AGENDA ITEM 13

Portfolio Management Plan Update Report

Agenda Item 13

Title: **Portfolio Management Plan Update Report**

Meeting: **Executive**

Date: **18 October 2016**

Submitted By: **Director of Development Services**

1. Purpose of Report

1.1 The purpose of this report is to present an updated Portfolio Management Plan (PMP) for approval.

2. Recommendations

2.1 It is recommended that the Executive agrees:

a) with the updated proposals for the PMP disposal and reinvestment plans as set out in this report and detailed in Appendices 1 & 2

b) to re-market the South Bridge Street site following the withdrawal of Collet Transport from the proposed sale; and

c) that alternative arrangements are sought for the siting of the Grangemouth Town Clock.

3. Background

3.1 The purpose of the PMP is to sustain and enhance a viable property portfolio for economic development through a phased disposal of existing assets to the investment market, and re-investment of the proceeds in developing new business property. The Council's property portfolio plays a major role in the business property available in the Falkirk area. It accommodates circa 500 businesses and at present is 95% let.

3.2 Reinvestment is undertaken through a phased programme of development which aims to provide modern offices, industrial and commercial units in various locations across the Council area. The rental income generated from these new developments is intended to replace income lost through the phased disposal of the Council's landlord's interest in selected packages or lots of assets from the portfolio thereby making the PMP revenue neutral for the Council.

4. Considerations

4.1 Disposal Programme

4.1.1 During the year 2015/16 7 lots were marketed. Of these lots 4 acceptable offers were received with lots 60 and 84 on Appendix 1 being sold. The sales of lots 14 and 35 on Appendix 1 failed to complete due to the purchaser withdrawing from sale. The total receipt from the completed sales is £176,505. A further £159,000 is expected from the sale of the Pilkington site at Central Park to Alexander Dennis (ADL). ADL triggered the option to purchase the site and hope to take entry January 2017. The properties that did not receive acceptable offers will require to be re-marketed at an appropriate time.

4.1.2 The proposed sale of 6.1 acre site at South Bridge Street, Grangemouth to Collet Transport has failed to complete. This was due a number of factors including alternative trading arrangements being made by the company. An additional complication to the sale was the requirement to incorporate the former Grangemouth Clock Tower within any new development on the South Bridge Street site. As a consequence, following discussions with a local group Early Artefact Restoration Location (EARL), the Council's Planning & Environment Unit and local members, work is underway to identify a more suitable location for this monument, This allows the site at South Bridge Street to be remarketed without this condition.

4.1.3 For 2016/17 a total of sixteen PMP lots are programmed for marketing. (Appendix 1).

4.2 PMP Re-investment Programme

4.2.1 The Council's PMP reinvestment programme has successfully developed a two storey office pavilion at 1 Spitfire Way, Wholeflats extending to 8800 sq. ft. and seven industrial units at Central Park Avenue, Central Park, Larbert that extend to 9000 sq. ft. At present 7 companies occupy these premises and employ circa 60 people. The £1m contribution to help deliver the regeneration of Denny Town Centre has also been committed and, as reported to the Executive in September 2016, an additional ten commercial units have been established.

4.2.2 Appendix 2 sets out the future phasing for the re-investment plan with the first phase of the industrial development at Plot 5 at Abbotsford Business Park due to complete in October 2016, providing 10,000 sq. ft. of high quality modern business workspace.

4.2.3 It is anticipated that the Council's investment in Plot 5 of Abbotsford Business Park will generate further interest in the site and marketing efforts continue for the site. Recognising the recent progress of the Falkirk Tax Incremental Financing initiative (TIF) and the development framework for the Falkirk Gateway that the re-investment plan will be re-appraised to take into account

these opportunities with any amendments to the reinvestment programme being presented next year.

5. Consultation

The Grangemouth local members have been consulted on the Grangemouth Clock proposal.

6. Implications

Financial

6.1 The Council's commercial and industrial property portfolio provided an income of £4.763m in 2015/16 to the Council. The programme of disposals and reinvestments has been designed to help maintain this income while modernising the Council's stock. The balance in the PMP account as at 1st April 2016 was £1,423,873.48. This will be used for the development of phase 1 at Abbotsford Business Park as described above which is expected to complete in October 2016.

One of the key priorities of the PMP was to ensure the rental income generated from this property portfolio remained revenue neutral. To date, from the properties sold, the Council has lost a potential rental income of £148,130. The new developments at Spitfire Way and Central Park will provide annual rental income of £155,000 when fully let. The new industrial development at Abbotsford Business Park will be capable of generating an annual rent of around £70,000 when complete.

Legal

6.2 None.

Resource

6.3 No additional resources are required.

Risk

6.4 Failure to modernise the Council's business portfolio will result in a poorer provision of business space for local businesses and a reduction in the ability to generate rental growth. Poorer quality properties are more difficult to let, so longer void periods and lower rental rates would be anticipated reflecting the quality of the property.

Equalities

6.5 None

Sustainability & Environmental Implications

6.6 Provision of modern business space will improve the overall energy performance of the portfolio as the modern space being provided is substantially more energy efficient than the properties being sold as part of the disposal programme

7. Conclusions

7.1 The Council's PMP is proving successful in modernising the Council's portfolio of business properties. It enables investors to refurbish existing buildings to create modern, fit for purpose business space for small local businesses to locate, grow and create jobs. The Council's re-investment programme has also enabled the construction and letting of new business space which is assisting business growth in the area. The continued success of the PMP programme depends on the success of the disposal programme. By progressing the updated programme and using the streamlined disposal procedure the Council will be in a position to attract further investment and assist business growth.

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Director of Development Services

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Date: 6 October 2016

APPENDICES
Appendix 1 – Portfolio Management Plan Disposal Monitoring
Appendix 2 - Portfolio Management Plan Reinvestment Programme.

List of Background Papers:

The following papers were relied on in the preparation of this report in terms of the Local Government (Scotland)Act 1973:

- **Portfolio Management Plan Files**

APPENDIX 1

Portfolio Management Plan Disposal Monitoring				
Lot No.	**Address**	**Type**	**Status**	**Comments**
1	19/21 Cow Wynd 2 Bean Row	Shop/offices	Sold 11/9/09	Sold for £150,000
2	Site at Winchester Ave	Land	Sold 2/9/11	Sold for £178,700
3	Site,Callendar Business Park	Land	Off market	No offers received at closing date, will re-market when office demand improves
4	Site, Wood St	Land	Sold 24/1/14	Sold for £75,000
5	Land, Bute Street	Land	Sold 14/12/12	Sold for £45,000
6	1-3 Dalderse Ave	Industrial	Sold 18/1/13	Sold for £129,000
7	4-5 Dalderse Ave	Industrial	Sold 30/11/12	Sold for £109,000
8	103 Grahams Rd	Shop	Sold 15/11/13	Sold for £45,000
9	103.5 Grahams Rd	Shop	To be remarketed 2016/17	Sale failed to complete
10	168-178 Grahams Rd	Shop	Sold 30/9/11	Sold for £138,000
11	180-182 Grahams Rd	Shop	Sold 8/4/11	Sold for £99,999
12	1-7 Bryson St	Industrial	Programmed for market 2017/18	Checking titles, leases etc
13	1 Meeks Rd	Shop	Programmed for future marketing	Checking titles, leases etc
14	20 Cow Wynd	Shop	To be remarketed 2016/17	Propsed sale failed to complete
15	26 Newmarket St	Shop	To be remarketed 2016/17	No offers received
16	28 Newmarket St	Shop	To be remarketed 2016/17	No offers received
17	30 Newmarket St	Offices	To be remarketed 2016/17	No offers received
18	Garage, Bean Row	Industrial	Sold 4/11/11	Sold for £30,000
19	4 Kerse Lane	Shop	Sold 8/8/11	Sold for £60,250
20	St Crispins Pace	Land	Sold 5/6/15	Sold for £30,000
21	4 Weir Street	Restaurant	Programmed for market 2017/18	Checking titles, leases etc

Lot No.	Address	Type	Status	Comments
22	2 Chapel Lane	Store	Programmed for market 2017/18	Checking titles, leases etc
23	46 Vicar Street	Shop	Sold 20/8/12	Sold for £45,300
24	50 Vicar Street	Shop	Sold 29/7/15	Sold for £67,000
25	54 Vicar Street	Shop	Sold 29/7/15	Sold for £44,100
26	16 Melville Street	Shop	Sold 16/12/14	Sold for £102,000
27	18 Melville Street	Shop	Sold 16/12/14	Sold for £128,000
28	20 Melville Street	Shop	Sold 21/5/13	Sold for £58,100
29	Store, Melville Lane, Falkirk	Store	Sold 21/6/11	Sold for £25,000
33	1-6 Foundry Road, Bonnybridge	Industrial	Programmed for market 2016/17	Checking titles, leases etc
35	109 High Street, Falkirk	Shop	To be remarketed 2016/17	Sale failed to complete
53	14 Dundas St, Grangemouth	Industrial	Programmed for market 2016/17	Checking titles, leases etc
56	12 Dundas St, Grangemouth	Industrial	Sold 31/7/13	Sold for £17,011
57	20 Dundas St, Grangemouth	Industrial	Programmed for market 2016/17	Checking titles, leases etc
58	22 Dundas St, Grangemouth	Industrial	Programmed for market 2016/17	Checking titles, leases etc
59	24 Dundas St, Grangemouth	Industrial	Sold 30/10/13	Sold for £10,100
60	10 Dundas St, Grangemouth	Retail	Sold 8/10/15	Sold for £151,500 – 8/10/15
61	18 Dundas St, Grangemouth	Industrial	Sold 17/5/13	Sold for £45,575
69	20 Abbotsinch Road, Grangemouth	Industrial	Programmed for market 2016/17	Checking titles, leases etc
70	22 Abbotsinch Road, Grangemouth	Industrial	Programmed for market 2016/17	Checking titles, leases etc
73	28 Abbotsinch Ind Est, Grangemouth	Industrial	Programmed for market 2016/17	Checking titles, leases etc
80	Pilkington Site, Central Park	Development Site	Option to purchase for £159,000 triggered by ADL	With Legal Services expected to conclude on 22/1/17

81	1 Central Boulevard, Larbert	Industrial	Sold 29/11/13	Sold for £1.025, net receipt to PMP £748,000
82	10-14 Union Road, Grangemouth	Shop/office	Programmed for market 2016/17	Checking titles, leases etc
83	4-6 Chapel Lane, Falkirk	Office/Residential	Programmed for market 2017/18	Checking titles, leases etc
84	Seaview Garage, Boness	Industrial	Sold 28/7/16	Sold for £25005
85	Pond Site, Central Park, Larbert	Development Site	Programmed for market 2016/17	Checking titles, leases etc
86	0.084 acres, Macfarlane Crescent, Falkirk	Site leased for car parking	To be remarketed	No acceptable offers received
87	6.1 acres South Bridge Street, Grangemouth	Development Site	To be remarketed 2016/17	Sale failed to complete

APPENDIX 2

PORTFOLIO MANAGEMENT PLAN – REINVESTMENT PROGRAMME

Abbotsford Business Park
Phase 1 4 Industrial Units –currently under development
Phase 2 – Industrial Units
Bog Road Industrial Estate
Phase 1 – Industrial Units
Phase 2 – Industrial Units
Wholeflats Road, Grangemouth
Phase 2 – Office
Phase 3 – Office
Winchester Avenue Industrial Estate, Denny
Phase 1 - Industrial Units
Phase 2 – Industrial Units

Timescales for delivery are dependent on availability of resources arising from receipts and Executive approval.