

Estimated Affect of Titanic Quarter on the Rate Base

Purpose

As part of the due diligence into the Councils investment in the Titanic Quarter it was thought pertinent to consider the impact on the rate base for the Council for the whole of phases 1 and 2. The period being considered is 2010 to 2016 the timeframe of when the signature building and the associate supporting ancillary hotels and retail should be contained within the valuation list.

Background

Titanic Quarter, will transform a 185-acre site on the banks of Belfast's river Lagan into a new maritime quarter. It will consist of over 5,000 apartments, 180,000 sq. m. of business, education, office and research and development floor space together with hotels, restaurants, cafes, bars and other leisure uses totaling some 41,000 sq. m. when the whole area is developed.

The Titanic Quarter development is co-promoted by the Port of Belfast and Titanic Quarter Limited. The £1bn+ development is expected to create at least 20,000 new jobs over the next 15 years.

It is planned to be a major social and business meeting place with galleries, theatres, parklands as well as retail and office buildings. It is estimated when complete the whole development will generate £43m in rates resulting in £18m circa for Belfast City Council that is not withstanding the decentralization and vacancies that it will inevitably create elsewhere, which in turn will be development opportunities.

The phases

The Master Plan divides Titanic Quarter into 5 Phases:-

Phase 1; This Is a 1 million sqft mixed-use development adjacent to the Odyssey Arena and Pavilion. Phase 1 encompasses the 'the Arc' residential complex. This phase also includes a new third level education campus for Belfast Institute of Further and Higher Education and a relocation of the PRONI offices from Balmoral avenue.

Phase 2: This Is a 3.3 million sqft high mixed-use development offering residential, commercial, retail and leisure facilities. At the heart of this Phase will be the Titanic Signature Project, the former Harland & Wolff headquarters building and the RMS Titanic and RMS Olympic slipways which will form a world-class visitor destination.

Phases 3 – 5

These phases are at conceptual design stage.

However the project is unlikely to be developed in this order and will be dependent upon market conditions in the housing property market, macro economics, planning consent, any subsequent appeals, possible enquires etc. The map below, in figure 1, demonstrates an indicative layout of the proposed development. However it does not show the location of the Gateway office buildings, the PRONI building, or the recent announcement of the financial centre to be developed in phase 3.

Assumptions

The following assumptions have been incorporated into this report.

- The rating proposals for the domestic vacant properties will be charged at 100%.
- There will be no significant displacement across the city
- At least three hotels will be built catering for 450 beds
- The reserved planning matters will ease the planning process
- Economic conditions will have stabilised for the period when the properties are coming on line
- There will have been two non-domestic revaluations and whilst these should have the effect of raising the potential rate base no account has been taken of these
- The domestic revaluation will have no effect on the relative values for the domestic units.
- The signature project will be exempt from rates
- All conceptual proposals will be built on site including the car parking
- Regional and district rates apportionment remains constant

For the purposes of this report the buildings in figure 1 have been included, plus the Gateway office building and the PRONI offices.

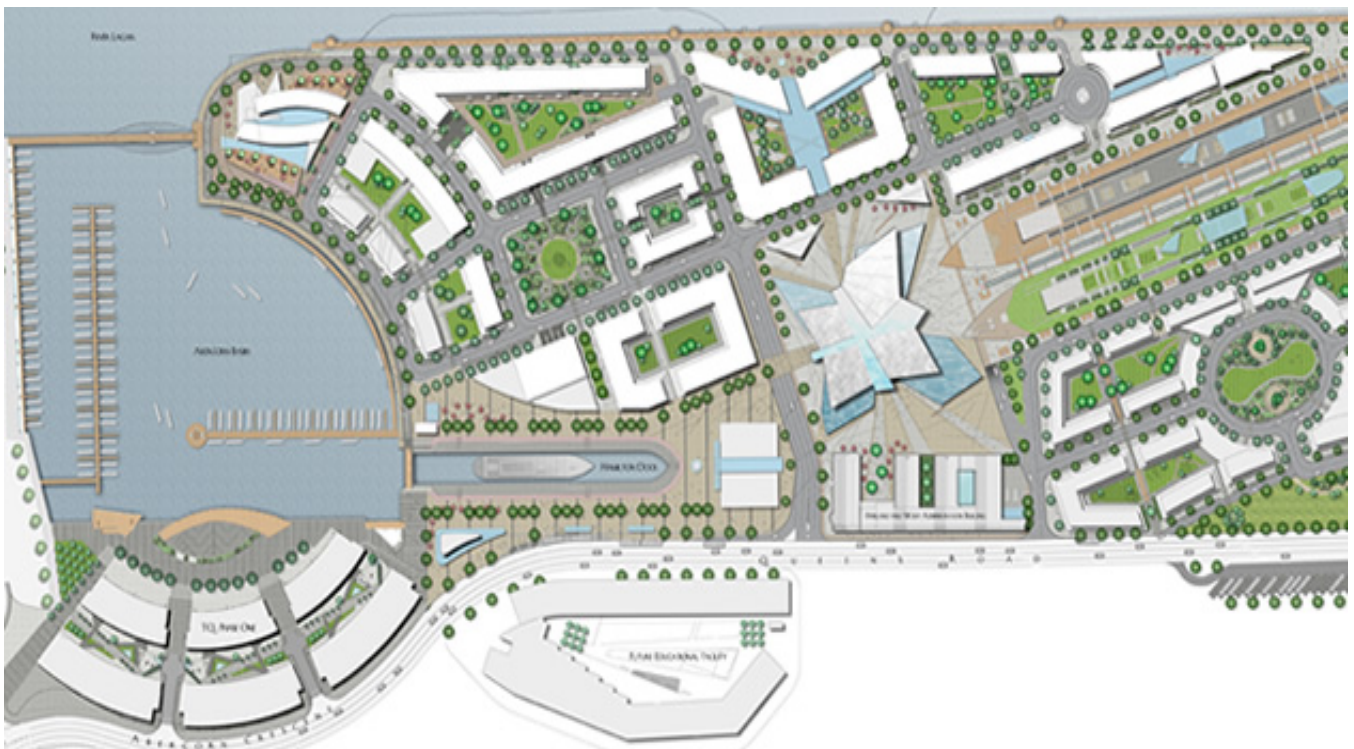


Figure 1

Summary of Estimated rates

Appendix 1 provides preliminary estimates of the capital values and the net annual valuation of the respective properties. No account has been taken for the waterfront margin or the specific quality of finish for each property as this is too premature to gauge. Given the nature of the site there will initially be discounted rates until the whole project is complete to allow for the uncertainty and the ongoing disruption from future development. These two factors should offset each other for the period considered.

Valuations should be considered as estimates only and have been advised upon using comparators by Land and Property Services using the limited information available.

The break down of the rateable income for each development which have included are shown in the attached Appendix. This summary accounts for 25% of the total planned residential properties for the whole development and includes all in Phases I and II , 3 hotels, 1 educational establishment, Several office/mixed use developments and the signature project. It is also envisaged none of the current rating reforms will have an impact on the predictions set out below. The table below sets out the estimates for the year on year growth for the Council.

Financial Year	Total Rates Generated	Accumulative total	District Rates	Accumulative total (District)	Total rate income	Payback for 10 M	Financial Year
2009-2010	£468,006	£468,006	£201,242	£201,242	£201,242	1	2009-2010
2010-2011	£385,984	£853,990	£165,973	£367,216	£568,458	2	2010-2011
2011-2012	£2,235,984	£3,089,974	£961,473	£1,328,689	£1,897,147	3	2011-2012
2012-2013	£1,399,593	£4,489,567	£601,825	£1,930,514	£3,827,660	4	2012-2013
2013-2014	£1,075,558	£5,565,125	£462,490	£2,393,004	£6,220,664	5	2013-2014
2014-2015	£975,558	£6,540,683	£419,490	£2,812,494	£9,033,158	6	2014-2015
2015-2016	£1,274,593	£7,815,276	£548,075	£3,360,569	£12,393,726	7	2015-2016
2016-2017				£3,360,569	£15,754,295	8	2016-2017

Conclusion

It can be reasonably concluded that should the Titanic Quarter be developed in line with the reserved matters in Phases I and II it will yield as a minimum 7.8M in rates with a district apportionment of 3.3M per annum. With two non domestic revaluations scheduled within the scope of this report this could be argued to be a conservative figure. The biggest risks to this development not reaching the planned phases are macro economic issues. Titanic quarter is being supported with three large government projects including the financial centre, Belfast Further Education College and the Public records office which in themselves should generate a critical mass for further economic regeneration and thus stabilise the rate base

Appendix - Table of Indicative Values for District Rate returns