

Argyll and Bute Council
Comhairle Earra-Ghàidheal Agus Bhòid

Customer Services
Executive Director: Douglas Hendry



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14 August 2017

SUPPLEMENTARY PACK 1

**POLICY AND RESOURCES COMMITTEE - COUNCIL CHAMBER, KILMORY,
LOCHGILPHEAD on THURSDAY, 17 AUGUST 2017 at 11:00 AM**

I enclose herewith **item 14 (LORN ARC - UPDATE REPORT AS AT 14 JULY 2017)** which was marked to follow on the Agenda for the above meeting.

Douglas Hendry
Executive Director of Customer Services

ITEM TO FOLLOW

- 14. LORN ARC - UPDATE REPORT AS AT 14 JULY 2017** (Pages 1 - 28)
Report by Executive Director – Development and Infrastructure Services

Policy and Resources Committee

Councillor John Armour	Councillor Rory Colville
Councillor Robin Currie	Councillor Jim Findlay
Councillor Kieron Green	Councillor Roderick McCuish
Councillor Yvonne McNeilly	Councillor Aileen Morton (Chair)
Councillor Ellen Morton	Councillor Gary Mulvaney (Vice-Chair)
Councillor Douglas Philand	Councillor Alan Reid
Councillor Elaine Robertson	Councillor Len Scoullar
Councillor Sandy Taylor	Councillor Richard Trail

Contact: Hazel MacInnes Tel: 01546 604269

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ARGYLL AND BUTE COUNCIL**POLICY & RESOURCES COMMITTEE****DEVELOPMENT & INFRASTRUCTURE
SERVICES****17 August 2017**

LORN ARC - UPDATE REPORT AS AT 14 JULY 2017

1. EXECUTIVE SUMMARY

- 1.1 On 8 May 2014, Scottish Government ("SG") granted approval of the Lorn Arc Tax Incremental Financing ("TIF") Business Case, thereby awarding the Argyll & Bute Council Lorn Arc project (The "Project") TIF pilot status under the TIF pilot administration scheme. Selection of the Project as a pilot project provided SG and Scottish Futures Trust ("SFT") with an opportunity to assess how the TIF model might operate on a smaller scale project in a rural setting. This was regarded as an innovative approach to exploring a potential funding mechanism for a range of economic development and infra structure projects that otherwise could not be delivered within available funding. The Project consisted of 9 individual projects across various locations, namely: Barcaldine, Oban Airport, Dunbeg Corridor, and Oban town centre.

Unfortunately, due to a number of changes, such as changes in the wider economy and the follow on effects for business in Argyll & Bute, the business case, as originally envisaged, has proved unviable. A re-modelling exercise indicates that in all cases (best to worst case scenarios), there is a deficit over the 25 year TIF period for the full potential capital spend programme of £14.74m. Whilst the full programme has been assessed as financially unviable, it should be noted that the current level of approved drawdown (£1.388m. of which £0.785m has actually been drawn down and spent), is forecast as being capable of being paid from TIF income over the life of the project based on the current NDR assumptions.

- 1.2 Argyll & Bute Council submitted a letter (dated 3 February 2017), signed by the Leader of the Council and the Policy Lead for Sustainable Economic Growth, seeking confirmation from the SG of their willingness to engage with the Council to find alternative funding sources and/ or financing models for the delivery of the Lorn Arc programme and its associated social and economic outcomes. The Cabinet Secretary for Finance and the Constitution Derek MacKay replied (dated 26 February 2017), and confirmed that the affordability position of the Lorn Arc programme has been noted and advised that the SG remains committed to supporting Local Authorities and their use of innovative financing models to support inclusive growth.
- 1.3 At the March 2017 Policy & Resource Committee meeting, the Lorn Arc team was authorised to engage with SG and the SFT to progress alternative solutions for the delivery for the Lorn Arc programme, in line with the Ministerial comments noted above. The team met with SFT in March 2017 and a Council TIF Programme Board was subsequently held in April 2017.
- 1.4 The TIF Programme Board have noted that the likely solution for the programme would be the progression of a case for use of a growth model such as the Growth Accelerator or a Rural Growth Fund. Moving forward with an alternative funding model, however, requires a high degree of clarity and clear identification of the projects that would form the basis of that deal.
- 1.5 Individual projects are being progressed in different ways. A briefing meeting (on

Wednesday 9 August) for the Oban members included an overview of this. In addition to the detail within the main body of the paper, the updates provided at this meeting are included as appendices.

- 1.6 Budget: Detailed below is the current budget position for both the revenue and capital approved budget allocations.

REVENUE	£000s
Total approved funds	1,607
Total project spend to date June 2017	464
Balance	1,143
CAPITAL	£000s
Total borrowing approved	1,388
Total project spend to date June 2017	785
Balance	603

- 1.7 It is recommended that the Policy & Resources Committee:

1. Note the updates on the Lorn Arc programme provided in the paper and the attached Appendices A through to I.
2. Note the detail provided in para 4.4 of this report and endorse officers continuing to explore alternative funding models that will unlock the economic potential of Oban.
3. Agree that the remaining available drawdown of £90k can be used as a contingency fund for Project 1. Lorn/ Kirk Road and note that the Lorn Arc team will continue to manage Project 1. Lorn/ Kirk Road until the infrastructure (road and associated utilities) element of the project is delivered, and that once delivered, the project will be removed from the TIF programme.
4. Note and endorse that with regard to Project 3. Halfway House Roundabout, officers are working with the private sector on potential investment opportunities, and are presently awaiting feedback from private sector commercial agents.
5. Agree to the development of a Strategic Development Framework for Project 4. Oban South and a report coming back to members in the first quarter of 2018.
6. Agree to the development of an options appraisal for Project 5. North Pier Extension, which will be discussed with members in December.
7. Note that with regard to Project 9. Oban Airport Access and Enablement, the Lorn Arc team are working with a range of Council Services to enable the work on this project to be completed.

LORN ARC - UPDATE REPORT AS AT 14 JULY 2017

2. INTRODUCTION

- 2.1 This report provides the Policy & Resources Committee with an update on progress in relation to the Lorn Arc TIF, and the latest budget position as at the end of June 2017.

3. RECOMMENDATIONS

- 3.1 It is recommended that the Policy & Resources Committee:
1. Note the updates on the Lorn Arc programme provided in the paper and the attached Appendices A through to I.
 2. Note the detail provided in para 4.4 of this report and endorse officers continuing to explore alternative funding models that will unlock the economic potential of Oban.
 3. Agree that the remaining available drawdown of £90k can be used as a contingency fund for Project 1. Lorn/ Kirk Road and note that the Lorn Arc team will continue to manage Project 1. Lorn/ Kirk Road until the infrastructure (road and associated utilities) element of the project is delivered, and that once delivered, the project will be removed from the TIF programme.
 4. Note and endorse that with regard to Project 3. Halfway House Roundabout, officers are working with the private sector on potential investment opportunities, and are presently awaiting feedback from private sector commercial agents.
 5. Agree to the development of a Strategic Development Framework for Project 4. Oban South and a report coming back to members in the first quarter of 2018.
 6. Agree to the development of an options appraisal for Project 5. North Pier Extension, which will be discussed with members in December.
 7. Note that with regard to Project 9. Oban Airport Access and Enablement, the Lorn Arc team are working with a range of Council Services to enable the work on this project to be completed.

4. DETAILS

- 4.1 On 8 May 2014, Scottish Government ("SG") granted approval of the Lorn Arc Tax Incremental Financing ("TIF") Business Case, thereby awarding the Argyll & Bute Council Lorn Arc project (The "Project") TIF pilot status under the TIF pilot administration scheme. Selection of the Project as a pilot project provided SG and Scottish Futures Trust ("SFT") with an opportunity to assess how the TIF model might operate on a smaller scale project in a rural setting. This was regarded as an innovative approach to exploring a potential funding mechanism for a range of economic development and infrastructure projects that otherwise could not be delivered within available funding. The Project consisted of 9 individual projects across various locations, namely: Barcaldine, Oban Airport, Dunbeg Corridor, and Oban town centre.

Unfortunately, due to a number of changes, such as changes in the wider economy and the follow on effects for business in Argyll & Bute, the business case as originally envisaged has proved unviable. The last TIF Executive meeting with SG and SFT took place on 5 December 2016, where the financial model update that took into account changes arising from a property market conditions review was reported. The Commercial Agent's (Ryden) report, taken together with the Council's own knowledge of the prevailing local market conditions, suggested that timing and magnitude of future development and the associated incremental Non Domestic Rates ("NDR") generation is unlikely to be forthcoming as anticipated in the 2013 Full Business Case ("FBC"). The result of this re-modelling exercise was that in all cases (best to worst case scenarios), there is a deficit over the 25 year TIF period for the full potential capital spend programme of £14.74m. This exercise demonstrates that, in the present form, the full TIF programme of £14.74m is not currently affordable, based on those current NDR assumptions.

Whilst the full programme has been assessed as financially unviable, it should be noted however, that the current level of approved drawdown (£1.388m, of which £0.785m has actually been drawn down and spent), is forecast as being capable of being repaid from TIF income over the life of the project based on the current NDR assumptions. It was reported in March 2017, that no one event or issue has led to the current affordability position, rather a combination of a number of factors such as change in property market assumptions, new business eligibility for the SG reliefs & exemptions in terms of NDR, and change in land ownership at the Barcaldine site. Key projects are still being progressed through various means and details are outlined below. Notwithstanding this progress the project team continues to take a cautious and prudent approach in terms of delivery and the drawdown of any further TIF debt will continue to be subject to affordability testing and internal governance processes as outlined in the Project Initiation Document ("PID").

- 4.2 Argyll & Bute Council submitted a letter (dated 3 February 2017), signed by the Leader of the Council and the Policy Lead for Sustainable Economic Development, seeking confirmation from the SG of their willingness to engage with the council to find alternative funding sources and/ or financing models for the delivery of the Lorn Arc programme and its associated social and economic outcomes. The Cabinet Secretary for Finance and the Constitution Derek MacKay replied (dated 26 February 2017), and confirmed that the affordability position of the Lorn Arc programme has been noted and advised that the SG remains committed to supporting Local Authorities and their use of innovative financing models to support inclusive growth. He also endorsed further exploration of viable alternative options that will deliver economic growth within the Lorn Arc area.
- 4.3 At the March 2017 Policy & Resource Committee meeting the Lorn Arc team was authorised to engage with SG and SFT to progress alternative solutions for the delivery for the Lorn Arc programme. The team met with SFT in March 2017 and a Council TIF Programme Board was subsequently held in April 2017.
- 4.4 The TIF Programme Board have noted that the likely solution for the programme would be the progression of a case for use of a growth model such as the Growth Accelerator or a Rural Growth Deal. Both options are similar in that they require the identification of economic outcomes (e.g. jobs, GVA etc.) resulting from public sector provision of infrastructure. Initial funding is generally provided by the Local Authority, at risk, and government funding is only released when pre-agreed outcomes are achieved. Growth Accelerators and Growth Deals differ from TIF programmes in that they do not rely on increased NDR to repay borrowing. The level of funding is certain provided the outcomes are achieved. If projects are clearly identified and defined ahead of discussions in relation to an Argyll wide Rural Growth Deal then it would be possible to seek develop a Growth

Accelerator business case for Oban to replace the TIF model. This, however, requires a high degree of clarity and clear identification of the projects that would form the basis of that deal. This is necessary in order to identify outcomes that could reasonably be expected to result from the investment, which represent an acceptable level of risk to the Council and which meet the aspirations of Scottish Government. The paragraphs below outline the position in relation to projects currently under consideration.

- 4.5 **North Pier Extension:** With the recent opening of the CHORD Transit Berthing Facility, the North Pier is becoming more tourist focused. As a result of this it is considered that an options appraisal for the future potential development of North Pier will be taken forward and presented to OLI members in December. Other locations in North Lorn will also be looked at to support the increased Lorn industrial demand which is more suited to a site outwith Oban town centre.
- 4.6 **South Oban Development Zone:** The original TIF business case did not identify a specific project in the south of Oban but made assumptions about the potential investment and returns. The view is that in terms of Oban South Development Zone, the development of a Strategic Development Framework is essential. This will capture 'Oban as a University Town' ("OaUT"). And is based on the fact that this initiative is likely to be integral to this project and the Council continues to have positive discussions with Highlands and Islands Enterprise ("HIE") and education partners in this regard. It should be noted that the OaUT initiative has a project team and steering group made up of a group of stakeholders, of which the Council is a member of each. A 5 year Action Plan is to be developed by the end of October 2017 and this is expected to identify infrastructure requirements which will need further investigation (including where necessary captured in the Local Development Plan 2 which is due for adoption in 2020). These may require public sector funding. Until the infrastructure requirements are identified it is not possible to factor any projects into a business case for an alternative funding mechanism.

In addition to the OaUT work, there are various other works ongoing by HIE (facilitation and construction of a new road which will release circa 5 acres of business land), Council Estate Services on potential uses of unused land, Council Road Services with a car parking study of Council owned car parks (potential car parking solution being explored), and development of the Roads Depot site that was demolished after a fire. An update to Strategic Development Framework will be reported to Members early 2018.

- 4.7 **Oban Airport:** An access road has been built as envisaged in the original TIF business case and further work has been ongoing to inform options for marketing and developing the site. Commercial Agents Ryden have recently completed a report assessing the property market and considering options for development of the site. In summary the report findings support through a public/ private joint venture, a phased development for a mixed use development, to offer some class 4 (office) and class 5/6 (industrial) space, while reserving land for future hotel and aircraft hangar phases. In the 2013 Full Business Case it was envisaged that the demand would come from class 4 (office) use. This did not materialize and this approach aligns with Private Sector interest already on the site where there is a higher demand for class 5/6 (industrial). A master plan is currently being prepared which, together with Council investment options for the Airport Business site, can be used to market the site for development on a joint venture basis. Proceeding on the basis of a joint venture would provide access to private capital, expertise and the sharing of risk. It is anticipated that the draft masterplan to cover Oban airport land holdings will be complete by the end of August. .

The masterplan document being produced by the Lorn Arc team looks at the development potential for all of the land out-with the current Airport operational boundary (this goes beyond the area originally identified in the TIF business case) which is predominantly

within Council ownership (there are small pockets of ground owned by third parties). The focus of the masterplan is on various, currently unused, areas of ground owned by the Council, which, if developed responsibly, are a potential source of both revenue generation for the Council and socio-economic uplift for the wider community. This masterplan packages these land parcels into 'sites' and then explores their development potential and the measures needed to realise / explore further this development potential.

Further detailed development of options and discussions on the path forward will take place between Development and Infrastructure Services and Customer Services to determine our development strategy for the site, which will build upon the assessment of market and planning potential, appraised values and will recommend a way forward for the Council. Through Business Days, OLI Members will be kept updated on this process as it develops.

- 4.8 **Dunbeg Lorn/ Kirk Road:** Council Housing officers previously submitted an expression of interest to SG for up to £1.75m in grant funding to upgrade the Dunbeg Lorn/ Kirk Road under the SG Housing Infrastructure Fund ("HIF"). This grant funding has been earmarked for the project by SG but requires a detailed application with associated costings to the SG HIF. The Council Invitation to Tender was placed on Public Contracts Scotland on 23 June 2017, and contractor replies received 7 July 2017. The replies are presently being evaluated for Preferred Contractor and the intent is to have the final HIF application costs to SG mid-September 2017. Subject to a successful grant application, and to allow alignment with HIE and the Public Utility companies, forecast construction would start January 2017, with completion mid-2018. SG have requested under the Lorn/ Kirk Road HIF application for the Council to submit as part of the grant application package, what the Council contribution will be. It is proposed, in principle that the design and survey costs of £0.148m are the Councils contribution. SG have also informed the Council that the HIF would be provided in the same way as a Housing Association Grant, so we could not apply for any more than the contract value, or apply for any contingency. It is also proposed in principle, that if during project execution a requirement for contingency such as compensation events occurs, the remaining available drawdown of £0.09m of the approved £0.238m is available for use. It should be noted that the current level of approved drawdown (£1.388m. of which £0.785m has actually been drawn down and spent), is forecast as being capable of being paid from TIF income over the life of the project based on the current NDR assumptions.

As the potential SG HIF will fund the construction of the Lorn/ Kirk Road only to the turn for the existing housing estates, and not to the European Marine Science Park which is a further circa 170m of road, Council Officers communicated to HIE that there would be the potential of considerable savings to HIE if they were able to have an approved design and use the same works contractor as the Council. HIE are therefore presently looking at funding options for their design and construction.

The Lorn Arc team have the Project Management lead throughout the SG HIF application process and the construction works until the project is delivered. After the project is delivered and adopted by the Councils Roads Officers, the project can be withdrawn from the TIF programme and taken forward by appropriate council officers, HIE in relation to their own section of the road, and housing developers.

- 4.9 **Dunbeg Halfway House Roundabout:** The developer planning a large scale luxury hotel and spa resort at the Dunbeg/ Halfway House site has recently renewed the planning permission in principle approval for the roundabout and is seeking to renew planning consent for its own development, which signals a positive intention from the developer. In addition, a commercial area sub-committee of the Dunbeg Working Group which is chaired by Link Group, met on Monday 7 August 2017. Participants included

representatives of the Council, the developer, Link Groups Construction Consultants MacLeod's and their Commercial Consultants Colliers. The meeting was positive and the Council reconfirmed its willingness to invest circa £2m, as soon as the private sector responded in a way that lets us proceed i.e. evidence that sufficient NDR income that will repay the Councils borrowing will be forthcoming. Assuming it is viable, officers will progress the project to construct the roundabout, which would provide access to the hotel site to the east and a small commercial site to the west (road access to potential housing sites would not be eligible for the TIF programme funding).

4.10 **Programme Risks:** Following the November 2016 financial model update, and issues arising since in terms of project delivery timeframes, the majority of the risks are deemed high around the complexity of the funding model, and lack of private investment. All of which are regularly monitored with movements reported to Members, the TIF Executive and TIF Programme Board. In terms of Project Risks, Dunbeg Lorn/ Kirk Road Improvements is deemed to be a medium risk, due to the potential of securing SG HIF funding.

4.11 **Financial Model Summary Output:** The financial model calculates the affordability of the Programme over the life of the TIF Agreement. Amendments to timescales, cost of the TIF investment, projected increases in NDR and their timing, cost of borrowing and inflation can all change the output of the programme financial model.

As reported in March 2017, the Commercial Agent's (Ryden) report, taken together with Argyll & Bute Council's own knowledge of the prevailing local market conditions, suggested that the timing and magnitude of future development and the associated incremental NDR generation is unlikely to be forthcoming as anticipated in the 2013 FBC. The result of this re-modelling exercise was that in all cases (best to worst case scenarios), there was a deficit over the 25 year TIF period for the full potential capital spend programme of £14.74m. This exercise demonstrates that, in the present form, the full TIF programme of £14.74m is not currently affordable, based on those NDR assumptions. It should be noted however, that the current level of approved drawdown (£1.388m, of which £0.785m has actually been drawn and spent), is forecast as being capable of being repaid from TIF income over the life of the project based on current NDR assumptions.

4.12 **Budget:** Detailed below is the current budget position for both the revenue and capital approved budget allocations.

REVENUE	£000s
Total approved funds	1,607
Total project spend to date June 2017	464
Balance	1,143
CAPITAL	£000s
Total borrowing approved	1,388
Total project spend to date June 2017	785
Balance	603

5. CONCLUSION

5.1 The team's current focus for delivery of projects in the Oban area is the Dunbeg corridor, which would see development of the Halfwayhouse roundabout (potentially via current TIF arrangements), Lorn Road/ Kirk Road development (via SG's Housing Investment Fund), and the Oban Airport Business Park (via a potential public private joint venture) that will be informed by market reports, development options and a masterplan covering

Oban Airport land holdings. The team is also taking forward a Strategic Development Framework in association with Project 4 – Oban South with the intention to report back to Members in the first quarter of 2018.

In view of progress to date and reported changing market conditions, the team continue to review projects to analyse the potential of them being delivered under current TIF arrangements (with an initial focus on the Dunbeg corridor and commercial/ leisure development, which this would unlock). However, work continues to explore all potential projects which could deliver economic and social benefits for the Lorn Arc area and this exploratory work will be undertaken with cognisance of the work that is ongoing with regards to the Rural Growth Deal.

If projects are clearly identified, and fully defined, ahead of discussions in relation to an Argyll wide Rural Growth Deal then it would be possible to seek to develop a Growth Accelerator business case for Oban to replace the TIF model. This would require Scottish Ministerial approval.

6. IMPLICATIONS

- 6.1 **Policy** - The delivery of this project fits with the Council's Corporate Plan, Local Outcomes Improvement Plan, Economic Development Action Plans (EDAPS) and approved Local Development Plan. The economic outcomes from this project will contribute to the Scottish Government's National Economic Strategy.
- 6.2 **Financial** - Note affordability of NDR uplift, also alternative funding sources being pursued, and that the current level of approved drawdown (£1.388m, of which £0.785m has actually been drawn down and spent), is forecast as being capable of being repaid from TIF income over the life of the project under current NDR assumptions.
- 6.3 **Legal** - Each project will have differing legal requirements; this will be laid out in each project's PID. No legal issues at Programme level.
- 6.4 **HR** - None.
- 6.5 **Equal Opportunities** - There are no equal opportunities implications.
- 6.6 **Risk** - As outlined in 4.10.
- 6.7 **Customer Service** - There are no customer service implications.

Executive Director Development and Infrastructure Services: Pippa Milne.

Policy Lead: Aileen Morton.

11th August 2017

For further information - please contact:

David Gunn

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Development and Infrastructure Services. 01631 567951

APPENDICES

Appendix A – Tax Incremental Financing Overview

Appendix B – Project 1. Lorn Kirk Road

Appendix C – Project 2. Dunbeg Gateway Features

Appendix D – Project 3. Halfway House Roundabout

Appendix E – Project 4. Oban South

Appendix F – Project 5. North Pier Extension

Appendix G – Project 6. North Pier Streetscape

Appendix H – Projects 7 & 8. Barcaldine Access Improvements / O&M Investments

Appendix I – Project 9. Oban Airport Access and Enablement

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Tax Incremental Financing (TIF)

2013 - Full Business Case (FBC) developed.

May 2014 - Scottish Government (SG) approve FBC for £18.9m.

September 2015 - Project 9, Existing Access Improvements and Business Park Enablement, Oban Airport starts. The commencement of the works meet the deadline for the first TIF investment. Argyll and Bute Council able to collect new Non Domestic Rates within the red-line area.

October 2016 - There was concern that individual projects may not be able to generate the required uplift in Non Domestic Rates revenue to pay off the intended Council borrowing. Therefore Commercial Agents were appointed to review the economic assumptions in the 2013 FBC.

December 2016 – The Commercial Agents report taken together with the Councils own knowledge of prevailing market conditions, suggested that timing and magnitude of future development and associated NDR generation is unlikely to be forthcoming. The exercise demonstrates that in the present form, the full TIF programme of £14.74m (Barcaldine projects 7 & 8 removed) is not currently affordable based on those current NDR assumptions. But the current level of approved drawdown (£1.388m) is forecast as being capable of being repaid.

February 2017 – ABC submitted a letter, signed by Leader and Policy Lead seeking confirmation from SG of their willingness to engage with the Council to find alternative funding sources and/ or financing models for the delivery of the Lorn Arc programme and its associated social and economic outcomes.

February 2017 – The Cabinet Secretary for Finance and the Constitution replied and confirmed that the affordability position of the Lorn Arc programme has been noted and advised that the SG remains committed to their use of innovative financing models to support inclusive growth. Also that he recognised the work that has been undertaken by ABC to find a solution and would welcome considerations of how this might fit with other interventions, such as the proposed Rural Growth Deal.

March 2017 – P&R Committee authorises the Lorn Arc team to engage with SG and SFT to progress alternative solutions for the delivery of the Lorn Arc Programme.

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Project 1. Lorn / Kirk Road

Original Proposal – Road widening and junction improvements to provide better access to the SAMS/EMSP area. This investment reflects the scheme included in the outline TIF submission and is seen as the principal early investment option which will enable the further development of the SAMS and particularly the European Marine Science Park. This investment will directly enable the development and result in additional NDR to include in the financing of the loans. Two new business park units (20,000sqft each) are planned and it is envisaged that there may be scope for a further unit (20,000sqft) if market demand is high. The additional benefits of this investment include the release of up to 100 residential units.

Project total - £2.75m.

What Has Been Done – Previously Council Members approval start-up costs of £0.238m to produce a design and business case. Since then Council Housing officers have submitted an expression of interest to Scottish Government for up to £1.75m in grant funding to upgrade the Lorn/ Kirk Road under the Scottish Government Housing Infrastructure Fund (“HIF”). This grant funding has been earmarked for the project by Scottish Government but requires a detailed application with associated costings to the SG HIF. The design was completed and the Council Invitation to Tender was placed on Public Contracts Scotland on June 2017, and contractor replies received July 2017. The replies are presently being evaluated for Preferred Contractor and the intent is to have the final HIF application costs to SG September 2017.

Next Steps - Subject to a successful grant application, forecast construction would start November 2017, with completion early 2018. Scottish Government have also requested under the Lorn/ Kirk Road HIF application for the Council to submit as part of the grant application package, what the Council contribution will be. It is proposed, in principle, that the design and survey costs are the Councils contribution. This grant funding takes the project out with the Lorn Arc TIF programme.

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Project 2. Dunbeg Gateway Features

Original Proposal – New Gateway features on approach to Dunbeg and at the existing junction into the area. While this investment will have no direct impact on Non Domestic Rates, the perception and visibility of the Dunbeg area is seen as crucial to raising the profile of the internationally recognised marine science education, research and business park facilities.

Project total - £0.2m.

What Has Been Done – The project will be further progressed following approval of the road infrastructure works for projects 1. Lorn/ Kirk Road and 3. Halfway House Roundabout.

Next Steps – Although communications from Transport Scotland indicate that the A85 Junction to Dunbeg Safety Assessments indicated no high level concerns (this was reiterated at the Dunbeg Community Council Q&A session at SAMS, 7 August 2017), and hence no alterations required, the perception of the Dunbeg Community is the opposite. This Gateway Features/ Traffic Calming project will assist the Dunbeg Community to their safety concerns of the A85 junction.

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Project 3. Halfway House Roundabout

Original Proposal – New roundabout and road infrastructure to the south and west of Dunbeg. The primary housing allocation to the north of Oban is the Dunbeg Corridor and the masterplan for this area has proposed commercial, business leisure and retail uses. To the east side of the Trunk Road is an area proposed for leisure use including a spa hotel and holiday complex. Both of these development area are entirely dependent on the creation of a new trunk road junction and enabling road access. The TIF investment proposed would part fund the enablement of the new Trunk Road junction and the first section of road to the west. This is seen as essential to bring forward the developments and kick start the wider investment in the area. The risk to the Council would be managed through limiting the exposure through part funding and negotiation of agreements relating to the timing and delivery of key components which would result in returns through additional Non Domestic Rates.

Project total - £2m.

What Has Been Done –The developer planning a large scale luxury hotel and spa resort has recently renewed the planning permission in principle approval for the roundabout and is seeking to renew planning consent for its own development, which signals a positive intention from the developer. In addition, a commercial area sub-committee of the Dunbeg Working Group which is chaired by Link Group, had the first meeting on Monday 7 August 2017. Participants attended from of the Council, the developer and Link Groups Consultants MacLeod's and Commercial Agents Colliers. The project to construct the roundabout, may still be viable under the TIF model.

Next Steps - Assuming the project is viable officers will progress the project but only seek approval to deliver it if a suitable back to back agreement can be reached with the private developer that provides reassurance that the Non Domestic Rates income that will repay the Council's borrowing, will be forthcoming.

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Project 4. Oban South

Original Proposal - The Local Development Plan identifies an area which is being considered for master planning and development for primarily business and industrial use. The allowance within the TIF proposal is for the development of enabling road improvements and parking changes to regenerate large parts of the town centre. While no specific interventions are identified at this time, as the masterplan develops the specific priority investments and the appropriate use of TIF investment will be considered. The area included has historically seen development of various uses which now do not sit well together and there is an opportunity to re-organise and open up prime development sites close to the town centre and stimulate private sector investment.

Project total - £3m.

What Has Been Done - Analysis of the financial viability of the Lorn Arc TIF programme has been undertaken as demand for new business space has been less than anticipated in the original business case. A decision is yet to be made regards the best mix of enabling infrastructure for Oban South. Once Argyll and Bute Council decide on the proposed TIF Assets for Oban South, a Gateway Review Process must be followed as per the TIF Agreement. Approval to proceed will require unanimous approval from the Council, Scottish Futures Trust and Scottish Government. A bid was submitted for an Oban Charrette however this bid was unsuccessful. Instead internal workshops were held focusing on the key development sectors of Oban University Town, Tourism and Maritime.

Next Steps - Meetings with Highlands and Islands Enterprise (HIE) and Argyll College UHI have been held to discuss ways in which the redevelopment of Oban South could contribute to the ambition of Oban being widely recognised as a University town. Lorn Arc team are engaging with council officers to tease out the current issues facing expansion / development of these sectors and any perceived infrastructure barriers to such development. A 5 year HIE Action Plan is to be developed by the end of October 2017 and this is expected to identify infrastructure requirements which will need further investigation. These may require public sector funding. Until the infrastructure requirements are identified it is not possible to factor any projects into a business case for an alternative funding mechanism.

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Project 5. North Pier Extension

- **Original Proposal** – Extension of North Pier berthing face by around 50m and the creation of circa 2,000sqm of additional space for access, parking, and potential development land. Additional harbour areas to support existing uses and cater for increasing demands for a variety of sectors is expected to result in additional port fees, parking fees and potential NDR from new or expanded facilities around the North Pier area. A full design and planning exercise is required to advance this proposal. The investment is essentially to improve an existing facility and there is scope to amend the extent and specification to meet the budget and therefore the overall risks are seen as low in terms of deliverability.

Project total - £5.2m.

- **What Has Been Done** – The Policy & Resources Committee approved start-up costs of £0.56m for this project on 14 May 2015. Sequencing with other complementary capital regeneration projects to include the CHORD Transit Berthing Facility (completed July 2017) and the Maritime Visitor Facility (due to complete in November 2017), options are currently being assessed for physical and financial viability. Work is in progress on the North Pier FBC with Marine Surveys, and an Economic Impact Assessment is currently being scoped for procurement.
- **Next Steps** - Discussions with Piers and Harbours service to determine revenue costs and income and operational opportunities. Ongoing investigations for utilities requirements and constraints to development informed with geophysical survey, wave analysis and concept report. Scoping of delivery options including user groups, potential development partners and funders.

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Project 6. North Pier Streetscape

Original Proposal – Remodelling of the council owned street areas on the North Pier to provide improved facilities for tourists and other pier users. To tie in and match the CHORD Public Realm Schemes. The intent is aimed at seeing the proposed extension of the North Pier as completing the area works started by CHORD, not as a separate and disjointed addition. While the costing of this improvement is high level at this stage due to the specific options for the works being undefined, the risks are seen as low due to the council ownership and the potential to manage the specification and scope to meet the budget.

Project total £1m.

Next Steps – Following the finalisation of the Oban CHORD Public Realm Schemes, and design approval of Project 5. North Pier Extension, discussions will take place on how best to proceed with this element.

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Project 7 & 8 Barcaldine Access Improvements / O&M Investments

Original Proposal –Improved access to MRC Barcaldine, including a new junction and connections to two adjacent development sites identified in the Local Development Plan. Delivering a dedicated and much improved access to three key sites around the Barcaldine area would enable reconfiguration of the MRC Barcaldine site and provide access to two sites identified in the Local Plan. The new junction would be implemented as a ghost island junction with associated signage, gateway and landscaping improvements.

Projects total £0.4m and £3.75m.

What Has Been Done – Through the intervention of private sector investment, and with the sale of the Barcaldine site, Projects 7 and 8, totalling £4.15m are now no longer required, and removed from the TIF programme. Scottish Sea Farms, will invest £35m to create a new freshwater hatchery which will be used to rear young salmon, or smolts, in bio-secure and environmentally friendly conditions, with the potential of 25 new permanent skilled jobs created.

Next Steps - Aquaculture (in particular seaweed harvesting and processing) is currently viewed as a key potential growth sector for Argyll & Bute, with significant potential to create economic value and jobs for the area. Whilst there is a desire to facilitate/ enable development of the aquaculture sector in North Lorn, there are currently no specific development opportunities or sites identified. Opportunities are expected to present themselves over time as this sector grows, and therefore, there may be a role for the Council in terms of site enablement in due course.

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Project 9. Oban Airport Access and Enablement

Original Proposal – Road link and services to enable a new business park to the south of the existing Airport Roundabout. The enablement of an area of land on the south east side of the existing airport for business park use is considered to be a means of maximising the use and benefits of the airport facility. There is potential that businesses related to the use of the airport facility may be attracted but the potential for small scale start up units has been suggested. The costs within the business case are purely related to the provision of a central spine road and associated utilities which would enable either private sector or supported development of the plots on the site to be progressed.

Project total - £0.59m.

What Has Been Done – An access road has been built as envisaged in the original TIF business case. The construction work was undertaken by Argyll and Bute Council Roads Operations team and completed in December 2015. Further work has been ongoing to inform options for marketing and developing the site. Ryden have recently completed a report assessing the property market and considering options for development of the site. In summary the report findings support phased development for mixed uses through a public/ private joint venture.

Several meetings have taken place between Private Sector interested parties and Council Officers to start to scope out potential investment.

Next Steps - A master plan is currently being prepared which, together with Council investment options, can be used to market the site for development on a joint venture basis. It is anticipated that the masterplan will be complete by the end of August. The masterplan document looks at the development potential for all of the land out-with the current Airport boundary which is predominantly within Council ownership. The focus of the masterplan is on various, currently unused, areas of ground owned by the Council, which, if developed responsibly, are a potential source of both revenue generation for the Council and socio-economic uplift for the wider community. This masterplan packages these land parcels into 'sites' and then explores their development potential and the measures needed to realise this development potential.

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