

1.2 Investment Proposal (Estimate)

Moyross

Public Sector Investment (Estimate)

Housing	€M
Demolition	12.2
Replacement/Affordable Housing	160.1
Relocation/Decanting (within estates)	1.5
Site Development Costs	18.4
Management Costs - Agencies	25.0
Professional Fees	19.1
VAT	42.7
Contingency inc. VAT	13.9
Sub Total =	292.9

Neighbourhood

Education	1.0
Youth Facilities	6.0
Community Facilities	32.3
Sports/Recreation	24.7
Health	10.1
Land Acquisition	10.0
Employment Facilities	10.0
Site Development Works	18.4
Development Contributions	20.0
Professional Fees	9.4
VAT	22.8
Contingency	8.2
Sub Total =	172.9

District/Wider Area

Education	20.0
Transport	50.3
Justice	30.0
Land Acquisition	10.0
Sport/Recreational	41.5
Site Development Costs	18.4
Development Contributions	20.0
Professional Fees	17.0
VAT	42.2
Contingency	12.5
Sub Total =	261.9
Overall Total =	727.7

Private Sector Investment (Estimate)

	€M
Market Housing (Private)	240.0
Delmege Estate	210.0
Retail/Commercial	17.7
Overall Total (Estimate) =	467.7

Residential:

Proposed Housing Numbers:

Replacement Housing	970 (estimate)
New Housing (Private)	970 (estimate)
Overall Total	1940

Net Increase in Number 750

1.2 Investment Proposal (Estimate)

Southill and Ballinacurra Weston

Public Sector Investment (Estimate)

Housing	€M
Demolition	13.8
Replacement/Affordable Housing	181.1
Relocation/Decanting (within estates)	1.6
Site Development Costs	27.5
Management Costs	25.0
Professional Fees	22.4
VAT	50.0
Contingency inc. VAT	16.0
	337.4

Neighbourhood

Education	18.0
Transport	1.5
Health	9.8
Youth Facilities	6.0
Community Facilities	18.0
Civic Buildings	30.5
Sports/Recreation	27.0
Land Acquisitions	40.6
Site Development Costs	27.5
Development Contributions	10.0
Professional Fees	17.9
VAT	42.1
Contingency	9.0
Sub Total =	257.9

District/Wider Area

Justice	10
Site Development Costs	27.5
Professional Fees	3.8
VAT	8.4
Contingency	2.5
Sub Total =	52.2
Overall Total =	647.5

Private Sector Investment (Estimate)

	€M
Market Housing (Private)	379.0
Retail/Commercial	47.3
Capital Contributions	36.2
Contingency	44.2
Overall Total =	506.7

Residential:

Proposed Housing:	
Replacement housing	1,100 (estimate)
New Housing (Private)	2,400 (estimate)
Total	3,500
Net Increase in Number	2,100

1.2 Investment Proposal (Estimate)

St Mary's Park

Public Sector Investment (Estimate)

Housing	€M
Demolition	5.8
Replacement/Affordable Housing	62.7
Relocation/Decanting (within estates)	0.5
Site Development Costs	13.0
Professional Fees	6.9
VAT	18.1
Contingency inc. VAT	10.4
Sub Total =	117.4

Neighbourhood

Community Facilities	6.1
Sports/Recreation	17.1
Transport	10.4
Health	6.8
Education	13.2
Land Acquisition	3.0
Site Development Costs	13.0
Development Contributions	14.0
Professional Fees	5.4
VAT	18.3
Contingency	5.4
Sub Total =	112.7

District/Wider Area

Transport	25.7
Recreational	7.3
Site Development Costs	13.0
Development Contributions	4.0
Professional Fees	4.6
VAT	11.6
Contingency	3.3
Sub Total =	69.5
Overall Total =	299.6

Private Sector Investment (Estimate)

	€M
Market Housing	255.8
Retail/Commercial	122.7
Capital Contributions	17.3
Contingency	30.0
Sub Total =	425.8

Residential:

Proposed Housing:	
Replacement Housing	380
New Housing (Private)	1040
Total	1420
Net Increase in Number	960

	Summary		
	Public Sector Investment	Private Sector Investment	Total
	€M	€M	€M
Moyross	727.7	467.7	1,195.40
Southill/Ballinacurra	647.5	506.7	1,154.20
Weston			
St. Mary's Park	299.6	425.8	725.40
Total	1,674.8	1,400.2	3,075.00
Residential Numbers (estimate)	Replacement No.	New No.	Total No.
Moyross	970	970	1940
Southill/Ballinacurra	1,100	2,400	3,500
Weston			
St. Mary's Park	380	1,040	1,420
Total	2,450	4,410	6,860

1.3 Economic Benefit Analysis

1.3.1. Introduction

The purpose of this analysis is to provide a summary assessment of the estimated costs and benefits associated with the regeneration of the Moyross, Southill/Ballinacurra Weston and St. Mary's Park areas of Limerick City.

The assessment is presented in three parts, namely:

- 1 The capital investment required in respect of the three areas, separated into public sector investment and the expected private sector investment;
- 2 An estimate of the direct returns to the Exchequer arising during the construction phase, leading to an estimate of the net costs to the Public Sector; and
- 3 The medium to long term socio-economic benefits that are projected to arise from these investments.

1.3.2. Conclusions

Costs

The total capital investment requirement in the three areas is €3.1 billion, made up of €1.7 billion of public sector investment and €1.4 billion from the private sector.

Construction phase benefits

It is estimated that the direct inflows to the Exchequer by way of taxes will be just under €1 billion, of which some €480 million will come from private sector investment. The net cost to the Exchequer will therefore be of the order of €800 million over the ten year construction period (€1.8 billion investment less tax receipts of €1 billion). (If discounted at an annual rate of 4% and assuming an even flow over the ten year period, this equates to a Net Present Value of €650 million).

Long term socio-economic benefits

Ongoing socio-economic benefits post regeneration can be evaluated in two main ways:

- Savings on current public expenditure will arise from reduced crime levels, savings on social welfare spending, and such like; and
- Increased economic activity arising from the general uplift in the Limerick area as a result of the regeneration project, e.g. increased retail and tourism expenditure.

The combined value of these benefits is estimated to be in the order of just over €100 million per annum, and as noted earlier should be on an ongoing basis.

Over a 35-year time span, which comprises a ten year construction period followed by a 25-year steady state, the total value in today's terms of these benefits would be close to €1.5 billion. (This is the Net Present Value of the estimated flow of benefits over this 35-year period, discounted at a rate of 4% per annum).

The direct employment creation impact within the regeneration areas is estimated at approximately 4,000 jobs, with €128 million per annum in associated salaries/wages in the Limerick area.

1.3.3. Costs

The projected capital investment in each of the three regeneration areas is as follows:

	Investment € millions			
	Moyross	Southill	St. Mary's Park	Total
Total Public Sector Investment	727.7	647.5	299.6	1,674.8
Total Private Sector Investment	467.7	506.7	425.8	1,400.2
Total Investment	1,195.4	1,154.2	725.4	3,075

Details of these capital expenditures are shown at the beginning of this section.

Key points to note are:

- The total investment is just under €3.1 billion, of which €1.7 billion is expected to come from the public sector and €1.4 billion from the private sector.
- The investment is projected to take place over a ten year period.
- These investments are shown at current (2008) prices.
- €1.1 billion of the investment is related to housing redevelopment, €0.4 billion is related to investments in industrial and commercial enterprises, €0.3 billion is related to infrastructure and the balance is in a range of social, education, training, cultural and civic facilities.
- We estimate that the building costs are in the order of €2.5 billion. Building costs exclude expenditure on items such as land acquisition, development levies and relocation/decanting

1.3.4. Construction phase benefits

Direct Exchequer benefits of the Construction phase

Of the €3.1 billion total cost, it is estimated that €2.5 billion is building activity. The balance of the cost is non-building e.g. land acquisition and other costs.

Based on the consultant team's analysis of the expenditure, it is anticipated that approximately 35% of the costs of the building activity will flow back to the Exchequer as direct tax inflows such as VAT, PAYE, PRSI, and where applicable, Stamp Duty. This would mean that the amount flowing back in to Exchequer should be of the order of €800 million over the construction phase.

The remaining expenditure of €715 million of non-building costs is estimated to generate a tax inflow to the order of 25%, i.e. €179 million, to the Exchequer.

An estimated €990 million, i.e. the total of these two tax inflows, is expected to flow back to the Exchequer over the construction phase.

Other benefits of the Construction phase

The construction related aspects of the regeneration will give rise to approximately 2,500 jobs in the regeneration area over the period. This is a potentially significant boost to the regional construction sector, especially if initiated during the current down turn.

Leveraged Private Investment

It is anticipated that the private sector investment is unlikely to happen unless the public sector investment occurs.

1.3.5. Long term socio-economic benefits

Increased employment in regeneration areas

	Employment numbers	Average Industrial Wage	Total Annual Earnings	Exchequer Benefit 20%
TOTAL ESTIMATE	4,000	€32,000	€128 million	€25.6 million

It is estimated that, as a result of the regeneration, approximately 4,000 new jobs will exist within the regeneration areas. One of the main elements of this will be the new business park at Delmege in Moyross. Employment will also arise in new local enterprises and in public and private services.

Based on the average industrial wage, this employment will give rise to annual earnings of approximately €128 million in the Limerick area and an annual return to the Exchequer of approximately €25.6 million.

Assuming that regeneration results in Limerick's socio-economic characteristics conforming more to the national average, the regeneration investment will lead to savings in areas such as law enforcement, social welfare payments and others.

Estimates of potential reductions in law enforcement costs only are €5.5 million per annum.

Increased economic activity in the Limerick area

The regeneration effort will also boost economic activity in the area via an improved image for the city, and attraction of increased visitor numbers, retail expenditure and investment generally.

The potential increased expenditure from retail and tourism in the city is estimated at €96 million per annum.

1.3 Economic Benefit Analysis

Net present value of benefits

The direct savings to the Exchequer and the increased economic activity shown are in total €101.5 million per annum. It is envisaged these will accrue on an ongoing basis following the completion of the construction phase. It is assumed that these benefits will ramp up at a constant rate during the ten year construction phase.

Taking a 35 year period in total, comprising ten years for construction and 25 years of steady state, and using a discount rate of 4% over this period, it is estimated that the total net present value of these specific benefits to be approximately €1.5 billion. This does not make any allowance for displacement effects.

It is noted, however, that whereas these figures have been estimated in the material prepared during the Programme development process, that some of the identified benefits have not been quantified, particularly the saving on social welfare and other payments. This indicates in our view that while the estimated benefits of €101.5 million per annum are based on particular assumptions that have not been tested or verified, the non-inclusion of some benefits suggests a degree of conservatism in the making of this benefit. If only half the projected benefits were to be achieved, this would still provide socio-economic benefits of €750 million, which is more than the Net Present Value of the net cost to the Exchequer.

Increased value of housing stock

Traditionally, house prices in Limerick City have been below the average of other Irish cities, due in part to the poor image of the city associated with high levels of deprivation. The regeneration investment should lead to a normalisation of the value of property in the city. If this gravitates towards average values in other Irish cities outside Dublin, it is estimated that this could boost the value of the city housing stock by about €2.3 billion.

1.3.6. Other considerations

National Development Context

The Limerick Regeneration Programme is consistent with wider relevant national economic development policy. In particular, it directly addresses the challenge of regenerating Limerick city centre, as already recognised by the Fitzgerald Report to the Cabinet Committee on Social Inclusion, and provides responses to some of the key recommendations in that report.

It also strongly supports the 'Gateway' approach to national and regional economic development, espoused in the NSS and the National Development Plan (NDP) 2007-13. Key investment priorities have already been identified for the Limerick-Shannon Gateway at NSS and NDP level, and the contents of this Programme will help to address a number of these priorities, including: accelerated delivery of housing renewal in the Gateway; re-imaging through urban renewal; development of major road and public transport links; upgrading of public areas; and development of recreational and public amenities.

The Programme is consistent with and supportive of sectoral policies in the areas of business development, tourism, education and training, and local development. Its facilitation of leisure, sporting and arts/cultural facilities, for example, supports strategic aims in the area of tourism product development, particularly the enhancement of the tourism capital stock. Provision of quality industrial and enterprise space enhances the attractiveness of the City for inward and indigenous investment, and it also complements the key local development and education objectives promoted by Government, such as countering disadvantage or promoting equality and social and economic inclusion.

Case for Incentives and Public 'Priming' Investment

The Regeneration Programme represents, in the context of Limerick City and the Mid-West region, the largest ever plan to deliver investment in social capital and industrial development, specifically aimed at bringing about badly needed social change for the benefit of the residents of the areas and of the city and region as a whole. The socio-economic case for this investment is already accepted at the most senior level of Government, with the adoption by the Cabinet of the Fitzgerald Report. This commitment, combined with the completion of this Regeneration Programme, therefore now represents a once-in-a-generation opportunity to address in a coherent way the social problems that blight the Limerick Gateway.

Implementation of the Fitzgerald report requires a series of measures designed to create a climate of matching public and private investment, specifically aimed at pre-determined economic objectives. These "Measures" are not only required to enhance the social and economic fabric of the regeneration areas, but to provide a once and for all boost to the economy of the Mid West Region. The economic need for measures on such a grand scale is evidenced by the effects on Limerick City's image of having such problems of social exclusion.

The current economic climate dictates that public or publicly incentivised "Priming" Investment in key housing and infrastructural projects takes place in advance of, or in parallel with, purely private sector investment.

Other Qualitative Benefits

Other qualitative benefits include:

- Improved housing density and redressing population decline in the Regeneration Areas
- Reduced social and health problems
- Increased education participation

Regarding the preparation of this analysis, it should be noted that:

- The data used is drawn from the regeneration programme, which may change prior to finalisation
- The estimate of direct benefits to the Exchequer by way of tax inflows during the construction phase is based on data provided and in some instances is based on the past experience of the consultant team in assessing such benefits elsewhere
- The quantifiable benefits have also been derived from material contained in the programme and, as in other instances, have not yet been independently researched or verified by consultant team
- The estimates do not constitute a full formal cost-benefit analysis of the regeneration investment.

The Regeneration Agencies will carry out further examination of issues surrounding the Economic Benefit Analysis.