

To achieve the Project Outcomes the Grantee will invest in CEC Growth Assets as part of the Catalytic Development which will in turn trigger wider investment, both public and private in the city centre of Edinburgh. It is anticipated that the investment will in turn create a series of revenue streams for both the Grantee and the Scottish Ministers. The “CEC Growth Assets” are:

- Public realm and infrastructure improvements at James Craig Walk;
- Accessibility and permeability improvements around the St. James Centre;
- Public realm at Picardy Place;
- A multi-modal transport interchange at the junction of Leith Walk, Leith Street and York Place; and
- The Energy Centre.

described in and shown on the Draft Approved Drawings, as such assets are further defined during project design stages or amended in accordance with this Offer of Grant. The Executive Group (as further defined at Schedule 5) shall be consulted in relation to any proposed amendment to the CEC Growth Assets.

1. Email of 5 December 2013
- a. City of Edinburgh Council – summary of benefits presentation – powerpoint presentation

## Enabling infrastructure

<ul style="list-style-type: none"><li>• Highway Improvements</li><li>• Energy Centre</li><li>• Public Realm Works</li><li>• Transport Interchange at Picardy Place</li></ul>	
<ul style="list-style-type: none"><li>• <b>Total Capital Cost</b></li></ul>	<b>£61.4 m</b>

2. Email of 10 January 2014 includes:
  - a. Covering email – Out of scope.
  - b. Report by City of Edinburgh Council - ST JAMES QUARTER REDEVELOPMENT: Improving the Competitiveness of the Nation's Capital – the report included the following in relation to Picardy Place – extracts below.
  - c. Economic Impact Assessment of the St James Quarter Redevelopment Report to the City of Edinburgh Council – extracts below.
  - d. Letter from City of Edinburgh Council Chief Executive to Scottish Government Deputy First Minister regarding the St James Quarter Redevelopment – copied in whole below.

- a. Covering email – Out of scope.
- b. Report by City of Edinburgh Council - ST JAMES QUARTER REDEVELOPMENT: Improving the Competitiveness of the Nation's Capital – the report included the following in relation to Picardy Place

Page i

### **Intervention**

The Council has identified three categories of enabling infrastructure at the St James Quarter that would provide the necessary impetus to take the scheme forward. They are:

- public-realm improvements in Leith Street, Little King Street and Picardy Place;
- major highway improvements and traffic management proposals at the junction of Leith Street, York Place and Leith Walk, and the creation of a public transport interchange; and
- a new sustainable energy centre for the development and surrounding area.

The estimated cost of this infrastructure, including allowances for contingencies, fees, finance and inflation, is £61.4 million. Work is scheduled to take place between 2015 and 2019.

Page ii

- Reserved Matters application and new planning application for Picardy Place and John Lewis – March/April 2014

Page 2.

In parallel with the emerging proposals for the St James Centre, the Council has sought to capture the opportunity to create a new eastern gateway at Picardy Place to complement the proposed redevelopment at St James Centre. The plan is to transform what is primarily transport interchange into a valuable development opportunity and enhance the character, attractiveness, vitality and accessibility of the area. The proposals provide both the opportunity to reconnect Leith to the city centre and a significant economic boost to the general area, not least from the new jobs being created.

### **Wider Benefits**

The regeneration will have a hugely positive impact on the value of residential and commercial properties in streets adjoining the area, such as the north side of St James Place, the east side of Leith Street and the north of Picardy Place leading into Leith itself. This uplift in value will not only benefit property owners but will also generate additional revenue for the public sector from business rates, council tax and stamp duty.

### **Scope of Works**

Providing essential infrastructure for the St James Quarter and neighbouring areas is crucial to the successful delivery of the proposed development. Combined, the improvements will increase the prominence of the area, improve access and participation in the public areas, while easing traffic flow around this part of the city. The proposals include the promotion of green spaces and planted areas.

The enabling assets also include new public realm at Picardy Place and the reconstruction of the existing gyratory at the junction of Leith Street, York Place and Leith Walk, together with the provision of a public transport interchange at Picardy Place. Including the new interchange now avoids the possibility of abortive works and significant disruption to a transformed St James Quarter, should the tramline be extended in future.

A key feature of the public realm in Picardy Place will be the reduction of the carriageway space in favour of improved pavement, footway and cycle facilities. In addition, to complement the proposals being taken forward under the Council's Leith Programme, separate off-road cycle facilities will be incorporated as part of the detailed design. These proposals will create a genuinely vibrant "hub" at the junction of Leith Walk and the city centre. The proposals will make the area a much more attractive space in which to spend time, improving the links between the two communities.



**Figure 4: An indicative view of the proposed infrastructure in the vicinity of Picardy Place.<sup>1</sup>**

A new centralised sustainable energy centre will provide power, heating and cooling to the new development, including the hotel at Picardy Place. This centre will serve neighbouring developments. The new energy centre recognises the Carbon Reduction Commitment Energy Efficiency Scheme, which seeks to improve energy efficiency and reduce carbon emissions among large private-sector organisations.

At present, it is expensive for large organisations to occupy units that are not energy efficient. Furthermore, older office buildings are proving more difficult to let due to tenants being interested only in energy-efficient properties. This enabling infrastructure will further enhance the attractiveness of the proposed offer at the St James Quarter, designed to meet the highest standards in environmentally sustainable development.

In programming terms, the bulk of the development is expected to be in place in March 2019. Phasing of the individual infrastructure assets and the associated developments is shown in Table 3.1 below:

**Table 3.1: Phasing**

Infrastructure		Development	
Asset	Construction	Type	Phasing
St James Quarter public realm	2015 - 2019	Retail	2015 - 2019
		5* hotel	2015 - 2019
		Apart-hotel	2015 - 2019
		Office	2019 - 2021
Picardy Place road works + tram stop	2016 - 2017	Picardy Place Hotel + public realm	2017 - 2019
Picardy Place public realm	2018 - 2019		
Energy centre	2015 - 2019	Residential	2015 - 2019

The redevelopment will provide a mix of uses formed around a curved galleria linking Multrees Walk and the proposed Register Square at the top of Leith Street. Full details are shown in Table 4.1 below. The overall development totals 176,000m<sup>2</sup>.

**Table 4.1 St James Quarter Development Profile**

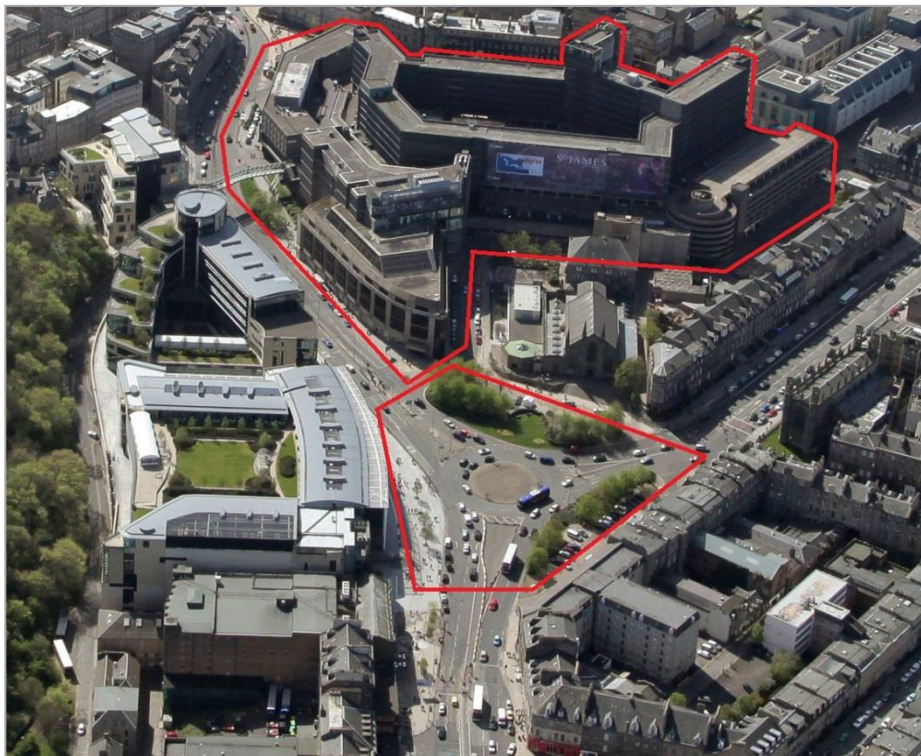
Description	Current floor space (m <sup>2</sup> )	Consented floor space (m <sup>2</sup> )	Proposed floor space (NIA m <sup>2</sup> )	Proportion of the overall proposition
Class 1 retail	18,900*	65,000	42,530	24%
Class 9 residential	0	20,000 (250 units)	17,068 (138 units)	10%
Class 7 hotel (5* hotel + apart-hotel)	143 rooms ( 4* hotel)	20,000	19,097 (210 rooms + 55 rooms)	11%
Leisure + culture	0	87,000	2,800	2%
Picardy Place hotel	0	New Application Required	9,829 (152 rooms)	6%
Class 3 Food + drink	230	15,000	5,880	3%
Class 4 office	21,704	15,000	2,307	1%
Ancillary	N/A	25,000	25,000	14%
Car parking	567 spaces	60,000 (1,800 spaces)	51,506 (1,800 spaces)	29%

**Table 4.2 St James Quarter Development Profile**

Use	Description
<b>Retail</b>	Approximately a quarter of the redevelopment floor space will be for retail use. This doubles the floor space of the current St James Centre. The retail element would be presented in a covered, crescent-shaped, multi-level galleria, sweeping from Multrees Walk to the centre's current Princes Street entrance to link the two destinations. The galleria will be roofed in glass.
<b>Hotel</b>	The hotel element covers 18% of the redeveloped floor space. There will be a five-star hotel with 210 bedrooms, an apart-hotel with 55 bedrooms and a four-star hotel on Picardy Place with 152 bedrooms – an additional 417 hotel rooms in total.
<b>Residential</b>	138 residential units will cover 10% of floor space. These would be developed in three styles – penthouse, terraced houses with small gardens, and courtyard apartments. A 25% affordable housing element is to be delivered off-site.
<b>Leisure</b>	The leisure element will include a digital theatre which would offer live feed broadcasts, and feature music, sporting and theatre events.
<b>Food + drink</b>	The food and drink element will include 5,880m <sup>2</sup> of cafés and restaurants in a variety of sizes.
<b>Office</b>	The proposal includes 2,300 m <sup>2</sup> of grade A office floor space.
<b>Car parking</b>	There will be 1,800 car parking spaces. Of these, 272 spaces are to be allocated to the new residential, hotel, apart-hotel and offices, leaving a balance of 1,528. Overall the redevelopment provides an additional 1,000 spaces compared to the current car parking capacity.

Redevelopment of the St James Quarter is expected to have an extremely positive impact on the value of commercial and residential properties in streets adjoining the area, such as the north side of St James Place, the east side of Leith Street and the north side of Picardy Place, as well as within the limits of the redevelopment itself. For the purpose of this appraisal, only new business rates generated from within the immediate footprint of the development have been considered, as shown by the red border on Figure 6 below.

In reality this is a conservative view given the positive impact anticipated within the wider area. Although we cannot rule out a modest level of displacement, a significant net uplift in overall business rates income is expected from the wider area, adding to the Scottish Government's business rates pool.



**Figure 6: The Revenue Boundary**



**Table 5.1 Infrastructure Costs**

Asset Description	Cost (£m)	Optimism bias (£m)	Contingency (£m)	Fees (£m)	Finance (£m)	Total (£m)
Public realm	8.4	0.6	1.2	1.8		
Highway improvements	25.4	2.3	2.8	1.8 <sup>1</sup>		
Energy centre	9.6	0.5	1.0	1.6		
<b>Sub-total</b>	<b>43.4</b>	<b>3.4</b>	<b>5.0</b>	<b>5.2</b>	<b>4.4</b>	<b>£61.4</b>

**Notes:**

1. General: Costs include fees of 14% unless otherwise stated; contingencies of 10% on works costs plus optimism bias; and finance costs at 5.5% per annum on total works costs up to opening date of 2019.

2. Fees set at 10% for highway improvements as design for Picardy Place substantially complete.

**Table 5.2: Projected Uplift in Business Rates Revenue**

Development component	RV (£m)	Business rates (£m)*	Timing
<b>Existing St James Centre</b>			
Retail element	7.48	3.45	01 Jun 15 (demolition)
Car parking	0.81	0.38	01 Jun 15 (demolition)
Hotel	0.55	0.25	
Offices	0.06	0.03	
<b>Sub-total (A)</b>	<b>8.90</b>	<b>4.11</b>	
<b>Redeveloped St James Centre</b>			
Retail element	22.6	10.4	01 Apr 19
Car parking	2.60	1.20	01 Oct 18
Picardy Place hotel	0.50	0.20	01 Apr 19
5* hotel	1.30	0.60	01 Apr 19
Apart-hotel	0.20	0.10	01 Apr 19
Offices	0.60	0.30	01 Jul 21
<b>Sub-total (B)</b>	<b>27.8</b>	<b>12.8</b>	
<b>Gross incremental uplift (B-A)</b>	<b>18.9</b>	<b>8.7</b>	

\* Differences due to rounding; assumes poundage rate of £0.462 for 2013/14

We invite the Scottish Government to work as a partner with ourselves and the developer to take forward the St James Quarter project. The following timeline is required to meet the projected delivery schedule:

- Business Case approval in principle by Scottish Government – January 2014
- Business Case formal approval by the Council – February 2014
- Legal Agreement with Henderson Global Investors – February 2014
- Publication of CPO to acquire third-party interests – early 2014
- Planning applications for Picardy Place and John Lewis – March/April 2014
- Construction start – March 2015

- c. Economic Impact Assessment of the St James Quarter Redevelopment Report to the City of Edinburgh Council

- 1.3 The re-development proposal is for a mix of uses, with a retail focal point being formed by a curved galleria linking Multrees Walk and the proposed Register Square at the top of Leith Street. There would be two hotels (five and four star), an apart-hotel, residential units and a number of other uses including Grade A office space and a cinematic leisure experience. The re-development would also represent a 'place making' opportunity to connect St Andrews Square, Multrees Walk, Leith Street and Picardy Place. The developer states that the 'proposals would introduce an innovative and stimulating design that respects its historical context and re-connects the quarter with its immediate environs'.

 **Table 1-1: St James Quarter development profile by floorspace**

	<u>Consented floorspace (sqm)</u>	<u>Proposed floorspace (NIA sqm)</u>	<u>% of proposed floorspace</u>
Class 1 Retail	65,000	42,530	24%
Class 9 Residential	20,000	17,068	10%
Class 7 Hotel (5* hotel / apart-hotel)	20,000	19,097	11%
Leisure + Culture	87,000	2,800	2%
<u>Picardy</u> Place Hotel	New Application Required	9,829	6%
Class 3 Food + Drink	15,000	5,880	3%
Class 4 Office	15,000	2,307	1%
Ancillary	25,000	25,000	14%
Car Parking	60,000	51,506	29%
<b>Total</b>	<b>307,000</b>	<b>176,017</b>	<b>100%</b>


Source: SQW review of CEC documents 

Table 1-2: St James Quarter development profile detail

Description	
<b>Retail</b>	Approximately a quarter of the re-development floorspace will be retail. This provides about double the floorspace for retail compared to the current St James Centre. The retail element would be presented in a covered crescent-shaped multi-level Galleria sweeping from Multrees Walk to the centre's current Princes Street entrance, the Galleria would be roofed in glass.
<b>Hotel</b>	The hotel element covers 18% of the re-development floorspace. There would be a five star hotel with 210 bedrooms, an apart-hotel with 55 bedrooms and a four-star hotel on Picardy Place with 152 bedrooms – resulting in an additional 417 rooms in total.
<b>Residential</b>	There would be 138 residential units included in the proposed re-development covering 10% of floorspace. These would be developed in three styles – penthouse style, terraced houses with small garden and courtyard apartments. There would also be a 25% affordable housing element delivered off-site.
<b>Leisure</b>	The leisure element would include a digital theatre with up to six screens, which would offer live feed broadcasts, and would feature music, sporting and theatre events, as well as

Page 25.

## Hotels

### Key assumptions

4.13 Our most important assumptions for the hotel aspects of the scheme are as follows:

- The current King James Thistle hotel (143 rooms) closes halfway through 2015. The new 5 star hotel (210 rooms), 4 star hotel at Picardy Place (152 rooms) and the apart-hotel (55 rooms) open in March 2019.

d. Letter from City of Edinburgh Council Chief Executive to Scottish Government Deputy First Minister regarding the St James Quarter Redevelopment.



**To:**

**Deputy First Minister (Government strategy and the Constitution) and Cabinet Secretary for Infrastructure, Investment and Cities, Nicola Sturgeon MSP  
Cabinet Secretary for Finance, Employment and Sustainable Growth, John Swinney MSP and, Minister for Energy, Enterprise and Tourism, Fergus Ewing MSP**

St. Andrew's House  
Regent Road  
Edinburgh  
EH1 3DG

Date 9 January 2014

Dear Ministers,

**The St James Quarter Redevelopment**

Following discussion with a number of officers at the Scottish Government and the Scottish Futures Trust, the City of Edinburgh Council is pleased to submit a detailed business case for the transformation of the St James Quarter and the heart of the nation's capital.

This business case calls for three strands of development:

- Additional public realm improvements for the public areas surrounding the new Quarter at the interchange between the city centre and Leith
- Enabling assets at Picardy Place and the reconstruction of the existing gyratory at the junction of Leith Street, York Place and Leith Walk, together with the provision of a public transport interchange at Picardy Place.
- A new centralised sustainable energy centre to enable the provision of power, heating and cooling to the new development, including the hotel at Picardy Place. This centre to also serve the neighbouring developments.

This proposal offers a unique and innovative new way of unlocking vital investment in this declining area of Edinburgh.

In this model, it is proposed that the Scottish Government contribute to the annual costs of this finance. This could take the form of "stand-alone" additional support, which would be offset by the overall economic gains and the additional Government receipts generated.

The City of Edinburgh Council does recognise that funding streams derived from the scheme could go some way to offset the cost of servicing the debt. One possible funding mechanism, for the stand alone additional support, could include a percentage of the generated business rates revenue. In addition there may be income streams deriving

**Andrew Burns, Leader, City of Edinburgh Council**

City Chambers, High Street, Edinburgh, EH1 1YJ Tel 0131 529 3287  
andrew.burns@edinburgh.gov.uk



from the proposed energy centre and through potential developer contributions. Such an arrangement would incentivise all parties to achieve the best possible return on its investment. It is important for us to emphasise that the Council is committed to working with you and the other parties to reduce further, both the costs of the finance and the total costs for the scheme moving forward. This arrangement would unlock significant new benefits for the city. These include;

- a) An immediate opportunity to secure £850m of new private sector investment to regenerate the heart of Scotland's capital city;
- b) The creation of 2,300 jobs and £644 million of net gross value added for Scotland over the next 25 years;
- c) Compelling evidence that "but for" public sector support, the prospect of renewing the St James Quarter and its wider benefits would be lost indefinitely;
- d) Potential to bring immediate and lasting economic benefit which will raise the profile of Edinburgh as an internationally competitive tourism destination, and thereby increase its competitive position in relation to other cities in the UK and beyond; and
- e) The opportunity to generate an additional £270million (£145 million net) in NDR revenue to the Scottish Government purse.

We anticipate that this proposed partnership between the public and private sectors requires a total investment in enabling infrastructure of £61.4m. However, as articulated above, the returns in terms of both new business rates and economic regeneration are worth many times this original investment.

We trust you will share our enthusiasm for this opportunity as outlined in the attached business plan, and give this matter your favourable consideration.

Yours sincerely



Andrew Burns, Leader  
City of Edinburgh Council



Steve Cardownie, Deputy Leader  
City of Edinburgh Council



Frank Ross, Convenor, Economy Committee  
City of Edinburgh Council

CC:

Alyson Stafford, Director General, Finance Directorate  
Janet Egdell, Deputy Director Infrastructure Investment, Finance Directorate,  
Neil Rutherford, Associate Director, Scottish Futures Trust  
Tony Rose, Infrastructure Director

3. Email of 11 April 2014
  - a. Covering email out of scope
  - b. Final Supplementary Funding Proposal for the St James Centre.

Page 2.

### **Wider Benefits**

There will also be beneficial catalytic effects. Regeneration will have a positive impact on the value of residential and commercial properties in streets adjoining the area. These include the North of St James Place, the East of Leith Street and North of Picardy Place. This uplift in value will bring in additional revenue from business rates, council tax and stamp duty. The additional council tax revenue alone is projected to be up to £323,000 per annum, and the initial round of residential property sales could generate between £1 and £3 million under the new Land and Building Transactions Tax (Scotland) Bill, which will come into effect in April 2015. Such sums will be collected by the Scottish Government rather than HM Treasury and represent significant new receipts for the Scottish Government.

Page 3.

The Council has identified a programme of infrastructure which would provide the necessary impetus to take the redevelopment forward. These include improvements to the physical environment at James Craig Walk, designed to increase the accessibility, permeability and the user experience of the areas; new public realm at Picardy Place, together with the provision of a new multi-modal transport interchange at the junction of Leith Walk, Leith Street & York Place. This will include “future proofing” of the Picardy Place tram stop; and a new energy centre designed to provide power, heat and cooling to the development and, potentially, the wider area. The value of the above projects is projected at £61.4 m.