



**Haringey** Council

Opportunity Investment Fund

Tottenham Delivery Board

21<sup>st</sup> January 2015

## **1. Purpose of this report**

- 1.1. The report sets out the criteria for inviting and assessing proposals, the proposed operational structure for the Opportunity Investment Fund (OIF), and the underlying assumptions used to define the structure.

## **2. Opportunity Investment Fund – strategic overview**

- 2.1. The Opportunity Investment Fund (OIF) is a £3.5m fund to enable investment in workspace and employment projects. The fund is comprised of £2.5m from the GLA and £1m from LBH.
- 2.2. The agreed scope of the OIF and the associated outputs are set out in the stage 2 approval for the OIF at the GLAs IPB on 24 July. This was covered in the report to 5 September Delivery Board.
- 2.3. In response to that scope (and in line with the original stage 2 approval) the following strategic objectives are proposed:
  - OIF should help
  - create the conditions for and assist the process of wider investment in land and property;
  - contribute to net additional gross value added (demonstrated through Business Rates growth, local expenditure and local employment);
  - restore business confidence and increase the economic vitality of the area for small independent businesses through development of commercial, employment and workspace creation projects
  - bring forward high quality developments.

## **3. Criteria**

### 3.1. Initial checklist

Applicants must:

- Demonstrate experience of enterprise or commercial projects
- Provide a clear and financially robust business plan including how loan funding will be repaid
- Deliver their proposal within the Tottenham Regeneration area (principally the following wards; Northumberland Park, White Hart Lane, Bruce Grove, Tottenham Green and Seven Sisters)
- Make a contribution to programme outputs at a good value with reference to the programme's benchmark unit costs (see below)
- Priority will be given to applicants that are:
  - Contributing to place making
  - Introducing new industry and high quality employment, especially professional jobs
  - Contributing additional capital to their projects

### 3.2. Eligible activities and programme objectives

Projects must support two or more of the key objectives of OIF:

- Purchasing key sites to bring forward high quality commercial and workspace development in line with the joint regeneration objectives of the GLA and LBH (See SRF and Economic Growth Strategy).
- Providing subsidies to assist the purchase of a site or a lease in partnership with a private development or land owner to bring forward high quality developments and uses.
- Overcoming scheme viability issues, for developments integral to realising regeneration objectives shared by the LBH, GLA and identified through the master planning process
- Paying up front development costs in order to bring forward more ambitious development schemes.
- Helping to rationalise existing uses in an area to create opportunities for higher value activity.
- Promoting High Street occupancy

Applications should also demonstrate that they contribute to the priorities of the Tottenham SRF and the objectives of the Economic Development and Growth Strategy. Both of which can be found online.

### 3.3. Bid evaluation criteria

An Evaluation Panel will consider bid submissions in accordance with the following criteria and associated weightings:

Consisting of:

Assessment Criteria	Weighting
Proposal meets the OIF objectives (including SRF and EDGS)	20%
Proposal meets the criteria, outputs and requirements	20%
Proposal demonstrates a financially robust business plan and financial profile that demonstrates a surplus after costs to repay the fund	20%
Proposal demonstrates a repayment plan that is achievable realistic, and within the specified timeframe	20%
Relevant skills and experience of team and assigned staff	20%

### 3.4. Overall programme level outputs

- Up to 200 new jobs
- Up to 50 vacant commercial units brought into active use
- Up to 100 Workspace units supported
- Up to 50,000 sq. ft. (4,600 sqm) increase in employment / commercial space

### 3.5. Unit costs

Two key benchmarks have been identified to assist with bid development and evaluation, they will be used to determine value for money and deliverability of proposals.

- £1,500 m/2 for commercial floorspace (based on BCIS/GVA in-house expertise, and applied to GIA)
- £15,700 per FTE job (assuming 30hrs at £9.15p.h (London Living Wage) +10% on-costs/pension)

(We anticipate the fund would need to be refreshed twice to achieve maximum outputs at these costs without factoring in any match funding.)

## **4. Outline of operational structure**

### Assumptions

- 4.1. Assumptions have been developed by GVA for the Council. The assumptions have been based on the utilisation of Monte Carlo modelling to understand what input criteria (funding limits etc) will lead to the strong probability of securing at least 70% of the investment is recovered. Paras 3.2 through to 3.6 set out the most appropriate criteria for the funds purposes.
- 4.2. For the small scheme portfolio, a recommended minimum bid size of £50k should be put in place to discourage fragmented investments, consolidate delivery in a portfolio of fewer/bigger projects and to reduce the administrative burdens.
- 4.3. £125k is the State Aid compliant level of funding to secure rates below 8%, which would be of most appeal to small bidders. This is, therefore, the recommended maximum bid size for the small scheme portfolio.
- 4.4. There is a (Council) preference for a fixed interest rate for small schemes – bids will be below State Aid levels and therefore interest as State Aid should be below de minimis. Therefore a fixed rate of 4% (or marginally lower in certain circumstances and subject to certain criteria) is proposed (NB lowering the rate further will require revised modelling).
- 4.5. That only up to 10% of the fund is allocated as grant and only up to 5% as equity – on this, there is little appetite for equity in small schemes as the Council does not want to acquire assets. Equity may be acceptable for large schemes, especially overage on land and property deals.
- 4.6. GVA modelling assumes that there is a 90% chance of (inclusive of investment made and £200k admin costs):
  - retaining more than 69% of the fund
  - earning between £369k and £717k interest
  - losing between £374k and £1.571m of principle invested
- 4.7. The GVA report sets out a number of investment approaches, including the grant and loan finance that this fund will principally focus upon. The other investment approaches include:

- Equity – this could be considered for larger schemes where overage or profit sharing can be practically realised, but there is a reluctance for the council to acquire assets especially intangible products such as IP that are harder to liquidate
- Loan Guarantee – potentially for larger schemes, but potentially creates ambiguity over fund balance i.e. money is not defrayed. Could be acceptably deployed as a means of leveraging additional borrowing from mainstream financial institutions
- Direct investment – buying land and property in larger schemes for future site assembly. This would not deliver programme outputs unless a suitable scheme was realised in programme lifetime, it also moves away from the purpose of the OIF in stimulating market led activity.

### Risk

The probability of returning 70% of funding is 90% based on GVA modelling. The council will take the view that we will lose all of it and any funding returned will be treated as a windfall bonus and reinvested in Tottenham as appropriate.

### The Fund

- 4.8. The fund is a virtual fund (i.e. operated from within the Council rather than established as a separate legal entity), ring-fenced in the council budget, with an administrator and an officer advisory board to review applications.
- 4.9. Advisory Board is LBH (Patrick Jones, Matthew Gaynor), GLA (Louise Duggan, Jamie Dean) we are, however, considering whether an external/independent representative would assist with the evaluation.
- 4.10. Advisory Board makes recommendations to Tottenham Delivery Board who approve spend, unless over £500k in which case Cabinet approval is required.
- 4.11. Awards are allocated in at least two rounds of up to £500k – unallocated funds may lead to future round(s)
  - Small Pot round 1 – spring 2015 – applications submitted between 2<sup>nd</sup> and 31<sup>st</sup> March 2015, processed in April and announced Monday 11<sup>th</sup> May (post election). Anticipated project start dates from July/August 2015.
  - Small Pot round 2 – Winter 2016 – applications submitted between 11<sup>th</sup> January and 5<sup>th</sup> February 2016, processed in February and announced early March 2016. Anticipate project start dates from May/June 2016
- 4.12. Additionally a single large pot, with a wide/flexible application window, will make up to £2.25m available with a recommended minimum bid size of £150k.
  - Large Pot – open from spring 2015 – applications by no later than 5<sup>th</sup> February 2016 and agreements in place by late 2016 (or earlier if funds committed). Project must be on site by 31<sup>st</sup> March 2020. GLA would like to bring this forward and to have an agreed project by December 2015.

4.13. The OIF is active over a period of 5 years and repaid over a maximum of 9 years.

#### Launch, Publicity and Communications

4.14. A Market warming event, held at the beginning of March, will launch the fund and application pack to a selected audience of likely bidders (affordable workspace providers, suitable land and property people, business support providers, retailers and traders groups, architects and urban designers). Potentially a morning event held at N17 design studio, Tottenham Green, or 639.

4.15. The application pack will set out intro to Tottenham regeneration objectives, criteria for the fund and a gatefold tear-out EOI to begin initial filtering (full application done with viable bidders and with support from officers). And benchmarks.

4.16. The timetables set out in 3.10 and 3.11 allow initial publicity before purdah and announcement of successful bidders immediately after the general election.

### **5. Resources**

5.1. GVA assumptions put the maximum budget for administrative costs at £200,000. Discussion with LBH Finance has concluded that the small schemes portfolio will require a PO2/3 level administrator for 6 months per round to handle processing of applications, assist with inquiries and co-ordinate of funding agreements. This Job Description would be for a Business Administrator with regeneration experience. This is likely to come from the re-deployment pool within LBH.

5.2. Legal cannot guarantee that a significant volume of legal agreements can be handled in the timescales and have advised that additional/external legal advice and potentially specialist legal advice.

5.3. Additionally specialist support in legal and financial assessments of projects will be required for the larger schemes. This will have to be contracted out separately as we are at our threshold with existing GVA commission. It may be that bidders can absorb these costs.

### **6. Recommendations**

6.1. Approve: proposed criteria for inviting and assessing proposals – section 3

6.2. Approve: proposed delivery structure and note assumptions used in development – section 4

6.3. Note: the approach to resourcing the programme delivery – section 5

6.4. Note and advise: proposal to identify an independent member of the advisory panel in para 4.9