement levels will vary for different types of use and development. For example, as education capacity and community facilities are required to support new housing and population growth, displacement is minimal. A retail capacity study indicated that there will be limited impact on adjacent settlements because development accommodates population growth. New retail development will also provide balance – promoting the retention of spend within settlements rather than leakage. The supply of ready, serviced employment land in West Lothian is constrained, and the preparation of serviced land will provide a valuable additional resource at regional level, supporting employment growth. Nevertheless displacement for business activities is less clear. Within the CDA in-commuting may be encouraged but it may be exceeded by out-commuting. While development in J4M8 is very likely to be additional, given the nature of large scale distribution, smaller scale business development is expected to accommodate a large amount of localised growth, and the ready availability of land may encourage relocation within West Lothian. Consequently displacement may be high. Our initial projections have reflected varied displacement rates (0 to 25%), but we understand that this will need to be adjusted to a single rate, perhaps in the order of 15-20%, should our pilot be approved.

Regeneration Impact

In addition to accommodating population growth the CDAs are a holistic, sustainable model for growth, and will have a positive effect on the existing communities on which this growth is grafted. The CDA will assist in the regeneration of Armadale town centre, and supplementary planning guidance requires developer contributions towards town centre projects. Similarly, existing local business (industrial, office and retail) will benefit from a greater local consumer population. Development is not exclusively greenfield – former heavy industrial areas form part of the CDA allocation. The TIF area still suffers from disadvantage – almost half of the datazones are classified as being in the 20% most deprived in Scotland, compared with c19% in West Lothian as a whole. So the CDA is expected to provide a significant positive stimulus. In this respect improvements to the A801, which will improve accessibility to and from the M8, are expected to benefit the local economy. The A801 dualling proposal in West Lothian complements other improvements to the A801 that form part of a TIF submission by Falkirk Council. Support for both TIF proposals would result in significant improvements to this strategic route which links the M8 with the M9 and will improve connections to the Forth Replacement Crossing. Within the CDA alone the development levered by the enabling infrastructure is expected to support in excess of 3500 jobs.

Supplementary planning guidance requires local employment agreements to be put in place for new development. Within the CDA affordable housing is expected to comprise 25% of the total – i.e. at least 500 units.

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 cost of TIF assets have been estimated at c£26m, with investment expected to be phased over a five to seven year period. As developer contributions of c£1.8m are already in place initial investment in school extensions can be accommodated. However, TIF would allow a reprioritisation of investment bringing forward new build schools and delaying extensions. The use of a hybrid model may then allow an accumulation of development completion tariff, which could reduce the amount of borrowing required, bringing the total closer to the £20m target for a small scale pilot. Expenditure is expected to comprise c£10.5m on road infrastructure, and a maximum of £15.5m on schools. We have projected that borrowing of this level will require an annual repayment of c£2m, assuming all borrowing is to be repaid within 25 years of the project start, and using the formula for a standard repayment mortgage. Borrowing mechanisms will be investigated in more detail if our proposal is successful.

We expect new NDR income to come from a wide variety of assets – business, retail, leisure, community and education – and we have based our estimates on rateable values of comparable properties in the locality.

Our assessment of the amount of additional NDR that can be generated has, necessarily been cautious, and is reflected in: the phasing of contributing development; the expectation that income from Business (Class 4, 5 & 6) activity will be reduced by relief offered to small businesses; and generally high displacement levels. By the end of the TIF period, allowing for displacement but assuming all NDR generating development will have taken place, we anticipate that NDR income will cover just over a half of the borrowing costs (c£1m). Initial development is expected to contribute approximately a fifth of the total (c£400k). These figures reflect displacement and Small Business rates relief, but not potential voids. They also assume a flat rate of additional NDR income through the TIF period – not reflecting potential uplift from revaluations or rate poundage increases

As a consequence we have had to look at alternative sources of income. As noted earlier developers should and will be expecting to pay for some enabling infrastructure, in advance, both directly and through developer contributions, but in the current climate this commitment is unlikely. Our proposal is a hybrid combining TIF with a development completion tariff payable on completion of residential units and commercial space.

Basing our assumptions on pessimistic costs for the enabling infrastructure and a conservative estimate of additional NDR, we have focused our sensitivity on the level of residential development completion tariff payable, and different rates of residential completion. This has lead to consideration that we may need to apply a minimum annual level of contribution from each house builder. In addition, as noted above, the hybrid offers the potential to accrue income to fund subsequent phases of infrastructure, to reduce the borrowing required.

Our approach will need to be developed – while we have looked at potential NDR income from commercial (industrial, office and retail) development, the equivalent of a developer contribution/development completion tariff from this type of use will have to be clarified. Existing Supplementary Planning Guidance requires contribution based on traffic generation, but this may need to be modified. Of necessity this will need to wait until the principle of the red line boundary has been determined, and the full extent of qualifying development can be quantified.

If the model is to be adopted there will be a need for further work to reflect all types of development that are expected to contribute, and to relate the expenditure to specific areas that will benefit. All these issues would be teased out in subsequent negotiations with landowners and developers. New Supplementary Planning Guidance would also be necessary.

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 financial risk to the council during the course of a project, if it is based on TIF alone is two fold:

- firstly the delay between investment, and the resulting loan charges, and the initial rates income ("Flash to Bang"), and
- secondly the ability to meet the full borrowing repayments during the course of the loan

Some mitigation of the "Flash to Bang" risk may come from coordinating development starts on infrastructure provision and development projects that will generate rates income, to minimise the delay in rates becoming payable.

Negotiation of the terms of the loan – to defer initial repayments – may also help manage the risk in the short term, and the longer term risk may be addressed by seeking a shorter payback period, from development completion tariff contributions, than the period of the loan.

Changing the model to incorporate development completion tariff income to bridge the financial gap will address the second risk. But this then creates a further risk that the development completion tariff is not received at a rate that will either meet annual costs or enable full repayment of the borrowing.

A guarantee mechanism, which does not financially penalise developers, will help manage the annual risk that loan repayments can't be met. Setting an appropriate minimum level of guarantee should also ensure that full repayment is made during the life of the loans. It also creates the potential that a surplus will accrue, which could be used for later phases of investment – such as the second stream for the non-denominational primary. This has been built into the preliminary financial model. However, this creates a further risk – how to tie up the commitment legally. This might include a Deed of Restrictions; s75 agreement linked to planning; standard security, or a combination of these. A key challenge will be securing the commitment of all interested parties.

There is still a "Flash to Bang" risk. As NDR income is not expected until year three or four, and a development completion tariff guarantee until year three, there is a cumulative shortfall of c£1m in the first two years.

However, the council also currently holds £1.6m in an infrastructure fund. This may be used to fund some of the initial capital expenditure or financing costs, to be replenished as the project proceeds. Existing developer contributions may also be used for this first phase of development.

As noted above there are a number of landowners involved in the Armadale CDA. However, for the purposes of a TIF it is assumed that contracts for the above will be let by the council. The exception may be the new primary schools, where there might be potential for delivery and consequent cost savings through the Hub initiative. HubCo may also be able to assist in coordinating the provision of broader community infrastructure, e.g. health services, to secure greater efficiency in both service delivery and investment. The fixed price contracts available through HubCo will mitigate procurement risk. WLC is already working constructively with HubCo on a range of projects.

As the proposed hybrid will result in enabling infrastructure being paid for by the developers through development completion tariff contributions we do not believe that there will be any State Aid implications. However, we have opened discussions with the Scottish Government's State Aid team, and will pursue this issue with them if our proposal is successful.

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)

We believe that a pilot TIF for Armadale CDA has the potential to start during the financial year 2012/13. We have the basic information needed to develop our financial model, and to complete the economic appraisal for incorporation in the business case. Internal resources, both officer and financial, can be made available to ensure that the business case is completed quickly. Early engagement with the developers/landowners will allow us quickly to move through the legal structure.

Planning permission in principle has been granted for a mixed use development at Armadale station, comprising 1000 houses, a school, a neighbourhood centre and business land. Details can be found at www.armadalestation.co.uk. While works are underway on the first phase of internal road infrastructure, this will only support 180 houses, and is based on a modest investment in school infrastructure, for which funds are available. Without TIF there is a danger that the CDA will not progress beyond this stage.

Detailed planning permission is in place for the main distributor road, and a site for a primary school has been identified. It is therefore feasible for physical works on the initial phase of TIF assets to start during 2012.

While the construction of the distributor road is a critical first step, the widening of the A801 is expected to be determined by the rate of completion of development, and consequently trip generation, from residential, commercial and business uses. Similarly the education capacity can be phased and reprioritised. The availability of TIF will accelerate the construction of the two new primary schools, where these had previously been dependent on residential completions and it had been assumed that the two extensions would be the priority.

This re-prioritisation has been reflected in the phasing of investment in the financial model, with suggested start dates as follows:

Year 1 – construction of distributor road and new single stream non denominational primary school .
Year 2 –new denominational primary school
Year 3/4 – dualling of A801
Year 5 – new nursery
Year 6/7 – primary school extensions

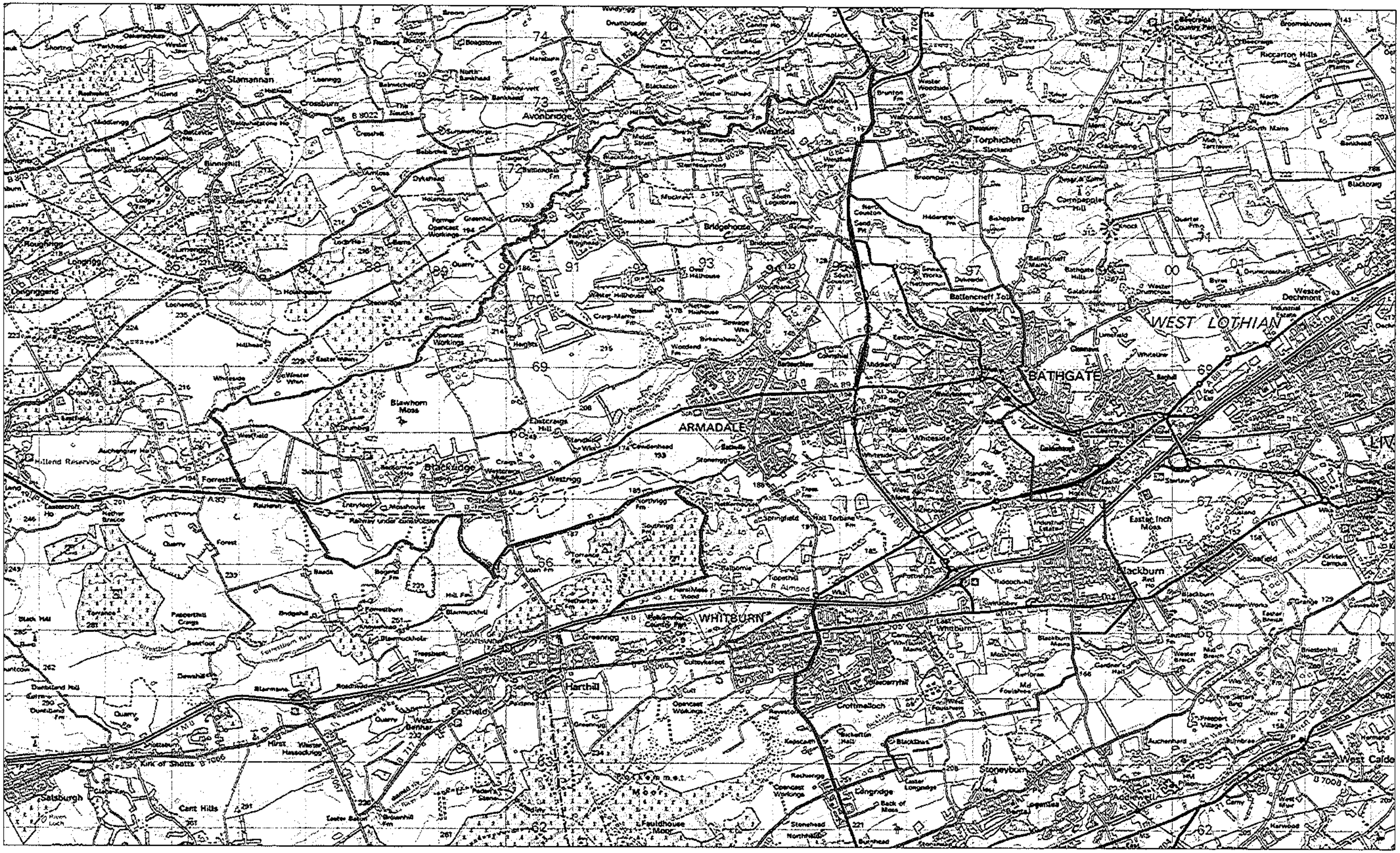
It is expected that investment by the council through a TIF will be dependent on reciprocal commitment by developers to additional infrastructure. For example, the provision of internal infrastructure to business locations accessed from the distributor road will need to be committed by the private sector development partner at the same time as the main contract is let. Again it is anticipated that this can take place during 2012/13. This will provide early availability of serviced employment land to prospective business occupiers and developers. The business land offers potential for a joint venture between the council and developer.

Incremental NDR capture will come from this business development, as well as education and community infrastructure, and local retail development. Our financial model suggests that this initial income will arise in year 3 or 4, but there is potential for some of it to be accelerated.

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.



Red line boundary for Armadale CDA TIF

West Lothian Council

N

1:75000