

FALKIRK COUNCIL

**Subject: FALKIRK TAX INCREMENTAL FINANCING INITIATIVE
AND FALKIRK GATEWAY**
Meeting: EXECUTIVE
Date: 15 MARCH 2016
Author: DIRECTOR OF DEVELOPMENT SERVICES

1.0 INTRODUCTION

- 1.1 This report provides an update on the Falkirk Tax Incremental Financing (TIF) initiative including the next phases of work planned for delivery of the project. In addition the report conveys details of the work that has taken place to prepare a framework to progress the development of the Falkirk Gateway, a key element of the TIF initiative.

2.0 BACKGROUND

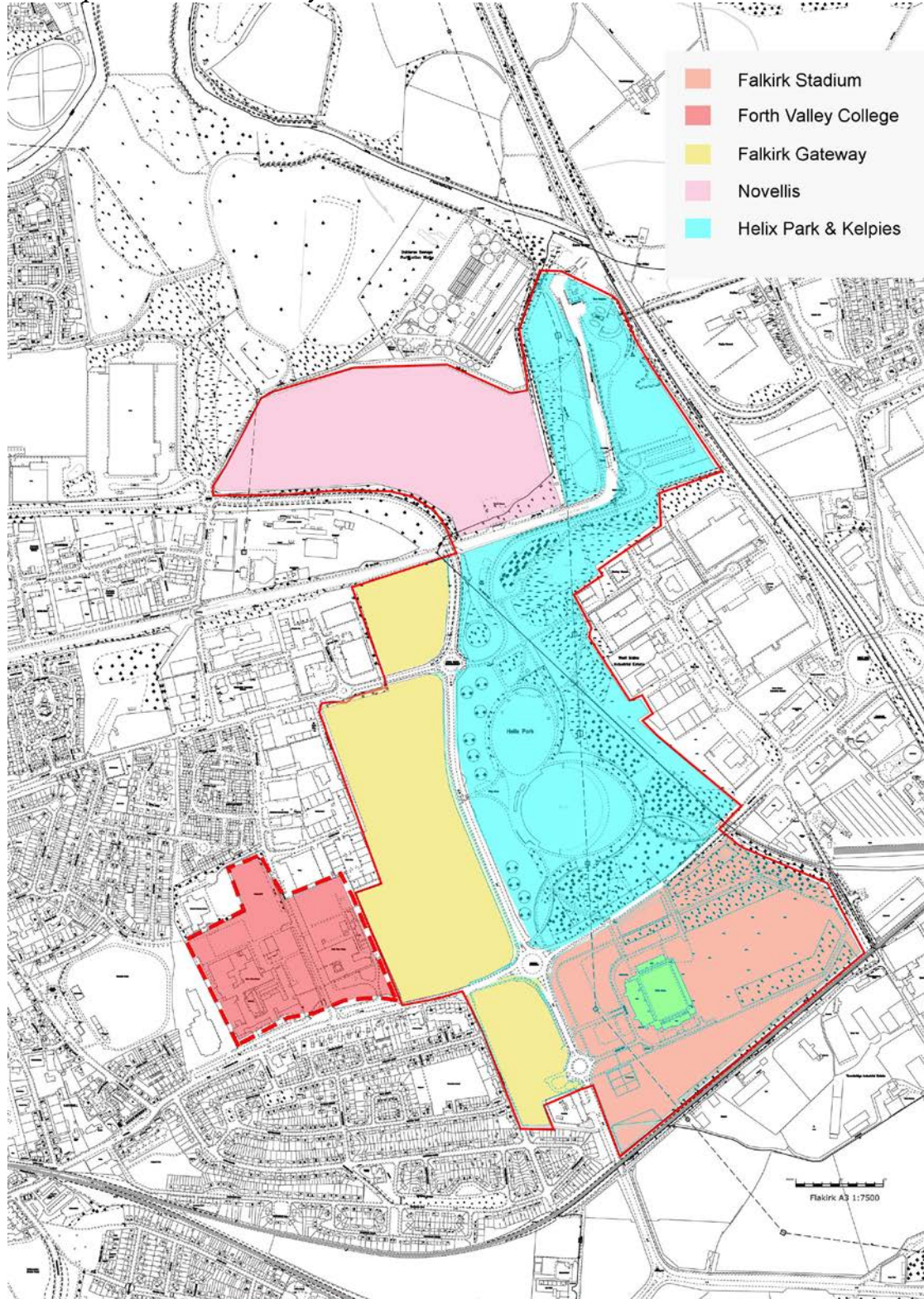
- 2.1 The Falkirk TIF initiative is a key priority of the Council and is designed to increase development activity taking place in the Falkirk area through the creation of enabling infrastructure. Following Executive approval on 18th June, 2013, the Council entered into a formal agreement with Scottish Government in July 2013, and following that, initiated the first contract to upgrade Junction 6 on the M9 at Earlsgate.
- 2.2 The first TIF contract was completed in June 2014 successfully and within budget. To assist development of the next phases, the Executive agreed to proceed with the preparation of an Infrastructure and Development Plan. This integrated strategy appraised market conditions for delivery of the TIF, identified the works required on each of the infrastructure and development sites and addressed the opportunities and challenges in progressing each of the latter.
- 2.3 One of the main outputs from this process was a requirement to prepare a development framework covering the Falkirk Gateway and Community Stadium sites. Development of these sites was adversely affected by the substantial costs in providing up-front infrastructure and the impact of the economic downturn on the area's property market. The work required to consider the prospects for these sites in more depth, taking advantage of improving market conditions and the TIF's financial support. The Executive agreed to take forward this work with the agreement of the site's landowners. WSP, an engineering and design consultancy with worldwide experience of large construction design projects, were appointed in June 2015 to progress the Falkirk Gateway Preliminary Development Framework through consultation with key stake holders.

3.0 FALKIRK GATEWAY PRELIMINARY DEVELOPMENT FRAMEWORK

- 3.1 Falkirk Council appointed WSP to prepare a preliminary development framework to assist the creation of a new urban quarter at the eastern entrance to Falkirk. The main areas included are the former Falkirk Gateway development site, the Falkirk Community Stadium site, the Helix and the Forth Valley College site. Together, these sites present an unparalleled opportunity for placemaking and job creation in the area which the Council is seeking to promote and enable through co-ordinated planning and infrastructure provision. The preliminary development framework is intended to provide a context for development-led masterplans for the various elements of the area.

- 3.2 The potential of the area as a flagship development opportunity for the Falkirk area has long been recognised. The site is highlighted in the proposed Grangemouth Investment Zone proposal agreed in the National Planning Framework 3 and the Council's recently adopted economic strategy, *Growth: Investment: Inclusion*. The key components are identified on Map 1 and their background is described below.

Map 1 - Falkirk Gateway: Location



- The **Falkirk Gateway site** lies west of the A9 Northern Distributor Road it comprises two parts: the Middlefield site to the north of the A904, owned by Falkirk Council and Callendar Estate; and the Westfield site to the south of the A904, owned by the Council. The site is identified in the Falkirk Council Local Development Plan and the TIF business case, as a strategic development opportunity for mixed commercial use.
- The **Falkirk Community Stadium** site lies to the east of the A9 and the south of the A904. As well as the home of Falkirk FC, the stadium accommodates a range of other uses within the main west stand. The east stand remains to be built and further development potential exists in the corners of the stadium and on adjacent land.
- **Forth Valley College** occupies land to the west of the Falkirk Gateway site extending along the Grangemouth Road. The College has secured funding approval to create a new £75m learning campus for 10,000 students. This will be the headquarter facility for the College, with a key focus on science, technology, engineering and maths (STEM) subjects connecting to industrial partners and offering training programmes directly linked to the chemicals, oil and gas and renewable industries at Grangemouth. The new campus is anticipated to act as a catalyst for development in the wider area through the introduction of a major footfall generating use. Redevelopment of the existing college site is also anticipated. The option to include an Arts Centre involving Falkirk Community Trust is being considered at present.
- The **Helix Park & Kelpies Hub**, opened in 2013/14, occupies the site to the east of the A9 and to the north of the A904. This £43m project is a vital catalyst to the regeneration of the Falkirk area. The project has delivered a high quality area of urban parkland including paths, a large lagoon, new planting, play facilities and an events space. This is complemented to the north by the Kelpies and the new canal extension into the River Carron. The Kelpies have created an internationally recognised public art feature, attracting 1 million tourists to the area in the first year.

- 3.3 The development framework acknowledges that national and local policy puts fresh emphasis on creating good quality places which are distinctive, safe and pleasant, easy to move around, welcoming, adaptable and resource efficient.
- 3.4 The framework confirms that the Gateway is one of the best opportunities for placemaking and quality design in the Council area. The Helix already represents an exceptional piece of green infrastructure which is a major asset to the wider site, and sets a high standard of design quality and public realm which needs to be matched on the other sites. It fits within the context of the wider Falkirk Greenspace Strategy, which seeks to develop a connected, multifunctional green network.
- 3.5 Developer interest in the area is increasing, helped by the Helix and improved market conditions. The Council aims to capitalise on this upturn, and be in a position to capture investment and accommodate developer and occupier needs as they emerge. The framework aims to provide a strong yet flexible context for individual proposals.
- 3.6 The principal focus of the framework is on the Falkirk Gateway and Stadium. The Helix is included, not as a development site, but because of the potential linkages it presents, in terms of drainage infrastructure, market potential and place making. The Forth Valley College site is subject to a parallel masterplanning exercise, linked to the preparation of a final business case for this discrete project and is included because of the important linkages and synergies with the rest of the area.

3.7 WSP have worked with designers, Curious Ltd, in the preparation of the Falkirk Gateway Preliminary Development Framework (a copy of the framework masterplan is attached as Appendix 1) with the main aims coming from this exercise identified as;

- Strengthen the identity of Falkirk and the Gateway site
- Provide a zoning framework which can accommodate a flexible growth plan
- Attract new business and investment
- Increase visitor footfall to the area as well as retain existing visitors to the Kelpies for longer
- Improve usage and links to the Helix park
- Improve pedestrian and cycle movement through the site to the station, town centre and wider area.

3.8 The vision outlined in the framework is for the development to be a focus for low carbon technologies and a leading light in sustainable living and working in Scotland. This would extend to the design of buildings, supporting infrastructure and create an aspiration for enhanced environmental performance promoting a zero carbon approach.

3.9 Following on from the completion of the framework exercise the factors which are anticipated to help make the Gateway a success are:

Connectivity : Helix park and the Kelpies need enhanced links to adjacent areas, to the town centre and railway stations. Existing and planned pedestrian and cycle routes should be connected to create a safe and pleasant movement network through the site linking the Stadium, Helix Park, Kelpies, Gateway and new College. If funding is available, it suggests this be assisted by the proposal for a raised cycle bridge over Westfield roundabout (see item 4 below). In addition the site will be connected to the town centre through a Green Link proposal providing a quality public realm linking the Gateway site, the new college development, Victoria Park, Central Retail Park and Falkirk Town Centre.

Character: Water is one of the main constraints on the Gateway site, but by creating well designed flood mitigation canals and combining these with green pedestrian corridors, the sites will have their own unique character derived from the local context and enriching the concept of walkable neighbourhoods. A sustainable urban drainage system will be developed to include a network of drainage swales, channels and canals to ensure most of the water runoff drains to the canal and provides value enhancing water frontage and interesting urban spaces.

Community: By mixing commercial, business, residential and leisure uses across the Gateway development, a vibrant 24/7 community can be created. A mixed use proposal provides passive surveillance and a safer, more active, commercially vibrant neighbourhood.

3.10 There are 6 zones identified within the development framework all with different characteristics. Zone 1 is identified as the first phase of development (see appendix 2) as it forms the extension of the town out towards the Helix park and the Stadium. The new college works are anticipated to commence on site in 2017 and form an integral part of this zone sending a positive signal about development in the area and encouraging follow-on investment. The college building and proposed pedestrian/cycle crossing are strong enablers for this site. The water feature within this zone acts as flood attenuation as well as a pleasing landscape feature adding a unique character to the Gateway site.

4.0 THE CROSSING

- 4.1 The road network connecting each of the Gateway sites is being upgraded and widened as part of the TIF infrastructure programme. This will help to improve vehicular access and movement and help stimulate investor demand in the area. Whilst the road infrastructure is essential to support the longer term plan the need to create capacity for clear pedestrian flow across all four sites is essential to support the overall development.
- 4.2 The creation of a suitable crossing and supporting path infrastructure is anticipated to unlock community connections among the Gateway, the Helix, the Kelpies, Falkirk Stadium, Forth Valley College and the facilities in Falkirk Town Centre. The success of the Helix and the Kelpies has placed new demands on the area's infrastructure, with pedestrian/cycle crossings between the Falkirk Stadium and Helix Park averaging 36,000 per month through the first year of operation.
- 4.3 The Council, with funding provided by Sustrans, has prepared an initial feasibility study (Appendix 3 shows a sketch design from the submission) to provide options for a pedestrian and cycle crossing that will connect all four sites. The Council recently entered a collaborative design competition known as Community Links Plus (a Scottish Government supported Sustrans project) and unfortunately was unsuccessful. However, the assessment panel recommended that the proposal is re-submitted in a further round of the competition.
- 4.4 Further work is required to confirm a preferred option for delivery of the Crossing. The Council is seeking 50% of the total cost of the Crossing to come through the Sustrans competition and the remaining funding will be sought from the TIF budget. The total cost estimated at £8m. The Crossing would deliver an iconic infrastructure asset to help attract investment to the Falkirk Council area whilst overcoming crossing difficulties and delays for cyclists and pedestrians at a key nodal point on the A904 and A9 corridor.
- 4.5 It is proposed that, as an element of the TIF delivery programme, further work be conducted on the options for design and opportunities for funding for the Crossing in order to finalise the programme for its delivery.

5.0 LAND OWNERSHIP AND INVESTMENT FUND

- 5.1 The means of delivering the Falkirk Gateway initiative will be important for the Council to consider. This must recognise the challenges that persist in securing delivery of projects of this scale in present market conditions. The introduction of the TIF initiative, impending commencement of the new College campus project and potential of a Grangemouth energy project is anticipated to give an important stimulus to development.
- 5.2 The site involves the Council and other landowners, in particular Callander Estates, with whom the Council shares the Middlefield site. Callander Estates has indicated its support to progress the development framework and willingness to engage in further discussions on the formation of a landowners' agreement to enable the site to be developed and in making approaches to the market to secure developers to deliver the scheme. Engagement with other landowners including Falkirk Football Club and Falkirk Community Stadium Ltd. (FCSL) will also be necessary. In the case of FCSL, a report on the proposed transfer of its assets to enable development to proceed will be subject of a future report to Executive

5.3 In a report to the Executive in June 2015, the specific potential to examine the formation of an investment model to support development in the area was highlighted. It was agreed that work be undertaken by Ernst & Young, the Council's TIF advisers to examine the potential of such a model and report back on next steps. A report has been provided by Ernst & Young, summarising the investment fund options available and providing recommendations to take this forward to assist with delivery of projects such as the Gateway. The main findings were as follows:

- the status quo is likely to mean that development sites in the area will be slow to develop and as a result the Council would be unable to achieve its objectives
- incremental development, with the Council utilising its own funds and development expertise is unlikely to achieve the step change in development activity required for success.
- the Council needs to attract a private sector partner(s) that can bring more than funding to the project.
- the Council may need to consider seeking a long term private sector partner to help develop the Council's landbank, bring supply chain efficiencies, accept a lower return (but a long term pipeline of projects) and share in development risk.
- the Council should undertake market testing with private sector developers on a programme of projects to help achieve the acceleration in development activity.

5.4 In the course of this work the specific opportunity to consider the potential involvement of Chinese investors has been highlighted. This follows recent interest that has been received from prospective Chinese investors and Ernst & Young confirm that further investigation of this opportunity should take place.

6.0 NEXT STEPS

6.1 The Falkirk Gateway is a flagship project in the TIF initiative offering a unique opportunity for the creation of a new low carbon location encompassing business, learning, leisure and residential development.

6.2 The next steps suggested for the Gateway site are to initiate market testing. However there are a number of elements that need to be undertaken prior to the presentation of this opportunity to the market:

- in advance of marketing the Council should formalise an agreement with Callender Estates in relation to future development on the site.
- The Development Framework confirms a requirement to develop a drainage strategy (estimated cost £20,000) covering the site. Development of a public realm strategy is also required for the Zone 1 site, linking the new College campus, development within the site and other sites across the Gateway. External funding support will be sought to assist delivery of this work.
- further feasibility work and submission of a fresh bid with regard to the Crossing.

- 6.3 The drainage strategy and market testing may affect the final design of the upgrading works to the Westfield roundabout therefore it is suggested to defer the delivery of the Westfield roundabout upgrading works by one year in the TIF development programme for commencement in 2017/18.
- 6.4 This project can be replaced in 2016/17 by Junction 5 upgrading works which is also a TIF priority given the clear market interest in proposed development around the Ineos site and Forth Ports which connect directly with Junction 5 as the main access to the M9 motorway as outlined.

7.0 TIF DEVELOPMENT PROGRAMME

- 7.1 The TIF Development Programme has been updated to take account of the above proposals. Appendix 4 identifies a revised schedule of enabling and infrastructure works covering the 11 year programme period and compares with the original Business Case schedule and revised schedule agreed in 2014. While there are no changes to the original approved package of works, the principal amendments to this involve:
- i) Completion of the additional parking provision at the Stadium continued into 2015/16. All works are now completed within budget.
 - ii) Completion of additional site-enabling works for Abbotsford Business Park continued into 2015/16. Works on this are underway and work has commenced on workshop units for the council's business portfolio.
 - iii) Defer delivery of the Westfield roundabout project to provide the necessary additional time to consider the results of the Falkirk Gateway preliminary development framework initiative and Crossing proposals. Delivery now programmed for 2017/18 and 2018/19.
 - iv) Delivery of Junction 5 phase 1 brought forward to commence in 2016/17 given the progress of development proposals both around the Ineos site and Forth Ports site
 - v) Work to support and accelerate development on the zone 1 site at the Gateway. It is proposed to carry out the Phase 1 public realm site enabling works in 2017/18 (£3m). It is proposed that a contribution to the cost of this work (£1m) be sought through external funding. The potential for TIF site enabling funding to assist with the integration of the College campus (and potential Arts Centre development) and the Zone 1 site will also be examined. Further information on this will be included in the update report on the HQ project to be considered by Members in the near future.
 - vi) The total cost estimate for the Crossing is £8m with an identified TIF spend of £4m in 18/19. Progress with the Crossing is subject to an agreement to seek 50% external funding.
- 7.2 The above actions will be funded by TIF and progressed by the Council in liaison with development partners.

8.0 IMPLICATIONS

- 8.1 *Policy*
The TIF initiative is a major priority of the Council and is being pursued to assist delivery of the Strategic Community Plan and *Growth: Investment: Inclusion*, the new economic strategy for the Falkirk area.

8.2 *Legal*

The delivery of the TIF has been developed in liaison with the Council's legal services and external legal advisers. A new legal agreement will require to be entered into with Callander Estates prior to initiating marketing of the site. Further details on this will be conveyed to the Executive.

8.3 *Financial*

Delivery of the TIF initiative is being met from the dedicated funds established for delivery of the initiative. The current spend on the TIF initiative amounts to £3.246m. A total of £2.586m has been received in revenues from non-domestic rates with an additional planning gain contribution of £0.384m. Expenditure and income relating to the initiative is currently within the budget identified at the outset of the initiative. The updated financial delivery programme is contained in Appendix 4 and includes the cost of work to commission drainage and public realm strategies in the next phase of work for the Falkirk Gateway.

8.4 *Planning*

Delivery of the TIF initiative is generally consistent with the objectives of the Falkirk Local Development Plan. The preliminary development framework for the Falkirk Gateway will inform the preparation of the update to the Local Development Plan which has recently commenced.

9.0 CONCLUSION

9.1 The TIF project is a major initiative for the Council and is being pursued to assist in the economic transformation of the area. The Falkirk Gateway Preliminary Development Framework and Crossing proposals reported on above provide exciting opportunities in the economic development and growth of the Council area. Delivery of the Gateway framework is also important in the TIF's overall success.

9.2 The revised development programme schedule attached as Appendix 4 highlights the change in focus and priorities. It is proposed that further reports be provided to the Executive on the progress of the Falkirk Gateway and Crossing proposals.

10.0 RECOMMENDATIONS

10.1 It is recommended that the Executive agrees:

- a) to note the update of progress on the Falkirk TIF initiative and the outcome of the Falkirk Gateway Preliminary Development Framework proposals

- b) to note the proposals for the Crossing outlined in paragraph 4.
- c) the revised implementation schedule for TIF projects as outlined in Appendix 4, including the commissioning of a drainage and public realm strategy for the Gateway site.
- d) To progress the actions for delivery of the Gateway development as set out in paras 5 & 6 of this report including initiating discussions with Callander Estates over the terms of a landowners agreement for delivery of the Gateway site

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Director of Development Services

Date 1 March, 2016

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LIST OF BACKGROUND PAPERS

1. Falkirk TIF Files.
2. Falkirk Gateway Preliminary Development Framework, WSP.

Anyone wishing to inspect the background papers listed above should telephone 01324 590972 and ask for Colin Frame.



Active water sports centre - wave/surf and "wet and wild" white water kayak course



Clean tech/green tech - light industrial/warehouse

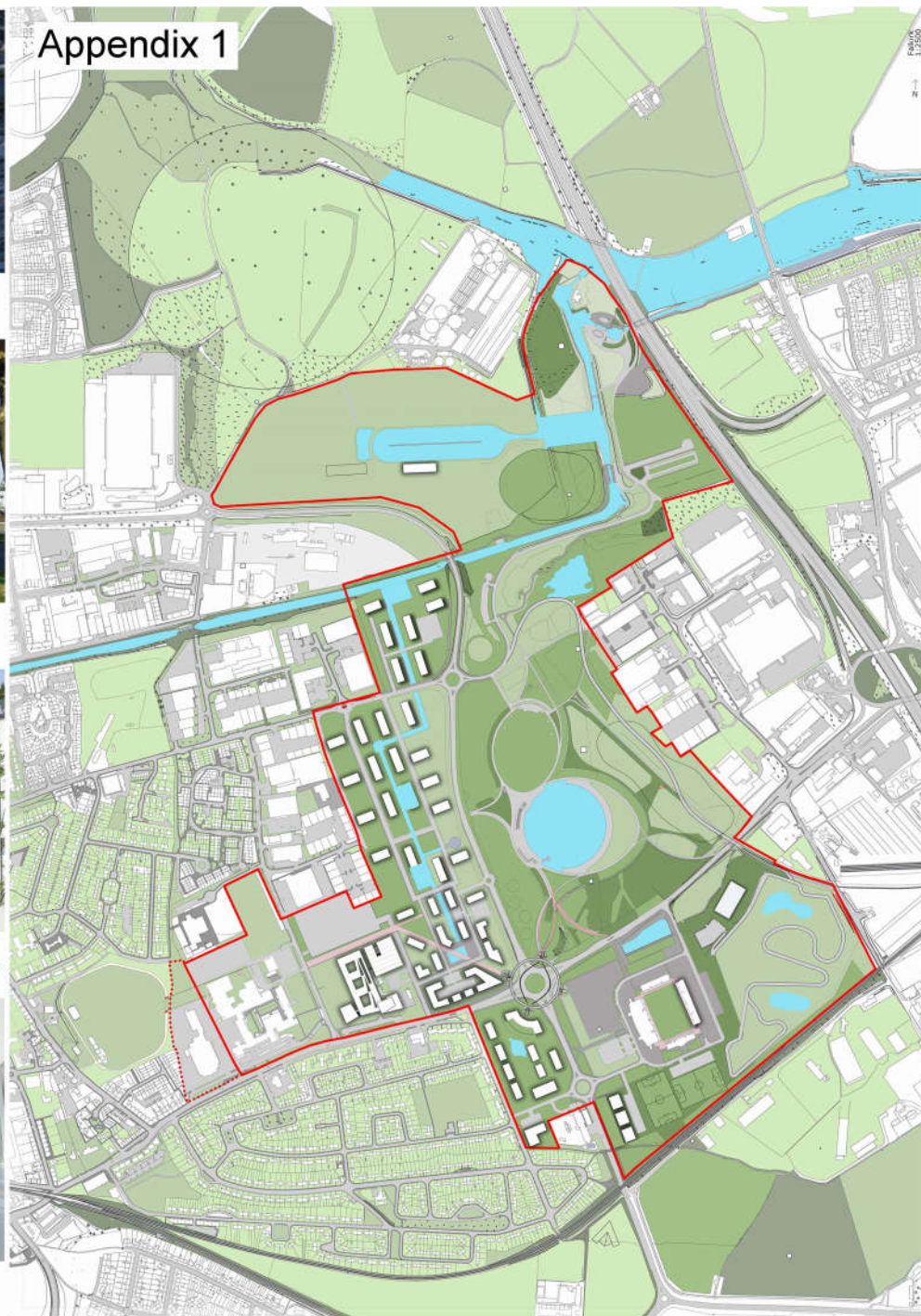


Mixed use - high tech office space with residential accommodation. Live/Work/Play



The Forth Valley College development - conference and education facilities

Appendix 1



Opportunities in district heating and CHP provision. Modular heat networks



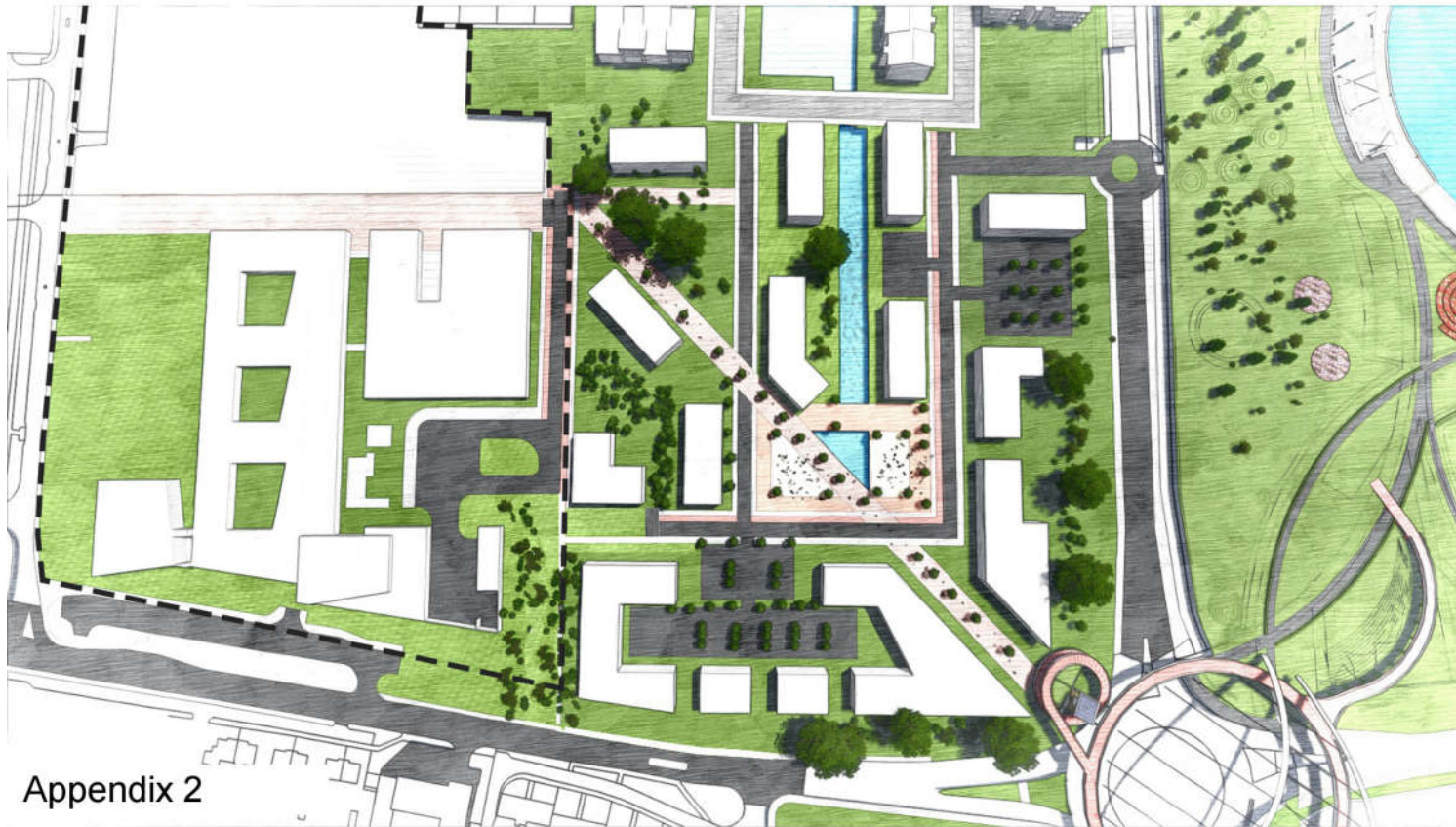
New marina and links to the canal network - an active role in sustainable urban drainage



Strengthen sport and health/fitness facilities - increase activities



Smart mobility hub - an innovative approach to personal transport



Zone 1

Land Use	Amount %
Hotel/conference	30
Office	30
High Tech Business	5
Business Start Up	5
Student Housing	10
Residential	5
Local Convenience Retail	5
Gastronomy	5
Local Energy Centre	5

Appendix 3: The Crossing Sketch Design



TIF Implementation Review Schedule

Year	TIF Business Case			Revised Implementation Schedule (Approved through Executive 29/4/14)			Revised Implementation Schedule (Sept 2015)		
	Name	Cost	Cumulative Expend	Name	Cost	Cumulative Expend	Name	Cost	Cumulative Expend
1 (13/14)	J6	£2.2m	£2.2m	Junction 6	£1m	£1m	Junction 6	£1.134m	£1.135m
							Westfield (R/about & Spurs)	£0.001m	
				Total	£1m		Total	£1.135m	
2 (14/15)	Laurieston Link Rd	£0.5m	£3.5m	Junction 6	£1.2m	£3.35m	Junction 6	£1.285m	£2.499m
	Enabling Wks	£0.8m		Enabling Works (Stadium)	£0.6m		Westfield (R/about & Spurs)	£0.026m	
				Enabling Wks (Abbotsford)	£0.25m		Enabling Works (Abbotsford)	£0.027m	
				Westfield (R/about & Spurs)	£0.3m		Enabling Works (Stadium)	£0.026m	
	Total	£1.3m		Total	£2.35m		Total	£1.364m	

3 (15/16)	Northern Distributor Rd	£5.3m	£9.55m	Icehouse Brae	£0.9m	£10.75m	Junction 6	£0.050m	£3.792m
				Westfield (R/about & Spurs)	£5.5m		Westfield Design (R/about & Spurs)	£0.050m	
	Enabling Wks	£0.75		Enabling Works	£1m		Enabling Works (Abbotsford)	£0.516m	
							Enabling Works (Stadium)	£0.627m	
							Gateway Masterplan	£0.05m	
	Total	£6.05		Total	£7.4m		Total	£1.293m	
4 (16/17)	Grangemouth Rd/A904	£0.2m	£16.45m	Westfield (Earlsgate R/about)	£4.8m	£18.65m	Junction 5 (Phase 1)	£3m	£7.062m
	FPS	£2.5m		Icehouse Brae	£1.6m		FPS	£0.27m	
	Enabling Wks	£4.2m		Junction 5 (Phase 1)	£1.5m				
	Total	£6.9m		Total	£7.9m		Total	£3.27m	
5 (17/18)	A904 Grangemouth Rd	£2m	£25.35m	FPS	£2m	£25.65m	Westfield (R/about & Spurs)	£3.63m	£15.692m
				Junction 5	£1.5m				

	J5	£2.7m		(Phase 1)			Gateway Phase 1 site enabling	£3m	
	FPS	£2.5m		Junction 5 (Phase 2)	£1.5m				
	Enabling Wks	£1.7m		Enabling Wks	£2m		FPS	£2m	
	Total	£8.9m		Total	£7m		Total	£8.63m	
6 (18/19)	A904 Grangemout h Rd	£2m	£34.25m	FPS	£2m	£34.35m	Westfield (R/about & Spurs)	£1.895m	£23.587m
				Enabling Wks	£4m				
	J5	£2.5m		Junction 5 (Phase 2)	£0.7m		Crossing	£4m	
	FPS	£2.5m					FPS	£2m	
	Enabling Wks	£1.9m		Westfield/A904	£2m				
	Total	£8.9m		Total	£8.7m		Total	£7.895m	
7 (19/20)	Westfield Roundabout	£2.5m	£39.25m	FPS	£2m	£40.55m	Westfield (Earlsgate R/about)	£4.8m	£33.570m
	FPS	£2.5m		Westfield/A904	£4.2m		Junction 5 (Phase 2)	£2.183	
	Total	£5m		Total	£6.2m		FPS	£2m	

							Enabling Works	£1m	
							Total	£9.983m	
8 (20/21)	Westfield Roundabout	£4.3m	£50.25m	FPS	£2m	£49.75m	Junction 5 (Phase 2)	£0.03m	£48.020m
	Avon Gorge	£6.7m		A801 Avon Gorge	£2.2m		Westfield/A904	£6.22m	
				Enabling Wks	£5m		FPS	£2m	
	Total	£11m		Total	£9.2m		A801 Avon Gorge	£2.2m	
							Enabling Wks	£4m	
							Total	£14.45m	
9 (21/22)	Icehouse Brae	£2.5m	£55.25m	FPS	£2m	£54.75m	FPS	£1.73m	£52.750m
	Enabling Wks	£2.5m		A801 Avon Gorge	£3m		A801 Avon Gorge	£3m	
	Total	£5m		Total	£5m		Total	£4.73m	
10 (22/23)	Enabling Wks	£1.25m	£56.5m	A801 Avon Gorge	£1.5m	£56.25m	A801 Avon Gorge	£1.47m	£54.220m
11 (23/24)	Enabling Wks	£1.3m	£57.8m	Enabling Wks	£1.55m	£57.8m	Icehouse Brae	£2.5m	£57.826m

							Enabling Wks	£1.106m	
							Total	£3.606	
TOTAL		£57.8m		TOTAL	£57.8m		TOTAL	£57.8m	

TIF ASSETS (Identified in the legal agreement)

The enabling infrastructure assets within the Wider Red-Line Area which are to be funded under the TIF Project comprise the following assets as such list of assets is amended from time to time with the agreement in writing of the Scottish Government (the "TIF Assets"):

Cluster 1

- c. £2.2m investment by the Council in the M9 Junction 6 Earlsgate Signalisation
- c. £5.2m investment by the Council in the M9 Junction 5 Cadgers Brae Signalisation
- c. £2.5m investment by the Council in the Icehouse Brae Upgrade
- c. £16.8m investment by the Council in the Westfield roundabout and A904 Upgrade
- c. £14.4m investment by the Council in Development Site Specific Enabling Works

Cluster 2

c. £6.7m investment by the Council in the A801 Avon Gorge Upgrade

Cluster 3

c. £10m investment by the Council in the Grangemouth Flood Prevention Scheme

Total is £57.8m