

FALKIRK COUNCIL

Subject: PORTFOLIO MANAGEMENT PLAN UPDATE REPORT
Meeting: EXECUTIVE COMMITTEE
Date: 29th APRIL 2014
Author: DIRECTOR OF DEVELOPMENT SERVICES

1.0 INTRODUCTION

- 1.1 The purpose of this report is to provide Members with an update on the progress of the Portfolio Management Plan (PMP). The report recommends approval of an updated list of disposals and an alteration to the re-investment plan to include a new development of modern industrial units at Abbotsford Business Park.

2.0 BACKGROUND

- 2.1 The Portfolio Management Plan seeks 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 497 businesses and at present the portfolio is 95% let.
- 2.2 The reinvestment is undertaken through a phased programme of development which will provide modern offices, industrial and commercial units in various locations across the Council area. The new 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.

3.0 PMP DISPOSAL PROGRAMME

- 3.1 For the year 2013/14 thirteen lots were marketed for disposal. Out of these, ten lots received acceptable offers and seven have been sold. Two offers failed to complete and the other is with the Council's Governance Service to complete the disposal. The total receipts from the seven completed sales are £998,786. The properties that did not receive any offers will require to be re-marketed at an appropriate time. The property market is showing strong signs of recovering with increased levels in occupier demand. Investors are still showing some caution but are showing interest in PMP properties which is a helpful sign for Falkirk's property market.
- 3.2 The disposal programme has proven successful in generating capital receipts and has levered in £300,000 private investment from local investors and landlords in properties that required substantial refurbishment and upgrading. Examples of this are shown in Appendix 1 attached and include:

- ***Shops at 1-5 Dalderse Avenue, Falkirk.*** These properties are on a prominent location just off Grahams Road. The new owner has refurbished the vacant units and has attracted three new tenants to the refurbished shops.
 - ***19/21 Cow Wynd/2 Bean Row.*** This town centre property was in poor condition. It has been extensively refurbished to provide two ground floor shop units which are now let as well as two flatted dwellings above.
- 3.3 For 2014/15 a total of sixteen lots are programmed for disposal including five lots that are being re-marketed. (Appendix 2). New properties have also been added to the list of properties for disposal as follows:

- ***10 – 14 Union Road, Grangemouth.*** This property was previously occupied by the Employment and Training Unit but is now surplus to requirements. The property is being marketed as a retail outlet and/or office but is not attracting interest due to its poor location. It is felt that the property may be suited to an alternative use but this would need considerable investment which would only be possible if made available to purchase.
- ***4 & 6 Chapel Lane, Falkirk.*** These properties were previously let to Corporate & Neighbourhood Services but are now surplus to requirements. The properties are proving difficult to let and do not fit well into the Council's business property portfolio. It is considered that they will be more attractive to investors if available to purchase.

4.0 PMP RE-INVESTMENT PROGRAMME

- 4.1 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 seven companies occupy these premises generating a rental income of £72,650 per annum which will increase to £94,400 in 2015 and employ 25 people
- 4.2 A £1m contribution from the PMP has been provided to help deliver the regeneration of Denny Town Centre; £800,000 has been used, with the remaining £200,000 due to be spent in 2014/15.
- 4.3 With the successful marketing recently of the South Bridge Street site in Grangemouth, this site will need to be removed from the re-investment plan (appendix 3). The proposed replacement for the development is Plot 5 at Abbotsford Business Park which is suggested as the next site to be redeveloped.
- 4.4 Following the investment made by the Council and Scottish Enterprise into Abbotsford Business Park we have been unable to secure a first occupier. This site has suffered as a consequence of the economic downturn. It is felt that the development proposed would help to establish market confidence in the site and helps kickstart development related to the Falkirk TIF.

- 4.5 The proposal is to build a terrace of 4 modern industrial units between 250 – 300sqm each. Costs are estimated to be up to £1.3m. The need for this provision has been reinforced recently in market assessments which have been conducted for the Falkirk TIF initiative.
- 4.6 In terms of funding this project it is proposed that this be secured from unapplied ERDF receipts secured for Abbotsford Business Park of £504k and funds from the PMP account which has a balance of £1.219m. In terms of future rental income it is anticipated that this development would generate circa £65,000 per annum. On occupation, it would also generate a rates income of circa £25,000 per annum (via the Falkirk TIF)

5.0 IMPLICATIONS FOR THE COUNCIL

Policy Implications

- 5.1 The Council's property portfolio plays an important part in maintaining premises available for business to locate and grow in the Falkirk area. The PMP is a key element of the My Future's in Falkirk economic strategy for the Falkirk area; of the Falkirk TIF; and is also consistent with the Strategic Community Plan and Single Outcome Agreement.

Legal Implications

- 5.2 The programme of PMP disposals is undertaken in compliance with the Council's procedure for the disposal of assets.

Financial Implications

- 5.3 The Council's property portfolio provided an income of £4.38m in 2013/14 to the Council. The programme of disposals and reinvestments has been designed to help maintain this income while modernising the Council's stock. There is currently £1,219m of receipts and a further £504,000 ERDF available for reinvestment.

6.0 CONCLUSION

The Council's PMP is proving successful in modernising the portfolio of business properties in the Falkirk area. It is enabling 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 the business space which is assisting business growth in the area and will help in the delivery of the Falkirk TIF initiative. The continued success of the PMP programme depends on the success of the disposal and reinvestment programme. By progressing the updated programme proposed in this paper, the Council will be in a position to attract further investment and assist business growth.

6.0 RECOMMENDATIONS

6.1 It is recommended that the Executive:

- a) notes the performance of the portfolio management plan and the contribution it is making to the local economy
- b) agrees to progress the updated proposals for the PMP disposal and reinvestment plans as set out in this report and detailed in Appendices 2 & 3
- c) agrees to propose the scheme for delivery of 4 industrial units at Abbotsford Industrial Park

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Director of Development Services

11th April 2014

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LIST OF BACKGROUND PAPERS

- 1. Portfolio Management
- 2. Plan Files

Anyone wishing to inspect the background papers listed above should telephone 01324 504973 and ask for John Smith.

Appendix 1: Portfolio Management Plan 2014 Projects Delivered Update



1-5 Dalderse Avenue, Falkirk

The above properties occupy a prominent location on Dalderse Avenue just off Grahams Road, a main arterial route into Falkirk town centre. They were sold in two lots under the PMP in 2012. At the time of the sale three of the units were vacant. The new owner has invested £50,000 in the property and has now been able to attract four new tenants; Dyson Doctor; Emporium Vapour; Creative Kitchens and Central Funeral Services. Together these businesses employ 9 people. The Council's former tenant, Quality Masonry Services is still trading from these premises.



19/21 Cow Wynd and 2 Bean Row, Falkirk

The above property is a substantial two and a half storey building located at the top of the Cow Wynd in the heart of Falkirk town centre. It was sold in September 2009 under the PMP and was in a poor condition at the time of sale, again it would not have been cost effective for the Council to undertake the works required. The new owner has invested heavily in the property and has refurbished it to form two ground floor retail units and four flatted dwellings. The refurbishment is now complete and has been let to hairdressers So Stylish and a gift shop, The Lovely Shop, employing 7 people

APPENDIX 2

Portfolio Management Plan Disposal Monitoring

Lot No.	Address	Type	Status	Comments
1	19/21 Cow Wynd 2 Bean Row	Shop/offices	Sold	Sold for £150,000
2	Site at Winchester Ave	Land	Sold	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	Sold for £75,000
5	Land, Bute Street	Land	Sold	With Legal Services
6	1-3 Dalderse Ave	Industrial	Sold	With Legal Services
7	4-5 Dalderse Ave	Industrial	Sold	With Legal Services
8	103 Grahams Rd	Shop	Sold	No offers received, off market
9	103.5 Grahams Rd	Shop	To be remarketed 2014	Offer received, sale fell through
10	168-178 Grahams Rd	Shop	Sold	Sold for £138,000
11	180-182 Grahams Rd	Shop	Sold	Sold for £99,999
12	1-7 Bryson St	Industrial	Programmed for market 2016/17	Checking titles, leases etc
13	1 Meeks Rd	Shop	Programmed for market 2016/17	Checking titles, leases etc
14	20 Cow Wynd	Shop	To be remarketed 2014	No offers received at closing date
15	26 Newmarket St	Shop	To be remarketed 2014	
16	28 Newmarket St	Shop	To be remarketed 2014	
17	30 Newmarket St	Offices	To be remarketed 2014	
18	Garage, Bean Row	Industrial	Sold	Sold for £30,000
19	4 Kerse Lane	Shop	Sold	Sold for £60,250
20	St Crispins Pace	Land	Programmed for market 2016/17	Checking titles, leases etc
21	4 Weir Street	Restaurant	Programmed for market 2015/16	Checking titles, leases etc

Lot No.	Address	Type	Status	Comments
22	2 Chapel Lane	Store	Programmed for market 2014/15	Checking titles, leases etc
23	46 Vicar Street	Shop	Sold	Sold for £45,300
24	50 Vicar Street	Shop	To be remarketed 2014/15	No offers received
25	54 Vicar Street	Shop	To be remarketed 2014/15	No offers received
26	16 Melville Street	Shop	Programmed for market 2014/15	Checking titles, leases etc
27	18 Melville Street	Shop	To be remarketed 2014/15	No offers received
28	20 Melville Street	Shop	Sold	Sold for £58,100
29	Store, Melville Lane, Falkirk	Store	Sold	Sold for £25,000
33	1-6 Foundry Road Bonnybridge	Industrial	Programmed for market 2014/15	Checking titles, leases, etc
35	109 High Street, Falkirk	Shop	To be remarketed 2014/15	No offers received
78	10 Dundas St, Grangemouth	Retail	Programmed for market 2016/17	Checking titles, leases etc
53	14 Dundas St, Grangemouth	Industrial	Programmed for market 2014/15	Checking titles, leases etc
56	12 Dundas St, Grangemouth	Industrial	Sold	Sold for £17,011
79	18 Dundas St, Grangemouth	Industrial	Sold	Sold for £45,575
57	20 Dundas St, Grangemouth	Industrial	Programmed for market 2016/17	Checking titles, leases etc
58	22 Dundas St, Grangemouth	Industrial	Programmed for market 2014/15	Checking titles, leases etc
59	24 Dundas St, Grangemouth	Industrial	Sold	Sold for £10,100
80	Pilkington Site, Central Park	Development Site	On 3 year option to Alexander Dennis	Await ADL decision
81	1 Central Boulevard Larbert	Industrial	Sold	Sold for £1.025m, net receipt to PMP £748,000
82	10-14 Union Road Grangemouth	Shop/Office	Programmed for market 2014/15	Checking titles, leases, etc
83	4-6 Chapel Lane Falkirk	Office/residential	Programmed for market 2014/15	Checking titles, leases, etc

APPENDIX 3

PORTFOLIO MANAGEMENT PLAN – REINVESTMENT PROGRAMME

Abbotsford Business Park
Industrial Units
Winchester Avenue Industrial Estate, Denny
Phase 1 - Industrial Units
Phase 2 – Industrial Units
Wholeflats Road, Grangemouth
Phase 2 – Office
Phase 3 – Office
Central Park, Larbert
Phase 3a – Offices
Phase 3b – Offices
Bog Road Industrial Estate
Phase 1 – Industrial Units
Phase 2 – Industrial Units
Murnin Road, Bonnybridge
Phase 1 – Industrial Units

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