

**Angus Council
Economic Development
Land and Property Strategy
2021 - 2030**

March 2021

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1. Executive Summary & Purpose of Report

This paper reviews Angus Council's Economic Development property and land portfolio, the wider commercial property market property and the economic climate in which it operates.

It provides a strategy to make a positive impact to sustain and increase business growth in the area, stimulate income generation, economic activity and job creation.

The report makes recommendations to be implemented over the next 10 years, to ensure that Angus maintains its economic foothold and benefits from existing and emerging growth sectors, the portfolio maintains its position as an important income and job generator and safeguards its valuable role in sustaining jobs and wider business activity in Angus.

A study was commissioned in 2020 from Ryden, Chartered Surveyors, to review and analyse the council's land and property portfolio together with private sector activity, identifying strengths and opportunities and look at comparison across other local authorities. This study has formed the basis of this Strategy.

The recommendations provide an ambitious cohesive strategy with the vision of the council plan at its heart and complements the ambitions of the Tay Cities Deal. It is innovative where required, to respond to ever changing market forces and provides a pathway for recovery from the current Covid-19 crisis supporting and encouraging local business to fulfil their full potential.

The principle concern is that we are rapidly running out of available development land (land with planning consent, infrastructure created and actively being marketed without any impediments to development) and desirable sustainable commercial property. We need to explore our options for meeting current and future demand, as a priority.

The key priorities are: -

- Angus Council needs to expand its commercial land & property market, intervening where the private sector has not delivered and meeting business demand for space to expand. This will encourage and facilitate business investment and growth in our local economy
- Angus Council needs to dispose of non-performing property assets in order to mitigate long-term maintenance obligations and improve the efficiency of the portfolio

We are seeking support and financial commitment to implement the series of detailed actions recommended below in section 11, to fulfil our desired Strategy and deliver tangible outcomes.

2. Overview

When Angus Council came into being in 1996, it inherited a portfolio of commercial properties and land from Tayside Region and Angus District Council and in the intervening period Angus Council has added to this with the most recent activity being the creation of Brechin Business Park in 1998, Forties Road Industrial Estate, Montrose in 2003 and Orchardbank Business Park, Forfar in 2008. The portfolio currently comprises 96 properties, 108 leases, development plots at Orchardbank, Brechin Business Park and Forties Road in Montrose.

In the main the properties in the Council portfolio are occupied by local and micro or small to medium sized businesses. There are however exceptions – approximately 60 % of the approximate £914,000 annual rental income is generated by 10 key national or international tenants.

For larger properties, income tends to be secured on leases for 10 years or more, whilst smaller units are let for periods of 6 years or less. The income from the portfolio contributes to the annual budget for the Economic Development team and capital receipts from land sales go into the corporate budget.

The portfolio supplies a valuable tool for generating economic activity and currently provides space for in excess of 1100 jobs in Angus. It provides a mix of office premises, industrial accommodation, retail units and yards in the towns of Arbroath, Brechin, Carnoustie, Forfar and Kirriemuir. Some smaller starter units create as few as one job; however, the larger units accommodate as many as 400. The occupancy rate for Angus Council's commercial property portfolio has been running at approximately 90% plus the last twelve months. This underlines the importance of the portfolio in terms of supporting all sizes of local and inward investment business from indigenous start-ups to international growth companies.

3. History of portfolio

The portfolio comprises 108 leases, consisting of 6 ground leases and 102 units, of which six are not fit for occupation due to their current physical state. 72 of these units are occupied as of September 2020 and running at an average of 90% occupancy rate over the last 12 months (based on area). With two of these properties at an advanced stage in the leasing process as of September 2020, this leaves 19 which are small units.

These 19 units are located at Arbroath Business Centre. 63% of our vacant units are in this centre of which 74% are office units. These units are in a building that has historically been reconfigured from its initial use, are in poor condition, not designed for multi-occupancy use and are a difficult proposition for businesses to lease as they would require significant investment making them a not cost effective solution.

Since 2019, most of our property enquiries have been for industrial units (53%) and for Brechin (22%), Montrose (21%), Arbroath (20%) and Forfar (19%).

To date the occupancy rate underlines the portfolio's effectiveness, however, we are rapidly running out of desirable commercial property. Without suitable stock to

occupy business will go elsewhere, thus Angus Council need to explore options to meet this need. when the private sector is failing to deliver.

a. Jobs Created

The property portfolio sustains more than 1250 jobs. In addition, since 2013 the development land has generated an estimated 1,100 jobs and safeguarded over 500 jobs in Angus.

b. Income Generated

Together with teams from Estates and Legal & Democratic Services, we pro-actively managed the commercial property portfolio.

Working closely with business to understand their needs and taking a flexible approach to solving accommodation problems, we have increased occupancy from 2015 to 2020 from just over 80% to our annual average last year of over 90% in what has been a challenging market. This has involved a combination of local business expansion and inward investment. We have increased the annual rent roll to a forecasted income of £914,000 for the year 20/21 up from £840k in 19/20.

This compares very favourably with comparable Local Authorities, specifically in terms of rental income generated from our property portfolio and the take up of industrial property (**Appendix 3 Table 10 page 38**) and should be considered a great opportunity to increase employment through the creation of more accommodation.

Land sales since 2013 to the end of financial year 19/20 have generated capital receipts of over £2.9 million.

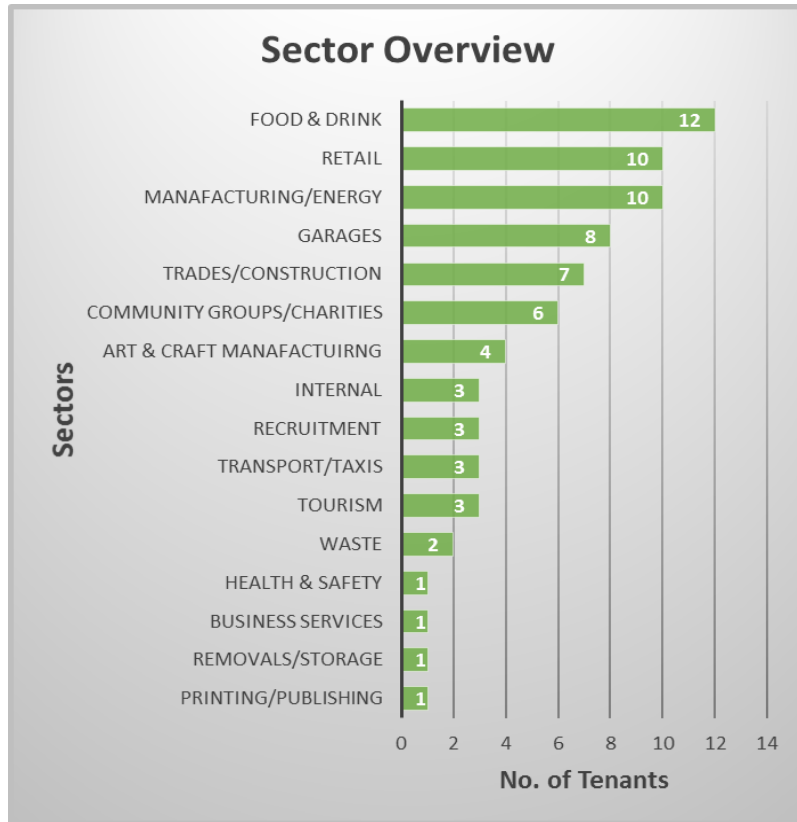
c. Capital Investment

Since 2013 land sales and business growth assistance have generated in excess of £80m worth of capital investment in Angus. This has been through a mixture of local companies and nationals. including key sectors like food & drink, manufacturing, and energy.

4. Business Diversity of Occupiers

We have successfully created a varied portfolio of occupier types minimising where we can negative impacts of economic variances in growth, as can be seen be the following occupancy by sector table. The majority of these occupiers are micro and small businesses.

Table 3



a. Portfolio Diversity

The diversity of our occupiers is a benefit, as it means that our portfolio is resilient to downturns and changes in specific sectors. However, it could also be seen that we do not specialise in any sectors and benefit from economies of scale for industry clusters.

It should be noted that the key priority sectors for the council's Economic Development team feature prominently in our list of occupiers namely, Food & Drink, Manufacturing & Energy and Tourism.

b. Top Income Producing Units

Our portfolio relies on our 10 top income providing businesses as these bring in 59% of our annual income. Our annual income would be impacted significantly by any lease termination of these top 10 businesses. Continuing to build a good relationship and identifying those tenants at risk as a result of a slowdown in business due to Covid 19 is a current priority-

These are:

- Baker Hughes
- National Oilwell Varco (NOV)
- Mackays

- KRC International
- The National Trust for Scotland
- Safety Klean
- Brookfield Fabrications
- Loch Duart
- Alexander Baker
- Custom Motors

5. Policy Context

a. National, Regional and Local

In order to align the Angus Council's Land and Property Strategy to local, national and regional policy and the goal of delivering clear outcomes, we have been guided by the Scottish Government's Performance Framework, Scottish Government's Economic Strategy 2015, Scottish Government's Climate Change Plan 2018-2032, Tay Cities Deal Regional Economic Strategy together with the Angus Local Plan and our own Angus Council Plan 2020-2024.

We have aligned our approach to the current development plan and its existing allocations.

- Scottish Government's A National Mission with Local Impact: Infrastructure Investment Plan for Scotland 2021-22 to 2025-26 (published 4 Feb) should be noted. Alongside the Infrastructure Investment Plan and the Climate Change Plan update, the emerging National Planning Framework (NPF) 4 forms part of an aligned national policy position which will guide local policy approaches and has implications for delivery of local authority services. Key themes include commitment to building more resilient and sustainable communities, reusing vacant and derelict land, reducing the need to travel, reducing our carbon footprint. There's also an emphasis on rural hubs and increasing rural populations. The concept of 20-minute neighbourhoods (where a full range of opportunities to live, work and access essential services etc) is promoted as a way of delivering on these ambitions. This will have implications for ensuring opportunities for jobs to be local to where people live, and local authorities may have to re-consider locations of employment land supply. The premise of 20 min. neighbourhoods is closely aligned with the clean, low carbon ambitions of the Mercury Programme.

b. Tay Cities Region Deal

The Scottish Government and the UK Government will each invest p to £150 million in the Tay Cities Region Deal. This investment has the potential to secure over 6,000 quality jobs and lever in over £400 million of investment over the coming 10 years. It will enable the region to:

- i. **Empower and promote inclusion** - by ensuring that local people have the skills they need to succeed in the modern workplace and that growth is inclusive;
- ii. **Innovate and internationalise** - by developing globally recognised clusters of academic and business excellence; and
- iii. **Connect** - by improving physical and digital infrastructure

The region faces several challenges. Its performance is below the Scottish average in several areas including productivity, employment growth and wage levels, and it has pockets of entrenched unemployment. With an economy growing at a slower rate than the Scottish average, more needs to be done to reverse these trends

This strategy supports the Tay Cities Region Deal ambitions of growing the base of knowledge led businesses, attracting investment, and increasing economic participation.

c. The Mercury Programme – clean growth

The UK Government in its Industrial Strategy sets out ambition for growth in the bio economy across the country. The strategy identifies that the GVA of this industry is currently estimated at £220bn and provides around 5m jobs. The ambition is to double that growth in the next 10 – 15 years and Angus, within the Tay Cities Region, is well placed to help facilitate that growth. We have therefore developed the concept of The Mercury Programme to establish vision and purpose towards that aim.

The Mercury Programme is an ambitious £1 billion partnership in the Tay Cities region between government, public, private and community sectors.

The purpose of the programme is to increase productivity through clean growth, protecting places for future generations to live, work and visit.

We will achieve this by becoming a sustainable low carbon region that is leading the development and implementation of innovative clean technologies to deliver increased economic growth, while at the same time significantly reducing our carbon footprint and contributing to national reductions in carbon use.

There are three components of proposed intervention as part of The Mercury Programme with linkages to this: -

- **Clean Growth** - centred around North Angus and Montrose and in particular the Crown Estate's 123 acre Zero Four development site
- **Low Carbon** – focussed on development on a potential Phase 2 expansion of Brechin Business Park and a rural mobility hub

- **Agri tech** – investigations are underway to establish an agri centre in an Angus Council owned property in Forfar as well as four other elements which focus on the growing the sector and establishing new research and development.

Activity within these components will be pump primed through the Tay Cities Deal Angus Fund, which was awarded £26.5M, supported by a council capital budget, private sector, and other funding sources

d. Angus Council Plan – Economy “Go to” area for business

In the Angus Council Plan 2020-2024 one of the four strategic priorities is Economy - Angus is a “go to” area for business. This document demonstrates the Council's continued commitment to shift our focus to working more closely with our residents, our communities, our businesses and our people. This strategy puts them at the heart of everything we do by focusing on the following priorities: -

- Spend council money locally, where we can help to grow our local economy
- Support the creation of local, fairly paid, and lasting job opportunities for our citizens
- Make Angus a low-carbon, sustainable area
- Support business and economic growth by improving the physical and digital infrastructure

The Council is seeking outcome driven innovative ways of working, including establishing practical partnerships with the private sector. The specifics of these partnerships are explored within the recommendations detailed below in section 11.

6. Why Intervene in Land and Property?

To enable a fully informed assessment of our own Land & Property Portfolio, private sector activity, and local and national market trends, a study was commissioned to provide independent analysis. This study was part of our review of our Land & Property Portfolio and included examples of practice from the private and public sectors, across Scotland. This study was produced by Ryden, a national chartered surveyor business with extensive knowledge and background, led by their Managing Partner, Dr Mark Robertson. This added to our professional experience and understanding of our portfolio and the wider markets providing a factual basis to develop the recommendations in the strategy.

As highlighted in the Ryden report (**see Appendix 3 Section 6.1 page 40**), Industrial development even in major population bases like Edinburgh, Glasgow and Aberdeen is financially marginal. More so in Angus where there is not the weight of corporate demand, low levels of rent and the availability of bank funding is limited.

It is essential if business is to thrive it needs a home and with the current high occupancy level in Angus, across both the private and public sector, the modern accommodation current occupiers are seeking is not readily available. Given the financial risk the development role is not being fulfilled by the private sector and in the past has been promoted by 3rd party funding which is not available at present.

a. Job Creation and Business Support

The Tay Cities Regional Economic Strategy identifies an average of 1,500 additional jobs annually in the key economic sectors of manufacturing, food and drink, tourism and offshore wind. As an approximate share, Angus has 18% of the region's employment (2017 data) and positive business growth and population projections. Angus' annual share of target regional employment growth across all sectors might thus be around 250-300 jobs per annum. In addition, the Tay Cities programme has a target of creating 6000 jobs over a 10-15-year period which underpins the increasing need for accommodation for new business.

b. Market Failure

Current stock across Angus in both the private and public sectors does not provide sufficient space for the job creation potential of the 250-300 jobs per annum anticipated for Angus and with a lack of substantial private sector speculative development the Ryden report sees the council's role as one of intervention to fulfil the county's economic potential.

The market failure in Angus is not unique and is evidenced throughout Scotland, the exceptions being Edinburgh, Glasgow and Aberdeen. In the current climate, development costs, together with land acquisition costs outweigh the rental income achievable in Angus, which when added to the short length of leases which occupiers are demanding results in no investment due to lack of financial return and high risk.

c. Income Generation

Investing in land and property will further enhance the council's capital receipts when and if we dispose of them and enhance annual income over the medium to long term. Detailed feasibility studies and business cases will be worked up and approval obtained as part of the action plan resulting from this report.

7. Market Review

a. National Trends

Since the banking crisis of 2008 speculative commercial development has been slow with most of the activity being focused on the main population bases and cities. Developers are now more risk adverse than ever as corporate occupancy has dropped and bank funding for speculative development is challenging to finance without significant private equity.

Where demand exists in Scotland developers have been active, particularly in large scale headquarter type offices (Pre Covid) in Glasgow and Edinburgh and purpose-built manufacturing accommodation around the Aberdeen area pre oil price crash.

In the retail sector development has been tenant led as has the increase in fast food and other leisure uses albeit we whether this continues as a result of Covid has yet to be witnessed.

In the central belt, several distribution depots have been created, whether that be by the national supermarkets or online retailers, but that trend has not continued beyond the M8/M9 corridor yet. Opportunity may exist in Angus particularly with the potential creation of the Angus Rural Mobility Hub on a possible Phase 2 of Brechin Business Park currently being explored through the Mercury Programme.

Industrial development even in the main population bases is marginal; the construction and infrastructure cost of creating modern accommodation often outweighs the rent tenants pay and thus does not provide the financial return deemed necessary by commercial developers.

Growth in the economy pre Covid, however, has been a common theme and as such tenant demand does still exist particularly in locations where stock is becoming obsolete as a result of its age and design. It's also worth noting that Angus Councils commercial portfolio has actually benefited from an increase in occupancy during this time.

b. Local Trends

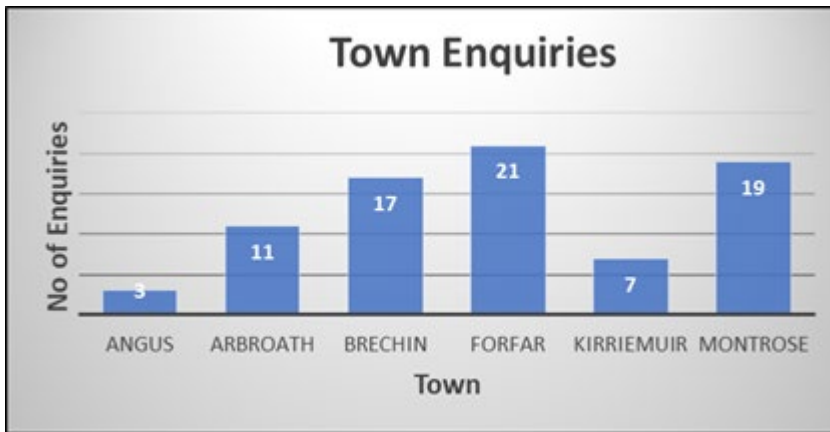
In Angus these national trends are mirrored; demand for the stock of small offices we own has declined markedly over the last three years as more people work agilely and with the improvement and investment in broadband across the region so many people now choose to work from home and save the additional overheads of occupying an office. We don't yet have any evidence of the medium to long term impact of Covid 19 on working patterns but anecdotally are aware of an increase in home working.

We have, and continue to, exploit the attractive capital receipts leisure operators pay for sites and are working with external partners to attract more leisure users including hotels throughout Angus.

Without question the demand that Angus Council has witnessed has been for land that is immediately developable without constraints and for industrial accommodation in Montrose, Brechin and Forfar. Evidence for this demand and private sector activity is detailed in the Ryden report (**Appendix 3 Section 3.19 page 16**).

Our property enquiries are for industrial units (53%) and for Brechin (22%), Montrose (21%), Arbroath (20%) and Forfar (19%).

Table 1



To underpin the trend analysis a SWOT analysis was undertaken by Ryden as part of the study and has indicated:

Table 2

Strengths	Weaknesses
<ul style="list-style-type: none"> • Successful, diverse economy • Spread of locations • Transport access to main towns • Less obsolete stock than Scotland • A number of fully occupied quality estates • Remaining plots in business parks 	<ul style="list-style-type: none"> • Absence of corporate offices • No single, prime location to invest in • Lack of general mobile investment • Limited external funding support • No live delivery vehicle • Limited Council owned development land • Lack of immediately developable sites
Opportunities	Threats
<ul style="list-style-type: none"> • Key sectors with growth potential • Strategic land opportunities • Private sector market improving • Port restructuring & surplus demand • Increasing importance of Montrose • Potential for small industrial units 	<ul style="list-style-type: none"> • Key sectors not standard property users • Council ownership is modest • Future property obsolescence • Shift from business parks to main cities • Public sector shift to certainty of delivery (rather than speculative land supply) • Market failure / lack of viability

The principal points to note from the SWOT are the market focus on the industrial sector in Angus' established larger estates, allied to the potential for more specialist property (or perhaps land) requirements from key sectors such as energy.

These market needs face the challenges of funding new development in a context of market failure caused by low rents and thin local markets, including smaller occupiers with weaker financial covenants, and the looming threat of obsolete buildings.

The challenges are compounded by a development land sector in Angus where even minor constraints such as service connections can render development uneconomic without support.

These market conditions mean that Angus Council will need to *intervene* to continue to deliver economic development through land and property. Intervention means that capital investment will be required, without any certainty of a commercial return on that investment.

c. Benchmarking Occupancy Levels, Supply and Rents

The Ryden report provided a detailed benchmarking analysis for Angus against a select number of local authority areas, Perth & Kinross, Fife, Stirling and East Lothian (The reasons for selecting these specific areas are explained in the full report). **(Appendix 3 Section 5 pages 35-39)**

Each of the local authority areas has an apparently high supply of marketable employment land. Angus shows a strong take-up rate for employment demand, at half of Fife's rate and comparable to Stirling, indicating healthy demand for land for land that is immediately developable.

Angus has 1.3% of Scotland's industrial stock with 2.1% of its population, highlighting the concentrations elsewhere which are known to be around cities and strategic transport networks. Angus does though have a total stock comparable to the small city areas of Perth & Kinross and Stirling.

Notably, Angus has the highest industrial property take-up rate of floorspace among its comparators, although not of units (indicating units sold or let in Angus are larger). Alongside the land take-up rate this reconfirms a healthy demand.

Average industrial rents in Angus, Perth & Kinross, Fife and Stirling are well below viable levels for new development. Only East Lothian, in the ambit of Edinburgh, has high and commercially viable industrial rents.

Angus has 0.6% of Scotland's stock of offices. This stock is much smaller than Fife's, or the two local authority areas with small cities and service sector cluster. It is very similar to East Lothian's, which of course sits in the shadow of Scotland's capital city Edinburgh. Angus also has similar total employment to East Lothian.

Angus has higher take-up of office floorspace than East Lothian with similar deal numbers, again indicating that properties sold or leased in Angus may be larger (or skewed by very large one-off deals). Average office rents in Angus are by far the lowest among the local authorities. This is only a little higher than the industrial rents, and at best is one-third of the level required to support new-build office development.

Overall, Angus has the smallest number of local authority-owned premises. However, these generate a very similar rental income to East Lothian's, again highlighting that Angus has some larger income-producing properties as well as ground leases.

d. Angus Council Development Land

- i. **Orchardbank** (a Joint Venture between Angus Council and part of the Muir Group, Hermiston Securities) on the outskirts of Forfar adjacent to the A90 has been subject to the wider economic market forces over its twelve-year history. It is made up of 60 acres and consists of 23 plots, 16 in occupation and seven large sites still vacant.

We are currently awaiting one site start- a national hotel. A petrol filling station just opened in December 2020 and the Angus "On the Go" charging hub is now nearing completion. We are progressing a substantial nine-acre land sale which has just been submitted for planning consent; this will secure 90 plus jobs. Finally, we are pursuing a land sale with a national developer, who will provide approximately 12 small units. This leaves seven plots remaining totalling approximately 15 acres.

In February 2020 the Scottish Environment Protection Agency (SEPA) reviewed the flooding impact on Orchardbank which now means 12 of the sites are no longer developable without significant mitigation measures to alleviate one in two-hundred-year flooding across the site. These mitigation methods are being explored in terms of technical impact and cost benefit in order that we can open-up the site for immediate development again to the wider market.

We continue to promote land enquiries at Orchardbank but in the main industrial demand in Forfar remains for existing small/medium sized industrial units.

- ii. **Brechin Business Park**, in contrast to Orchardbank, now has all 22 plots sold or under offer in this development providing 30 acres of development land. It was created in 1998, with assistance from European Regional

Development Fund (ERDF) and Scottish Enterprise, who still benefit from a small claw back provision (21.6%).

The park fulfilled its purpose in that it allowed indigenous business to grow and expand creating jobs in key sectors and substantial employment whilst allowing national and international companies to expand in Angus.

Key occupiers include Hydrus, Continental Alloys, Edzell Engineering and MPS Housing.

The last available 3 plots are now under offer with the formal planning application for this business having been recently submitted.

- iii. **Forties Road phase II, Montrose** was developed in 2003 has proved popular with the energy and engineering sector. We have sold 5 plots at Forties Road, including to Baker Hughes to create one of their subsea specialist facilities. In addition, we have sold plots to local expanding business.

Three small plots remain with two of them being close to sale and terms being agreed. However, at present the power utility suppliers are having capacity issues thus making the sites unattractive for occupiers in terms of connection costs, capacity existing but the occupiers are being compelled to contribute to offsite infrastructure costs by the utility providers. Two options to remedy this situation are available i.e. Payment to upgrade the wider network (currently financially unfeasible) or await a slump in power demand thus securing connection at a reasonable cost to the wider market. We are currently exploring both options.

e. Angus Council Commercial Property

Property Services Asset team have recently undertaken a review of all the accommodation in the Economic Development portfolio and have recommended an extensive maintenance investment programme at a total cost of £271,000 over the next three years, to ensure that our portfolio is sustainable, energy efficient and legislatively compliant. This matter has been addressed with new maintenance allocations from 2021/2022 onwards.

Another option to fund would be to re-invest a proportion the capital receipts achieved through our commercial land and excess property sales and a recommendation is made to investigate this further as it may require a policy change.

8. Option Appraisals

An internal option appraisal was undertaken across the whole portfolio in line with the council plan priority of being more efficient and effective. This review was based on the economic impact the accommodation has, job numbers, income received,

private sector competition, on-going liabilities, maintenance costs and demand from the business community.

a. Existing Property

In the main the property portfolio is fit for purpose as is evident by the occupancy rate of approximately 90%. Industrial demand remains strong (pre Covid 19). Office demand has declined and that is reflected in the profile of vacant offices, where possible we have been exploring alternative uses with limited success.

Six properties are beyond economic repair and, in these instances, we have recommended disposal to the open market. These are:-

- the unoccupied properties in Dens Rd, Arbroath.
- the partially empty Arbroath Business Centre.
- our properties at Broomfield Road, Montrose. Whilst income generating, these Grade A listed buildings over the next ten years will require significant refurbishment of their fabric and are of a construction where implementation of any energy efficiency projects is not cost effective.
- the Economic Development retail units in Brechin High Street and the craft/retail units at Cumberland Close in Kirriemuir where the properties do not contribute to job creation or any economic activity that the private sector cannot undertake. This also provides existing tenants the opportunity to buy their property and thus secure their long-term future.

Of the remaining held stock, we recommend maintaining the fabric in line with current legislation and increasing the energy efficiency of these buildings where possible ensuring a sustainable income for Angus Council and job retention in the area.

b. Existing Development Land

The existing land portfolio has generated an estimated 1100 new jobs, safeguarded approximately 500 jobs and provided capital receipts to date in excess of £2.9 million in addition to providing capital investment estimated at in excess of £80,000,000. The remaining nine development plots are available on the open market for anyone to purchase and develop and we would continue in this vein working jointly with any partners and other public business support agencies, where appropriate to promote and attract both local and national business.

In order to free up and make available the compromised flooding sites in Orchardbank, Forfar and power issues at Forties Road, Montrose we are currently working with utility providers and regulators to make these sites more attractive to occupiers.

This strategy follows the allocations in the current Local Plan and is hoped to support the new plan in development, making provision for growth over the long term.

c. Future Commercial Property

As is evident from the demand we experience, from comments in the consultant's report and with the Tay Cities Deal regional economic strategy, we have a desire to create new jobs, future growth and satisfy business demand in Angus. One of the most effective methods of doing so is to provide accommodation for business. There is always risk involved but the impact is high **(Appendix 3 Section 7 pages 51-55)**.

To that end we have considered where demand exists and in line with the current Local Plan would propose to build new accommodation in Montrose, by way of a Joint Venture or Partnership Agreement, with the Crown Estates Scotland, on the former Airfield on the development known as Zero Four. This would form a key element of the Mercury Programme Clean Growth theme and thus attract Tay Cities Deal funding

In addition and as detailed discussions progress, we are also exploring the creation of a joint venture or partnership with Dalhousie Estates (current landowners) for industrial/commercial accommodation for Brechin Business Park Phase 2), which complements the proposed Tay Cities Deal Angus Rural Mobility Hub project identified in the Mercury Programme.

d. Future Development Land

Angus is rapidly running out of immediately developable employment land for occupiers free of impediments (power/utilities, flooding, substantial ground workings and other abnormal development costs) particularly in key locations like Montrose and Brechin where business demand has been strong. No immediately developable land has been opened to provide infrastructure and utilities by the private sector in either location at the present time. Note however that Crown Estates Scotland now own the 123 acre Zero Four site at Montrose. In line with The TAYplan 2016-36 there is a desire to provide adequate land supply into the future for 20 years in Angus for the purposes of housing, education and employment. At the time of writing tentative discussions are ongoing at Zero Four for temporary short-term accommodation.

It should be noted other medium and long opportunities exist for future development land, these are being worked on at the moment via the North Angus Growth programme and the link road between the A9 and Montrose. The local plan is also under review and new employment sites may be allocated in the next cycle. This report does not take cognisance of any future allocations and deals with the only funding available at this time through the Tay Cities Programme.

It should be noted that at the time of writing the council have just prepared the Angus Council draft Employment Land Audit 2020. This highlights the industrial planning consents and sites allocated for such uses and where appropriate notes the constraints on the sites. It should, however, be noted that because a site has a consent it does not mean that it will be developed with costs,

demand, funding, infrastructure issues all playing a part in creating a successful completed development. We note in the audit they highlight two sites which form part of this strategy, Brechin Business Park and the Zero Four site in Montrose. The strategy outlined in this paper supports bringing these sites into use and making them immediately available for development where there is business demand.

Given the significant costs involved in creating development plots, as a council in the current financial climate we need to consider risk versus return. Taking into consideration business demand and the Tay Cities Deal projects across Angus, we recommend working in partnership with the land owners of Montrose Zero Four to open up this 123 acre site for commercial development and with the landowners Dalhousie Estates in Brechin to create Brechin Business Park Phase 2. As highlighted previously both locations are the focus of our enquiries.

As part of the study Ryden was asked to consider a strategic options review (**Appendix 3 Section 5 Pages 51-55**) and offer an indicative recommendation based on their demand analysis research and our current portfolio.

To summarise: -

- **Option 0: Do minimum.** This would entail the Council continuing to maintain and market its own portfolio and marketing the remaining few business park plots on its own behalf and with private sector partners - but not investing in new sites or locations.
- **Option 1: Market support.** Maintenance and marketing as Option 1, but also assisting landowners, private developers and occupiers to invest in their sites and premises. This would entail working directly with the market and directing economic potential and funding opportunities to their assets, but not directly investing beyond existing commitments such as the Orchardbank JV. This would be an economic development and market coordination and support role.
- **Option 2. Market intervention.** This option would directly intervene to overcome market failure and, with partners, deliver the development and sites programme identified above.
Option 2 would also implement the outline portfolio management plan from Section 4 as an active programme to upgrade the estate and release sites, buildings and capital for market support.

In summary, the preferred option by Ryden based upon this high-level review and the market analysis in this report is **Option 2: Market Intervention.**

Option 1 is lower risk and more immediately deliverable. However, given market failure and thin dispersed markets, competition for complex funding, uncertain/weak private sector appetite, the prospect of ageing stock and growing key sectors, simply supporting the market is judged unlikely to deliver Angus' requirements.

Option 2 requires greater resources and brings risk but has the potential to deliver a programme against projected market needs to support Angus' economic development. It also underpins the recommendations in the internal option appraisal on our development land and stock on commercial property

9. Funding

As part of the study into our Land & Property Portfolio we asked Ryden to investigate funding options to allow Angus Council maximise opportunities for any potential commercial property development. They considered a range of funding sources and ranked them as options as follows:

Table 3

RAG Status	Funding source	Summary
	Growth Deal (Angus Fund)	The Tay Cities region has a Growth Deal with an allocation available for Angus
	Public Works Loan Board	Available to every local authority for a range of capital projects
	Industrial & Commercial Space Growth Initiative (future)	Anticipated to be available throughout Scotland to enable the development of industrial space by public/private partnership. Requires a private partner.
	Private landowners and developers	The Council already has a JV with Muir's and through consultation it is evident there are a number of other landowners/developers willing to work more closely with the Council
	Council capital and portfolio	The Council has access to its own Council capital via borrowing subject to internal approval/discussions

We would therefore recommend further investigation on the green Rag status funding options as the Tay Cities Deal projects in Montrose and Brechin are developed. We also note Community Wealth Building or Regeneration Capital Grant Fund is available to bid for annually which could complement place building in line with our asset disposal programme where there is social deprivation and is led by communities focused on regeneration and addresses market failure. The next tranche of funding being available in 2022-23.

10. Commitment and Recommendations

Market intervention required by Angus Council involves adopting a high risk, high return investment strategy. The following recommendations support the existing business community, encourage investment and promotes the economic growth needs of business in Angus.

This strategy focuses upon actions which will encourage growth and investment in Angus, secure and safeguard jobs and generate income for Angus Council. These recommendations help enable Angus Council to deliver on the ambitions set out in the Angus Council Plan 2019-2024.

To deliver the strategy as outlined, the following recommendations are made. Approval will be sought through committee approval as each recommendation is developed: -

Economic Development Commercial Land and Property Strategy 2020-2030 - Recommendations	Timescale	Budget
Property Portfolio		
Property Disposals of “non-performing property assets” in line with the options appraisal. Formal market valuations are required to estimate capital receipts (for detail see section 8a above).	We anticipate, given current market demand, that the disposals would take place over the next 2 to 5 years	Income generation, dependent upon market value achieved
<p>Funding for the creation of new business units in priority locations Montrose and Brechin through joint ventures.</p> <p>The need for this is evidenced in the level of enquiries for these areas from businesses. The creation of these units will allow us to meet this demand and continue to support key sectors and encourage new business growth.</p> <p>We have a non-committed allocation of £3m in the capital budget for Brechin Phase 2 which, supported by TCD funding, would enable us to pursue, in part, the creation of new units in Brechin by 2024, generating an estimated 200 jobs.</p> <p>We are developing a partnership proposal to enable the release of 200 acres gross of commercial development land at Zero Four Montrose, fulfilling the clean growth and business investment ambitions set out in the Mercury Programme. We have been awarded £1.25 m from the Industrial Fund through Tay Cities Deal. In part, this would include the creation of 6 business units for Angus Council. These new business units will cost an estimated £500,000 to construct. Creating an estimated 30 jobs and be delivered over the next 5 to 10 years. Budget through Tay Cities Deal and Angus Council capital budget has been obtained to realise this development opportunity in 2023/24.</p>	<p>Dependent upon realisation of developments, we would expect Brechin Phase 2 to take place over the next 2 to 5 years</p> <p>The Zero Four, Montrose development over the next 5 to 10 years</p>	<p>Money will have to be ringfenced from the £3.1m Allocated for Brechin Business Park (not yet committed)</p> <p>A budget of £500k is allocated for construction of 6 units at Zero Four, Montrose</p>
Land Portfolio		

<p>Resolve existing issues on our current land portfolio, specifically potential flooding at Orchardbank (Forfar) and the electricity capacity issues at Forties Road. Currently assessing options and costs, which will be established over the next year. This action will release 22 acres of land for immediate commercial development.</p>	<p>Estimated resolution in 1 to 2 years</p>	<p>Cost being investigated</p>
<p></p>	<p></p>	<p></p>
<p>We have an allocation (non committed) of £3m for Brechin Phase 2 in the capital plan, in partnership with the landowner and the Mercury Programme, this would enable us to pursue a JV, with the potential for the creation of the Angus Rural Mobility Hub, a Regional Distribution Hub, a Freight Hub and 15 acres of additional development land. The TCD Angus Fund's supporting this project but the final costs remain to be finalised.</p> <p>We propose that £50,000 of the £3.1m allocation is made available immediately to enable practical progress to be made with the landowner on this opportunity, with the landowner contributing a figure to be agreed. This will allow us to undertake a financial development appraisal of the site to ascertain infrastructure costings and potential profitability.</p> <p>This proposal to assess the potential for a JV with the landowner at Brechin would enable the creation of Brechin Phase 2 by 2024, generating an estimated 200 jobs.</p>	<p>Dependent upon realisation of developments, we would expect Brechin Phase 2 to take place over the next 2 to 5 years</p>	<p>Allocated budget (not committed in Capital Budget) of £3.1m to include the creation of Mobility Hub as part of the Mercury Programme.</p>
<p>We are developing proposal to work in partnership with the land owners to enable the release of approximately 123 acres net of commercial development land at Zero Four Montrose, fulfilling the clean growth and business investment ambitions set out in the Mercury Programme , Angus Council to date have had an allocation of £1.25m from the Industrial Fund for this project.</p> <p>Angus Council's proposed contribution would enable the creation of a road infrastructure across the plots, allowing access, opening up the whole site for development, in return for 3 acres of land to Angus Council for the erection of business units and a financial return over all future land sales across the whole site.</p>	<p>This proposal is expected to be delivered within the next 5 to 10 years</p>	<p>Funding required for this proposal is estimated at £2.9m which may be subject to change.</p>

The intention is to review the strategy and recommendations on a rolling 12-month period and work closely with colleagues across the Council and key external agencies and businesses. This will allow us to monitor demand and/or shifts in working styles and key growth sectors, enabling us to act accordingly in particular as we come out of the COVID-19 crisis.

This strategy sets out an ambitious and achievable 10-year plan to evolve our Commercial Land & Property Portfolio. An action plan accompanies this plan and approval will be sought from Angus Council to take forward the strategy and plan early in 2021.

It has been developed in conjunction with colleagues and industry experts, exploring the range of options open to the Council and with consideration, producing a plan which most effectively meets the future needs of our businesses, utilising the capabilities and resources of the Council and our partners.

This strategy will enable us to secure and create jobs, maximise income and attract increased investment into Angus making it a “go to” place for business.