

*Tees Valley*  
*unlimited*



**Tees Valley**  
**Growing Places Fund**  
*Round 2 Prospectus*



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## **What is the Tees Valley Growing Places Fund?**

Tees Valley Unlimited (TVU) has just over £8.5 million to lend to businesses and other organisations to support projects that will create growth, job creation and remove barriers to development in the local economy.

**£4 million of funding is available in round 2** and we are inviting applications from businesses and organisations who are seeking a loan to invest in capital projects.

This is our second call for projects and we are particularly interested in development projects that require additional capital funding to enable them to come to fruition and quickly deliver tangible economic outcomes.

Investments will be made on a repayable basis with an appropriate level of return which will be re-invested to provide significant on-going and long-term benefits to the Tees Valley economy.

This prospectus provides more information on the Fund and details how to apply.

## **Who can apply?**

The Fund is open to all businesses, private developers, local authorities and their partners based in or looking to invest in the Tees Valley. Applications are welcome for proposals that support TVU in achieving its ambitions including the delivery of a successful Enterprise Zone.

In order to be eligible for the fund, proposed projects must meet the basic criteria listed below. Please make it clear in the submission that these issues have been addressed. Project proposals which fail to meet these requirements will not be considered for investment:

- The investment must be capital;
- The project must deliver benefits for the Tees Valley area;
- The project will need to demonstrate that funding addresses a cashflow/funding shortfall that can't be met by other means;
- There is a way that the investment in the project can be repaid;
- Other criteria will also be considered as detailed later in the prospectus under 'steps to securing funding'

The fund is intended to be a 'recycling fund' where investment is repaid over time then allowing for further investments in the future. We will expect the full funding to be repaid from the profit generated by the development. This should be considered when developing any project proposals and the mechanism by which funds would be repaid should be made clear in the response.

## **What type of projects can be funded?**

We are seeking applications from projects that will, following the injection of capital funding, be able to start or re-start quickly and unlock economic growth. A wide range of infrastructure projects could be supported, including highway improvements, site access, utilities, flood defence, etc, commercial/ industrial space, and new homes as part of mixed use developments.

## **What funding is available?**

**£4 million of funding is available in this round.** Further bidding rounds are envisaged once the fund is replenished.

The amount and type of funding ultimately offered to any project will reflect our assessment of the minimum support needed for the project to proceed and the level of risk involved.

The project will need to demonstrate it is State Aid compliant; this will be considered as part of the due diligence process.

## **How will the loan be repaid?**

It is anticipated that repayment will be required by the sooner of when the project is fully completed or a pre-agreed longstop date.

Applicants will be expected to repay their loan over an agreed timeframe. Any early repayment of loans will not incur an early settlement charge and any agreed interest payments will be adjusted in line with the revised repayment date.

Repayment terms and periods are negotiable, but we will expect the loan to be repaid in full within agreed timescales, ideally within 3-5 years by means identified by the applicant. Loans will be repaid on a basis agreed during the due diligence stage and interest charged at a rate that is State Aid compliant.

Applicants will need to demonstrate how they intend to repay loans.

The applicant will also be expected to deliver the full project outputs and outcomes by an agreed date. We will expect regular updates and will monitor the progress of the project against agreed milestones.

## **How do I Apply for Funding?**

Applying for funding is simple. All applications will be treated as commercial in confidence and will not be shared with any third party not directly involved in the appraisal, selection and due diligence process.

If you think the Growing Places Fund can help your scheme the guidance and application form can be downloaded from our website. If you wish to discuss your project further before applying then please contact Christine Schott or Heather Heward on 01642 524424; alternatively you can contact via email at [BIPTeam@teesvalleyunlimited.gov.uk](mailto:BIPTeam@teesvalleyunlimited.gov.uk).

Potential applicants whose scheme does not meet the basic criteria will be advised to seek alternative sources of funding. Those who do meet the basic criteria will be invited to submit an application form.

Each submission will undergo a check against the eligibility criteria over page.





Criteria	Application Form
Projects are located in and significantly contribute to the economy of Tees Valley consistent with <a href="#">TVU's Statement of Ambition</a> and <a href="#">Business Plan</a>	Section 2
Projects should be predominantly employment focussed	Section 2
Projects should demonstrate clear additionality – the additional economic benefits created as a result of Growing Places Funding and the acceleration of these benefits.	Section 2
Projects must be capital schemes that are ready to go and are able to generate sustainable employment or housing quickly.	Section 3
Projects should have outline planning consent and/or a reasonable expectation that full planning consent will be granted within six months of submitting their application. This will be checked with the relevant Local Planning Authority.	Section 4
Projects need to demonstrate that loans from the Growing Places Fund are capable of being repaid through secure forms of repayment – this may be through planning agreements, tariffs, the Community Infrastructure Levy or other contractual arrangements.	Section 4

General Criteria
Projects must be capital projects and used for the acquisition or enhancement of an identifiable asset with a life of more than one year.
TVU will also consider shortlisted projects in respect of the overall funding available, the balance of risk of the portfolio, and the likely impact on the future use and sustainability of the Fund.

## What is the deadline for applications?



All applications must be submitted no later than 30<sup>th</sup> April 2013 using the application form available on the TVU website. Applications should be submitted by email to: [BIPTeam@teesvalleyunlimited.gov.uk](mailto:BIPTeam@teesvalleyunlimited.gov.uk). Receipt of applications will be acknowledged.

## **How will projects be selected for funding?**

After the initial appraisal and eligibility check, projects will be submitted to TVU Investment Panel for short listing and approval to proceed to due diligence stage. Recommendations will then be submitted to Leadership Board for approval.

Reasonable feedback will be provided to all applicants following each stage of the application. We reserve the right to request further information or evidence from any applicant.

This is a competitive process with a finite amount of funding available. We will invest in the best possible projects and therefore we reserve the right to not allocate all of the funding available if projects do not meet the required standard.

## **What is involved in Due Diligence?**

Shortlisted projects will undergo a technical due diligence review which will need to be satisfactorily completed before funding is awarded. There are three parts to the due diligence process and we may require additional information and evidence from applicants at this stage to satisfy these requirements:

### **Part 1: Financial appraisal**

Growing Places funding must not replace other funding options and applicants must demonstrate the need they have for investment from this fund. We will provide only the minimum funding required to allow the project to progress. The financial appraisal stage, therefore, will seek to appraise the projects financial position and test underlying assumptions:

- Identify the minimum funding needed to unlock the development;
- Evaluate the potential for recovery of the initial investment;
- Understand pricing and marketing strategies for the project; and
- Understand and consider the financial, commercial and market risks associated with the project.

## Part 2: Financial standing

All loans must be State Aid compliant. Where necessary, interest rates will be charged using the EC reference rates, which currently range from 2.34% to 11.74% and will be calculated by an assessment of the creditworthiness and security offered against the loan.

An assessment of creditworthiness may include, but is not restricted to, the following:

- **Financial analysis** – profitability, net asset position and balance sheet strength, gearing, credit checks, etc;
- **Ability to service the loan** (both interest and capital) in the context of existing commitments;
- **Track record of delivery** – an assessment of the trading history, development experience of the borrower, references, benchmarking against peer companies, etc.

The level of security offered against the loan may also be considered when determining the interest rate to be applied. For example, this may be in the form of a parent company guarantee or a legal charge.

Any decision made by TVU on the interest rate applied will be final.

## Part 3: Deliverability

Each shortlisted project will be assessed on the following to ensure it is deliverable:

- The ability to (re)start on site including a review of title, planning and site constraints;
- The development programme and underlying assumptions; and
- The sales programme and underlying assumptions.

We reserve the right to request additional information and, where appropriate, enter into a three-way dialogue with the applicant and other parties appointed to undertake due diligence, in order to discuss the viability of the project.



## Completing Due Diligence

When a project is selected to proceed to due diligence a deadline will be agreed for this to be completed and Heads of Terms agreed. If the project fails to meet the dates set the TVU Investment Panel reserves the right to make recommendations to the Leadership Board to de-commit the funding allocated to that project.

When due diligence has been completed and Heads of Terms agreed, the project will be referred back to TVU Investment Panel for final approval.

## Round 2 Timetable

Call for projects	1 <sup>st</sup> March – 30 <sup>th</sup> April 2013
Deadline for receipt of applications	30 <sup>th</sup> April 2013
Initial appraisal of projects by Investment Panel	May 2013
Projects approval by TVU Leadership Board	June 2013
Due Diligence completed*	end August 2013
Legal Agreements in place*	end September 2013

**\*Please note:** We are keen for projects to progress quickly. Once projects have been selected by the Leadership Board they can progress as quickly as is practically possible through due diligence and through to signing up to a legal agreement; the dates cited above are long stop dates which all projects will be expected to comply with.

## Loan Agreements

Growing Places Funding will be allocated through loan agreements. Stockton on Tees Borough Council, as accountable body for TVU, will enter into formal loan agreements with successful applicants before funding is released, to ensure that funding can be repaid within the agreed timescales.

## **State Aid**

All financial arrangements under the Growing Places Fund must fully comply with State Aid requirements. This is a complex area and applicants must satisfy themselves that their project is State Aid compliant and consequently they may wish to obtain specialist advice prior to submitting an application form. We will work with applicants at the due diligence stage to ensure that State Aid is fully considered in projects.

## **Publicity Requirements**

Projects funded by Growing Places Fund will be required to acknowledge support from Tees Valley Unlimited in all written material including press releases and public presentations.

## **Project Closure & Evaluation**

Project closure and evaluation arrangements will be agreed and detailed in the legal agreement.

## **Website Links**

### **Tees Valley Unlimited**

<http://www.teesvalleyunlimited.gov.uk>

(For TVU Growing Places Fund Prospectus, Application Form, Guidance Notes and Questions and Answers Sheet)

### **Growing Places Fund Prospectus**

<http://www.communities.gov.uk/documents/regeneration/pdf/2024617.pdf>

### **State Aid**

<http://www.bis.gov.uk/policies/europe/state-aid>

### **Public Works Loan Board Rates**

[http://www.dmo.gov.uk/index.aspx?page=PWLB/PWLB\\_Interest\\_Rates](http://www.dmo.gov.uk/index.aspx?page=PWLB/PWLB_Interest_Rates)

### **EC Reference Rate**

[http://ec.europa.eu/competition/state\\_aid/legislation/reference\\_rates.html](http://ec.europa.eu/competition/state_aid/legislation/reference_rates.html)