
From: Stewart McGarrity
Sent: 01 November 2006 14:24
To: Graeme Bissett
Subject: FW: Commercially Sensitive Communication - Tram Land Assembly Costs

Graeme,

More on land costs and the CEC contributions in particular.

The message below is a reply from Ray McMaster on some queries I have about the DVs latest land compensation estimates. He has identified two CEC owned plots (Broomhouse Drive and the ATC plot - both on 1a) where there may be additional value to get after. The 'getting after' is being led by Geoff Duke as our Land Assembly project manager but you need to be aware if you are considering the components of the CEC £45m.

Stewart

From: Raymond McMaster [mailto:Raymond.McMaster@dundas-wilson.com]
Sent: Tue 31/10/2006 17:13
To: Geoff Duke
Cc: Stewart McGarrity; Mitchell, David F; Elaine Cropley
Subject: Commercially Sensitive Communication - Tram Land Assembly Costs

Geoff

Here are David and my answers to Stewart's questions for you to consider.

As you requested, I have copied this to Stewart

1. The estimate excludes all the costs related to the Leith depot – this includes land contributions from CEC £403k and Forth Ports (Plot 35) £1,250k. Will we really not now get these contributions if we don't build the Depot at Leith – don't we get Plot 35 from Forth Ports anyway under the s75 agreement?

No - we can only get plot 35 under the s75 agreement if we are going to build a tram depot on it. However, the Council can stop Forth Ports from developing it for anything else until 2020.

2. The main reason I looked at this was because as you know we need to be careful about communicating what has happened to the CEC/s75 land values from the previous Colliers/DV report from 2005. I've added a sheet which details the 2005 estimates which were included in CEC's £45m contribution. The concern would be that if our cost estimates were to reflect lower values then CEC could conceivably be asked to find more cash to make up the £45m. I can't easily see where all the difference is coming from, but I can see for example that the value of all Forth Ports contribution (including the £1,250k for Plot 35) is now valued at £2,127k compared to £6,000k uninflated in the previous estimates, Edinburgh Park at £27k (now classified under CEC rather than s75?) compared to £1,200k in 2005 and Waterfront Edinburgh at £26k compared to £400k in 2005. Conversely I note that the CEC contribution now includes £2,500k iro the old tram depot on Leith walk when I can't see it included in the 2005 estimates at all. I seem to remember that CEC were keeping that to flog or develop it themselves.

General

It appears that the approach taken by Colliers was to calculate the acreage of land involved (based on a 10m wide strip of land over the distance involved in each case) and then apply the commercial rate per acre to that total areas to come up with a value. This was considered to be a valid and robust approach at the time.

The current DV approach is to value for compensation estimation purposes on a plot by plot basis. In many of these cases the land is worth little or nothing. His argument is that without tram, the developers concerned would not have got planning permission for the scale of development they have. Hence any value that might attach to the land in the s75 agreement is cancelled out by betterment.

Specifics

Edinburgh Park s75 - title to this land has already been transferred to CEC so it should now appear as CEC land. The £27k figure reflects the DV estimate of what this (a landscaped strip running through the business park) is worth

Waterfront Edinburgh - DV estimates vary between £0 and £2,618,750 with expected figure of £25,000. DV view is that £2.6m for a narrow landscaped strip through this site is highly unlikely and 25k is the appropriate figure

Forth Ports s75s

Reflects same approach taken with Waterfront Edinburgh Ltd ie reduced figures are the correct ones for current purposes.

Second Site/Port Greenwich plots 139, 140 and 141 are missing. These plots are affected by a s75 agreement. DV regards this case as an unusual one. Value could be nominal but previous report by DV estimated that loss in isolation in this case could be up to £900k. So this one could appear as a £900k contribution under s75.

. Before we finally adopt the 'expected' values in our updated capex estimates (at the end of this week) we need to be clear about the risk & uncertainty of some of the plots coming in at the higher values. It looks to me that if just one of two came in at the higher end of the range DV has provided we could blow the budget out of sight.

Main risky areas are

Frogmore (Line 2 Plot 327) and New Ingliston (Line 2 Plot 322)

DV estimates around £60k per acre. These parties are likely to try to argue for much more than this based on recent transactions (around £350k per acre at Frogmore). However, current planning position supports DV. Threat would come from a radical change in the West Edinburgh Planning Framework - currently thought to be unlikely.

Broomhouse Drive - Council owned site could be worth 1.8m provided Planning willing to support.

ATC hut - large part of estimated value comes from possible housing redevelopment value. As site is CEC owned that would help contribute to £45m?

Raymond McMaster

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