

EAST AYRSHIRE COUNCIL

CABINET – 17 AUGUST 2011

TAX INCREMENTAL FINANCING (TIF)

Report by Chief Executive

1. PURPOSE OF REPORT

- 1.1 The purpose of the report is to seek Cabinet's approval for the Council to submit an initial application for a Tax Incremental Finance Project to support the future implementation of the draft Kilmarnock Integrated Urban Development Plan.

2. BACKGROUND

- 2.1 Tax Incremental Financing (TIF) is a means of funding public sector investment infrastructure judged to be necessary to unlock regeneration in an area, and which may otherwise be unaffordable to local authorities. The overarching goal of TIF is to support and guide the increasingly limited public finances available for assisting regeneration and helping to lever in additional private sector capital.
- 2.2 TIF uses future additional revenue gains from Non Domestic Rates (NDR) to finance the borrowing required to fund public infrastructure improvements that will in turn create those gains. When a public project such as a new road system is constructed within a specific area, increases in the value of the land as well as new property and business investment can occur. Resultant increased site value and investment generates increased NDR revenues. These increased revenues are the 'tax increment'.
- 2.3 Scottish Government, through the Scottish Futures Trust, have been piloting TIF in three sites within Scotland (Glasgow, Lanarkshire and Edinburgh) and have now written to Councils in Scotland seeking initial expressions of interest in 3 more smaller projects. East Ayrshire Council propose to prepare an initial bid, the potential focus of which is outlined below.

3. PROPOSAL

Draft Integrated Urban Development Plan

- 3.1 The Council has recently co-funded the development of a new draft Integrated Urban Development Plan (IUDP) for Kilmarnock. The Plan has been the subject of a public consultation exercise, the outputs of which will be brought to Cabinet in September. The draft Plan outlines a range of potential projects which could support the regeneration of the town, building on the extensive work which the Council has undertaken over recent years.
- 3.2 Implementation of the Plan will require the Council to source significant additional funding, and TIF is one of a number of funding streams which are being actively pursued. The deadline for the submission of the initial bids for TIF is 19th August and thus it cannot wait until the draft IUDP has been adopted. However, it is anticipated that a number of the key projects within the draft IUDP, which includes redevelopment of two key sites, and revisions to the present one-way road system

within the town centre, will be included in the final Plan. The two key sites are the present Diageo Hill Street Bottling Plant, immediately to the north of Kilmarnock Railway Station, and the 'Top of the Town' site, immediately to the north of Kilmarnock Bus Station, which is predominantly used for car parking at present. On this basis it is proposed to submit an initial bid for TIF funding to support the future potential implementation of these elements of the draft IUDP.

- 3.3 The Hill Street site has recently secured change of use from Industrial to Mixed Use, and the draft IUDP has put forward a mixed use proposal for the Top of the Town site. However, changes to the access to and infrastructure on both sites may be necessary to attract private sector investment, and TIF offers an opportunity for this work to be taken forward. The IUDP has also identified the physical barrier which the present one-way-system presents between the core of the town and other key locations such as the Railway Station, Parks and Palace Theatre, and presents outline proposals to break down these barriers. Potentially TIF funding could be utilised to support road improvements.
- 3.4 Only a broad outline of the project is required at this stage. These outline bids will then be the basis of an assessment by the Scottish Futures Trust and Scottish Government, with the three successful submissions then being required to prepare more detailed proposals later in 2011. A decision on the successful submissions is expected by the end of September.

4. POLICY IMPLICATIONS

- 4.1 There are no policy implications at this stage.

5. FINANCIAL IMPLICATIONS

- 5.1 There are no financial implications for the Council in relation to the preparation and submission of the initial funding bid.

6. LEGAL IMPLICATIONS

- 6.1 At this stage, there are no legal implications for the Council.

7. RECOMMENDATIONS

- 7.1 Cabinet is asked to:
- (i) Approve the preparation and submission by the Council of an initial bid for Tax Incremental Financing, to support the implementation of key projects within the draft Kilmarnock Integrated Urban Development Plan;
 - (ii) In the event our approach being approved by Scottish Futures Trust and Scottish Government, details of the developed proposal will be submitted to Cabinet for approval; and
 - (iii) To otherwise note the report.

FIONA LEES
Chief Executive
11 August 2011