



**Evaluation of Holyrood and Exchange
Urban Regeneration Projects**

Final Report
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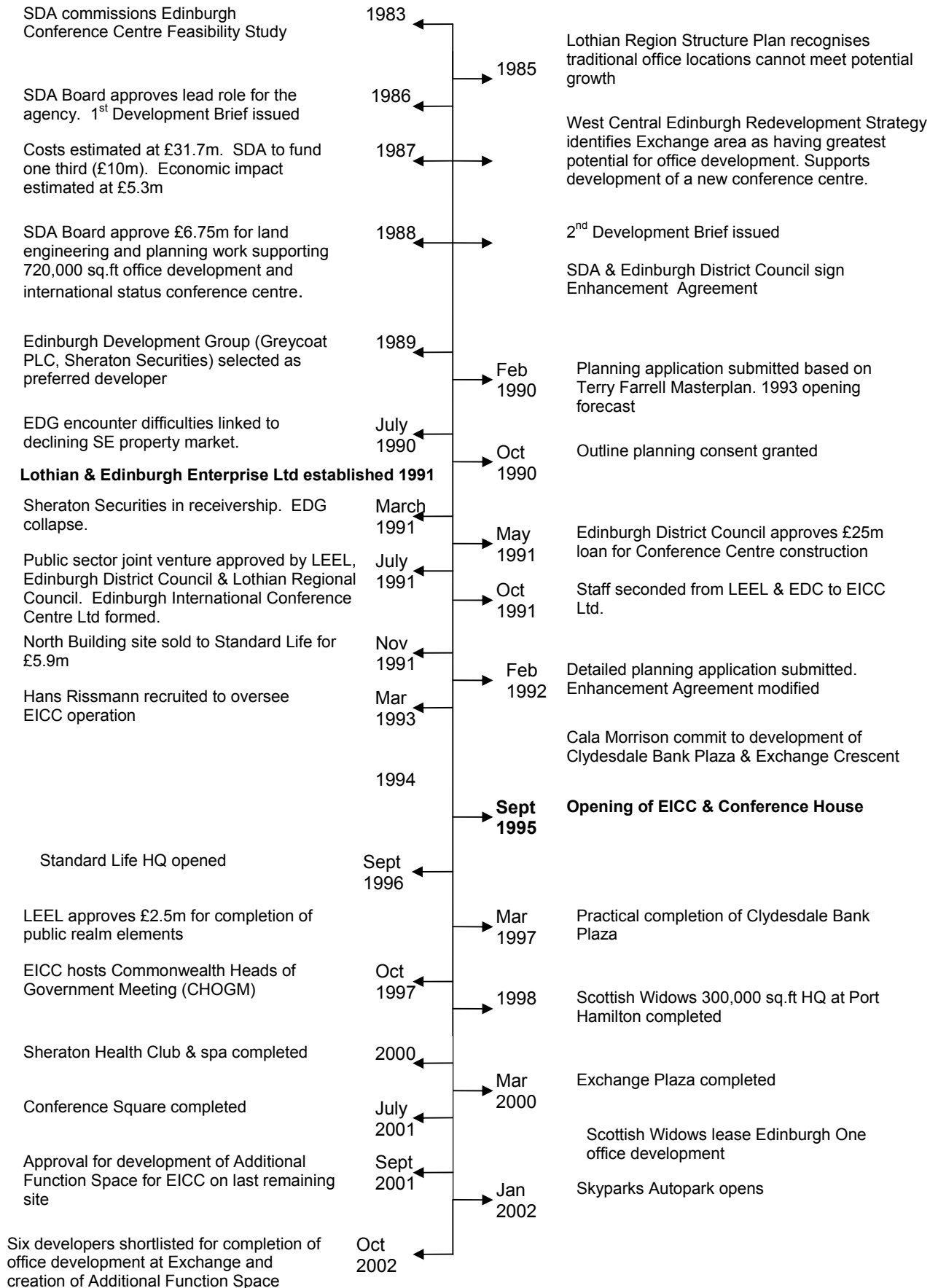
Executive Summary

1. In August 2002, Scottish Enterprise Edinburgh & Lothian commissioned Roger Tym & Partners with Jones Lang LaSalle, George Street Research and Ian White Associates to carry out an evaluation of:
 - **The Exchange**, including Edinburgh International Conference Centre; and
 - **Holyrood**, including Our Dynamic Earth
2. As well as being significant projects in their own right both required funding from public sources including Scottish Enterprise Edinburgh & Lothian, the City of Edinburgh Council and other sources. SE Edinburgh & Lothian also devoted considerable staff resources to the project management and implementation of both projects. This evaluation therefore focuses on:
 - identifying economic impact :
 - gauging the effectiveness of Scottish Enterprise Edinburgh and Lothian's approach to urban regeneration: and
 - bringing forward lessons for current and future regeneration projects.

The Exchange/Edinburgh International Conference Centre

3. In the late 1980s, the Exchange developed from acknowledgement of 2 main weaknesses in Edinburgh's economic infrastructure: the lack of international standard conference facilities; and shortage of high quality, modern and flexible office floorspace, particularly in central areas. Failure to act could have adversely affected Edinburgh's position in both the financial services and conference and related tourism sectors. The project included:
 - **extension of the West Approach Road;**
 - **construction of an international status Conference Centre; and**
 - **development of a new office quarter; supported by high quality public spaces.**
4. The Exchange Quarter is built on former railway land to the south of the Caledonian Hotel and is bounded by Lothian Road, the West Approach Road and Morrison Street. It is a high-density mixed use development. Dominated by offices, the Sheraton Hotel is a significant part of the area with the Edinburgh International Conference Centre forming its core.
5. Initial approval to support infrastructure provision and appropriate feasibility work was forthcoming in 1986. Figure 1 shows the subsequent progression of decisions and events. EICC Ltd has been the vehicle for implementing development at the Exchange, and its establishment was one of the key initial decisions to be made by Lothian and Edinburgh Enterprise Ltd (LEEL). As a new organisation, there was also a sense in which LEEL had to demonstrate its capacity to deliver major projects and maximise resources from Scottish Enterprise National.
6. While EICC's structure was clearly focussed on its development role, it also recognised the importance of securing and building the partnership between LEEL and EDC. It featured::
 - Strong political representation and support – both the Council leader and LEEL's Chief Executive were on the Board (which has always been chaired by the Council);
 - Member organisations with common strategic objectives; and
 - Commitment demonstrated through the secondment of highly-regarded staff.

Figure 1 EICC/ Exchange Timeline



Masterplan

7. The Exchange Masterplan, developed by Terry Farrell & Partners, is simple in concept. It is based around two major public squares, *Festival Square* which fronts onto Lothian Road and *Conference Square* which is enclosed by the EICC, office blocks and the Sheraton Health Club. Its development, with the EICC at the rear of the site acted to maximise the commercial development area, and promoted the EICC as the signature building for the Exchange, providing a prominent and distinguished city landmark and while also firmly establishing the high quality nature of the project as a whole. Its implementation and support acted further to generate development confidence.

Impacts

8. In the course of its development, it was estimated ¹ that masterplan implementation in the Exchange and on adjacent sites/neighbouring areas would safeguard or create some 10,000 jobs in the finance and business sectors. When EICC Ltd was established, LEEL funding was anticipated to lever some £214.5 million investment from all sources. With the contributions from Edinburgh District Council and Lothian Regional Council it was estimated that public investment of £36.75 million would attract investment from the private sector of £178 million, a leverage ratio of 1:5.8.
9. As Table 1 shows, the Exchange has either met or exceeded investment expectations. Similarly, employment impacts have broadly met expectations once the effects on neighbouring sites are taken into account. The EICC is now being further developed to include an Additional Function Space to allow it to cater for industry expectations in the 21st Century. As private sector confidence has been firmly established in the location, its construction will be funded through sale of development rights and should not therefore require any further public sector investment.

Table 1: Edinburgh International Conference Centre/ The Exchange – Summary of Impacts

EXCHANGE/EICC	SUMMARY OF IMPACTS	
	January 2003	On Completion
Scale of Development		
Office floorspace	771,000 sq.ft	929,000 sq.ft
EICC	185,000 sq.ft	257,000 sq.ft
Other	52,700 sq.ft	61,150 sq.ft
Total	1,008,700 sq.ft	1,247,150 sq.ft
Total (including Scottish Widows)	1,359,700 sq.ft	1,598,150 sq.ft
Investment		
Public	£60.4 million	£60.4 million
Total	£330.5 million	£409.5 million
Leverage Ratio	1:5.5	1:6.8
Total (including Scottish Widows)	£424.8 million	£503.8 million
Employment		
EICC²		
Direct	98 ³	101

¹ Exchange Masterplan, Monitoring & Evaluation Framework, May 1999, EKOS

² includes effects of delegate spend in the wider economy

EXCHANGE/EICC	SUMMARY OF IMPACTS	
Indirect & Induced	450 ⁴	454
Other Exchange		
Direct	5,260	6,073
Indirect & Induced	9,122	9,449
Total		
Direct	5,358	6,174
Indirect & Induced	9,573	9,913
	14,931	16,087
<i>Incl. Scottish Widows</i>		
<i>Direct</i>	<i>7,188</i>	<i>7,984</i>
<i>Indirect & Induced</i>	<i>13,145</i>	<i>13,475</i>
<i>Total</i>	<i>20,333</i>	<i>21,459</i>
Catalytic effect on neighbouring areas to date		
<i>Development</i>		
Office floorspace	632,583	
Hotel rooms	75	
Other	15,000	
Total	647,583	
Investment⁵	£213.6 million	
Direct Employment	1,875	3,040

10. The business survey found that some 13% of employment in the Exchange area (excluding Scottish Widows) was in companies who were not present in Edinburgh prior to development of the Exchange. While suggesting a low level of additionality / high displacement, some 81% of employment in the masterplan area (with Scottish Widows) is in the headquarters of Scottish Widows and Standard Life. Before the development of the Exchange, both companies were seeking to consolidate various functions and had been unable to find suitable opportunities in Edinburgh. The establishment of the Exchange and its development as Edinburgh's prime office location has safeguarded the presence of both companies in the city, as well as their broader economic effects.

Holyrood/Dynamic Earth

11. The Holyrood project was developed in response to both the Edinburgh Tourism Review and the wider Cannongate regeneration works. The development was facilitated by a bequest of land from Scottish & Newcastle. The project consisted of 3 core elements; visitor attraction, mixed-use development and single occupier office development. The mixed-use element allowed for

³ includes 58 full time and 80 part-time staff

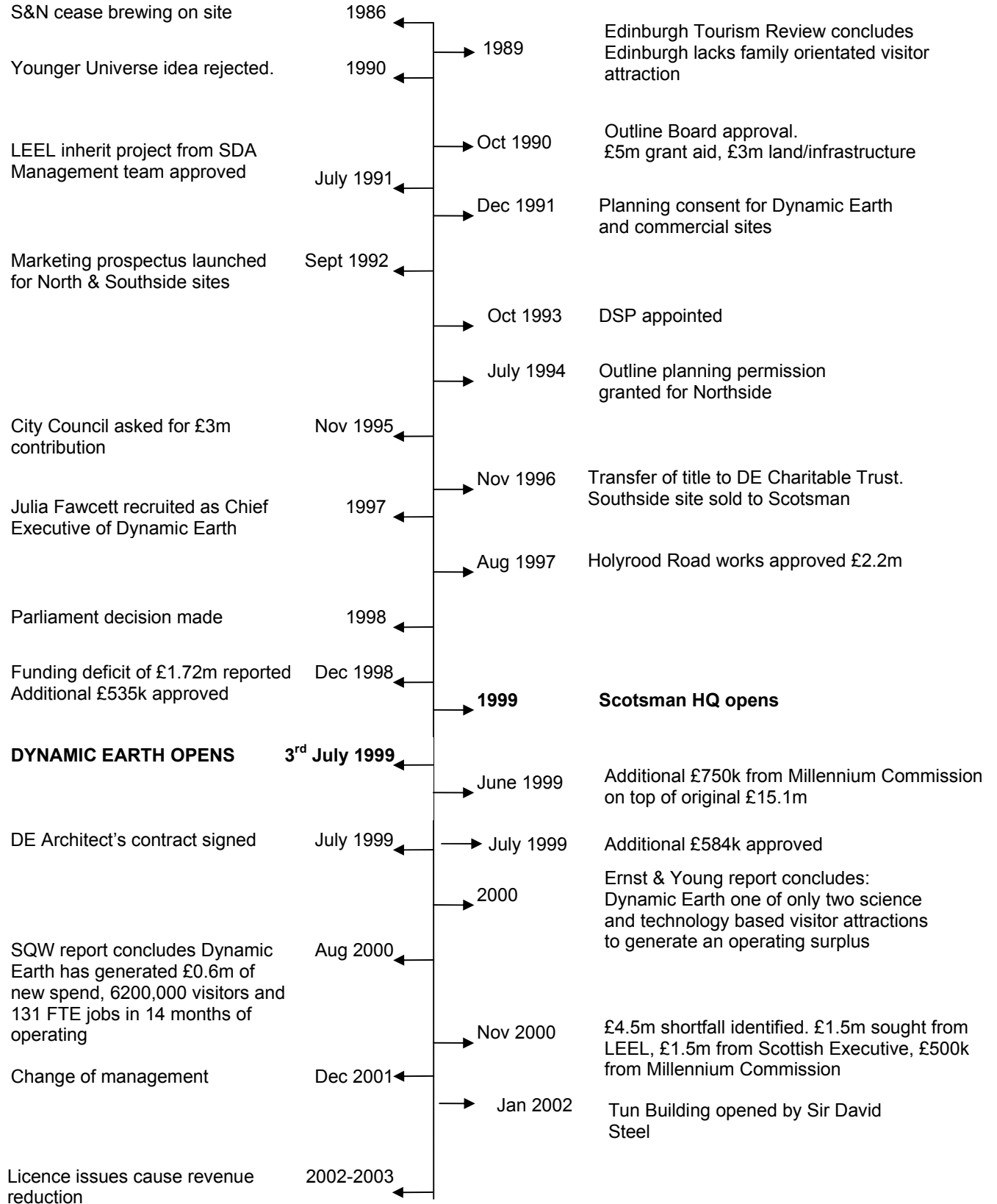
⁴ based on the findings of the 2002 Street Survey. Displacement assumptions are detailed in Appendix 10

⁵ based on general construction and fit out costs experienced in the area

sympathetic development incorporating a number of traditional features such as the old vennels and closes. The receipts from the 20 development plots were to be used to fund the construction of a family-oriented visitor attraction with an eye-catching design i.e. Dynamic Earth. Further activity was to be brought to the area through negotiation of a major HQ for the South Site next to the visitor attraction. This was occupied by The Scotsman.

12. With the end of Scottish & Newcastle's brewing operations on the site in 1986, development of the Holyrood project progressed according to the timeline indicated in Figure 2.
13. The Dynamic Earth Charitable Trust (DECT) has been the lead body in implementing development at Holyrood, with LEEL/SE Edinburgh and Lothian taking the key role of project manager, supplemented by professional project managers Team Scotland/Kier Scotland. LEEL had a significant role in enabling the development of Holyrood and Dynamic Earth from the early 1990s in terms of funding, infrastructure and strategic project management.
14. In 1991 LEEL allocated key staff to the positions of Project Director and Project Manager with the remit to attract the necessary funding (through a combination of land sales, commercial loans, sponsorship, grants and Lottery funding), oversee the concept design, manage the design team and establish and handover operational responsibility to the new management team.
15. The masterplan developed by John Hope provided the basis for development on the North site. The sympathetic approach to master-planning has prevented the introduction of large-scale buildings (which would have destroyed the essential context and scale of this part of the Old Town) by creating a form of development which allows free movement along interesting pedestrian routes of discovery which can be as impressive to tourists as the broad streets and vistas of the New Town. The Holyrood Road improvements provide a spine which links all of the developments.
16. The development of the North site has been relatively smooth with minimum constraints apparent. The delivery of Dynamic Earth has been less straightforward, with it not proving possible to commit the architect to novation to the management contractor, which would have enabled a Guaranteed Maximum Price (GMP) to be reached at an early point during construction. The brief was also changed at a late stage to enable function space to be included. While this was one of the factors in the buildings late completion and cost escalation, it has proved to be a significant source of revenue, helping to offset operating costs.
17. At January 2003, the development of the project area has largely been completed save for the construction of a speculative office development – Holyrood Park House - on land initially reserved for expansion of The Scotsman's premises. This includes Dynamic Earth, the Scotsman Building, the Tun Building, 2 hotels and the Scottish Poetry Library in addition to 79 housing units.

Figure 2. Holyrood Timeline



Impact

18. In broad terms the objectives of Holyrood/Dynamic Earth were to create a sustainable area of mixed use activity in the context of providing a major addition to Edinburgh's visitor and tourism profile. Under the original concept of Younger Universe, it had been estimated that up to 700 new jobs, would be created both directly and indirectly. As the concept changed to Dynamic Earth, employment and investment targets were subsequently revised. In August 1997 it was projected that the project would create 913 FTE jobs with investment of over £100 million. As Table 2 shows, these expectations have been largely met. Moreover, with the prospective opening of the Scottish Parliament in 2003-2004, further impacts will be likely.

Table 2: Dynamic Earth/ Holyrood – Summary of Impacts

HOLYROOD/DYNAMIC EARTH	SUMMARY OF IMPACTS	
	January 2003	On Completion
Scale of Development		
Office floorspace	123,790 sq.ft	170,790 sq.ft
Dynamic Earth	Completed	
Scottish Poetry Library	Completed	
Housing Units	79	
Holyrood Hotel	198 rms	
Aparthotel		
Investment		
Public	£34 million	£34 million
Total	£99.1 million	£110.6 million
Leverage Ratio	1:2.9	1:3.3
Employment		
Dynamic Earth		
Direct	67.5	67.5
Indirect & Induced (incl. broader tourism-related impacts)	181	181
Other Holyrood		
Direct	966	1,185
Indirect & Induced	360	448
Total		
Direct	1,033	1,252
Indirect & Induced	541	629
	1,574	1,881
Development & prospective development in neighbouring area*		
Office floorspace		542,330 sq.ft
Housing Units	51	60
Retail		398,250 sq.ft
Total		940,580sq.ft
Investment^b		£291 million
Direct Employment	35	4,500

*NB these developments can only be attributed in part to the Holyrood project given the proximity of the Scottish Parliament & town-centre-related development

Comparisons

Funding

19. Following the collapse of the original plans for the development of the EICC and the Exchange, Edinburgh District Council and Lothian and Edinburgh Enterprise Ltd acted swiftly to ensure that full funding for the EICC was in place **from the start of the project**. The EICC established the high quality tone of the Exchange and demonstrated a clear commitment to implementation, which in turn generated confidence in the development sector. Control of the site was an essential element in enabling the security of the funding commitment at an early stage.
20. At Holyrood, this level of certainty in funding was never established. Dynamic Earth's dependence on increasing land values in what was an untested and peripheral commercial location undermined its ability to be funded from receipts. Without Millennium Commission funding it would not have been able to proceed.

Management Arrangements

21. Both projects were implemented over a similar time frame, although with very different management structures. While this necessarily reflects the priorities of SE Edinburgh & Lothian (and its predecessors) it also highlights the view of the Agency's partners in both projects.
22. The development of Holyrood and creation of Dynamic Earth was clearly not one of EDC's main economic development priorities in the early 1990s. It lacked the political support commanded by the Exchange and the product - a science-based visitor attraction - was largely untested. What research there was suggested that such attractions would be dependent on revenue subsidy in their operation.
23. In broad terms, this was reflected in the structure of the development approaches adopted, the number of staff and their relative levels of skills and experience. While the levels of funding exposure were similar, the level of organisational commitment to the Exchange was considerably greater in practice.

Public Realm

24. The experience of both projects in animating public spaces differs significantly. Holyrood has broadly succeeded in incorporating a series of routes and spaces around the main developments which encourage people to explore and linger, while also relating well to the surrounding Old Town environment. In the Exchange, there has to date been limited success in encouraging more intensive use of the public spaces, not helped by the lack of ground floor activity in Conference Square. The space is more open and lacks the number of features and focal points which Holyrood gains from (admittedly, Holyrood has benefited significantly from pre-existing elements). To date, the Exchange has not become established as a public events location. This role and the use of public art features may increase usage as the broader Exchange area becomes further developed and the use of the area as a through route increases.

⁶ based on general construction and fit out costs experienced in the area

Key Factors & Transferable Experience

25. Some elements have been adopted in pursuing the regeneration of the Edinburgh Waterfront, while the experience of others may also be of use in implementing projects elsewhere.

Experience of Partnership

26. Commitment to shared goals and common objectives are a prerequisite of a successful partnership. Partnership working at EICC benefited from the **clear demonstration of priority** accorded to its implementation at the highest levels of the Partner organisations. This was demonstrated in the **close involvement and interest at Chief Executive and political levels**. While there were some reservations over the respective roles of the partners a **high level of trust and commitment** to the project was established at an early stage. **Secondment of staff within a strong and relatively autonomous project management framework** further built this commitment at an operational level.
27. A careful balance needs to be struck between partners funding commitment and any returns to ensure arrangements reinforce rather than detract from partnership working. Similarly, the scope of any risk taking functions and public accountability needs to be carefully considered. Arguably, had EICC Ltd been able to purchase neighbouring sites, there may have been the potential for considerable savings to the public purse. However, such actions may blur the distinction between the role of the public and private sectors.

Clarity in Delivery

28. Both projects benefited from a **clear vision for regeneration**, supported by **robust masterplans** which have generally been adhered to. Both helped to generate investment confidence while also providing a clear sense of direction and purpose. The importance of masterplans should not be understated in seeking regeneration of areas affected by market failure. While indicating the strategy for development, they can provide a basis for funding support, political commitment, private sector confidence and investment and importantly, site assembly.
29. While recognising that pressures of funding, programming and deadlines often enforce a decision on procurement prematurely, careful consideration of the procurement route should be an integral element comprising; project scoping and brief; commissioning processes; project management structure and scope; and inclusion of operational expertise.
30. The masterplan also needs to consider ways of ensuring continuity in terms of design and maintenance implications. In developing the public realm, there should be a clear emphasis on ensuring quality, although this should not detract from the need to create active 'spaces'. The Holyrood North masterplan achieves this through encouraging exploration, and creating small manageable pockets which are conducive to activity. Activity in the squares at the Exchange remains limited.

Project Management

31. Both projects benefited from acknowledgement of the different skills and strengths of staff in the partner organisations. The project management function is a key role, and selection of the project manager a critical early decision. This function is most effective where reinforced by partnership commitment and clear channels of communication and responsibility between project structures and partner organisations. Where this is not the case, as was occasionally evident at Holyrood, confusion can arise as to where decisions are made, with potential effects on project timescales and budgets.

32. The differing experiences of Holyrood and the Exchange demonstrate the importance of designing processes to **retain control of design elements and project costs**, whether through GMP agreements or other channels.
33. **Appropriate expertise** is necessary to oversee the construction, development and operation of the projects. Both projects benefited from access to established skills in site assembly and preparation. Regeneration also needs to ensure that **operational expertise is available within the project implementation team from the beginning, including the design stage**.
34. While recognising the need for partner organisations to ensure a manageable exit, **flexibility** also needs to be retained to ensure that appropriate skills are available to maintain the integrity of the project and the quality of maintenance. This is particularly evident where there are public realm elements, or where certain skills are needed, for example to allow the project to move to a new phase.

The role of the Public Sector in major urban regeneration projects

35. The experience of Holyrood and the Exchange demonstrates that the public sector has a **clear role where there is market failure to ensure common economic goods are delivered**. Holyrood and the Exchange areas were unproven locations at their inception. While the private sector may be willing to undertake large scale development, in general it has proved unwilling to fund necessary infrastructure improvement and site preparation works which have a negative impact on site values and potential returns in such areas.
36. The public sector can take a more strategic view of the economic as opposed to the financial returns of such provision, as well as a broader view of development related to its context. Significantly, both projects have also been developed over a lengthy period of time; it is now over 15 years since the first funding approvals for supporting works for the EICC and the Exchange. In both instances, **the project partners acknowledged that benefits in the short term were unlikely to be significant, and adopted a clear strategic focus on the long term economic benefit to the City as a whole**.
37. Scottish Enterprise has a major part to play, with local authorities and other public sector agencies, in ensuring that large scale projects generate broad and **catalytic** economic benefit. At present this activity is delivered in the context of Smart Successful Scotland i.e. growing businesses through developing competitiveness. Within the broader context of the strategy though, such activity does not have the priority previously witnessed. Arguably, as the SE network moves towards more standardised products across the country, this could further limit the scope for its involvement in physical regeneration activity.
38. However, there is recognition at a strategic level that a range of skills are required to achieve sustainable, wide reaching economic development impacts, indicating increasing partnership between: Scottish Enterprise; Local authorities; Communities Scotland; other agencies; and the private sector.
39. The need for enhanced co-ordination will increase in prominence as the findings of the recently-published Cities Review 'Building Better Cities – Delivering Growth and Opportunities' are

- developed. While many of its recommendations hinge on partnership actions, the Review emphasises the **importance of competitive locations**. It highlights the position of cities at the heart of Scotland's economic growth and dynamism and recognition of their key strategic role in fostering regional growth underpins the documents conclusions. Significantly, and in conjunction with other strands promoting regeneration, the development of **“effective markets for land and property**, and improved delivery of public services to provide infrastructure for business”, is highlighted as a key element in helping to address employment and housing imbalances, vacant & derelict land and levels of investment not only in infrastructure but also the public realm.
40. Consequently, the need to tackle long-standing issues such as vacant and derelict land, support for the role of cities in driving dynamism and economic growth, and recognition of the potential contribution that innovative mechanisms could play in delivering regeneration have increased the profile of development-led regeneration within Scottish Enterprise and in the public sector more broadly.
41. Scottish Enterprise is already adopting a leading co-ordination role in major development projects in the East and West of the country. This includes its role as a lead partner in the Waterfront Edinburgh Limited, where masterplan development is largely completed, roads infrastructure is in the process of development and private sector interest has been attracted. In the West of the country, the agency is co-ordinating the approach to the regeneration of the Clyde Waterfront, encompassing activity across 3 local authority areas, although this work is at an early stage of development.
42. As evident from this and historical experience, Scottish Enterprise has a key role in developing mechanisms to enable a co-ordinated inter-agency approach to regeneration, including Urban Regeneration Companies. The private sector has a key role in most of the established URCs and SEs experience (and the experience of several local authorities) in negotiation and brokering agreements should prove valuable. The Exchange in particular, might be viewed as a demonstration of the application of the URC model in Scotland, and similar approach has been adopted at the Edinburgh Waterfront.
43. Based on its experience in these and other areas, Scottish Enterprise has a clear role and contribution to make in identifying and driving regeneration in areas affected by market failure, particularly where such efforts can be harnessed to support key sectors:
- Based on clear evaluation of options;
 - In areas which are significant strategically & where future opportunities for private sector (and future business development) can be demonstrated;
 - Where there is a clear contribution to regional and local priorities; and
 - Where effective partnership can be achieved.

1. INTRODUCTION

The Evaluation and its objectives

In August 2002, Scottish Enterprise Edinburgh & Lothian (SE Edinburgh & Lothian) commissioned Roger Tym & Partners with Jones Lang LaSalle, George Street Research and Ian White Associates to carry out an evaluation of:

- The Exchange, including Edinburgh International Conference Centre; and
- Holyrood, including Our Dynamic Earth

As well as being significant projects in their own right due to their scale, complexity and high profile, both required funding from public sources including SE Edinburgh & Lothian, the City of Edinburgh Council and other sources. SE Edinburgh & Lothian also devoted considerable staff resources to the project management and implementation of both projects.

In assessing the impact of the two projects and the effectiveness of the regeneration approach used, this evaluation seeks to address a number of quantitative and qualitative issues:

- *identifying economic impact* :
 - in quantitative terms – examining outputs such as employment generated, private sector investment attracted to both areas etc, and providing an indication of the degree to which such impacts can be considered additional;
 - in qualitative terms – examining the impacts of the projects on neighbouring areas (their catalytic regeneration effect), and their contribution to improving the Edinburgh's economic infrastructure.; and
 - relative to the strategic objectives identified for each project.
- *gauging the effectiveness of Scottish Enterprise Edinburgh and Lothian's approach to urban regeneration*:
 - considering the project management arrangements employed;
 - assessing the contribution made through the use of particular development vehicles;
 - examining the approach to partnership in both projects and the funding routes employed; and
- *bringing forward lessons for current and future regeneration projects in the SE Edinburgh and Lothian area and across the Scottish Enterprise Network generally, based on the experience of the two projects.*

1.2 Methodology

The evaluation has combined a number of key elements:

- A review of policy and project documentation – providing the context in which the projects were developed and decision-making detail;
- Preparation of a baseline to measure impacts against;

- Business, visitor and employee surveys (Appendices 3, 4, 5, 6, 7 & 8)
- Analysis of change and impacts on the Edinburgh Property Market, reporting on issues such as office take-up and supply, rental information and key deals from 1990 to the present;
- Public realm assessment of both areas;
- Detailed discussions of the experience of both projects with: key staff involved from SE Edinburgh & Lothian and the City of Edinburgh Council: developers (see Appendix 2); and occupiers; and
- An Evaluation Workshop (see Appendix 9 for list of invitees) involving Scottish Enterprise staff from SE Edinburgh & Lothian and across the Network, along with City of Edinburgh Council colleagues. This discussed experience at The Exchange and Holyrood in the context of experience elsewhere.

Appendix 1 provides details of the documents sourced in this assessment and a schedule of all those who have been involved in the consultation process.

We would like to take this opportunity to thank all of those involved for their time in discussing their experiences of the projects. This has been invaluable in examining the regeneration process and bringing forward elements for broader application.

1.3 Format of Report

The remainder of the report is structured as follows:

- **Chapter Two** – examines the property market context that both projects were developed and implemented in;
- **Chapter Three** –sets out a series of Baseline Indicators
- **Chapter Four** – examines regeneration experience at the Exchange
- **Chapter Five** – details the process at Holyrood
- **Chapter Six** – brings forward the key findings of the evaluation

2. PROPERTY MARKET CONTEXT

While both projects have proved to be major undertakings in their own right, it is important that the evaluation has a clear understanding of the context within which they were implemented. Both are examples of large-scale property-led regeneration. It is important then that they are analysed with an appreciation of appropriate property market conditions. This chapter sets the property market context over the period when key decisions and actions were taken in the implementation of both projects, examining property market conditions in Edinburgh over the last 12 years.

2.1 1990 – 1995 Market Uncertainty & Caution

In 1990 the office market was relatively active, with recorded take-up of space showing an increase in previous years. This reflected a greater amount of available space on the market with a reasonable level of demand for modern open plan office accommodation. Rents for open plan offices were approximately £23.50 per sq.ft.

Within the investment market there were signs of prime yields moving out by up to 2%, resulting in a reduction in capital values. In 1990 interest rates were high and it was forcing investment sales where companies had a high gearing of debt on particular properties

In **1991**, demand for open plan office space remained strong. Significant deals included Dundas & Wilson's acquisition of a lease from Scottish Metropolitan of Saltire Court, to the east of the Exchange area on Castle Terrace. This was a major speculative development and arguably the beginning of the change in office market perceptions of the Lothian Road area. Major occupiers relocated to Saltire Court from townhouse accommodation, including Dundas & Wilson, Shepherd & Wedderburn, Martin Currie and KPMG. In the townhouse sector of the market there was significantly less demand with few townhouse sales concluded (at one point over 70 townhouse buildings were being marketed in Edinburgh). This factor was reflected in rents with modern open plan prime space commanding £25 per sq.ft in comparison to townhouses where rents were beginning to drop off. Available office floor space within Edinburgh remained steady in 1991 at 1.6M sq.ft. with a 10% vacancy rate.

In parallel with the national situation, downsizing and caution from occupiers characterised the market in 1992. Despite this, occupiers continued to show interest in relocating from period to open plan property with a view to achieving medium to long term objectives. The two tier office market continued with low rents and short term leases while headline rents on better quality buildings remained steady with tenant incentives given away through rent free or fit out contributions. The supply of good quality, modern, open plan accommodation improved, while townhouse property continued to be over-supplied.

There was further evidence of recovery in the office sector in 1993. With the supply of modern, open plan offices still relatively limited, headline rents at this time reached £23 per sq.ft. (although prime central rents were generally of the order of £19-20 per sq.ft.). This improvement continued into 1994, with a reduction in Edinburgh's office supply to 1.58M sq.ft with modern open plan floorspace in units of greater than 10,000 sq.ft in particularly short supply as occupiers sought to vacate older traditional, townhouse accommodation. In 1994 the

significant deals were the letting of EDI's Calder House and ITL's occupation of a pre-funded 35,000 sq.ft office at Edinburgh Park. Prime office rents consolidated at £18-20 per sq.ft. for new quality open plan space in the city centre.

The supply of office space in Edinburgh remained virtually static through 1995, although there was significant development activity at Edinburgh Park including the pre-letting of Lochside Court to British Energy (30,000 sq.ft.). However, while there was little movement in rental rates, tenant incentives were also less common.

2.2 1996 – 2002 Increasing demand & Market response

Office rents started to show signs of growth in 1996, particularly for high quality, open plan developments. There was a general reluctance of developers and institutions to commit to new construction projects without pre-lets or pre-sales in place, although there were a number of major requirements in the market place, including BT and the Inland Revenue. Letting activity at Edinburgh Park continued and in 1996 Kingston SCL took a pre-let on a 55,000 sq.ft. office building.

Following the decision to hold a referendum on the creation of a Scottish Parliament, pre-existing concerns about the severe undersupply of good quality offices in Edinburgh came sharply into focus. General supply in Edinburgh decreased to just over 1M sq.ft, however only 42,800 sq.ft. was categorised as Grade A open plan space within the city centre. Unsurprisingly, conditions for rental growth and speculative development were considered good. Edinburgh Park continued to evolve and deals in 1997 included the Midland Bank and BT. The townhouse market was recovering from its slump in the early 1990s with only 27 period office buildings on the market. Prime rental rates reached £23 per sq.ft. on 15-20 year leases.

The office market in 1998 showed sustained high levels of demands and record take-up. No new Grade A open plan space was available in the city centre, although Caledonian Exchange was being refurbished. However, 142,000 sq.ft. of office space was in the development pipeline in peripheral locations including Edinburgh Park. Prime rents were £23.50 per sq.ft. but due to a lack of good quality space they had reached £25 per sq.ft. by the end of the year.

With Caledonian Exchange being the only newly developed floorspace offered in the city centre in 1999, significant undersupply continued to be the dominant market characteristic (particularly for new Grade A office property). This was reflected in a rising number of pre-lets. At the time, available supply accounted for less than 5% of total office stock, while unsatisfied demand from companies looking for space was estimated at 950,000 sq.ft. With limited supply and upward pressure on rents, occupier incentives tended to be limited while lease periods were extended. In this environment, Caledonian Exchange was pre-let to Standard Life Bank at a rate of over £20 per sq.ft. and further lettings at Edinburgh Park to occupiers including Halifax plc/Intelligent Finance and Adobe were achieved.

Despite generally good market conditions continuing into 2000, take-up of office accommodation was depressed by a shortage of product. There was significant demand for open plan office space over 10,000 sq.ft. from financial services, IT, professional, local

authority, corporate and the service office sector amounting to some 1.3M sq.ft. Available supply at September 2000 was just over 800,000 sq.ft. with a vacancy rate of only 4%. However, only a very small proportion of this stock could be considered to be high quality, open plan office space and certainly not Grade A space.

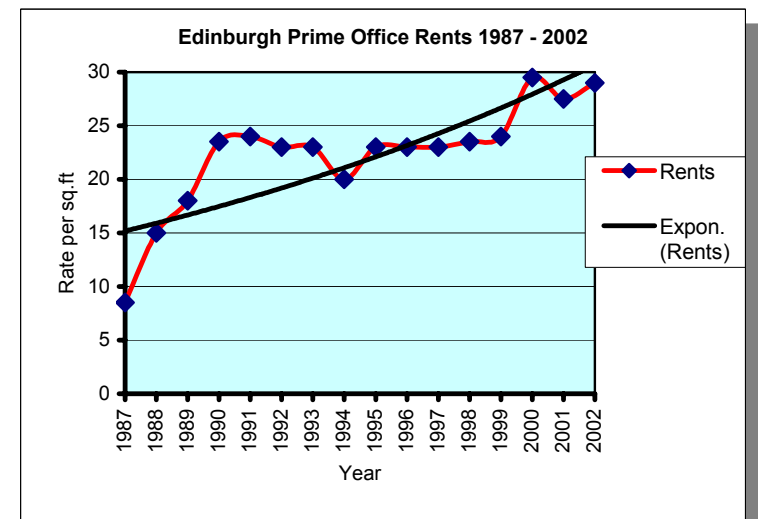
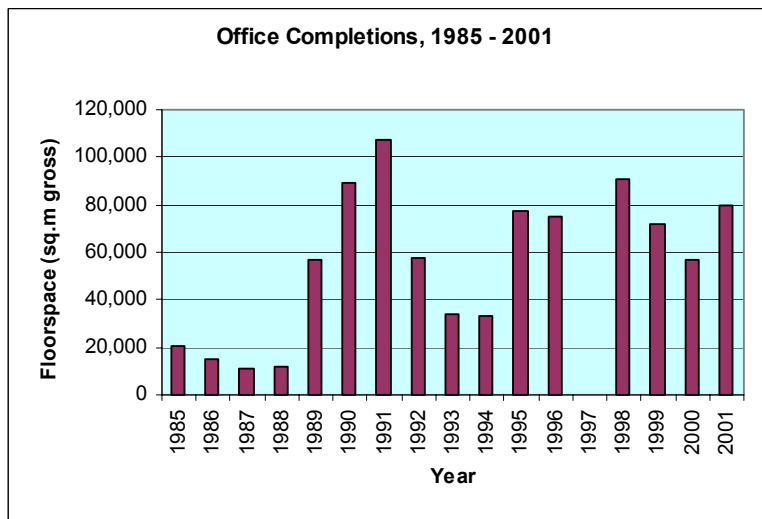
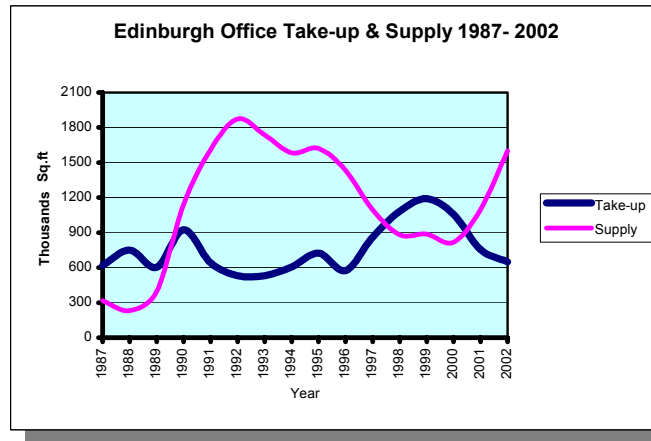
It was expected that occupier demand would continue to outstrip supply with continuing upward pressure on rents. Against this backdrop there was evidence of rental growth in peripheral locations, such as Leith, Newbridge and Sighthill.

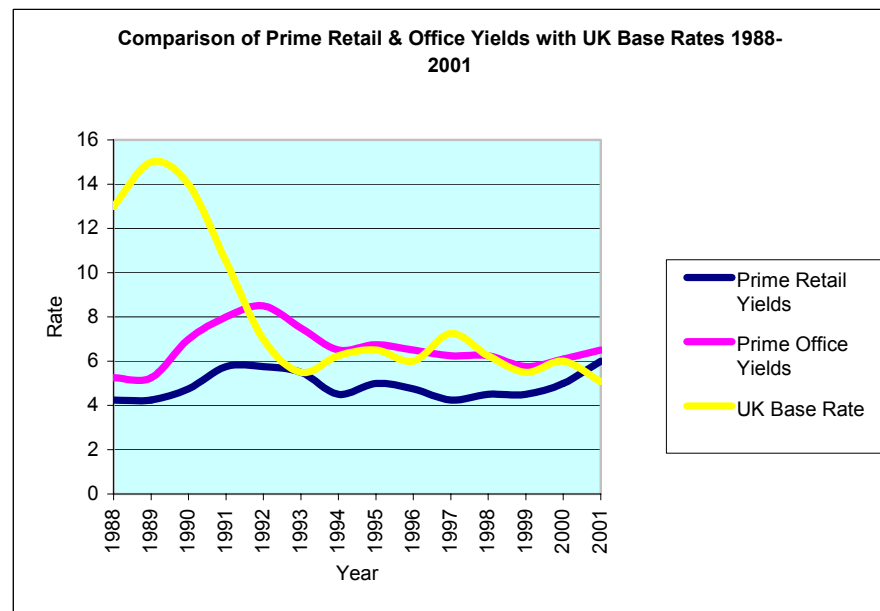
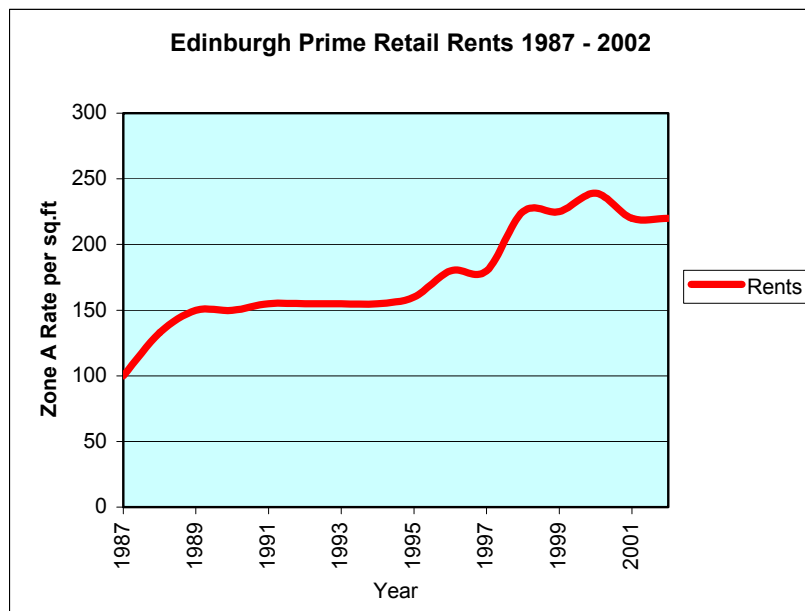
The Edinburgh office market in 2001 was characterised by an overall slow down of activity. Difficulties in IT, telecoms and parts of the financial services sector affected space requirements. There was an increased demand for property at the smaller end of the market and larger property deals were generally put on hold. Serviced offices and business services were particularly affected. Total supply of office space was approximately 1.1M sq.ft, although the supply of high quality space remained limited with only 5 developments immediately available offering over 20,000 sq.ft. Overall, there was a feeling of uncertainty and a number of speculative developments were put on hold. Deals done included the network building at Haymarket which was acquired by the Pensions Trust and 80 George Street (purchase of 47,000 sq.ft.) was let to Friends Ivory & Sime for £27.50 per sq.ft.

Following the widespread economic slowdown, generally attributed to events of September 11th, the Edinburgh office market continues to face a reduction in requirements and take-up despite a number of speculative office developments coming onto the market. At present, only one significant deal (in excess of 20,000 sq.ft.) is progressing at Excel House. The take-up of office space during this year has fallen again from the 2001 level. As a result of speculative office development during 2000/01, supply of office accommodation has increased to approximately 1.6M sq.ft.

2.3 Statistical Analyses

The graphs which follow summarise the development of the market over the period.





3. BASELINE INDICATORS

This section considers the baseline position prior to project implementation and compares it with the most up-to-date socio-economic data. No specific targets have been identified from the Board papers, so a standard set of socio-economic measures has been selected, as follows:

- *Population*
- *Unemployment*
- *Employment*
- *VAT registrations*
- *New business opportunities*
- *Planning applications*
- *Tourism data*

The selection and development of baseline indicators is a particularly important process for targeted regeneration programmes, and a good baseline statement is required for two main reasons:

- to identify, wherever possible in quantitative terms, the extent and nature of the specific problems facing the City of Edinburgh at the start of the projects; and
- to provide a benchmark position from which to assess whether the Exchange and Holyrood projects have made a meaningful change to the extent and incidence of these problems.

3.1 Population

Population analysis has been undertaken for City of Edinburgh, the SE Edinburgh & Lothian area and Scotland in order to make meaningful comparisons.

Table 3.1: Population

	1991	2001	Change 1991 - 2001
City of Edinburgh	393,811	448,624	13.9 %
Lothian	690,141	778,367	12.8 %
Scotland	4,770,644	5,062,011	6.1 %

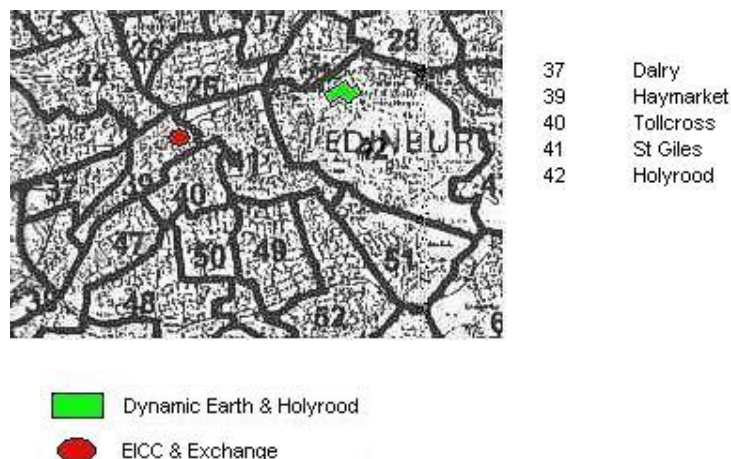
Source: Census Results 1991 and 2001

The City of Edinburgh population increased by almost 14% between 1991 and 2001. This is marginally more than that experienced throughout the SE Edinburgh & Lothian area, but significantly more than that experienced across Scotland.

Edinburgh has experienced a boom in the financial and business services markets, which traditionally tend to attract younger employees who would favour the city lifestyle. In addition demographic trends are moving towards an increase in single occupant households as divorce rates increase and people wait longer to get married. These factors would all contribute to an increase in population within the City.

3.2 Unemployment

The key wards of Dalry, Haymarket, Tollcross, St Giles and Holyrood are also included in the unemployment analysis and the location of both the EICC and Dynamic Earth/Holyrood in relation to these wards is illustrated in Diagram 1 below.



Although the projects are geographically relevant to these wards, it is unrealistic to assume that the impact of both regeneration projects would be restricted to these wards alone. Comparators at Council, LEC and national level have therefore been included.

Table 3.2: Unemployment

	1991		1995		2001		Change
	No.	%	No.	%	No.	%	1991-2001
Dalry	291	8%	393	9 %	198	4 %	- 32.0 %
Haymarket	504	13%	447	9 %	195	4 %	- 61.3 %
Tollcross	367	11%	382	8 %	183	4 %	- 50.1 %
St Giles	524	12%	558	8 %	196	3 %	- 62.6 %
Holyrood	412	13%	487	11 %	226	5 %	- 45.1 %
City of Edinburgh	17,626	8%	17,811	7 %	6,876	2.7 %	- 61.0 %
Lothian	29,242	n/a	28,301	n/a	11,794	n/a	- 59.7 %
Scotland	216,991	8%	206,656	7.8 %	109,663	4.4 %	- 49.5 %

Source: NOMIS, City of Edinburgh Council (figures for April)

The number of unemployed claimants appears to have fallen dramatically between April 1991 and April 2001.

Regardless of techniques used to measure unemployment, the position in Edinburgh compares favourably with the rest of Scotland, reflecting the number of job opportunities available. The numbers registered unemployed have continued to fall between April 2001 and December 2002. Unemployment in the City of Edinburgh is currently 6,576, representing a fall of 4.4%, from April 2001. The rate for Edinburgh (2.2%) is also below that of Scotland (3.9%).

The rates for Dalry (4%), Haymarket (4%) Tollcross (4%) St Giles (3%) and Holyrood (7%) have fallen by between 4 and 5 percentage points between April 1995 and April 2001. Although the rates still appear high compared to City of Edinburgh they are only slightly above the average, with wards such as Muirhouse, North Hailes, South Hailes and Craigmillar recording rates above 10%.

3.3 Employment

Employment in Edinburgh and the Lothians has increased significantly between 1991 and 2001 and by almost double that experienced across Scotland. This is in large part due to a general increase in activity in the finance and service sectors. Locations such as the Exchange, the Gyle/Edinburgh Park and Livingston have helped to enable such growth to be accommodated locally.

Employment statistics are available from the Annual Business Inquiry for 2001 and the Annual Employment Survey for the prior years of 1991 and 1995. These figures provide workplace based measures of employment and also number of businesses (employment units). Data for employment units is based on pay points, and as such may not exactly correspond to the standard measure of businesses or firms.

Table 3.3: Trends in Employees in Employment

	1991	1995	2001	Change 1991 to 2001
Holyrood	8,037	5,955	6,074	- 24.4 %
Dalry	3,445	2,781	2,923	- 15.2 %
Haymarket	9,382	8,416	12,602	34.3 %
Tollcross	3,253	3,176	3,064	- 5.8 %
St Giles	24,039	28,050	31,054	29.2 %
City of Edinburgh	248,766	259,510	300,233	20.7 %
Lothian	339,018	350,110	418,029	23.3 %
Scotland	2,003,920	2,019,507	2,308,622	15.2 %

Source: NOMIS, Annual Employment Survey (for 1991 and 1995), Annual Business Inquiry 2001

The number of employees in the Holyrood ward has fallen significantly over the last 10 years even though the number of employment units (businesses) has risen. This suggests that businesses are rationalising or making more use of part-time and contract staff. The biggest fall was witnessed in the Public Administration and Education category, with a fall of 1,614 employees. By 2001 this activity represented 27 % of all employment in Holyrood, compared with 40% in 1991. The Distribution, Hotels and Catering category increased its share of ward employment from 23% to 36%.

In the Haymarket ward the Banking, Finance and Insurance sector increased its share of locally-based employment from 27% in 1991 to 55% in 2001. This corresponded to an employment increase of 4,332 (170%).

Table 3.4: Banking, Finance & Insurance Employment

	1991	2001	Change 1991 -2001	
			absolute	percentage
Exchange	2,542	6,874	4,332	170 %
New Town	22,913	27,541	4,628	20 %
Gyle	2,397	10,674	8,277	345 %
EDINBURGH	59,046	97,799	38,753	66 %

Source: NOMIS ABI and AES, Exchange = Haymarket ward, Gyle = Kirkliston ward

Table 3.4 above illustrates the significant increases in employment experienced in the banking, finance and insurance sector over the last 10 years. Employment in this sector has risen by 66% in Edinburgh City with both the Exchange and Gyle districts experiencing increases well in excess of the City average. The increase in the New Town has been less marked, no doubt affected by property supply constraints. Between them, these three areas have accommodated some 45% of sectoral employment growth between 1991 and 2001.

These figures when compared with those in Chapter 4 (see Table 4.1) suggest that new property provision in both the Exchange and Gyle areas has accommodated much of the employment increases in the sector.

Table 3.5: Recreational, Cultural & Sporting Activities

	1991	2001	Change 1991 -2001	
			absolute	percentage
Holyrood	101	266	165	163 %
EDINBURGH	6,088	9,114	3,026	50 %

Source: NOMIS ABI and AES

A similar analysis has been undertaken for employment related to cultural activities. In line with proactive efforts from the tourism and leisure sectors, employment has increased significantly across Edinburgh City. However, this increase has been especially evident in the Holyrood district where the increase has been over three times greater. Dynamic Earth has clearly had a major direct effect in Holyrood. Its influence and that of the Edinburgh International Conference Centre has arguably had a major effect in increasing hotel provision in the City. Hotels feature largely within both projects, with two additional hotels being accommodated within Holyrood. In addition to the Sheraton, development near the Exchange has also included construction of a Novotel.

Table 3.6: Trends in Employment Units

	1991	1995	2001	Change 1991 to 2001
Holyrood	389	464	458	17.7 %
Dalry	272	284	259	- 4.8 %
Haymarket	481	717	660	37.2 %
Tollcross	220	357	337	53.2 %
St Giles	695	1,175	1,245	79.1 %
City of Edinburgh	12,034	16,953	17,830	48.2 %
Lothian	17,414	24,966	26,556	52.5 %
Scotland	122,877	164,051	165,910	35.0 %

Source: NOMIS, Annual Employment Survey (for 1991 and 1995), Annual Business Inquiry 2001

Both project areas have experienced significant rises in the number of employment units in their respective wards. In addition to the employment impacts of businesses locating directly within the project areas, there have been a number of significant announcements relating to employment opportunities around the Exchange and Holyrood, a selection of which are outlined below:

Exchange

- S&N and THI leisure development at Fountain Park forecast to create 400 jobs (1999);
- Edinburgh Quay forecast to create 663 jobs (Autumn 2002);
- Business Park at Haymarket Station forecast to create 750 jobs;
- Morrison Street Goods Yard: mixed use development forecasting 5,000 jobs;
- Caledonian Exchange (Canning Street): 600 jobs; and
- Exchange Tower opened in March 2001.

In addition several high profile businesses have chosen to locate or re-locate to the Exchange and surrounding area:

- Scottish Widows, consolidating various functions at Port Hamilton;
- State Street Bank relocation to Clydesdale Bank Plaza;
- Merrill Lynch locating and creating 30 new jobs;
- Friends, Ivory & Sime relocated with 100 new jobs;
- Aon relocated with 105 new jobs;
- Martin Currie locating into Canning Exchange; and
- Baillie Gifford Fund Managers also locating into Canning Exchange.

Holyrood

In the Holyrood area the most high profile job-related announcement has been the location of the Scottish Parliament, forecast to create 700 on site with a wider direct job impact of 1,750⁷. Other relevant developments include:

- £100m redevelopment of former New Street bus depot to be named Calton Gate;
- New Scotsman Publications HQ and Media Centre creating 522 and 450 jobs respectively;
- Extension to Jury's Hotel to provide 60 additional bedrooms and mixed-use area;
- New City of Edinburgh Council building: East Market Street & New Street: 1,800 jobs; and
- £3.5m mixed use development by EDI at East Market Street/Jeffrey Street/Old Town.

The data in Table 3.7 looks at the number of VAT registered businesses for each area over the period 1995 to 2000.

Table 3.7: Stock of VAT Registered Businesses at Year End

	1995	2000	Change 1995 to 2000
City of Edinburgh	10,230	10,640	4.0 %
Lothian	15,950	16,760	5.1 %
Scotland	118,605	118,670	0.1 %

Source: NOMIS

⁷ Major Developments in Edinburgh, 2001. City of Edinburgh Council.

Most of the increase in VAT registrations has been in property, public administration and education, with all other activities recording drops. However it is worth noting that the VAT registration threshold has increased year on year from £46,000 in 1995 to £52,000 in 2000. These figures do not therefore account for small businesses trading below this threshold.

3.4 Planning Applications

A brief analysis of planning applications has been carried out as part of the evaluation. This covers City of Edinburgh Council planning applications between the 1 July 1997 and 30 September 2002 and for a half mile radius around both Dynamic Earth and the Exchange.

Table 3.8: Planning Applications (1/7/97 – 30/9/02)

	1997	1998	1999	2000	2001	2002	TOTAL
EXCHANGE WARDS							
Murrayfield	5	11	8	7	1	3	35
Dean		1	7	7	8	8	31
New Town	3	10	6	12	9	3	43
Dalry	7	14	22	14	21	16	94
Fountainbridge	2	10	6	13	9	7	47
Tollcross	7	14	17	16	16	9	79
Merchiston	1		2	1			4
TOTAL	25*	60	68	70	64	46*	333
HOLYROOD WARDS							
Meadowbank	3	2	2	4	1	1	13
Holyrood	1	4	1	2		1	9
Southside	4	8	25	11	11	7	66
Calton	1		1	1	2	2	7
TOTAL	9*	14	29	18	14	11*	95
City of Edinburgh	3,715	3,572	3,798	4,528	4,548	4,909	25,070
Project area %	1%	2%	3%	2%	2%	1%	2%

* ward data relates to part years in 1997 and 2002.

In this period, 333 planning applications were submitted relating to the wards immediately adjacent to the Exchange. 1999/2000 accounted for over 40% of the applications. Although this is 4 years after the opening of the Conference Centre it shows that the area has continued to be a popular area for development. Most applications related to proposed development within the Dalry ward. Two thirds were granted consent, a further 23% being refused or withdrawn. The majority of the remaining applications relate to more recent years with the application still being under consideration.

Applications included:

- Office refurbishment on Canning Street (1,800 sq m);
- A new 48 bed hotel in the Grassmarket; and
- Scottish Widows applying for conversion of redundant office space on Morrison Street to mixed use, childcare, coffee shop and Class 3 restaurant.

At the same time, there were 95 planning applications submitted for developments in the wards immediately surrounding the Holyrood/Dynamic Earth project. Two thirds successfully gained

consent, with 17% being withdrawn or refused and 13% still under consideration. Three related specifically to the Parliament building, and the Planning Department raised no objections to consent. Applications within the Holyrood ward appear very low, however as a World Heritage and conservation area, development opportunities are relatively scarce.

Applications included:

- 68-bed Hotel on the Cowgate;
- extension to Holiday Inn Crowne Plaza;
- Office development on Holyrood Road(5,295 sq m); and
- A 157 bedroom Travel Lodge on St Mary's Street.

There has been an increase in applications from 1999 coinciding with the Parliament decision. In addition several of the applications relate to either new or extensions to existing hotels.

3.5 Tourism

The UK Travel Survey provides figures for UK and overseas trips to Scotland, broken down to sub-regional level. However, the methodology was changed in 2000 meaning that historical comparisons are only available for Edinburgh and the Lothians. The table below illustrates the balance of domestic and overseas tourist trips and expenditure generated for 1996 through to 2001. The majority of trips to Edinburgh and the Lothians are to Edinburgh itself.

Table3.9: Tourism Statistics

	1996		1998		2000		2001	
	Trips (m)	Exp (£m)	Trips (m)	Exp (£m)	Trips (m)	Exp (£m)	Trips (m)	Exp (£m)
Edinburgh	n/a	n/a	n/a	n/a	2.61	629	2.75	630
Edinburgh & Lothians	3.91	1,012	4.2	1,032	4.34	968	4.57	1,018
Scotland	n/a	n/a	21.0	4,745	20.7	4,623	19.1	4,091

Source: VisitScotland

Edinburgh as a destination accounts for one seventh of all Scottish visits and one third of expenditure.

Overseas visitors account for only one quarter of all trips to Edinburgh, yet one third of expenditure. As longer stays are involved, this would be expected. Nevertheless it highlights the importance of overseas tourism to Edinburgh. 31% of UK visits are by Scottish residents. UK resident trips account for the majority of trips to Edinburgh (3.7m versus 0.87m for 2001).

UK tourism dipped slightly in 1998 before continuing its upward trend. Overseas tourism has experienced a fall in trips since 1998, when it peaked at 1.2m. The equivalent figure in 2001 was 0.87m.

Dynamic Earth is the third most visited paid attraction in Edinburgh, after Edinburgh Castle and Edinburgh Zoo. The target for visitors to Dynamic Earth was set at 450,000 per annum. In the first four months of opening the facility attracted 250,000 visitors alone. The visitor figures are displayed below.

Table 3.10: Visitor Attractions

	1999	2000	2001	Change 2000 to 2001
Our Dynamic Earth	295,959	436,000	406,700	- 6.7 %
Edinburgh Castle	1,220,338	1,204,285	1,127,389	- 6.4 %
Palace of Holyrood	294,500	254,721	206,393	- 19.0 %
Scotch Whisky Heritage Centre	189,000	n/a	209,469	

Source: The Moffat Centre (Monitor 1999), VisitScotland

Visitor numbers have fallen between 2000 and 2001 for Dynamic Earth, Edinburgh Castle and the Palace of Holyrood. This has been influenced by the events in America on September 11th 2001. In addition the falling numbers at adjacent attractions affects the ability of Dynamic Earth to maximise their penetration rate.

Bed spaces in Edinburgh are estimated to have increased by 41% between 1991 and 1999. In 1991 the figure was 4,967, increasing to 5,216 in 1995 and 6,994 in 1999. Information from the Edinburgh International Conference Centre however suggests that bed spaces could be as much as 15,000.

Business Tourism, including conferences, exhibitions, incentive travel, product launches and corporate entertaining is estimated to be worth over £450m to Scotland per annum. The value of exhibitions and conferences to Edinburgh is estimated at in excess of £125m per annum. Figures for business tourism in Edinburgh are available from the Edinburgh Convention Bureau and key facts and figures are illustrated below.

Table 3.11: Conference Activity in Edinburgh by venue (1998)

VENUE	Number of Conferences
EICC	54
Universities	102
Non-residential	149
Hotels	201
TOTAL	506

Source: Edinburgh Convention Bureau

In 1998 the Bureau secured or assisted in confirming 523 conferences and incentive trips for future years up to 2005. The 506 conferences assisted in 1998 represented an 11.9% increase from the previous year, with an associated estimated economic benefit of £31.2m, 112,880 delegates and 3,260,939 delegate days. Almost two thirds of conferences are for either national associations or UK corporates. Figures for economic benefit of conferences with which the Edinburgh Convention Bureau have had an involvement are detailed below.

Table 3.12: Edinburgh Conference & Exhibition Performance

	Conferences	Delegates	Economic Impact
1998	506	112,800	£31.2m
1999	506	114,285	£38.9m

2000	495	89,139	£37.9m
2001	272	102,990	£29.5m

Source: Edinburgh Convention Bureau

Table 3.12 above only includes functions that have had direct involvement from the Bureau, e.g. marketing and promotional activity. It is estimated that an additional 190,000 delegates came to Edinburgh in 1998 to attend events not facilitated by the Edinburgh Convention Bureau.

The EICC itself accounted for 69,000 delegates in 1998 (up from 45,000 in 1997). In October 1999 the Centre welcomed its 250,000th visitor. As at 2001, the Conference Centre had brought in an estimated cumulative £74m into the City and hosted over 1,000 events (up from a cumulative £52m and 724 events in 1999). On-site spending per delegate continues to rise annually and stood at £246.81 (2002). Occupancy levels have risen from 59% in 1996 to 68% in 1998 and 72% in 2001. About one fifth of bookings are repeat business and half are international events.

Table 3.13: EICC Performance

	Events	Delegates	Economic Impact	Return on Council subsidy (per £1)
1999	187	60,785	15m	17.89
2000	190	75,000	17m	30.73
2001	164	64,422	17m	70.26
2002	140	57,441	14 m	n/a

Source: EICC Ltd

3.6 Conclusions

The information above allows an assessment of the extent to which the Holyrood and Exchange projects have had a meaningful impact on a range of socio-economic conditions.

The population in Edinburgh City has increased by twice as much as the Scottish average. Although this can in part be due to increasing single-occupant householders choosing city lifestyles it can also be argued that a proportion of the increase can be attributable to the increased employment opportunities in areas such as the Exchange and other focussed areas of development, e.g. the Gyle.

Similarly, the large falls in unemployment over the period are largely a product of macro-economic growth and expansion in particular sectors. However, some of the decrease can be attributed to new job opportunities as a result of the Exchange and Holyrood projects, either directly on-site, indirectly or from vacancies appearing in other sectors as more qualified people move into the Holyrood and Exchange vacancies. The profile of job opportunities within both projects, particularly in the Exchange, is towards more highly-skilled positions. As the employment impact is therefore likely to have been dispersed over a broad area, the effect on levels of unemployment at local level is unlikely to have been concentrated. One exception may be at Dynamic Earth, where it is understood that specific efforts have been made to recruit locally.

Sectoral employment performances indicate that the projects have had significant impact on the banking and finance sector in the Exchange and the cultural sector in Holyrood with 170% and 163% increases respectively in the period between 1991 and 2001.

Planning applications further confirm the catalytic impact of the projects, although increases in Holyrood may be more directly attributable to the Parliament than Dynamic Earth and the development of the North and South sites. However, the Holyrood development has helped to establish the area as a business location, as well as supplementing and bolstering its tourism role.

Trends in visitor numbers to Dynamic Earth have been on a par with those experienced by Edinburgh Castle, while the Palace of Holyrood has suffered substantial drops in visitor numbers. Dynamic Earth continues to perform well despite external influences, e.g. September 11th and falling numbers in neighbouring attractions.

The EICC accounts for a significant proportion of all conference and exhibitions in Edinburgh. More importantly the Centre is successfully attracting higher yield events, so even though events, delegate numbers and delegate days may be falling economic impact is maintained.

4 THE EXCHANGE/ EDINBURGH INTERNATIONAL CONFERENCE CENTRE

4.1 Project Summary

In the late 1980s, the Exchange developed from acknowledgement of 2 main weaknesses in Edinburgh's economic infrastructure: the lack of international standard conference facilities; and shortage of high quality, modern and flexible office floorspace, particularly in central areas. Failure to act could have adversely affected Edinburgh's position in both the financial services and conference and related tourism sectors.

The project comprised: extension of the West Approach Road; construction of an international status Conference Centre, and development of a new office quarter; supported by high quality public spaces. The EICC was a pivotal element in establishing the quality hallmark of the area.

4.2 Project Evolution

In its nomination for the 2001 Scottish Awards for Quality in Planning, City of Edinburgh Council credits the development of the Exchange (including the Edinburgh International Conference Centre) as "the largest development scheme in Edinburgh since the Georgian New Town was built in the 18th Century." ⁸

The development of the Exchange in the form it is today has its origins in the development of planning policy, and economic research in the mid 1980s, with a seven-year 'gestation' before implementation began in earnest.

The Regeneration Context

In late 1983, the Scottish Development Agency commissioned the Edinburgh Conference Centre Feasibility Study. While Edinburgh was seen as a highly desirable conference destination, available facilities tended to focus on Council facilities, universities and hotels and were limited in what they could offer. **Relative to competing cities in the UK and Europe, many basic conference services were unavailable in Edinburgh.** Without developing the city's conference appeal there was a clear risk that conference and related business in Edinburgh would decline.

The **analysis identified a target market - medium-sized technical and financial conferences – for a new Conference Centre. Lothian Road emerged as the preferred location ahead of Castle Terrace and Morrison Street.** At the time, all three potential locations were characterised by large derelict sites, or 'holes in the ground'.

The public sector anticipated playing a lead role from the start - operating forecasts suggested that the proposed Centre, in common with most other international Conference Centres, would run at an operating deficit and therefore require an annual contribution to revenue costs.

At the same time, the **lack of modern, flexible, high quality office floorspace and the shortage of development capacity in the traditional office quarter on the New Town and Charlotte**

⁸ Scottish Awards for Quality in Planning: Nomination for development on the ground 2001.

Square was recognised in both the 1985 Lothian Region Structure Plan and the 1987 West Central Edinburgh Redevelopment Strategy. The latter identified West Central Edinburgh area as an area for future office development - with large areas owned by Edinburgh District Council. It also supported the development of a new conference centre in the city.

After sanctioning a lead role for the agency **in 1986, the Scottish Development Agency Board approved £6m for expenditure on land engineering and £750,000 LEG-UP** funding to assist in the preparation of a detailed development plan in 1988. In the same year, selection of a preferred developer began - a process carried out jointly by the SDA and Edinburgh District Council. In early 1989, the Edinburgh Development Group (comprising Greycoat PLC and Sheraton Securities) with Terry Farrell as masterplanner emerged from a shortlist of 4.

The funding profile was completed by:

- **Edinburgh Development Group (EDG)** – who would fund £25m of the £30m capital cost of the Conference Centre for the right to develop the surrounding office floorspace;
- **Lothian Regional Council** – through the solum of the West Approach Road (valued at £2.5m) and a £5 million contribution to capital costs; and
- **Edinburgh City Council** – who would provide £2.5m in pre-operating costs and along with the Chamber of Commerce fund the annual operating deficit, estimated at £1.2m at the time.

Following revisions to the original masterplan, outline planning consent for a scheme was granted in October 1990. However, as interest rates rose markedly, **the principal developers within EDG withdrew, either to focus on declining property interests in the South East or as was the case with Sheraton in March 1991, to enter administration.**

In the context of the time, the development of the Conference Centre was left entirely dependent on public sector funding. The response from what was now Lothian & Enterprise Edinburgh Ltd (LEEL) and Edinburgh District Council (EDC) was relatively swift.

In July 1991, Edinburgh International Conference Centre Ltd (EICC Ltd) was formed, a joint venture between LEEL, EDC and Lothian Regional Council. The shortfall in funding was met through the action of Edinburgh District Council in granting a £25 million interest-free loan to EICC Ltd. This was borrowed from Public Loan finance and other sources with Scottish Office approval. The loan would be repaid through receipts from the commercial components of the Exchange.

Implementation

A significant change to the masterplan underpinned the financial projections for the Exchange (as opposed to the EICC) and gave confidence to initial investors. Originally, the Conference Centre had been planned for a site adjacent to the Caledonian Hotel ('a' on Figure 4.1) with the West Approach Road to be realigned to the south. It was re-sited to the south west corner ('b'). This provided greater confidence in the commercial elements of the scheme, enabling a higher profile and more prominent frontage. It also took away the need to build over the railway tunnels, allowing the West Approach Road to be extended on this alignment.

While EDG were no longer involved, Terry Farrell continued in the masterplanning role providing continuity and enabling design and implementation to proceed comparatively quickly.

EICC Ltd's financial structure was based on its lease of the whole Exchange site from Edinburgh District Council at a nominal rent. EDC then granted the loan for construction of the

Conference Centre against the notional capital receipt – in this case open market site value was £32.5 million. Lothian Regional Council participated in the joint venture on the same basis as the prior agreement with the Edinburgh Development Group. **A capital fund of some £30 million was therefore available ‘up-front’ for the development of the Conference Centre.** The cost of the general enabling work to be funded from LEELs £6m contribution to site assembly, preparation and infrastructure was revised to £4.6 million (excluding VAT), with the balance contributing to the cost of the Conference Centre (and acting to lower the potential funding gap). Construction costs were forecast at approximately £38 million, although it was recognised that there would be additional costs associated with the running of EICC Ltd.

The Conference Centre’s projected operational deficit was considered at an early stage, with a separate office building – Conference House - proposed with the rental income contributing to operating costs (estimated at £600,000 per annum). At the same time EDC agreed to meet any further shortfall in revenue funding (unlike the previous developer-led proposal, Edinburgh Chamber of Commerce had withdrawn its commitment to contribute to potential shortfalls⁹). It was estimated that the development of the Conference Centre would bring a further £16.98 million net additional expenditure to Scotland.¹⁰ The project also accorded with a number of LEELs organisational objectives, namely:

- Promoting an International Perspective;
- Developing Property and Land;
- Stimulating Enterprise; and
- Enhancing the Environment.

Specifically, the overall project remained focussed on:

- Satisfying demand for high quality office accommodation in Edinburgh;
- Developing the city as an international financial centre; and
- Promoting Edinburgh as an international conference venue.

Implementation was then overseen by EICC Ltd, with staff seconded from both LEEL and EDC (see 4.2 Project Management).

Terry Farrell and Partners were retained as architects for the Conference Centre having agreed to be novated, and detailed planning permission was obtained in October 1992. The Conference Centre was procured through a design, manage and construct method with a Guaranteed Maximum Price in order to ensure tight cost control. A similar process was used for the delivery of Conference House.

A pre-paid VAT scheme was formed across the site, enabling investors to benefit from a corresponding reduction in construction costs and further raising the area’s appeal as a development location. This will also apply to the development of the last remaining site on the Exchange – Site H/I.

On completion in September 1995, the EICC provided state-of-the-art conference facilities for events with up to 1,200 delegates, complete with three flexible auditoriums, break out spaces and catering facilities (including banqueting facilities for up to 800 people).

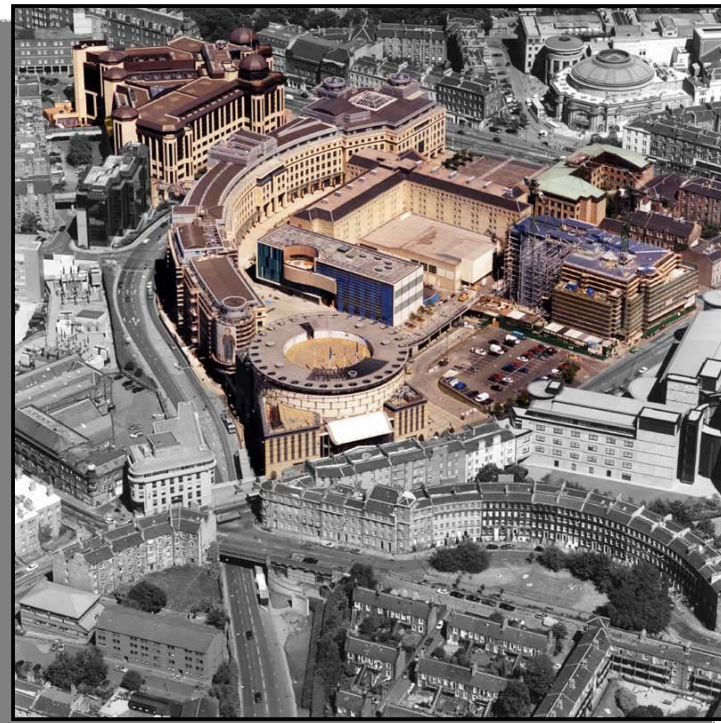
⁹ The Chamber of Commerce was however among the initial tenants, present at Conference House until relocation to Melville Street in April 2001.

¹⁰ PIEDA Economic Impact Assessment 1991

Figure 4.1 Exchange Masterplan



- a original Conference Centre location
- b final Conference Centre location
- c North Building (Standard Life)
- d Festival Square
- e Conference Square
- f Clydesdale Bank Plaza
- g Exchange Crescent (Standard Life)
- h Scottish Widows (Port Hamilton)
- i Sheraton Grand Health Spa & restaurant
- j Edinburgh One
- k Sky Park
- l Site H/I
- m Sheraton Grand Hotel
- n Conference House



The appointment of a Chief Executive (Hans Rissmann) to oversee the operational aspects of the Conference Centre 2 years before the EICC opened is recognised as a key decision, ensuring that the EICC was in a position to meet the expectations of delegates and conference organisers in terms of quality of service when it opened. However, while the appointment was generally considered timely, there may have been benefits to the efficiency of design process in an earlier recruitment to enable service considerations – location of kitchens, quality of finishes in certain locations etc - to be built into the original design. As it was, the design was subject to a number of modifications, although without a significant impact on costs.

In addition, efforts were made to market the EICC and the type of business it would bring to other sectors including the hotel and entertainment sectors in the City, to help deliver a consistent, high quality product for the conference visitor. ***The establishment of the EICC is generally acknowledged as the key factor in the success of the Exchange. The emphasis on quality has been transmitted to the rest of the development, and has helped to firmly position the office product of the Exchange at the premium end of the market.***

In 1997 further funding was approved to complete the public realm elements. LEEL approved a further £2.5 million, City of Edinburgh Council's contribution was £5.83 million, while the private sector provided further £4.57 million. Improvements included: the remodelling of Festival Square (d); Conference Square (e) enabling works (brought forward to facilitate arrangements for the Commonwealth Heads of Government Meeting); Morrison Street improvements; and improvements to the West Approach Road.

At January 2003, the Exchange is substantially completed save for the development of Site H/I (I) (presently used for surface car parking). The Masterplan envisaged that this area would be developed as office, and indeed this was the intention until recently.

As the figures in Chapter 3 demonstrate, the EICC has been highly successful since its opening in 1995, helping to further establish Edinburgh as an international conference destination. After London, Edinburgh is now the most popular international conference venue in the UK. However, ***maintaining and enhancing its market position is at the core of EICC's strategic plan. This requires the Centre to be able to respond to market changes.*** Conference organisers have become increasingly conscious of the effects of cost to delegates on conference attendance (and hence profits and prestige).

Venues with related exhibition and function space are therefore at a premium and research indicates that EICC will require additional space to meet market expectations. ***In 1998-1999, a site on Dewar Place was identified as the preferred location to provide these facilities.*** The site was owned by Scottish Power and housed one of its main distribution plants serving West Edinburgh as well as Grade B listed building. City of Edinburgh Council attempted to secure the site for the extension, although after 2 years little progress had been made and it became clear that purchase was unlikely for a number of reasons:

- The increasing value placed on the site by the owners, who over the course of the protracted negotiation period had begun to develop their own ideas for development;
- Expectations of site value were increasing due to delays in purchasing, a rising market, along with development of adjoining sites in Canning Street and Torphichen Street; and

- Concerns over the continuing operation of strategic power infrastructure – a raised deck would be required over the plant, which would also require 24-hour access.

From discussions with EICC Ltd and the partner organisations, it is clear that this lack of progress caused a degree of frustration. **More thorough risk analysis may have enabled other options to be considered at an earlier date.** Fortunately, the sequencing of development in the main Exchange area meant that site H/I remained undeveloped and in the ownership of EICC Ltd.

In 2001, a thorough market and option appraisal was carried out of options for the extension of the EICC, including options at Dewar Place and Site H/I.¹¹ In 2000, the value of the conference market to the UK was estimated at £6.6bn. The analysis forecast that while an expanded Centre would have an operational surplus from the outset (2006), failure to extend facilities would see revenue fall by 23% by 2010 as the EICC's market share eroded.

In September 2001, SE Edinburgh & Lothian and City of Edinburgh Council approved the development of an Additional Function Space on Site H/I. This will provide over 72,000 sq ft of high quality additional flexible function space fully integrated with existing facilities at EICC. Development above ground will comprise 158,000 sq ft Class 'A' office accommodation, and 8,450 sq ft retail space.

The costs of constructing the Additional Function Space are estimated at £25.6 million, which will be funded by the developer following the sale of development rights to the commercial and retail elements. A capital receipt may also be generated depending on market conditions.

However, were the site to be sold on the market for office use, both SE Edinburgh & Lothian and City of Edinburgh Council would benefit from the trigger of returns from capital receipts of up to £12m and £15m respectively under the terms of the enhancement agreement. **From an organisational perspective, both SE Edinburgh & Lothian and City of Edinburgh Council are therefore foregoing significant financial gains to secure substantive economic benefits.**

Following an OJEC notice, a shortlist of six consortia, announced in October 2002, is presently further developing proposals for the site. A decision on a preferred bidder is expected in April 2003. Bidders have been asked to prepare detailed specifications and values based on a scheme design for the AFS prepared by BDP, the retained architects. Unlike the EICC, the contractors will not be novated. The existing design team will be retained through the process to ensure consistency and to deal with issues as they arise.

The regeneration process is summarised in Figure 4.2

Note: While the Exchange project is tightly defined, funding from SE Edinburgh & Lothian and its predecessors and City of Edinburgh Council has also been instrumental in bringing forward developments in neighbouring areas, including contributions to the costs of development of the Point Hotel and Travel Inn. The area has also witnessed public sector investment in the

¹¹ EICC Market and Option Appraisal – DTZ Pleda Consulting, July 2001

redevelopment of the Lyceum, lighting of the electricity sub-station on Dewar Place and improvements to the Princes St/Lothian Road junction.

In addition, the area covered by the West Central Edinburgh Redevelopment Strategy has seen extensive residential development with over 700 houses constructed between Haymarket and Tollcross. These include flats for sale, flats at economic rent, social rented housing, student residences, and a "car-free" development at Tollcross. Retail premises in the area have also been eligible for assistance to improve shop frontages.

4.3 Project management

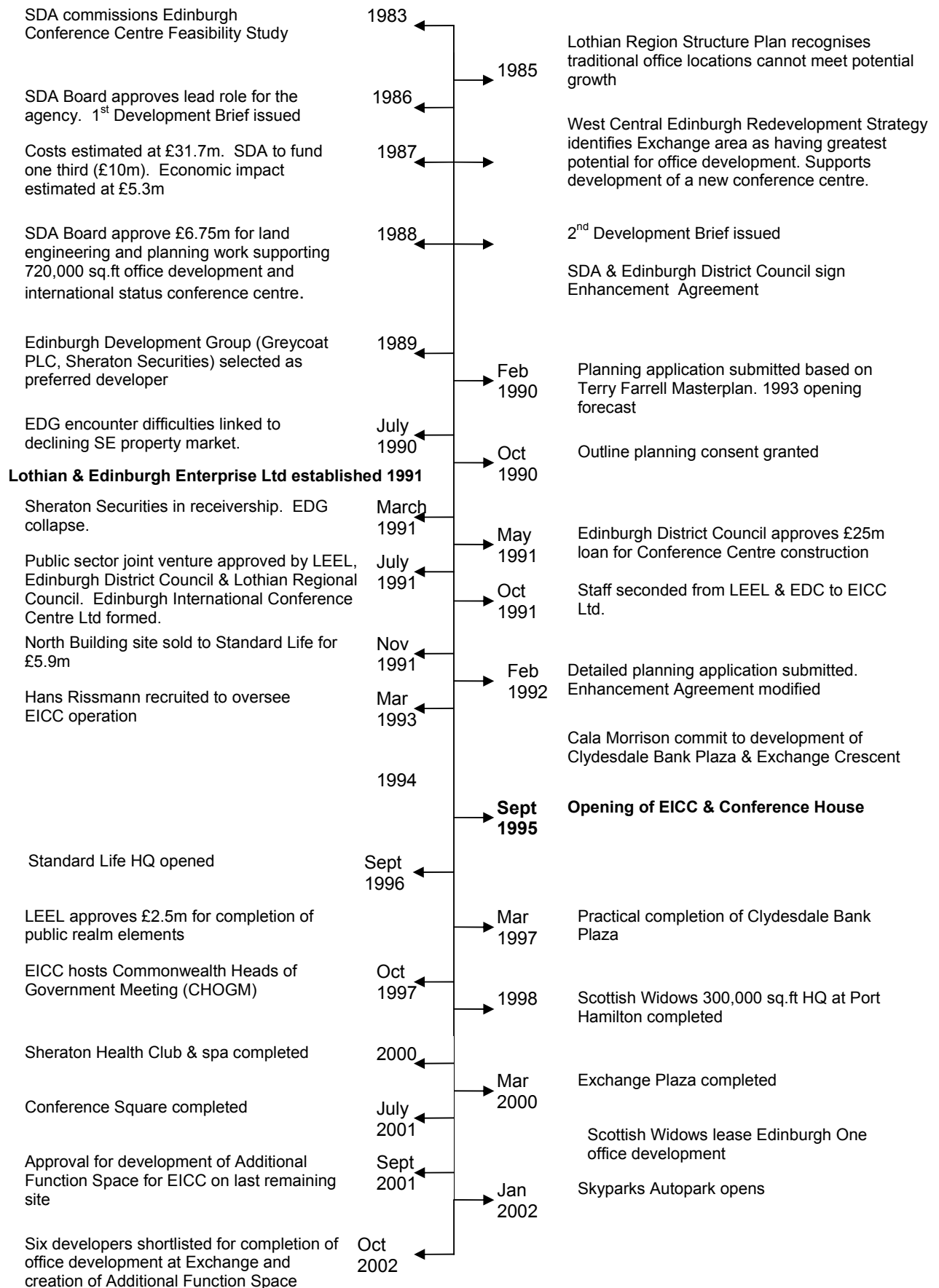
EICC Ltd has been the vehicle for implementing development at the Exchange. Project management was a key consideration at the inception of the project, the eventual structure being approved at the same time that LEEL sanctioned its involvement. While LEEL's predecessor, the SDA had been responsible for some of the early stages of the project, LEEL, while it had an economic development remit and similar powers, was a very different organisation. It had a clear focus on its operational area and was wary of the potential risk attached to the Exchange project (and also Holyrood and the Festival Theatre).

The partnership entered into reflects this, with LEEL seeking to minimise the possibility of cost overruns in the first place, but also adopting structures and clauses which would limit the organisations liability in the event that any did occur. The Enhancement Agreement was a case in point. To date, the trigger point has not been reached. However, its structure has created tension at certain points in the Partnership. In discussions, various officers maintained that it has also obscured discussion and progress.

While such factors were strongly emphasised at the beginning of the joint venture, they stem from genuine concerns over the fragility of Edinburgh's property market. Prominent central sites had lain vacant for several years and were only just beginning to be addressed, while the Edinburgh Development Group had already withdrawn from the project due to the declining property market nationally. As a new organisation, there was also a sense in which LEEL had to demonstrate its capacity to deliver major projects and maximise resources from Scottish Enterprise National.

The joint venture was developed by staff at senior level in both organisations (LEEL's Director of Property & Environment, and the Head of Edinburgh District Council's Estates Department). The Council had a major role in the development of the Exchange. In conjunction with the SDA and its successors, it developed much of the strategic context for action, was the owner of the title to the land (an element which was not yielded in the partnership), and provided the funding for EICC's construction up front. While Edinburgh District Council felt a degree of ambivalence over LEEL driving the project, it was also acknowledged that the project management experience of its staff would be an asset in delivering the EICC and the Exchange.

Figure 4.2 EICC/ Exchange Timeline



Therefore, while EICC's structure was clearly focussed on its development role, it also recognised the importance of securing and building the partnership between LEEL and EDC. It had a number of key elements:

- Strong political representation and support – both the Council leader and LEEL's Chief Executive were on the Board. Initially the Board had equal representation from EDC and LEEL – it has always been chaired by the Council;
- Member organisations with common strategic objectives; and
- Commitment demonstrated through the secondment of highly-regarded staff. The secondments acted to build a development team and a 'brand' for the Exchange. Staff were asked to work to the objectives of the project before the needs of the partner organisations.

Seconded staff had specific responsibility and expertise in distinct areas of the development process, including: enabling works; design and procurement; business planning and marketing; and site development and marketing. The project management role was critical. The project manager's background in economics and appraisal was essential as was the continuity provided over the initial 6-year period. This set the tone for the organisation. Essentially commercial principles were adopted in utilising public funds to achieve public objectives and goods.

LEEL's undertaking to second key staff was always limited to the initial stages of development and the establishment of the Exchange. Accordingly LEEL's involvement reduced from 1997 onwards, although staff continued to be seconded on a part-time basis. At this stage, while development has continued the projects' momentum was affected. This might be expected given a change in personnel in key positions. It should be noted that the Board's personnel also changed over this period.

While the reduction in LEELs involvement can be understood given its remit and the extent and nature of the funding provided, it would appear that EICC Ltd did not pay sufficient attention in the transition to ensuring that staff taking on key roles, such as negotiations over land acquisition - had sufficient depth of skills and breadth of experience.

4.4 Project Impacts

Project impacts have been developed from a number of sources. A survey of businesses was carried out targeting businesses both in the core area of the Exchange (as shown in Figure 4.1), and in surrounding areas. Of 13 businesses in the main area, 9 (69%) responded. 43% of peripheral businesses responded. This sought information on employment, investment and a range of qualitative factors (factors in location, alternative location options to the Exchange, experience of the regeneration process etc). Where businesses failed to respond, employment estimates have been developed using employment density ratios¹². Estimates of investment have been developed from experience of construction/ fit out costs incurred in realising development in the broader area.

In addition, an employees' survey was carried out to establish related expenditure and usage patterns. The survey frame was completed by a visitor survey which sought information on use and expenditure in and around the Exchange.

Up to January 2003, some 771,000 sq.ft of Grade A office floorspace has been developed in the Exchange masterplan area, alongside 238,000 sq.ft for other uses (Sheraton Grand Health Club, EICC and retail units). The development of site H/I will add a further 158,000 sq.ft of office floorspace, 8,450 sq.ft retail, with 72,000 sq.ft of function space added to the EICC. Scottish Widows adjacent headquarters building accounts for a further 351,000 sq.ft.

Employment

While retaining and developing employment in the financial service sector was one of the objectives of the development of the Exchange from the beginning, no specific targets were established at this stage. Subsequently, various projections of anticipated employment in the area have been made. Previous evaluation work¹² estimated that implementation in the Exchange and on adjacent and nearby sites would safeguard or create over 10,000 jobs in the finance and business sectors. More recent estimates refer to present employment of some 6,000 people with 10,000 jobs housed in the area on completion. These combine the effects in the core Exchange area with neighbouring development at Port Hamilton (which is significant – see section 4.4) and surrounds. Moreover, they were based on the original Masterplan profile, with office development across the site as a whole with the exception of the EICC i.e. the Additional Function Space was not envisaged.

From the findings of this analysis, **existing employment in the masterplan area** is estimated to be 5,358 (FTE). While this includes employment at Standard Life's headquarter building, it does not incorporate employment at Scottish Widows headquarter facility (which lies just outside the masterplan area). Were this to be included, employment figures would rise by a further 1,810 (FTE).

In large part, the Exchange would appear to have acted to safeguard employment rather than create it – only 13% of employment is in companies which were not based in Edinburgh prior to its development. The Exchange has undoubtedly enabled existing companies to expand in the city, although the extent to which this has taken place cannot be gauged from the survey responses. This said, most of the accommodation vacated by existing companies in moving to the Exchange has subsequently been re-occupied.

With the completion and occupation of Site H/I, a further 796 job opportunities will be available in the area¹⁴. On full development therefore, it is estimated that the core of the Exchange will employ some 6,174 (or 7,984 including the Scottish Widows complex).

These estimates relate only to direct employment on site. In addition to the on-site direct employment impacts, the development will have off-site and downstream benefits, in the form of indirect and induced economic impacts. Indirect employment impacts will arise as a result of the purchase of goods or services by the businesses affected by the project. Induced employment impacts will arise from the additional spending of those people who have secured direct and indirect jobs. The assessment of indirect and induced economic impacts is usually undertaken by multiplier analysis. The calculation of bespoke multipliers relating to the specific developments is complex

¹² English Partnerships, Employment Densities – A Full Guide June 2002

¹³ Exchange Masterplan, Monitoring & Evaluation Framework, May 1999, EKOS

¹⁴ includes a further 3 EICC employees (EICC Market & Option Appraisal, DTZ Pieda), 735 office and 58 retail jobs.

and beyond the scope of this appraisal. However Scottish Executive guidance¹⁵ on sectoral multipliers has been applied to produce the estimates.

EICC impacts

While the EICC employs some 58 staff on a full-time basis, staff are also employed on an event basis. Table 3.13 shows the economic impact of on-site conference expenditure at the EICC. In addition, the Conference Centre has wider impacts not only through its addition to the conference infrastructure of the city but also through the expenditure of delegates in hotels and restaurants, as well as leisure activities.

The findings of the Visitor Survey carried out provide information on expenditure in different categories by visitor type. It is assumed that conference delegates staying overnight are most likely to conform to a business profile, spending a further £288 per capita in Edinburgh and staying an average of 2.8 nights in the city¹⁶. Clearly, a significant proportion of delegates will live in Edinburgh & Lothians or indeed other parts of Central Scotland and will not spend significantly in the area on accommodation. Given that the EICC specifically targets higher yield, higher profile conferences it is unlikely that a large proportion of the events held would be hosted elsewhere in Scotland were the EICC not available.

Figures supplied by EICC show that 50% of delegates do require to stay overnight. Indeed many also bring their partners. On this basis and factoring in assumptions on additionality (see Appendix 10), it is estimated that a further £11.6 million is generated in the economy by delegates staying overnight.¹⁷

Assuming that some 50% of on-site expenditure is displaced, it is therefore estimated that the EICC generated a total of £22.7m net additional expenditure in 2002, much of which would act to the benefit of the Edinburgh & Lothians economy. It is further estimated that this helps to support a further 450 jobs.

Summary of Employment Impacts

Table 4.1: Exchange :On-site and Off-site Employment Impacts

	Direct	Indirect & Induced	TOTAL
Existing Masterplan Area	5,358	9,573	14,931
Proposed new development (Site H/I)	816	340	1,156
Total existing and proposed	6,174	9,913	16,087
Total existing and proposed (plus Scottish Widows and vacant retail units)	7,984	13,475	21,459

From the survey results, annual employee expenditure within the Exchange based on average daily spend and total number of employees has been estimated. Basing the calculations on the

¹⁵ Input-Output Multiplier Tables for Scotland. 1998 – Scottish Executive

¹⁶ 90% of which can be attributed to the EICC

¹⁷ includes direct indirect and induced expenditure.

direct jobs figure of 5,358 and an average daily expenditure of £7.34 the estimate for total employee expenditure over a year is £8.6m.

Employment in the surrounding area



The response from businesses in the surrounding area has not been sufficient to permit a detailed accurate assessment of the employment effects of the Exchange on neighbouring areas. However, a number of significant developments have taken place either proceeding south along Lothian Road or to the west around Morrison Street/Canning Street/ Torphichen Street. As the discussion in the following section shows, it is considered doubtful that most of these developments would have come to fruition were it not for the establishment of the Exchange and its effects in raising the profile of the area generally. Employment estimates in such developments are based on a combination of floorspace information and employment announcements. Scottish Widows has not been included in this calculation.

Existing employment in neighbouring new development is estimated at 1,875, although this would be anticipated to rise to 3,040 as floorspace currently to let or under construction is occupied

Investment

When EICC Ltd was established, LEEL funding was anticipated to lever some £214.5 million investment from all sources. With the contributions from Edinburgh District Council and Lothian Regional Council it was estimated that public investment of £36.75 million would attract investment from the private sector of £178 million, a leverage ratio of 1:5.8

While the scope of the project has changed slightly with the addition of Conference House and the need for additional funding to complete public realm elements, public sector investment in the Exchange has seen the construction of the EICC and Conference House, alongside the realignment of the West Approach Road and public realm improvements – a total of £60.4m from all sources.

As stated previously, the construction of the Additional Function Space will be funded through sale of development rights and should not therefore require any further public sector investment.

Private sector investment in the development, construction and occupation of the Exchange has been considerable. Again, details were requested of the scale of investment in the area through the Business Survey. Where such details have not been forthcoming, estimates have been

developed based on the experience of the consultancy team in the area, historic announcements, and floorspace based estimates.

On this basis, total private sector investment to date is estimated at £270.1 million rising to an estimated £349 million on completion of site H/I. It should be noted that, as with employment, this excludes investment at Port Hamilton (estimated at £94m). Similarly, the ratio of public to private sector investment is calculated at 1:5.5 at present, rising to 1:6.8 on completion of site H/I.

Investment in the surrounding area

As the Exchange has developed and established West Central Edinburgh as a business location, some 647,600 sq.ft of high quality office floorspace has been developed in the surrounding area. There has also been investment in hotel and retail development nearby. An estimate based on construction and fit out costs experienced in the general area suggests that some £214 million has been invested in neighbouring development since the inception of the Exchange.

Table 4.2 summarises overall impacts.

**Table 4.2: Edinburgh International Conference Centre/ The Exchange
– Summary of Impacts**

EXCHANGE/EICC	SUMMARY OF IMPACTS	
	<i>January 2003</i>	<i>On Completion</i>
Scale of Development		
Office floorspace	771,000 sq.ft	929,000 sq.ft
EICC	185,000 sq.ft	257,000 sq.ft
Other	52,700 sq.ft	61,150 sq.ft
Total	1,008,700 sq.ft	1,247,150 sq.ft
<i>Total (including Scottish Widows)</i>	<i>1,359,700 sq.ft</i>	<i>1,598,150 sq.ft</i>
Investment		
Public	£60.4 million	£60.4 million
Total	£330.5 million	£409.5 million
Leverage Ratio	1:5.5	1:6.8
<i>Total (including Scottish Widows)</i>	<i>£424.8 million</i>	<i>£503.8 million</i>
Employment		
EICC¹⁸		
Direct	98 ¹⁹	101
Indirect & Induced (including broader tourism-related impacts)	450 ²⁰	454
Other Exchange		
Direct	5,260	6,073
Indirect & Induced	9,122	9,449
Total		
Direct	5,358	6,174

¹⁸ includes effects of delegate spend in the wider economy

¹⁹ includes 58 full time and 80 part-time staff

²⁰ based on the findings of the 2002 Street Survey. Displacement assumptions are detailed in Appendix 10

Indirect & Induced	9,573	9,913
	14,931	16,087
<i>Incl. Scottish Widows</i>		
<i>Direct</i>	7,188	7,984
<i>Indirect & Induced</i>	13,145	13,475
<i>Total</i>	20,333	21,459
Catalytic effect on neighbouring areas to date		
<i>Development</i>		
Office floorspace	632,583	
Hotel rooms	75	
Other	15,000	
Total	647,583	
Investment²¹	£213.6 million	
Direct Employment	1,875	3,040

4.5 Property market effects

In the mid-80's the prime office market was located around Charlotte Square and St. Andrew Square in an area known as the Golden Rectangle. The West End office district was dominated by professional companies whilst the recently developed Capital House located on Lothian Road was considered off pitch and was surrounded by mixed-uses including the Railway Goods Yard car park to the rear of the Caledonian Hotel and some sites owned by commercial developers. The site which now houses Princes Exchange was a potential retail development site adjacent to Goldbergs.

In the early to mid 1990s commercial occupiers were considering the benefits of being in modern high profile buildings providing open plan accommodation as opposed to cellular multi-floor townhouses. At the same time, the major finance houses were about to go through a period of significant change and expansion and were seeking modern flexible floorspace that would enable this to be achieved more efficiently.

²¹ based on general construction and fit out costs experienced in the area



Exchange pre - EICC

Two of Edinburgh's financial heavyweights were undertaking a review of their occupational properties as they were seeking to relocate their head offices and allow for anticipated business growth and expansion in staffing levels.

Independently, both decided to relocate into the Exchange/Lothian Road. Scottish Widows' purchase of Port Hamilton was followed by Standard Life's acquisition of their Lothian Road site. It is absolutely clear that the servicing and formalisation of the Exchange as Edinburgh's new business district was a major factor in these decisions. The location offered prestige and allowed occupiers to design buildings which were quite clearly purpose built headquarters and it was central for transport and staff amenities. However, for these two finance houses one of the key reasons was a belief in the location becoming Edinburgh's prime location, thereby protecting the asset value of their buildings in the long term.

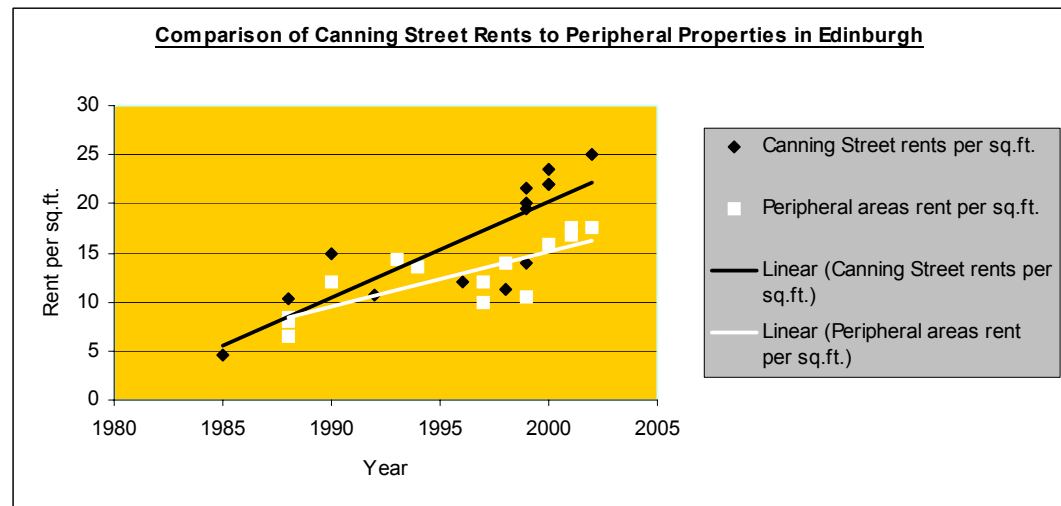
In a recovering commercial market the endorsement of this location by two major occupiers was the further catalyst required by developers to undertake speculative commercial development.

The joint venture development of Exchange Plaza, later to be known as Clydesdale Bank Plaza, was the first speculative development in the Exchange to be undertaken by a commercial developer. Notwithstanding the improving location this was still a bold move by the developers. However, improving market conditions and lack of alternative locations in the city centre for development resulted in the development being a success. The first pre-let was to the Clydesdale Bank who agreed a rent of £20.50 per sq.ft. The last letting shortly after completion was to State Street Bank at £23.50 per sq.ft. State Street was a new entrant to Scotland.

While Clydesdale Bank Plaza was under construction other commercial developers started to pursue locations in the immediate vicinity. Previously unfashionable and off-pitch locations were being considered as the Exchange District further expanded. The first location to benefit was Canning Street where Kenmore Developments were followed by County Properties and latterly a joint venture between High Cross and Parlison to develop Caledonian Exchange, Canning and Atholl Exchange and finally Exchange Tower. The effective establishment of the Exchange as a prime office location is reflected in the extension of the brand in the names of adjacent developments.

The first development, Caledonian Exchange was acquired at an auction and while the original proposal had been to refurbishment the existing 1960's building, this strategy was reviewed in light of the locations' improvement and a more comprehensive redevelopment undertaken.

Canning Street now houses back offices for Standard Life Bank, Baillie Gifford, Martin Currie and the Edinburgh offices for Franklin Templeton.



During the late 1980s and 1990s, Canning Street provided low specification office accommodation in a peripheral location. The impact of the Exchange is shown above. While peripheral areas show reasonable growth over the 12-15 year period, the growth in Canning Street is more pronounced, accentuated by the flurry of deals in the late 1990s. The majority of these deals were for refurbished Grade A accommodation which has a higher specification than other peripheral areas could justify.

The development of the Exchange as Edinburgh's prime office location has therefore had a significant impact on the surrounding area and while the above figure demonstrates the financial growth that has been generated, consideration should be given to the role that developers took in refurbishing lower grade office accommodation. Whilst these decisions were made on the strength of an improving market and increased occupier activity within this part of Edinburgh, they were taken forward mainly on a speculative basis. The improvement in the general location is reflected in the divergence of rental growth at Canning Street and the confidence of the development industry to provide high quality floorspace in it.

During this time 40 Torphichen Street was also redeveloped, the first letting being to Aon Insurance at £18.50 per sq.ft., with the final letting being to BlackRock Financial Services at £23.50 per sq.ft.

Areas to the south of the Exchange have also witnessed development. Princes Exchange which was pre-let in its entirety to the Bank of Scotland, was developed speculatively by Teesland, the rising commercial returns changing the development profile which was initially retail to office.

Morrison Street, one of the main Street's in the Exchange has been transformed. Buildings on Morrison Street include the Scottish Widows head office, Conference House and the Conference Centre itself. Sky Parks, the automated multi-storey car park brought into the Exchange District, agreed a joint venture with Mercury Asset Managers (now Merrill Lynch) and Parlison Developments with the venture partners focusing on their respective developments. The office development, known as Edinburgh One, achieved the highest rent ever achieved on a new development in the city. A pre-let on £29 per sq.ft. was agreed with Scottish Widows Investment Partners.

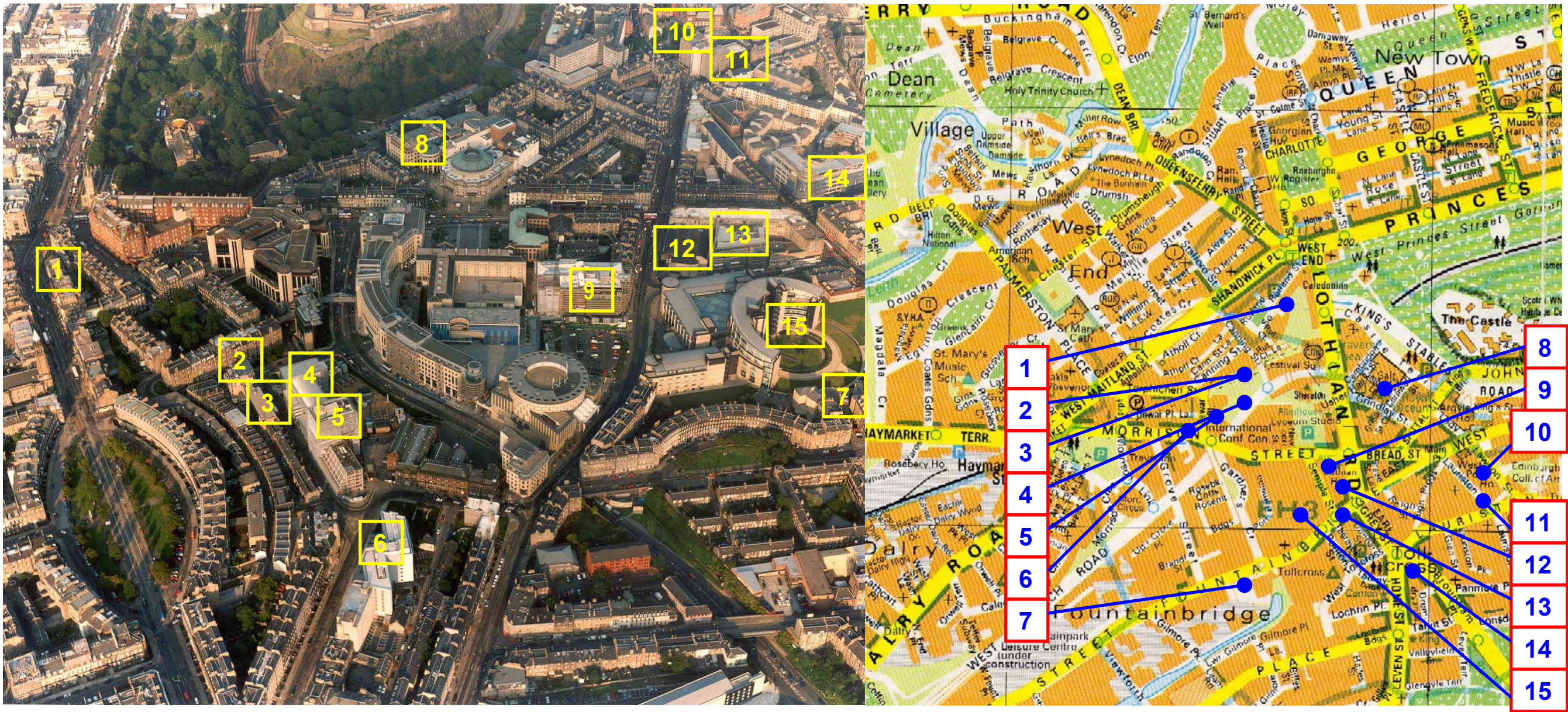
On the corner of Morrison Street and Semple Street a new office development, One Morrison Street is nearing completion. This sits adjacent to Excel House, completed in 1999 in a location which would not previously have been considered for viable office use.

To the west, Morrison Street Goods Yard site is being considered as Exchange Phase II by EDI with a clear connection with the commercial district around Haymarket Station. To the south AB Hamilton are close to completing City Mark which was nearly pre-let to Abbey National. Nearby, Edinburgh Quay Limited is on-site developing its first phase which will bring the Union Canal back to life. Scotmid and Bett Properties are also proposing redevelopments.

To the east Lady Lawson Street is being redeveloped with AMA (New Town) Limited completing Evolution House while Cuckfield have proposals for a new office development adjacent to the Solace Lodge and Hotel (presently under construction). Lady Lawson Street will also be one of the main routes connecting the Exchange District with Edinburgh Royal Infirmary which is due to be vacated in Summer 2003 and will be a substantial mixed-use development site.

The physical relationship between these neighbouring developments and the Exchange is shown in Figure 4.3.

FIGURE 4.3 OFFICE DEVELOPMENTS IN THE VICINITY OF THE EXCHANGE



KEY	
1. The Rutland Buildings	To Let 1858 sq.m
2. Atholl Exchange	Sold to Baillie Gifford 917 sq.m
3. Canning Exchange	Let to Martin Currie Unit Trust 1412 sq.m
4. Caledonian Exchange	Let to Standard Life 5501 sq.m
5. Exchange Tower	Let to Franklin Templeton and Henderson Boyd Jackson 5963 sq.m
6. 40 Torphichen Street	Let to AON Ltd / Standard Life Assurance Co / Black Rock Int 3000 sq.m
7. Citymark	To Let 9480 sq.m
8. Saltire Court	Let to Dundas & Wilson / Sheppherd & Wedderburn
9. Edinburgh One	Let to Scottish Widows plc 5000 sq.m
10. Evolution House	To Let 4259 sq.m
11. Renaissance House	Nearing completion 3878 sq.m
12. One Morrison Street	J Sainsbury on Ground Floor, Office space above to let 5295 sq.m
13. Excel House	Bank of Scotland / MacRoberts Solicitors 3902 sq.m
14. Princes Exchange	Let to Bank of Scotland / 3 Com (UK) Ltd / Turcan ConnellScottish Widows
15. Scottish Widows HQ	

4.6 Public Realm

The Exchange Quarter is built on former railway land to the south of the Caledonian Hotel and is bounded by Lothian Road, the West Approach Road and Morrison Street. It is a high-density mixed use development. Dominated by offices, the Sheraton Hotel is a significant part of the area with the Edinburgh International Conference Centre forming its core.

The Exchange acts as an important gateway to the central business district of the city particularly from the West Approach Road. It also fronts Lothian Road, one of the city's main streets which includes the Usher Hall leading to the Lyceum and Traverse Theatres.

The Exchange Masterplan is simple in concept. It is based around two major public squares, *Festival Square* which fronts onto Lothian Road and *Conference Square* which is enclosed by the EICC, office blocks and the Sheraton Health Club. The EICC is the signature building for the Exchange providing a prominent and distinguished city landmark. The Sheraton Hotel is also prominent but its architecture contributes little of quality to the city scene.

Ongoing maintenance of both squares is now contracted to the Shining STARS (Street Teams and Response Service), part of the Edinburgh City Centre Management team. The STARS provides an environmental maintenance and security service for the benefit of City Centre workers, visitors and the general public.

The level of service provided is intended to be on a par with the standards normally found in managed shopping centres or business centres, where companies pay a small fee to guarantee improved levels of service and environment. The costs of maintaining Festival Square are met by City of Edinburgh Council while the upkeep of Conference Square is funded through agreed financial contributions from the respective property owners and occupiers in and around the Square. An ongoing contribution to maintenance of shared public realm forms a clause within the title or rental agreement for each property.

Maintenance contributions are made to the City of Edinburgh Council which is then effectively responsible for sub-contracting maintenance works to the Edinburgh City Centre Management Team.

In functional terms, neighbouring areas at Port Hamilton and along Torphichen Street have witnessed substantial development/redevelopment related to the Exchange. Therefore, while the Exchange/EICC has a well defined boundary as a regeneration project, perceptions of the area will tend to be broader. While maintenance arrangements are in place in the 'core' area, they do not extend to surrounding developments.

Street improvement works - intended as a pilot for improvements to the whole of Morrison Street - were carried out by SE Edinburgh & Lothian over a limited section opposite the main Scottish Widows building. While the works were constructed and completed to a high standard, subsequent maintenance and necessary works have detracted from the original quality. Street furniture - bus stops, pedestrian crossings and lamp posts - has been erected without considering its effects and where paving has had to be uplifted to enable construction of Edinburgh One it has been replaced poorly.

However, while maintenance arrangements in neighbouring areas is a concern, the strength of the masterplan concept is such that it succeeds in creating a high quality and distinctive character for the area despite the undistinguished quality of some of its architectural components - a good illustration of this is the curved crescent which links Festival and Conference Squares.

In its treatment of the public realm, the main intentions of the Exchange masterplan were to create a significant public space while also introducing a new scale of buildings to the city centre. As a new major space, it also had to be designed to reflect various uses – passing through, attracting people from Lothian Road, and a space for events. The design and its implementation therefore remain flexible. A transitional area marked by trees and planters helps to relate open space to the buildings. A water feature acts as a focal point, while the open space itself is designed as a place for people to congregate.

Festival Square has been used occasionally but successfully as an events space. Continental markets have been held there, as well as events such as “Festival City” linked to the Edinburgh International Festival. However, a more regular programme of activities (such as book fairs etc) would help to establish the square as an activity space. Its use as an informal gathering and meeting place is also restricted by the lack of supporting facilities, such as benches.

However, the design of the square is sufficiently flexible to allow a range of activities to be accommodated along with the provision of further seating to encourage people to make more use of the space on a regular basis. This may also be strengthened as improvements to the open space outside the Usher Hall are implemented, helping to create a stronger link with Festival Square and the financial and theatre districts.

At present, Conference Square is not fully formed as its final edge will be provided with the development of the last remaining site within the Exchange. To date, the square has suffered from a lack of uses at ground floor level. Retail units have not been taken up as envisaged. The Sheraton Health Club were originally intending to place seats and tables outside on the square linked to the restaurant. As this has not materialised (the restaurant is now located on a different level), the strength of interaction at ground floor level is therefore somewhat weaker than originally thought.

However, it is stressed that Conference Square is in a process of transition. On completion of the Additional Function Space its relationship with the EICC could be further developed through the use of related outdoor exhibitions linked to events in the main centre e.g. displays of new car models. Moreover, as Morrison Street develops further as a business location and as through route from Haymarket, it is likely that Conference Square will be increasingly used as part of a link through to Lothian Road for pedestrians.

4.7 Perceptions of Developers and Occupiers

Whilst most parties claimed that their decision to invest in the Exchange district was based on a commercial appreciation that the area could be successfully developed, each had individual requirements and motives which attracted them to the area.

Cala Properties were arguably the first developer to get involved in the Exchange through their development of the 35,000 sq.ft. Rutland Court building in 1987. At this time Rutland Court was located away from the prime office location. However, Cala Properties, on the strength of a pre-let to Baillie Gifford, had sufficient comfort in the location to develop this site.

For Standard Life, staff amenities, including transportation and shops and the close proximity to the city centre, were also cited as key factors in occupying Exchange Crescent, following proximity to its headquarter building opposite. The prestige of the area was also an important factor and while it is difficult to quantify what gives an area prestige, there was confidence that the EICC masterplan would provide a high quality financial district which would meet the company's business requirements.

While certain developers claim a pioneering role in establishing the broader Exchange area as an office location, they acknowledge the role of SE Edinburgh & Lothian (and its predecessors) and the City of Edinburgh Council in establishing the EICC and that the scale and nature of public investment in land assembly and infrastructure works enabled development at the Exchange.

However, it has been notable that in discussing the regeneration process with developers, individual personalities came to the fore rather than the structure of the joint venture. Overall, developers' experiences of working with EICC Ltd have largely been positive. However, acknowledging that there were both good and bad experiences, it was not felt that the process as experienced from the developer's perspective was greatly different from other city centre projects of this size and scale. While no developers have benefited directly in terms of public sector funding, it is acknowledged that improvements such as the realignment of the West Approach Road did yield considerable benefits.

This is probably an understatement of the position, since it is unlikely that sufficient investment confidence would have been able to be generated in the delivery of the overall project without the involvement of SE Edinburgh & Lothian and the City Council in assembling the site and carrying out enabling works.

In the day to day dealings with EICC Ltd, generally developers perceived that they were negotiating with LEEL not City of Edinburgh Council, few mentioned EICC Ltd itself. CEC's involvement was seen as principally through the planning process which some found to be difficult, maintaining it generally took longer to secure planning consent than they had originally anticipated. In this regard, some found the planning process to be more problematic because of the Council's involvement in the EICC.

However, most of the developers and occupiers consulted maintained that their relationships with EICC were good and remain so. In one instance it was noted that conflicts of interest can arise during meetings and negotiations with EICC staff – with occasional confusion as to whether they are representing SE Edinburgh & Lothian, the City of Edinburgh Council or EICC Ltd.

External developers appear quick to forget the role of the public sector with one or two even asking what its involvement was. In our opinion these comments tend to be made by parties who were not involved in the detailed negotiations for the core development area within the Exchange and therefore had little detailed knowledge or experience of the make-up of the EICC. This however does raise the issue of how broadly the partners should market their achievement at the Exchange to the wider development community, particularly if a similar approach or elements of it are to be adopted in regeneration projects elsewhere.

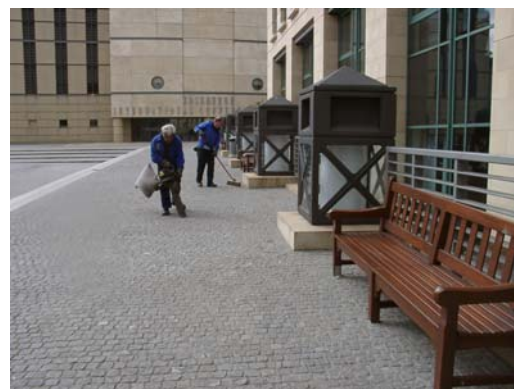
A number of common themes emerged from the discussions of the approach used in bringing forward the Exchange. While these are summarised below, it is interesting to note that many of the perceived weaknesses relate to design or public space elements:

Strengths

- Creation of a high quality city centre financial district;
- Provision of a much needed extension to Edinburgh's historic prime office area;
- Close proximity to the city centre;
- Easy access for staff;
- Good public transport links along Lothian Road and easy walking distance to the east/west bus routes along Princes Street; and
- High quality design and good use of materials.

Weakness

- Lack of human interaction within Exchange and Conference Square;
- Design of Exchange Plaza backward looking;
- The single occupation of Exchange Plaza, a multi-occupied building could have brought more life into the area;
- The failure of the retail units on Exchange Plaza to be let; and
- The physical links between Lothian Road through into Conference Square.



Qualitative Analysis

The survey of businesses in the Exchange brought forward a number of views. One of the main advantages of being located in the Exchange is proximity to customers and other businesses. Availability of premises was another key locational consideration. Almost half of the businesses reported that they were likely to expand in situ and that this can be accommodated on site. Those who could not would be likely to do so within Edinburgh.

The majority of businesses surveyed would have located within Edinburgh if they had not chosen the Exchange.

In terms of disadvantages, the majority of comments related to lack of suitable parking facilities or the high cost of parking, which businesses felt constrained customer access. Very few of the businesses claimed to have had contact with SE Edinburgh & Lothian, EICC or City of Edinburgh Council, reflecting the fact that businesses dealt with agents rather than directly with EICC.

While some businesses clearly feel the development of the Exchange has helped to create a 'European' atmosphere in the city and increase business overall, a number of comments were received regarding the need to link improvements to the east side of Lothian Road, the potential of the squares to host regular events and a perceived need for more visitors in the area. A minority felt that security and litter were issues.

4.8 Perceptions of Users

In addition to surveying businesses, employees and visitors were also canvassed for their opinions of the area. The majority of employees within the Exchange engage in work, eating, socialising and shopping. Similarly visitors to the Exchange also cited work and eating or socialising as prime reasons for being in the area. However the tourism element was the most prominent with most visiting the Exchange for either sightseeing or attending a special event.

Positive features of the area included access, transport, food outlets and specific attractions/cultural events (as rated by employees) and architecture, access, public spaces and transport (as rated by visitors).

Employees were asked to rate the area for a range of aspects including cleanliness, building quality, interesting place to work and quality of street environment. Only a third of employees felt the area rated well for cleanliness and street furniture. However over 60% rated the quality of buildings and appeal of the area as an interesting employment location as either quite good or very good.

Visitors were asked to provide similar ratings for the area. By comparison, the positive ratings for cleanliness and street furniture were much higher, 59% and 53% respectively. The quality of the buildings and the area as an interesting place to visit achieved even higher positive responses (e.g. quite good or very good) with returns of 87% and 74% respectively, again higher than those recorded by employees. This reflects the fact that visitors do not spend as much time in the area as employees, and as such their responses will be based on first impressions, whereas employees experience these specific aspects on a daily basis and can therefore be more critical.

In terms of desired improvements to the area employees selected a range of responses related to traffic and congestion issues, e.g. less traffic, better air quality and more traffic calming measures. In addition improvements to the appearance, (e.g. litter), more facilities, (e.g. benches and toilets), and improvements to public spaces were also mentioned by a high proportion of respondents. Visitors were less concerned than employees with traffic management issues, instead citing improved facilities, less litter and better quality shops as their preferred improvements.

5. HOLYROOD & DYNAMIC EARTH

5.1 Project Summary

The Holyrood project was developed in response to both the Edinburgh Tourism Review and the wider Cannongate regeneration works. The development was facilitated by a generous bequest of land from Scottish & Newcastle.

The project consisted of 3 core elements; visitor attraction, mixed-use development and single occupier office development.

The mixed-use element allowed for sympathetic development incorporating a number of traditional features such as the old vennels and closes. The receipts from the 20 development plots were to be used to fund the construction of a family-oriented visitor attraction with an eye-catching design.

Further activity would be brought to the area by the negotiation of a major HQ for the South Site located next to the visitor attraction.

5.2 Project Evolution

In 1989 an in-depth analysis of the tourism market in Edinburgh was completed. The **Edinburgh Tourism Review** highlighted a number of deficiencies of Edinburgh as a tourist destination and warned that failure to address these gaps would adversely affect the city's attraction in the context of an increasingly competitive global market.

The Review concluded that Edinburgh was deficient in a number of essential elements to effectively compete against other overseas destinations. This included:

- Physical infrastructure;
- A range of family-priced hotels and accommodation;
- Tourism events;
- Attractions suitable for the 21st century, e.g. family orientated;
- Linkages to the heritage of the City and Royal Mile;
- Improved marketing of the City;
- Business tourism; and
- Improvements to gap sites.

With regard to attractions, it was concluded that Edinburgh and in particular the lower end of the Royal Mile needed, a modern and ideally **family-orientated visitor attraction**. This would serve the dual purpose of responding to the Edinburgh Tourism Review findings and also hopefully draw increasing numbers of visitors to the eastern end of the Royal Mile, balancing the attraction of Edinburgh Castle.

A few years previously, **Scottish and Newcastle** (S&N) had decided to close their brewing operations at Holyrood. A major consequence of this decision, in addition to the release of a large brownfield site, was that the Scottish Gas site adjacent to the brewery also became surplus to requirements. The SDA and S&N were both keen that the local community should not be left with a negative asset, in terms of contaminated land. Therefore both organisations set about creating a viable solution that would benefit both the local community and tourists while also generating economic benefit for the City. The SDA brokered a deal that allowed **two sites to be gifted**, on both sides of Holyrood Road. Certain conditions were to be met, to the satisfaction of S&N. A charitable Foundation was established to oversee the terms of the gift.

The original plan for the tourist attraction was The Younger Universe, which would have been similar to the Eden Project in Cornwall, with a large greenhouse that would benefit from **Edinburgh's expertise in earth sciences**. However, this was abandoned in 1990 when a significant funding gap had been identified. At this stage S&N were becoming increasingly dissatisfied with the time taken to implement the project.

Around the same time Lothian and Edinburgh Enterprise (LEEL) was formed and was allocated responsibility for the Holyrood project with a budget approved by Scottish Enterprise National. A project manager was appointed with a brief to develop the inherited project and realise the terms of the gift of the land to the satisfaction of the Foundation.

The project team started with a review of the outline project and developed a more acceptable idea for a visitor attraction that would be cost effective and sustainable. Other factors contributed to the development of a theme for the facility in this particular location, i.e. geological references to the nearby Crags and the historical context of the area. In addition to these specific reasons, the growing environmental awareness in the 1990s helped to form the attraction concept at Dynamic Earth.

Dynamic Earth was viewed as a major flagship project with a very high profile. Sir Michael Hopkins was appointed to progress the building design as part of a design team which included Event Communications (exhibition design) and Grant Leisure Group (business planning & operations).

The bequest from S&N provided substantial sites for development. In addition to the visitor attraction it was also proposed to create a **mixed-use development on the North Site** combining commercial property, retail, housing and tourist accommodation. The South Site, adjacent to the visitor attraction was to be developed for a **single commercial development**. Various uses were considered but the optimum use was considered to be a **major office HQ** both in terms of value and land use. The development masterplan envisaged a **net development value for the North and South sites providing a capital receipt to help fund the visitor attraction**.

Outline Board approval was granted by Scottish Enterprise in October 1990 for grant aid of £5m and an additional £3m for site decontamination and infrastructure works.

Following a development competition in October 1993, Development Services Partnership (DSP) were appointed to lead a multi-disciplinary team to project manage the development of the North Site. The team included John Hope as Masterplanner and Ian White Associates as Landscape Architects. The DSP masterplan allowed for selective demolition with the retention of a few original buildings, e.g. the Tun. In addition DSP outlined an approach that would maximise financial returns over time which could then be used to develop Dynamic Earth. Outline planning permission was granted in July 1994. Development proceeded over the following years with over 20 individual plots. **Land values escalated over the period of the development as the location became increasingly desirable.**

In November 1996 a major deal was struck to sell the South Site to **The Scotsman Publications**. The Scotsman had been searching for a new publishing HQ and were keen to retain their 500 jobs within the City Centre. LEEL assisted the Scotsman with the development proposals for the vacated site at North Bridge.



In order to receive the gift of the land from S&N and in anticipation of the operating company, the **Dynamic Earth Charitable Trust** was formed and assigned the contracts with Sir Michael Hopkins and the design team. The Trust's view was that the project required an innovative and eye-catching design and as such it was important to appoint an **architect with a world-class reputation**. The practice had been responsible for a number of high profile projects, in equally sensitive locations, and it was felt that its involvement would meet the terms of the Foundation for a landmark building and be beneficial for funding applications, e.g. to the **Millennium Commission**.

In 1997 a **Chief Executive, Julia Fawcett, was appointed who had proven experience of running commercial visitor attractions**. The Chief Executive's brief was to establish the operating company and be responsible for all aspects of operational planning.

In addition to the works scheduled for the North Site, South Site and Dynamic Earth a further £2.2 million was approved, by LEEL, for **environmental and traffic management improvements on Holyrood Road**. This involved potentially major disruption with the closure of the St Mary's Street junction. However, the disruption was minimised to 6 weeks and in addition an efficient system of community/business/developer communications was introduced throughout the entire construction period for all development sites.

By the time the **decision to locate the Scottish Parliament in Holyrood was made in 1998** the North Site was very well advanced, with the majority of the plots having been sold. Some minor changes were subsequently made by the individual developers to improve design quality including extensions to the hotel accommodation. On the whole the Parliament did not have a major impact on the development of the North Site. However, because the North Site development plots had been sold under strict feu conditions, all changes had to be approved by DECT with additional income realised towards the cost of the visitor attraction.

The Parliament decision highlighted an opportunity for high quality conferencing and function space where before this demand had not been anticipated. Consequently, the **catering and**

function facilities on the Top Deck of Dynamic Earth were significantly expanded to accommodate the predicted increase in demand for events and corporate hospitality in the vicinity of the Parliament. This was a key decision. The additional capacity was designed to create an income stream to support the operating costs of the visitor attraction. It did however increase the capital cost and had consequences for the construction programme.

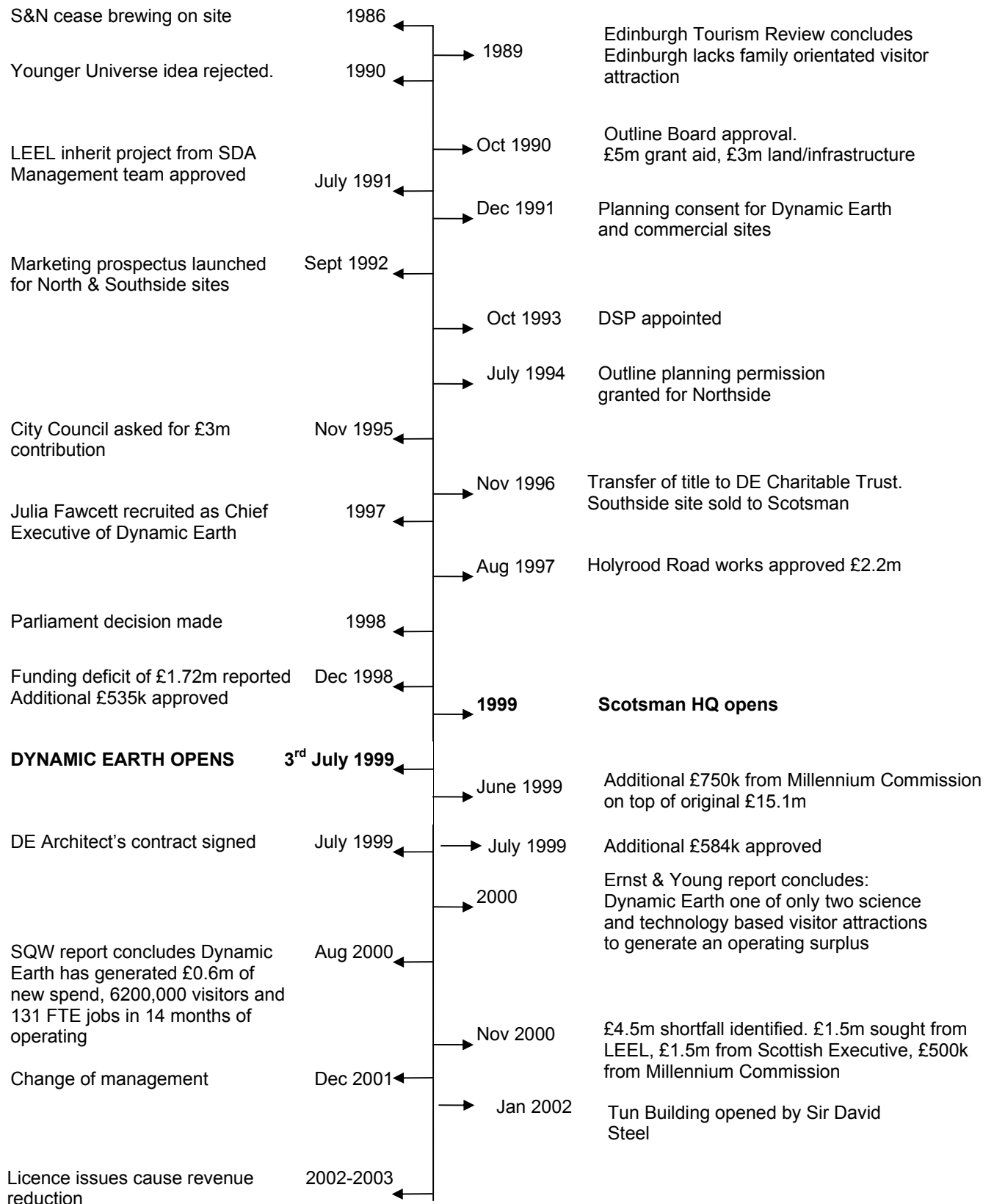
Partly as a result of the fundamental changes to the design brief, 5 months slippage occurred in the projected opening dates and the budget over-ran. In December 1998 the LEEL Board were informed of a £1.72 million funding deficit. The Centre was finally **opened by the Queen in July 1999**.

By November 2000 a total shortfall of £4.5 million had been identified. However, despite the funding difficulties a report by Ernst & Young concluded that **Dynamic Earth was one of only two science and technology based visitor attractions in the UK to generate an operating surplus**.

At the present time all 3 elements of the Holyrood project are continuing to operate as projected. The Scotsman has been operating from the South Site since 1999 and the North Site units are either all fully developed or have consent and are attracting tenants such as the BBC. Dynamic Earth continues to attract an estimated 400,000 visitors per annum.

Figure 5.1 illustrates the timeline of activities for the Holyrood project.

Figure 5.1: Holyrood Timeline



5.3 Project Management

The Dynamic Earth Charitable Trust (DECT) has been the equivalent body to the EICC in terms of implementing development at Holyrood, with LEEL taking the key role of unpaid project managers, supplemented by professional project managers Team Scotland/Kier Scotland.

Although initially an SDA project, LEEL inherited the project in 1991 and immediately set about forming the Younger Universe Trust, later to be known as DECT, and also the subsidiary company Dynamic Earth Enterprises Limited (DEEL). The early establishment of the Trust was under advice from both lawyers and the Inland Revenue. The Trust received the gift of the land and acted as the employer of the design team. The Trust delegated project management for the entire Holyrood project to LEEL, who acted as the agent for the Trust.

LEEL had a significant role in enabling the development of Holyrood and Dynamic Earth from the early 1990s in terms of funding, infrastructure and strategic project management. In 1991 LEEL allocated key staff to the positions of Project Director and Project Manager for the Holyrood project. The remit of the Project Manager was to satisfy the terms of the bequest, attract the necessary funding (through a combination of land sales, commercial loans, sponsorship, SE grants and Lottery funding), oversee the concept design, manage the design team and establish and handover operational responsibility to the new management team.

The project management role involved coordinating many relationships with a wide variety of partners, contractors and clients. Many of these relationships were managed by specialist companies such as DSP or Team Scotland on behalf of LEEL and DECT. With such a varied range of groups there was potential for serious conflicts and tensions. Indeed it is a credit to the project that more constraints were not experienced. The following list illustrates the range of groups involved in the Holyrood development. It is not intended to be comprehensive.

- The Millennium Commission;
- City of Edinburgh Council;
- Project managers: Team Scotland (latterly Kier Scotland);
- Architects: Michael Hopkins for Dynamic Earth, John Hope for the North Site and Comprehensive Design for the South Site;
- Visitor attraction designers & management contractors for fit out: Event Communications;
- Management Contractors: Laing Management Scotland;
- Cost consultants & risk managers, including Gardiner & Theobald;
- Business Plan Advisors: Grant Leisure Group
- Site coordinators: Summers & Partners;
- Landscape Architects: Ian White Associates and The Paul Hogarth Company;
- North Site Developers;
- Consulting engineers, including Ove Arup; and
- Legal advisors, including Dundas & Wilson.

Similarly the improvements to Holyrood Road also involved a wide range of interested parties. These elements were project managed by members of LEEL's Property and Environment team. Close liaison was required with Scottish Gas, City of Edinburgh Council and (pre LEEL) Lothian Regional Council, the Police and DSP. It was important to ensure that the same high quality of materials was used throughout and when specific access was required, e.g. cranes or hoists, then good communication ensured smooth facilitation.

To facilitate the development of the North Site, DSP were appointed as the masterplanners following a design competition. Land receipts from the North Site were to be used to fund the development of Dynamic Earth. Therefore the timing of release of development plots was very important.

The development of the North Site has been relatively smooth with minimum constraints apparent. However some tensions did arise as a result of DSP's concern over the degree of interference in commercial decisions and the lack of clear distinction as to who was DSP's client, e.g. LEEL or Dynamic Earth Charitable Trust. This latter point was resolved once extra resource was allocated to the project management role. In addition the potential for conflict with different architects designing different elements of the North Site could have created further tensions. However this has been accepted as a preferred approach to ensure a diversity of form.

No design competition was offered for Dynamic Earth. In order to satisfy the terms of the land bequest a signature architect was directly appointed. Although a striking design and a high quality building has been achieved, it was not possible to commit the architect to novation to the management contractor, which would have enabled a Guaranteed Maximum Price (GMP) to be reached at an early point during construction. Indeed, if a GMP had been required from the outset, Michael Hopkins and Partners would not have accepted the design commission. On the recommendation of professional project managers, Team Scotland, a management contract was the preferred procurement route with Laing Management appointed to manage the process. With hindsight a tighter control of the final contract costs might have been achieved if the operating company had not ordered a late change of brief to accommodate more function space or if a later opening date had been allowed. However, it is the additional function space which has given Dynamic Earth the scope to generate sufficient revenue to become one of only 2 attractions in the UK to generate an operating surplus. This surplus is intended to create a budget for reinvestment in order to ensure its future sustainability.

Further issues with the project management of the architect and several other members of the design team arose because they neither chose, nor were contractually obligated, to set-up on-site premises for the duration of the contract. Instead they managed the development from their offices in London and their visits to the site were restricted to those times deemed necessary by them. This is believed to have adversely affected the smooth communication between parties.

Following the appointment of Julia Fawcett in December 1997, LEEL reviewed its own project management arrangements. The Project Director changed and additional project management resources for the Dynamic Earth building construction and the Exhibition construction were provided by additional staff being allocated responsibility from within LEEL.

The original Project Manager remained responsible for the North Site development and project coordination. During the time of LEEL's introduction of additional project management resource and a new operating company, lines of communication did become confused. If the Chief Executive of the operating company had been involved earlier in details of functional design this would have allowed adjustments to the design before construction started. The hospitality and entertainment elements could then have been more fully integrated in the construction of the building which would have been of benefit to the current operation.

Responsibility for financial management was transferred to DEEL, as operating company in July 1999. AT the same time DECT also leased the building to DEEL. LEEL continued to have an involvement through representation on both the DECT and DEEL Boards for as long as was deemed appropriate.

5.4 Project Impacts

As in the Exchange, project impacts have been derived from various sources, including the business surveys, floorspace estimates and announcements related to developments. Business in the main project area including Dynamic Earth, Scotsman Publications and those in the North Site have been surveyed as well as those in the neighbouring Holyrood area. Of 13 businesses in the main area, 11 (85%) responded, while 88% of peripheral businesses also responded.

At January 2003, the development of the project area has largely been completed save for the construction of a speculative office development – Holyrood Park House - on land initially reserved for expansion of The Scotsman's premises. This includes Dynamic Earth, the Scotsman Building, the Tun Building , 2 hotels and the Scottish Poetry Library in addition to 79 housing units.

Employment

Under the original concept of Younger Universe, it had been estimated that the Holyrood Project would create up to 700 new jobs, both directly and indirectly. As the concept shifted to that of Dynamic Earth, employment and investment targets were subsequently revised. In August 1997 it was projected that the project would create 913 FTE jobs with investment of over £100 million.

In broad terms its objectives were to create a sustainable area of mixed use activity in the context of providing a major addition to Edinburgh's visitor and tourism profile. Moreover, with the prospective opening of the Scottish parliament in 2003-2004, further impacts will be likely.

From the findings of this analysis, **existing employment in the project area** is estimated to be 1,033 (FTE). As with the Exchange, project development at Holyrood has helped existing local businesses to relocate to more operationally suitable premises, although premises vacated have achieved economic re-use. According to the Annual Business Inquiry employment in cultural activities within the Holyrood ward has increased by 163% between 1991 and 2001 (see Table 3.5 above). This is substantially above the Edinburgh average of 50% for the same period. Between 195 and 2001 overall Holyrood employment has increased by 2 % compared to an equivalent 15% increased for City of Edinburgh. Although employment has increased marginally the picture is probably blurred by large-scale job losses such as Lothian Regional Council.

At Holyrood, the Parliament decision has further influenced the level of additionality since the availability of office space has attracted organisations that require close proximity to centres of decision-making. In many instances, such organisations already had a presence in Edinburgh city centre. This is balanced by the construction of Dynamic Earth and the development of hotel floorspace, all of which is new to Edinburgh. Some 23% of employment in the project area is in companies which were not based in Edinburgh prior to its development.

As the remaining office floorspace is developed and occupied, it is estimated that a further 220 jobs will be attributed to the overall development of the South site and the Holyrood project in general.

Dynamic Earth impacts

While Dynamic Earth employs some 90 people both on a full- and part-time basis, it attracts some 400,000 visitors each year whose expenditure will generate broader economic effects. In 2002, there were a total of 422,911 visitors.²² Much of the visitor expenditure particularly that associated with day trips and local residents visits will not be additional (since it is probable that spend would have been directed elsewhere locally otherwise). This said, a proportion of events are corporate and do attract overnight stays. Moreover, Dynamic Earth may, in tandem with other additions to Edinburgh's menu of attractions, have had the effect of lengthening the stays of some visitors.

Visitor survey findings show expenditure in different categories by visitor type across the Holyrood project. In 2002, Dynamic Earth attracted some 21,475 corporate visitors, excluding partners. Assuming they conform to the staying business visitor profile observed in the survey, it is estimated that they spend a further £69 per head²³ in Edinburgh linked to their trip to Dynamic Earth.

On this basis and factoring in assumptions on additionality (see Appendix 10), it is estimated that a further £734,000 is generated in the economy by delegates staying overnight.²⁴

Assuming that some 75% of on-site and 50% of off-site expenditure is displaced, it is therefore estimated that Dynamic Earth generated a further £1.1m net additional expenditure in 2002.

Once the expenditure and employment effects of all visitors are taken into account (including displacement) it is estimated that Dynamic Earth supports a further 181 jobs.

Summary of Employment Impacts

As per the Exchange, the employment estimates generated from analysis of the Holyrood project have also been subjected to multiplier analysis using both the Scottish Executive Input-Output tables and also the Scottish tourism multipliers.²⁵

²² Dynamic Earth

²³ The survey found that the average stay of business visitors to Dynamic Earth was 4.8 nights. Calculation assumes that Dynamic Earth induces an additional 10% 'stay'.

²⁴ includes direct, indirect and induced expenditure.

²⁵ Scottish Tourism Multiplier Study, 1992. Surrey Research Group

Table 5.1: On-site and Off-site Employment Impacts of Holyrood Project

	Direct	Indirect	TOTAL
Dynamic Earth, North Site & South Site	1,033	541	1,574

From the Holyrood survey results an estimate for annual employee expenditure has been established based on average daily spend and total number of employees. Basing the calculations on the direct jobs figure of 1,033 and an average daily expenditure of £6.62 the estimate for total employee expenditure in Holyrood over a year is £1.5m.

Employment in the surrounding area

In large part, developments constructed in the surrounding area have been limited to housing (although there is a significant amount of employment-related floorspace planned). Companies locating in the wider area since the start of the Holyrood project, have generally tended to be tourism, arts & crafts-related and there cannot be said to be a close link between the Holyrood development and their decision to invest and locate in the area. Nonetheless, the effect of Dynamic Earth and its other components has helped to raise the area's profile from a business perspective and this will have contributed. Such businesses have created an estimated 35 FTE posts in the area.

Investment

The scope of the Holyrood project has changed only slightly from that originally envisaged. i.e. with the adoption of the Dynamic Earth concept and the construction of additional office floorspace on the South site. Investment in infrastructure improvement, site clearance and road improvements and for the construction of Dynamic Earth was public-sector funded with City of Edinburgh Council contributing £6 million, LEEL contributing some £12 million, and the Millennium Commission providing a further £16million. The remainder was raised through the enhanced land value of the Scottish & Newcastle landholdings (a lower value than initially anticipated), from donations and other contributions. Public sector investment therefore totaled £34 million.

Private sector investment to date has totaled an estimated £65.1 million with a further £11.5 million estimated on completion and occupation of the remaining floorspace. Total investment is therefore estimated at £110.6 million.

Investment in the surrounding area

Prospective development

In addition to the Scottish Parliament, a number of relatively large scale developments are planned for the wider Holyrood area. While the Holyrood project has helped to address perceptions of the area from an investment perspective, much of the current impetus behind the projects stems from the location of the Scottish Parliament in the area or proximity to the city centre.

These include Calton Gate, East Market Street/Jeffrey Street, Waverley Station and the GPO redevelopment. If these developments are completed, they could be expected to represent an estimated £291 million additional investment in the area and up to 4,465 jobs.

Table 5.2 summarises overall impacts.

Table 5.2: Dynamic Earth/ Holyrood – Summary of Impacts

HOLYROOD/DYNAMIC EARTH	SUMMARY OF IMPACTS	
	<i>January 2003</i>	<i>On Completion</i>
Scale of Development		
Office floorspace	123,790 sq.ft	170,790 sq.ft
Dynamic Earth	Completed	
Scottish Poetry Library	Completed	
Housing Units	79	
Holyrood Hotel	} 198 rms	
Aparthotel		
Investment		
Public	£34 million	£34 million
Total	£99.1 million	£110.6 million
Leverage Ratio	1:2.9	1:3.3
Employment		
Dynamic Earth		
Direct	67.5	67.5
Indirect & Induced (incl. broader tourism-related impacts)	181	181
Other Holyrood		
Direct	966	1,185
Indirect & Induced	360	448
Total		
Direct	1,033	1,252
Indirect & Induced	541	629
	1,574	1,881
Development & prospective development in neighbouring area*		
<i>Development</i>		
Office floorspace		542,330 sq.ft
Housing Units	51	60
Retail		398,250 sq.ft
Total		940,580sq.ft
Investment²⁶		£291 million
Direct Employment	35	4,500

*NB these developments can only be attributed in part to the Holyrood project given the proximity of the Scottish Parliament & town-centre-related development

5.5 Public Realm

Holyrood has three main development areas, each with a different emphasis: Dynamic Earth (visitor attraction); Holyrood North (mixed use); and Holyrood South, housing the Scotsman

²⁶ based on general construction and fit out costs experienced in the area

building and a new office development “Holyrood Park House” which is currently under construction. Holyrood Road has also been the subject of improvements through the project.

These sites lie on either side of Holyrood Road between Edinburgh University Moray House and the new Scottish Parliament building which is currently being constructed. On the north side of Holyrood Road the sites extend through to the Canongate which forms the lower section of the Royal Mile. On the south side, the sites extend to Holyrood Park. The approach to site planning and design on each of the main development sites has been quite different. At Dynamic Earth a distinctive contemporary building form is conceived as an object in the park which is not intended to compete with the natural beauty of the background of Arthur’s Seat and Salisbury Crags. The building also serves as a landmark building appropriate to a major visitor attraction.

By contrast Holyrood North has been master-planned (by John Hope) to reflect and restore the historical character of the Old Town where numerous vennels and closes run between the Canongate and Holyrood North (see Figure 5.2).

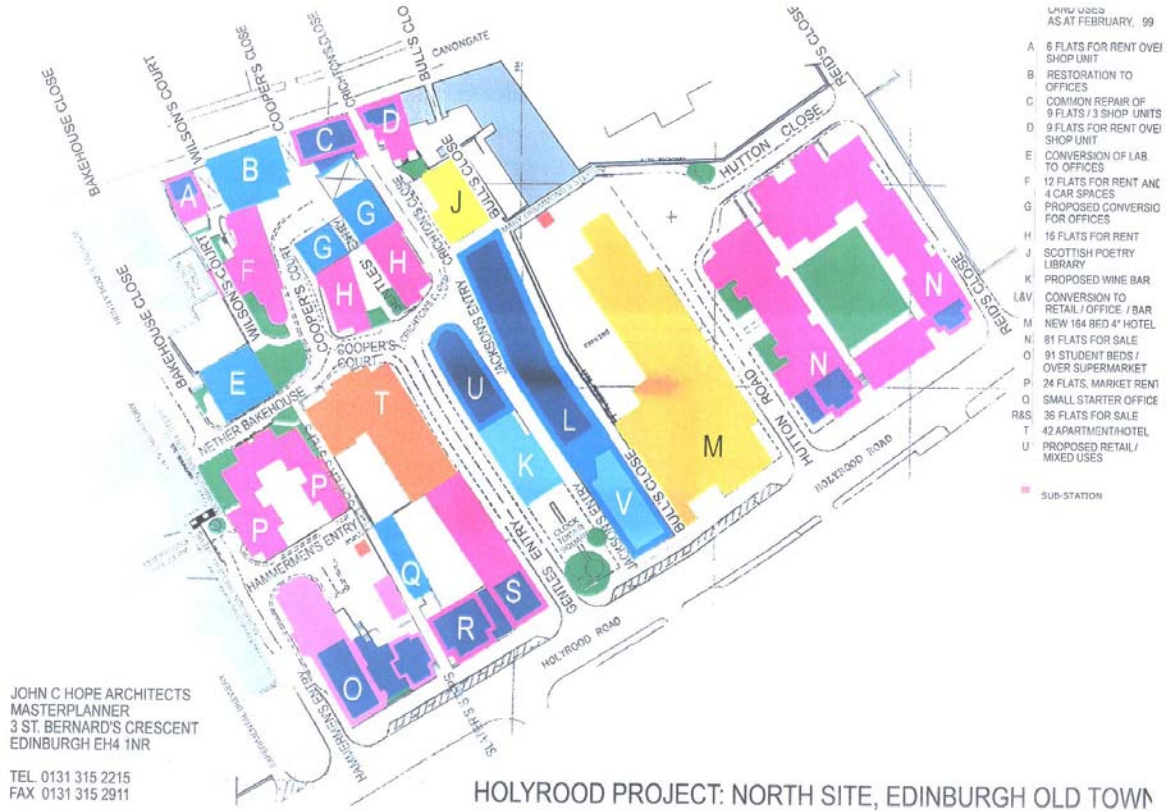


This sympathetic approach to master-planning has prevented the introduction of large-scale buildings (which would have destroyed the essential context and scale of this part of the Old Town) by creating a form of development which allows free movement along interesting pedestrian routes of discovery which can be as impressive to tourists as the broad streets and vistas of the New Town.

The Holyrood Road improvements provide a spine which links all of the developments. It creates the impression of a wide spacious route appropriate to the approach for a major public building. Holyrood North, Dynamic Earth and Holyrood Road improvements are all based on simple, robust and easily understood concepts which is an underlying strength of each.

The use of decked and underground carparking has made an important contribution to the quality of both schemes. In Holyrood North however where some shared surfaces are employed, indiscriminate parking does occur and management controls are necessary.

Figure 5.2 Holyrood North Masterplan



The range of materials used in the public realm across all three sites provides robust, durable and high quality finishes and on the whole have been carefully laid and well maintained and managed. However, following the completion of all building works at Holyrood North, future maintenance arrangements are unclear.

The amount of soft landscaping is appropriately limited given the context in which the project is set. Tree planting is generally successful with the exception of street trees on the south side of Holyrood Road at Dynamic Earth which are in poor condition.

Each of the developments encourages interaction between buildings and the street thereby enlivening the street scene. At Dynamic Earth this occurs as visitors arrive and leave. In Holyrood North the ground floor of several buildings is given over to cafes, shops, offices, a bank and building entrances. The area around the Tun, although incomplete, is particularly successful.

At Holyrood North, a number of new small spaces have been created. These are generally south-facing and sympathetic to the existing buildings. The proximity of housing to offices and through routes does encourage people to use the spaces, whether as habitual users i.e. those who know where they are going; people with destinations such as the Scottish Poetry Library in mind; and visitors.

The spaces create an intimate mood around the area of the Scottish parliament and indeed, are likely to be better frequented as meeting and discussion places once the building opens. While the design of the public realm in the Holyrood project clearly pre-dates the decision to locate the Scottish parliament adjacent, the strength of the design is such that the public spaces are complementary. Indeed, their use as public spaces will no doubt increase as the Parliament establishes itself.

5.6 Property Market Effects

Unlike the Exchange District, which benefited from a closer relationship to the prime office market location, Holyrood in the early 1990s was outwith the main area of development activity in Edinburgh. Despite its central location within Edinburgh, it was not considered to be an office location, nor retail or particularly residential.

Recognising that there was no dominant market led land use, the masterplan for the area had a strong emphasis on mixed use. This has been fully endorsed by the market as seen by the development of residential, office, visitor attraction, hotel and restaurant/bar land uses all within close proximity of each other.

The development of a landmark visitor attraction such as Dynamic Earth, gave the location a presence and identity which, notwithstanding Holyrood Palace, the area had been lacking. The decision by the Scotsman to relocate their headquarters onto the south site in 1996 was therefore a significant development in the regeneration of the Holyrood area.

Following the start of construction of Dynamic Earth and the Scotsman headquarters, Donald Dewar subsequently announced that Holyrood was to be the preferred location for the new Scottish Parliament building. It is difficult to isolate the impact of the Parliament on neighbouring development nearby, as it has inevitably been a major factor when reviewing development options for the north and south site.

Certain developments within the regeneration area have a clear link to the location of the Parliament. Whiteburn acquired a six-month option to undertake a feasibility study for the Tun Building. While the outcome was positive, the company was only committed to the project in the event that the Parliament was located at Holyrood. There is a clear rationale for this given the mix of occupiers in the building (BBC Scotland; European Parliament; Commission for Racial Equality in Scotland; British Council; Scottish Parliament; and Scottish Enterprise). Had another location been preferred, development would have taken a different form.



Initial rental deals at the Tun for the office accommodation were at approximately £21 per sq.ft. for Grade A office suites which faced onto Holyrood Road. The office suites to the rear were attracting tenants at approximately £19 per sq.ft. The Tun also includes retail and restaurant space which has still to be let.

As the critical mass of office developments in this location builds, there will be a requirement for support services such as coffee shops, launderettes, travel agents etc., which will suit the type of spaces currently on offer, however to date the retail element, while adding to the mixed use environment, has not been as successful as originally envisaged.

In addition to the Tun, other office developments, such as Crichton House and emerging developments such as the Clocktower and Grosvenor's 47,000 sq.ft. speculative development of the remaining land on the south site, will face increased competition within Edinburgh's marketplace, particularly as the rate of office supply is significantly in excess of current levels of take-up.



The impact of the Parliament will be a unique asset in attracting occupiers who require close proximity (media services and Government agencies, for example). However, the Holyrood area will initially be severely tested as an office location.

Outwith the office sector, the residential component of the masterplan has been particularly successful for Teagues although this has raised other issues. In 2000, Teagues completed the development of 79 apartments on Holyrood Road with a total sales value in excess of £19M. Subsequently, the wider Holyrood area has seen further residential development including Barratt East Scotland who acknowledge that previously they would not have developed within this location. However, given the improved environment, they had the confidence to invest in further residential development off Calton Road.

Holyrood contains a diverse mix of land uses and the residential component has raised an interesting issue with regard to residential amenity. Teagues development on the north site was constructed with sufficient residential amenity to satisfy planners' requirements for City Centre apartments. However, there is currently a conflict between some residents and the late night activities taking place within Dynamic Earth. Whilst it is acknowledged that the flats are centrally located and therefore should expect a degree of noise disturbance from normal city life, the interaction with late night activities at Dynamic Earth is causing several problems. The true indicator of whether the amenity issue is a serious concern will be any effects noted on resale values. There is no evidence to date that the flats are not re-selling and indeed appear to be increasing in value at the rates of growth being experienced elsewhere within Edinburgh.

Outside the defined boundaries of the Holyrood project area, development activity has significantly increased. Calton Road in particular has seen a number of developments and current proposals including:

- Barratt's residential development;
- Cuckfield's development of the New Street bus depot; and

- Development proposals including office and car park on the former British Gas sites at Calton Road

Through discussions with developers involved in the surrounding areas, there is widespread acknowledgement that Dynamic Earth and associated developments have significantly improved the marketability of the Holyrood and Waverley Valley area to the point where there is investor, developer and occupier confidence in this part of Edinburgh.

Figure 5.3 illustrates development in the surrounding area.

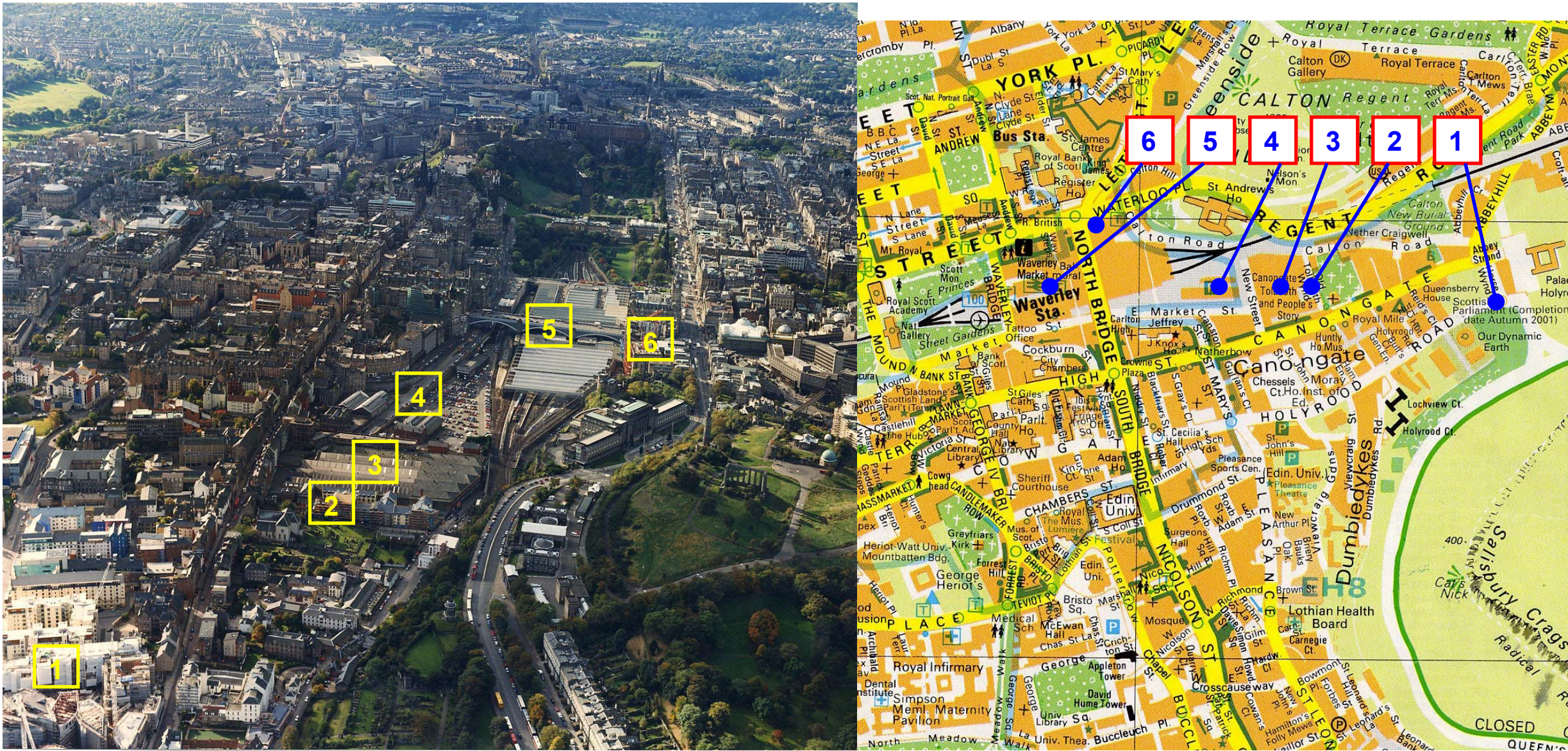
5.7 Perceptions of Developers and Occupiers

While the Dynamic Earth development was seen to be the catalyst for the preceding developments, it is difficult to analyse the reasons and justifications behind other developers' motives without taking account of Donald Dewar's decision to locate the Scottish Parliament opposite Dynamic Earth at Holyrood.

However, Scotsman Publications Ltd did make the move to Holyrood before the announcement of the location of the Parliament and have cited the low cost of land in this locality as being a major factor in its decision. However, the company's decision was also made on the strength of the vision and masterplan for the area. Combined with the attractive outlook over Arthur Seat, the availability of the site and the support offered by LEEL, (which at the time was still in the process of raising funding for Dynamic Earth) was seen as instrumental in their decision to relocate to Holyrood. The area was perceived as being close to the existing centre of operations, thereby involving minimum disruption for staff. Accessibility and the availability of onsite car parking were also factors which added to the attraction of the site.

The Scotsman Publications Ltd also state that the proximity of the site to the city centre and its view of the regeneration that was taking place, were all regarded as strengths of the area. The subsequent decision by the Scottish Parliament to locate to Holyrood was recognised by the Scotsman to be a bonus, albeit it one which could not have been anticipated. The principal weakness of the location was perceived to be the lack of public transport in the area however it is now assumed that this will hopefully improve before the opening of the new Parliament. At the time of the acquisition the property did offer opportunities for future expansion but this land has subsequently been sold to Grosvenor Properties for a 47,000 sq.ft. office building.

Figure 5.3 New and proposed development surrounding Holyrood



KEY

- | | |
|--------------------------------|--|
| 1 New Scottish Parliament | |
| 2 Barratt Apartments | |
| 3 Calton Gate Development | 21,800 sq.m offices / 2,600 sq.m arts and media centre |
| 4 East Market St / Jeffrey St | Mixed use development, 6 storey office block, retail and restaurants |
| 5 Waverley Station Development | Approx 37,000 sq.m of retail use |
| 6 GPO Redevelopment | Castlemore Securities developing 18,580 sq.m of office floorspace |

Whiteburn, the developers of the Tun, saw an opportunity to develop the former East Tun Brewery building. However their interest was dependent on the location of the Scottish Parliament. That said, Whiteburn have acknowledged that even without the Parliament, Dynamic Earth and the DSP masterplan for the North and South sites did provide an interesting regeneration project and they were particularly interested in the variety and mix of land uses being proposed. Dynamic Earth, in particular, was seen as an exciting attraction.

Outwith the main regeneration activity within Holyrood, Barratts and Cuckfield Developments are at various stages in the development process. However, both recognise the significant improvement to the surrounding areas as a result of Dynamic Earth. Barratt East Scotland stated that they previously would not have looked at the site they acquired off Calton Road in the early 1990s however, given the shortage of land elsewhere within Edinburgh and the improving environment within the Waverley Valley, they had the confidence to move forward and develop this site. Equally, Cuckfield Developments are currently progressing plans to develop the former New Street Bus Depot and, again, acknowledge the role that the public sector has had in improving the environment of this part of Edinburgh. However, while Cuckfield are supportive of the Dynamic Earth development and its impact on the surrounding north and south sites, their involvement at New Street is primarily driven by the belief that the requirement for office space is driven by the location of the Parliament.

The Scotsman Publications Ltd noted that they had extensive contact with LEEL and the organisation's support and enthusiasm for the Holyrood location, combined with the fact that the Dynamic Earth centre could be seen to be moving forward, played a major part in their decision making process. As with the Exchange district, the CEC planning department received a degree of criticism and while the Scotsman note that they were generally supportive of the decision to locate their business to Holyrood, the time required to obtain planning consent (in excess of one year) and the constraints and criticisms of the designs, were generally considered unhelpful to progress.

These comments are echoed by Whiteburn who are also supportive of LEEL's involvement in the process, especially on the reopening of Bull's Close whereby the public sector funded the reinstatement of historic links. However, Whiteburn were critical of the process they had to go through to transform their option into a legally binding missive and are quoted as being grateful to Frank Spratt of Development Services Partnership in the role he played to progress discussions and negotiation on this aspect.

Neither Barratt East Scotland or Cuckfield had any direct involvement with LEEL in their respective developments however they have had extensive experience of dealing with the Council's planning department and whilst they acknowledge the vision and masterplan being created for this area as a whole, both parties were critical of the time taken to secure their respective planning consents.

These comments should be read in the context of a developer's perspective. It is recognised that the area is an Outstanding Conservation Area and that the planners' role, while processing development applications is to maintain and enhance its qualities. Conservation Area status affects the time taken to process applications, and while the developers may be

critical of the process, they have not been as critical of the outcome in terms of improvements to the public realm and linkages between areas.

A number of common themes emerged from the discussions:

Strengths

- Presence of a landmark building;
- The interaction of a varied mix of land uses;
- Improving environment and visitor destination of Dynamic Earth;
- The quality of built environment at Dynamic Earth, the Scotsman, the Tun and hopefully the Parliament;
- The decision to locate the Scottish Parliament at Holyrood; and
- Decision to re-open historic closes.

Weaknesses

- Accessibility and car parking; and
- Potential conflict between some commercial uses and residential flats.

Qualitative Analysis

The majority of businesses chose Holyrood for the presence of nearby businesses and the prestige of the area. The prime advantages of being located in Holyrood are seen as proximity to the Parliament and other businesses and customers. Other comments related to the availability of land or premises and the fact that it was an up and coming area. Peripheral business also mentioned the desire to target tourists.

In terms of disadvantages, the majority of comments related to poor parking and access. Some of the peripheral businesses also mentioned the threat of crime and other social problems.

The majority of main businesses surveyed would have located within Edinburgh City Centre if they had not chosen Holyrood. However, almost 60% of the peripheral businesses claimed they would not exist in another location.

Just under half of the businesses reported that they were likely to expand on site, and they all believed that the expansion could be accommodated on site. Those who were not likely to expand within Holyrood reported that they were likely to do so within Edinburgh and Lothian.

Again, as with the Exchange, very few of the businesses claimed to have had contact with SE Edinburgh & Lothian or City of Edinburgh Council. This is most likely due to the businesses dealing directly with agents.

While there are clearly concerns among businesses over restricted parking arrangements, this does not reflect the availability of parking in the area (which benefits from a number of large car parks on the periphery). Many felt that the area was already benefiting from the Parliament effect, with prestigious companies seeking to locate there. However, many also

felt that facilities for visitors need to be improved. Most felt that the opening of the Parliament will see improvements in the use of the area.

5.8 Perceptions of Users

Employees and visitors in Holyrood were also canvassed for their opinions of the area. The majority of employees within Holyrood engage in work, eating and socialising. However, the majority of visitors to the area cited tourism as the main reason for being there, which given the predominance of visitor attractions is to be expected.

Positive features of the area included open spaces, its old fashioned character, architecture, access (as rated by employees) and quality of the environment, character, green / public spaces and a specific attraction (as rated by visitors).

Employees were asked to rate the Holyrood area for a range of aspects including cleanliness, building quality, interesting place to work and quality of street environment. Views on cleanliness were fairly even with 33% as positive responses and 35% as negative responses. Only 12% of respondents rated the street furniture as quite good, with over half returning negative comments. However, 63% rated the quality of buildings, and 58% rated the appeal of the area as an interesting employment location, as either quite good or very good.

In comparison, the positive ratings for cleanliness and street furniture as recorded by visitors were much higher, 82% and 72% respectively. The quality of the buildings and the area as an interesting place to visit also achieved high positive responses (e.g. quite good or very good) with returns of 87% and 91% respectively, higher than those recorded by employees.

Holyrood employees returned a broad range of responses related to desired improvements to the area. These ranged from traffic and congestion improvements e.g. better public transport and better parking, to improved facilities and shops. There were fewer responses from visitors, reflecting their higher satisfaction levels. However, they did mention better facilities, improved appearance and less traffic congestion.

6 KEY FINDINGS

6.1 Project Performance

In broad economic terms, both projects have been successful in meeting their original objectives:

Holyrood/ Dynamic Earth:

- Has witnessed the development of a new landmark visitor attraction. Visitor numbers, while they have fallen recently, remain in line with expectations. With the evolution of the project during the construction phase, greater attention was paid to the revenue generating capacity afforded by exploitation of the hospitality and corporate sectors. This centre generates an operating surplus, with no call on the partner agencies for revenue funding. For a science-based visitor attraction, this is a considerable achievement;
- Has led to complementary mixed-use development in the Old Town which does not detract from its Conservation Area designation. The reinstatement and refurbishment of historic vennels also adds to the visitor experience; and
- Now provides the setting for a major headquarters building via the Scotsman

Clearly, the cost to the public sector was considerably greater than originally anticipated, although in this respect the project was affected by unfortunate timing, seeking to fund Dynamic Earth's development from increases in capital values on the component sites at a time when the market for property in the area was stagnant or falling.

Nevertheless, this should not detract from the success of the project overall. While initial targets of 700 jobs (direct and indirect) were revised in 1997 to 913 jobs and investment of £100 million, to date an estimated 1,033 FTE posts are filled in the project area, with a further 220 anticipated with the completion of the remaining floorspace. It is calculated that the various elements of the Holyrood project have generated a further 541 jobs through indirect and induced effects, including the effect on visitor expenditure of Dynamic Earth.

Public sector investment of some £34 million has been matched by total estimated investment from the private sector of £79.3 million, £113.3 million in total.

Edinburgh International Conference Centre/Exchange

- The EICC has provided Edinburgh with a world-class conference destination. Reportedly 37th in the 'league table' of international conference venues²⁷, Edinburgh now ranks in the top ten. The Conference Centre has had a marked effect on business visitor perceptions. Other centres such as the Queen Elizabeth II Centre at the Barbican are now monitoring their progress against the EICC.
- The Exchange has shifted the centre of Edinburgh business activity firmly to the west. The rise in values generated by investment in infrastructure and the public realm has enabled the funding of an addition to the Conference Centre at no cost to the public purse.
- A new prime financial district has been created, although this has had more of an effect in safeguarding and enhancing employment levels within indigenous companies as opposed to

²⁷ International Conference Association

attracting significant levels of inward investment. This said, some 771,000 sq.ft of high quality office accommodation has been created with a further 158,000 sq.ft to be added with development of the last remaining site. Scottish Widows headquarters adjacent account for a further 351,000 sq.ft – a total of 1.28 million sq.ft.

Findings from the business survey suggest some 9,063 full time equivalent positions based in the Exchange and neighbouring areas, compared with an estimated 6,000 in 2000 and a projection on completion of 10,000. With completion of Site H/I it is now estimated that these projections will be at least met if not exceeded, despite the reduction in floorspace devoted to office accommodation.

The combination of the Edinburgh International Conference Centre and its tourism impacts and high quality office floorspace has significant indirect and induced impacts on the regional economy. In addition, it is estimated that some 13,500 jobs have been created or safeguarded as a result. The role of the EICC in generating this level of impact should not be understated. As the signature building it established the high quality image of the area, helping to position the commercial element as a prime office product in a relatively short timescale.

Total investment in the Exchange (including development of site H/I) is estimated at £409.5 million, a leverage ratio of 1:6.8. This compares with initial total investment forecasts of £214.5 million (1:5.8). This has had a catalytic impact on development and redevelopment in neighbouring areas such as canning Street, Torphichen Street and Lothian Road. Over a similar timescale, some 650,000 sq.ft of office floorspace has been developed in these areas, the Exchange having established the area a prestige office location.

Generally, the development of the Exchange has proceeded to time and within budget. While hindsight suggests that the product - high quality floorspace in a central location in the context of limited supply - would dictate success, the Edinburgh office market was distinctly nervous at the beginning of the 1990s. Undoubtedly, the project benefited from considerable increases in site value over the development. However, this has been reinforced by the continual emphasis on quality and delivery throughout the development period.

6.2 Funding

Following the collapse of the original plans for the development of the EICC and the Exchange, the public sector in the shape of Lothian and Edinburgh Enterprise Ltd and Edinburgh District Council acted swiftly to ensure that full funding for the EICC was in place from the start of the project. The EICC established the high quality tone of the Exchange and demonstrated clear commitment from the funding partners to the implementation of the broader masterplan. In turn, this generated confidence in the development sector in the viability of the area as an office location.

Control of the site was an essential element in enabling the security of the funding commitment at an early stage.

At Holyrood, this level of certainty in funding was never established. Dynamic Earth's dependence on increasing land values in what was an untested and arguably peripheral commercial location undermined its ability to be funded from internal resources from the project partners. Without Millennium Commission funding (which was not a factor for consideration at the outset) it would not have been able to proceed.

6.3 Management Arrangements

Both projects were implemented over a similar time frame, although with very different management structures. While this necessarily reflects the priorities of SE Edinburgh & Lothian (and its predecessors) it also highlights the view of the Agency's partners in both projects.

The development of Holyrood and creation of Dynamic Earth was clearly not one of EDC's main economic development priorities in the early 1990s. While the strategic case had been made in terms of bolstering Edinburgh's tourism product, providing investment in the Old Town, and improving services for visitors to the city, it lacked the political support commanded by the Exchange. Moreover, the product - a science-based visitor attraction - was largely untested. What research there was (although this was not reflected in the original Business Plan) suggested that such attractions would be dependent on revenue subsidy in their operation.

In broad terms, this was reflected in the structure of the development approaches adopted, the number of staff and their relative levels of skills and experience. While the levels of funding exposure were similar, the level of organisational commitment to the Exchange was considerably greater in practice.

While reporting arrangements were in place in Holyrood, there was an element of confusion over lines of communication and who was responsible for ultimate decision-making. In the latter stages of the development of Dynamic Earth this was more clearly evident, with project management responsibility resting in three places. Undoubtedly, the incremental commissioning of Dynamic Earth affected project management and Client control of the project. This was compounded by the fact that the architect and most of the design team were based resolutely in London.

This contrasts markedly with experience in the Exchange. The approach used sought to build the identity of the Partnership from the beginning. Arguably, the best staff from both partner organisations were seconded to EICC to make sure it was delivered. Certainly, the range of skills deployed was well matched to project requirements. This served the Exchange well in generating considerable credibility and momentum behind the project. However, delivery was not sustained at an even pace. The need to ensure that appropriate levels of resources and skills are available was demonstrated in the two-year hiatus between identifying a requirement for an extension to the EICC and developing the case and obtaining Board support for a preferred site. The model developed for the Exchange has largely been adopted to progress the regeneration of the Edinburgh Waterfront.

6.4 Public Realm

The experience of both projects in animating public spaces differs significantly. Holyrood has broadly succeeded in incorporating a series of routes and spaces around the main developments which encourage people to explore and linger, while also relating well to the surrounding Old Town environment. In the Exchange, there has to date been limited success in encouraging more intensive use of the public spaces, not helped by the lack of ground floor activity in Conference Square.. The space is more open and lacks the number of features and focal points which Holyrood gains from (admittedly, Holyrood has benefited significantly from pre-existing elements). To date, the Exchange has not become established as a public events location. This role and the use of public art features may increase usage as the broader Exchange area becomes further developed and the use of the area as a through

route increases. The main elements of best practice illustrated by the Holyrood and Exchange Schemes are:

- The development concept should reflect the city context and unique character of the site.
- Master plans should be simple and robust;
- There should be careful and rigorous selection of designers for buildings, public realm spaces and public art works;
- Controlled and limited decked or underground parking should be an integral part of city centre schemes;
- There should be strong interaction between buildings and external spaces through ground floor uses as well as views to and from the development;
- The use of a limited range of high quality natural stone finishes produces an attractive and durable appearance;
- Natural materials need to be laid by skilled craftsmen both initially and in any reinstatement works;
- In urban areas soft landscape elements such as trees should be limited but located in places where successful establishment is possible;
- The existence of local stakeholders and dedicated maintenance squads contributes significantly to the success of public realm squares; and
- Roads Authorities must control the quality of reinstatement works.

6.5 Key Factors & Transferable Experience

Several key factors have influenced the delivery of both projects. Some elements have been adopted in pursuing the regeneration of the Edinburgh Waterfront, while the experience of others may also be of use in implementing projects elsewhere.

In addition to the analysis and discussions undertaken in carrying out the research, a workshop was held on 19 November 2002, attended by staff from SE Edinburgh & Lothian, other parts of the Scottish Enterprise network and City of Edinburgh District Council. The purpose was to discuss broad regeneration experience in the context of the approaches adopted in the Exchange and Holyrood and in light of participants experience elsewhere. This has been combined in the following conclusions.

Experience of Partnership

Commitment to shared goals and common objectives are a prerequisite of a successful partnership, whether or not there is equality between partners (whether measured in terms of funding commitment, staff involvement or returns on investment). Partnership working at EICC benefited from the *clear demonstration of priority* accorded to its implementation at the highest levels of the Partner organisations. This was demonstrated in the *close involvement and interest at Chief Executive and political levels*. While there were some reservations over the respective roles of the partners a *high level of trust and commitment* to the project was established at an early stage. *Secondment of staff within a strong and relatively autonomous project management framework* further built this commitment at an operational level.

At Holyrood, while the relationship between partners was generally good, there was a lower level of commitment to shared goals and a greater emphasis on protecting the positions of the individual partner organisations (in both public and private sectors). While acknowledging its role in the tourism sector, Edinburgh District Council appears not to have been initially convinced of the overall economic development benefits of the project and only became involved in funding various elements at a relatively late stage.

A careful balance needs to be struck between partners funding commitment and any returns to ensure arrangements reinforce rather than detract from partnership working. Similarly, the scope of any risk taking functions and public accountability needs to be carefully considered. Arguably, had EICC Ltd been able to purchase neighbouring sites, there may have been the potential for considerable savings to the public purse. However, such actions may blur the distinction between the role of the public and private sectors.

While being delivery focussed, any partnership also needs to be aware of partners' decision-making processes and the speed with which key decisions can be made.

Clarity in Delivery

Both projects benefited from a *clear vision for regeneration*, supported by their status as flagship projects. At the EICC, this was exemplified by a *robust masterplan* which has generally been adhered to. Similarly, the strong development framework provided by the North site masterplan also helped to generate investment confidence while also providing a clear sense of direction and purpose. The importance of masterplans should not be understated in seeking regeneration of areas affected by market failure (as in the Exchange and Holyrood). While indicating the strategy for development, they can provide a basis for funding support, political commitment, private sector confidence and investment and importantly, site assembly.

The masterplan should clearly define the project area and recognise the operational features of the overall project, highlighting areas likely to be affected by revenue shortfalls and considering ways in which to achieve internal project viability without continual recourse to project partners for funding. This comprehensive approach is increasingly being used as the basis of regeneration efforts in many English towns and cities as part of the National Strategy for Neighbourhood Renewal and RDA-sponsored initiatives.

The procurement route also needs to be examined first in considerable detail. While recognising that pressures of funding, programming and deadlines often enforce a decision on procurement prematurely, careful consideration of the procurement route should be an integral element comprising; project scoping and brief; commissioning processes; project management structure and scope; and inclusion of operational expertise.

The masterplan also needs to consider ways of ensuring continuity in terms of design and maintenance implications. In developing the public realm, there should be a clear emphasis on ensuring quality, although this should not detract from the need to create active 'spaces'. The Holyrood North masterplan achieves this through encouraging exploration, and creating small manageable pockets which are conducive to activity. Activity in the squares at the Exchange remains limited.

Project Management

Both projects benefited from acknowledgement of the different skills and strengths of staff in the partner organisations. The project management function is a key role, and selection of the project manager a critical early decision. This function is most effective where reinforced by partnership commitment and clear channels of communication and responsibility between project structures and partner organisations. Where this is not the case, as was occasionally evident at Holyrood, confusion can arise as to where decisions are made, with potential effects on project timescales and budgets.

The differing experiences of Holyrood and the Exchange demonstrate the importance of designing processes to *retain control of design elements and project costs*, whether through GMP agreements or other channels.

Appropriate expertise is necessary to oversee the construction, development and operation of the projects. Both projects benefited from access to established skills in site assembly and preparation. Regeneration also needs to ensure that *operational expertise is available within the project implementation team from the beginning, including the design stage*.

While recognising the need for partner organisations to ensure a manageable exit, *flexibility* also needs to be retained to ensure that appropriate skills are available to maintain the integrity of the project and the quality of maintenance. This is particularly evident where there are public realm elements, or where certain skills are needed, for example to allow the project to move to a new phase. Exit strategies should be reviewed throughout the lifetime of the project.

The role of the Public Sector in major urban regeneration projects

The experience of Holyrood and the Exchange demonstrates that the public sector has a clear role where there is market failure to ensure common economic goods are delivered. Similarly, this is reflected at Edinburgh Waterfront, where public sector intervention has generated market confidence and brought out subsequent interest from the private sector through Lattice and Forth Ports.

Dynamic Earth/Holyrood and EICC/Exchange are both flagship projects, designed to stimulate economic development on a broader scale and achieve major changes in the perceptions of an area. While the immediate catalytic effects of development at Holyrood have been constrained, the effect of the Exchange has been extensive, demonstrating large scale economic impact, particularly in the financial services sector, and helping Edinburgh to retain its competitiveness within the high-quality, value-added segment of this market. As a result, while the sector is now experiencing a downturn, the city has been well-equipped to capitalise on the major expansion which occurred between 1995 and 2002.

Further, the Exchange in particular has had a regenerative effect on the areas surrounding it, to such an extent that areas surrounding Haymarket, which might previously have fallen into the 'market failure' category, are witnessing high levels of development interest with the prospect of improvement at minimal further cost to the public purse.

Holyrood and the Exchange areas were unproven locations at their inception. While the private sector may be willing to undertake large scale development, in general it has proved unwilling to fund necessary infrastructure improvement and site preparation works which have a negative

impact on site values and potential returns in such areas. The public sector can take a more strategic view of the economic as opposed to the financial returns of such provision, as well as a broader view of development related to its context. Both projects have also been developed over a lengthy period of time; it is now over 15 years since the first funding approvals for supporting works for the EICC and the Exchange. Projects of this scale and significance are long term by their very nature and it is at this stage that their impacts have become most apparent. In both instances, *the project partners acknowledged that benefits in the short term were unlikely to be significant, and adopted a clear strategic focus on the long term economic benefit to the City as a whole.*

The experience not only of the projects examined, but also of those in other parts of the UK where property-led regeneration has either changed or reinforced an areas image, with broader regeneration impacts (as in Newcastle Quayside and Manchester) suggests that such activity can make a major contribution by providing broader economic benefits as well as common economic goods.

Scottish Enterprise with its experience and established credibility in developing and managing large scale regeneration projects such as Holyrood and the Exchange has a major part, along with local authorities and other public sector agencies, in ensuring that such large scale projects are conceived, developed and managed to ensure broad and *catalytic* economic benefit. This role is presently acknowledged with the Scottish Enterprise network focussing efforts on the co-ordinated physical and economic regeneration of areas such as the Clyde Waterfront.

At present this activity is delivered in the context of Smart Successful Scotland i.e. growing businesses through developing competitiveness. This encompasses public realm improvements, land engineering activity, property regeneration, dissemination and development of good practice and an enabling role.

Within the broader context of the strategy though, such activity does not have the priority previously witnessed. There are few if any specific regeneration targets and goals within the broad strategy itself, or within Operating Plans. Arguably, as the SE network moves towards more standardised products across the country, this could further limit the scope for its involvement in physical regeneration activity.

However, there is recognition at a strategic level that a range of skills are required to achieve sustainable, wide reaching economic development impacts. This points to increasing partnership between:

- Scottish Enterprise, with established development experience and project management skills, allied to its role in developing skills and knowledge;
- Local authorities – some of the larger authorities such as Edinburgh and Stirling have developed innovative approaches to securing major development and resources in their areas through joint ventures or arms-length development companies. The experience of facilitating such development through the planning and other regulatory processes could usefully be shared with other authorities not so well equipped to deal with major development schemes;
- Communities Scotland – with its' developing housing-led renewal remit, helping to ensure that economic benefits are enjoyed by neighbouring communities; and

- Other agencies. With Community Planning, there is increasing awareness of the effects of economic development on broader outcomes in the areas of health, crime and community safety etc.

All of these players have regeneration-related interests and expertise to various degrees. Similarly, they often hold portfolios of land and property which may be used to facilitate regeneration or potentially extended to realise additional resources for such activity. While the public sector could have a more entrepreneurial role i.e. sharing risk and reward, there needs to be a clear consideration of accountability and appropriate use of public resources, the potential for conflict of interest, and whether public support would be forthcoming for such a role.

The public sector clearly has a role in ensuring economic links between property-led private sector regeneration, housing-based regeneration and employment opportunities at a community level. Given the nature of the areas, and the regeneration context of the time, this was not viewed as a priority either at the Exchange or Holyrood. Scottish Homes was established at broadly the same time and understandably, was initially concerned specifically with the major issues concerning transfer of its stock to the Housing Association sector and building capacity within it. Communities Scotland is only now examining a wider regeneration role related to its housing regeneration function.

The resources and lessons of good practice acquired by Scottish Enterprise could be shared more broadly both within the Scottish Enterprise Network and with other organisations. In the present environment, where the economic development function is effectively divided between Scottish Enterprise, local authorities and Communities Scotland (which is in the process of defining its role) the development of links and effective co-ordination between these bodies is particularly important. The need for enhanced co-ordination is likely to be further pronounced as the findings of the recently-published Cities Review 'Building Better Cities – Delivering Growth and Opportunities' are developed and put into effect.

While many of its findings and recommendations hinge on partnership actions, the Review emphasises the importance of competitive locations. It highlights the position of cities at the heart of Scotland's economic growth and dynamism and recognition of their key strategic role in fostering regional growth underpins the documents conclusions. Significantly, and in conjunction with other strands promoting regeneration, the development of "effective markets for land and property, and improved delivery of public services to provide infrastructure for business", is highlighted as a key element in helping to address employment and housing imbalances, vacant & derelict land and levels of investment not only in infrastructure but also the public realm.

Consequently, the need to tackle long-standing issues such as vacant and derelict land, support for the role of cities in driving dynamism and economic growth, and recognition of the potential contribution that innovative mechanisms could play in delivering regeneration have increased the profile of development-led regeneration within Scottish Enterprise and in the public sector more broadly.

Scottish Enterprise is already adopting a leading co-ordination role in major development projects in the East and West of the country. This includes its role as a lead partner in the Waterfront Edinburgh Limited, where masterplan development is largely completed, roads infrastructure is in the process of development and private sector interest has been attracted. In the West of the

country, the agency is co-ordinating the approach to the regeneration of the Clyde Waterfront, encompassing activity across 3 local authority areas, although this work is at an early stage of development.

As evident from this and historical experience, Scottish Enterprise has a key role in developing the mechanisms proposed to enable a co-ordinated inter-agency approach to regeneration, including Urban Regeneration Companies. The private sector has a key role in most of the established URCs and SEs experience (and the experience of several local authorities) in negotiation and brokering agreements should prove valuable. The Exchange in particular, might be viewed as a demonstration of the application of the Urban Regeneration Company (URC) model in Scotland. The criteria for the development of URCs issued by the Office of the Deputy Prime Minister²⁸ highlights the following key features:

- Realising latent opportunities raising investor confidence, enabling development to become self-sustaining;
- A coherent and focussed area;
- Implementing a strategic approach;
- Added value through co-ordination;
- Commitment;
- Resources;
- Independence;
- Involvement; and
- Flexibility

A similar approach has been adopted at the Edinburgh Waterfront. Based on its experience in these and other areas, Scottish Enterprise has a clear role and contribution to make in identifying and driving URCs in areas affected by market failure, particularly where such efforts can be harnessed to support key sectors:

- Based on clear evaluation of options;
- In areas which are significant strategically & where future opportunities for private sector (and future business development) can be demonstrated;
- Where there is a clear contribution to regional and local priorities; and
- Where effective partnership can be achieved.

²⁸ ODPM, Urban Regeneration Companies(URCs) Development of Guidance and Criteria, 23 March 2001