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EXECUTIVE SUMMARY

Brief & Objectives

Through this feasibility study, HDT was seeking to identify whether there is still a demand for flexible workshop premises, if so of what level and for what type of accommodation and what HDT's role could be in ensuring that demand is met. Key to HDT is that any new buildings provided should be constructed to a high environmental standard.

The objectives of the study are to:

- Identify whether there is still demand for the provision of flexible workshop space for local trades businesses in Huntly;
- Identify how the Trust and partners could help meet that demand and
- How the project could possibly contribute to HDT income generation.

In 2007/2008, HDT's predecessor, the Aberdeenshire Towns Partnership (ATP), conducted a brief survey of local trades businesses, such as joiners, plumbers and builders. According to the businesses, the limited suitable workspace available to them was holding back their development.

Supply Side Conclusions: No Sites or Few Premises are Currently Available in Huntly

Aberdeen City and Shire Employment Land Audit (April 2010) shows that in Huntly despite 6.6 ha of established supply being established none is immediately available. Although Aberdeenshire Council have confirmed that they have two small sites (4,500 sq m) available at Tory Hillock on the Huntly Industrial Estate. The remaining 2 ha site at Torry Hillock North that is in mostly private ownership (John Rhind) requires access and servicing across land owned by Aberdeenshire Council and there is currently no agreement on principles and values. There is only one industrial premise currently available for rent in Huntly according to Aberdeenshire Council and three local solicitors/estate agents.

Looking forward the Aberdeen City and Shire Structure Plan (2009) identifies that the Laurencekirk-Huntly road and rail corridor as a designated as a **growth area**. The Local Development Plan includes a proposal for a major expansion of Huntly with around 630 new houses between 2007-2023. A 4.5 ha site E1: Land to the south of the A96 and near the Auction Mart is also allocated for employment uses.

Demand Side Conclusions: Limited Demand: Flexible Workshop Space: Local Trades Businesses

The results from the sample of interviews with twelve Huntly trades businesses show that only two (17%) of those interviewed are currently actively seeking workspace. Another four businesses said that they might be interested depending on location, when the space was likely to be available, price and terms.

Nine (75%) of the businesses were sole traders mainly operating from home. A major challenge is the amount that individuals are prepared to pay in rent, particularly in moving from a situation where they are operating from home and therefore not currently paying rent. It would seem that £3/3.50 per sq ft would be a maximum rental in Huntly, although the total monthly 'costs of occupation' are more important.

Flexible Workspace: Development Economics

Experience in the City/Shire employment sites and premises market generally is that occupiers are more concerned with the short term 'cost of occupation' and are very reluctant to take anything

other than a short say five year view of the opportunity that is on offer and are not interested in anything other than basic specification space. The implications in terms of the development economics of small flexible workspace project of say three 500/750 sq ft spaces' is that even with land at a nominal value the break even rental is around £4.75 psf to cover the costs of development, servicing, financing and fees and clearly this is likely to be £1/1.50 psf more than the maximum rent that the trades businesses are prepared to pay.

Era of Austerity

Like all councils across the country, Aberdeenshire Council is facing significant reductions in budget and is considering the best ways to maintain delivery of essential services. Council officers have developed a programme of budget reductions based on the council's strategic priorities and particularly focussing on economic development, early intervention and demographic forecasts. This has very significant implications for agencies like HDT who have driven local regeneration initiatives and have also historically provided people (time and skills) to support local economic development initiatives. HDT has been charged by its funders with becoming a self-financing organisation in the near future and so HDT are actively exploring income-generating opportunities.

Huntly Local Trades Flexible Workspace: Fundamental Conclusion

Taking account of all of the above, a fundamental conclusion is that the flexible workshop space for local trades businesses project as proposed can be justified from the supply side but is risky from the demand side. There is also likely to be a gap between the costs of providing the space and the level of rent that the Huntly 'local trades businesses market' would accept. In these circumstances and Table 5.1 shows that this is a risky project for HDT and is very unlikely to generate revenue in the foreseeable future.

In these circumstances the DWA team have identified four possible options for a way forward namely.

1. Direct Public Sector Intervention: Aberdeenshire Council

Aberdeenshire Council to take the lead to provide flexible workshop space for local trades businesses and intervene in the local property market for economic development reasons.

2. Establishing a Joint Venture

Public sector involvement might not necessarily be in the form of grant/gap funding contribution especially where other assets like land could form part of a joint venture. In the current economic climate, therefore Aberdeenshire Council may wish to consider investigating in the creation of a joint venture to use Aberdeenshire Council owned land/buildings in Huntly in an efficient and strategic way to deliver on an identified local need. Aberdeenshire Council and a private sector contractor/developer would form a Joint Venture Company in order to facilitate the phased delivery of flexible workshop space for local trades businesses project.

3. Private Sector: Contractor/Developer Driven

Under this option the flexible workshop space for local trades businesses project package would be directed to a locally based contractor/developer.

4. Longer Term Provision as Part of a Major Restructuring & Repositioning on the Huntly Industrial Estate

The Huntly Industrial Estate creates a very poor first impression and will need investment in the future if it is to remain as a competitive location. One approach under this Option might be to explore a Business Improvement District (BID): aiming to reinvent the Huntly Industrial Estate as a forward looking sustainable and 'green' location. The BID would deliver a sustainable financial model to a defined geographical area: the Huntly Industrial Estate.

1.0 INTRODUCTION

In early December 2010 Huntly Development Trust (HDT) commissioned a consultant team led by Douglas Wheeler Associates Ltd (DWA) to develop and **assess the feasibility of four projects** that could have potential to deliver significant economic and community benefits for Huntly and offer income-generating opportunities for HDT. The objective is to undertake further feasibility work so that HDT and other stakeholders can take an informed decision on how best to take the projects forward.

The four projects are:

- Development of the Huntly retail sector;
- Creating a new Huntly Hub in the town centre;
- Creating a regional cycling development centre;
- Provision of flexible workshop space for local trades businesses.

This Final Report focuses on the Flexible Workspace for Local Trades Feasibility Study.

HDT Background

HDT's first business plan (2009) introduces HDT as a community enterprise working for the benefit of Huntly and District¹. Its aim² is:

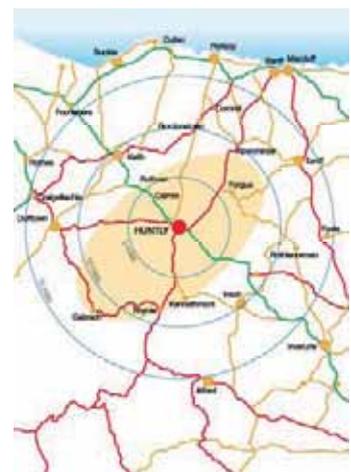
"to work with others to build a resilient, inclusive, enterprising community capable of dealing with ongoing change." HDT's main activities are development and management of projects to make Huntly and District a better place to live work and visit. HDT's key activities are:

- Maintenance, regeneration and improvement of the community's physical, economic, social and cultural infrastructure, and assisting people who are at a disadvantage because of their social and economic circumstances;
- Advancement of education and training, arts, culture, heritage, sports, recreation and environmental improvement.

Context

In 2007/2008, HDT's predecessor, the Aberdeenshire Towns Partnership (ATP), conducted a brief survey of local trades businesses, such as joiners, plumbers and builders. According to the businesses, the limited suitable workspace available to them was holding back their development. Since then, Huntly has been designated as part of the Strategic Growth Corridor in the Aberdeenshire Structure Plan but little has been done in the town by the private or public sector to meet the property needs of this type of business. Therefore, as far as HDT understands the need still exists.

Through this feasibility study, HDT was seeking to identify whether there is still a demand for such premises, if so of what level and for what type of accommodation and what HDT's role could be in ensuring that demand is met. Key to HDT is that any new buildings provided should be constructed to a high environmental standard.



¹ As defined by the postcode sector AB54

² From HDT's Memorandum and Articles of Association

2.0 REGENERATION: POLICY CONTEXT & PROJECT FIT

This chapter summarises how the emerging flexible workshop space for local trades businesses fits with national, Aberdeenshire and local economic regeneration policy initiatives. Demonstrating this kind of strategic fit forms an important part of the business case and can help influence potential partners, funders and private sector investors.

Scottish Government

The Scottish Government (SG) has a single purpose: to create a more successful country where all of Scotland can flourish through increasing sustainable economic growth. The **Government Economic Strategy** (2007) sets out the approach to delivering the Purpose to ensure that all of the Government's resources and policies are focused on its achievement. The latest update to the **Economic Recovery Plan** meets a commitment to maintain a flexible programme of economic support, designed to meet Scotland's needs at each stage of the economic cycle. This includes support for a portfolio of new improvements to the planning system, one of the central priorities of the Scottish Government since 2007. The improvements aim to speed up planning decisions, avoiding unnecessary delays in new development and act as a boost to the local construction industry.

Aberdeenshire

Aberdeen City and Shire Structure Plan (2009): The approved Structure Plan sets a clear direction for the future development of the North East for the next 25 years. It promotes a spatial strategy and all parts of the structure plan area fall within either a strategic growth area or a local growth and diversification area. Some areas are also identified as regeneration priority areas. There are also general objectives identified and in summary, these include; promoting economic growth; promoting sustainable economic development which will reduce carbon dioxide production, adapt to the effects of climate change, and limit the amount of non-renewable resources used; encouraging population growth; maintaining and improving the region's built, natural and cultural assets; promoting sustainable communities; and improving accessibility in developments. The structure plan provides a strategic context for the Local Development Plan. (see below)

The **Laurencekirk-Huntly road and rail corridor** is designated as a growth area in the approved Structure Plan and is a focus for economic development for this part of North East Scotland.

The **Aberdeenshire Local Plan (2007)** states that larger settlements must be protected, maintained and enhanced as they are preferred locations for retail, leisure, community and business functions. Huntly is West Aberdeenshire's largest settlement. The town centre was designated a Conservation Area in 1987.

The proposed **Aberdeenshire Local Development Plan 2010** sets out the ground rules for the development of land under the land use planning acts. Its main purpose is to set out statements of the policies that will be use for assessing planning applications. In its proposals it also confirms the principle of development on sites across Aberdeenshire. The Aberdeenshire Local Development Plan will apply from the date the Council accept it (probably autumn 2011) until 2023. It will provide firm guidance for the period up to 2016.

The Local Development Plan is consistent with the Aberdeen City and Shire Structure Plan. The key planning objectives for Huntly are:

- Meet the demand for housing in the Strategic Growth Area;
- Sustain existing services;
- Provide opportunities for employment;
- Protect and enhance the role of the town as a sub-regional service centre;

- Protect and enhance the attractiveness of the town.

The Local Development Plan includes a proposal for a **major expansion of Huntly** and a significant land allocation is made for 145 housing units in the period 2007-2016 and 485 units between 2017 - 2023. The Plan also aims maintain a supply of land for industrial, business, and other employment uses, normally Classes 4, 5 and 6 of the Use Classes Order, and other employment uses where appropriate. **A 4.5 ha site E1: Land to the south of the ward/A96 and near the Auction Mart is allocated for employment uses.** Sites BUS1, BUS2, BUS3 and BUS 4 on the Huntly Industrial Estate and south of the A96 are also safeguarded for employment uses.

Aberdeenshire Council **Economic Development Strategy 2007-2011** includes the aspiration that **‘the Aberdeenshire economy by 2011 will be an economy that is prosperous, equitable and sustainable through increasing productivity, diversification and inclusion’**. The strategy included a commitment to completing the action plans for the Aberdeenshire Towns Partnership. In the post ATP phase. A new draft Economic Development strategy will be published for consultation in early summer 2011.

The Aberdeenshire Community Planning Partnership in Marr has developed its own Community Action Plan 2009-2012. Objectives in the Plan reflect the five themes identified in the Community Plan for Aberdeenshire which are:

- *Community Wellbeing*: Working together to enhance the quality of everyday life by improving health and social care, housing and community safety;
- *Jobs and the Economy*: Working together to improve the economy of Aberdeenshire and the employment prospects of the people;
- *Lifelong Learning*: Working and learning together to develop opportunities and build stronger communities;
- *Sustainable Environment* : Working together to achieve sustainability by reducing resource use, protecting the environment, combating climate change and conserving and enhancing biodiversity;
- *Developing Partnership*: Working together to make the partnership as efficient and effective as possible.

The Marr Area Local Community Plan 2008-12 also includes a commitment to ‘Deliver the Huntly Development Trust Business Plan’ and identifies the need to investigate demand for and develop additional starter employment units in Huntly, and explore opportunities to support social enterprises so that they can become financially self-sufficient.

Aberdeenshire Council has adopted a renewed **Sustainability Charter** for the years 2008 - 2012. The Council committed itself to: “... work to ensure all our actions are sustainable and meet the needs of the current generation of Aberdeenshire’s people without compromising the ability of future generations to meet their own needs.”

The Council adopted a **Renewable Energy Strategy** in support of its commitment to help the area become carbon neutral in the medium term.

Aberdeen City and Shire Economic Future (ACSEF) Economic **Manifesto “Building on Energy”**, seeks to build a robust resilient economy, develop skilled people and deliver a great quality of life.

Aberdeenshire Rural Development Strategy seeks to revitalise communities and develop a progressive rural economy.

Huntly

Huntly Development Trust: HDT is working to the community's vision for Huntly. (see chapter 1) HDT is supported by the Scottish Government, the European Community Rural Aberdeenshire LEADER Programme (2007-2013), Aberdeenshire Council, SNH and Forestry Commission Scotland.

The Huntly Sustainability Plan (HuSP) (2011) has been prepared to map out how Huntly can be more sustainable and describe what role the Huntly Development Trust (HDT) and others can play to make this happen.



Regeneration Policy Fit: Conclusions

The brief review of around seventeen economic development policy documents provides a broadly supportive foundation for the Flexible Workspace for Local Trades. Scottish Government policies focus on sustainable economic growth.

Aberdeen City and Shire Structure Plan (2009) identifies that the **Laurencekirk-Huntly road and rail corridor** is designated as a growth area. The Local Development Plan includes a proposal for a **major expansion of Huntly** and a commitment to provide 'opportunity for employment'. A 4.5 ha site E1 is allocated for employment uses. The Marr Area Local Community Plan 2008-12 also includes a commitment to improve the economy of Aberdeenshire and the employment prospects of the people. The Community Plan also identifies the need to investigate demand for and develop additional starter employment units in Huntly. The HDT Business Plan and The Huntly Sustainability Plan all acknowledge the importance of promoting local employment.

3.0 HUNTLY: PROPERTY MARKET: AVAILABLE EMPLOYMENT LAND & PREMISES SUPPLY

This chapter reviews broad property market trends, especially those relevant to North East Scotland/Huntly and summarises available workspace and industrial sites in Huntly.

Property Market Overview

In the UK, the 2008 financial crisis affected the property markets in waves. Initially, commercial property investment values plummeted and housing market activity fell away, as purchasers of both were unable to access funding from banks. This led to early failures among residential developers, who tend to build-and-sell to generate income and are thus vulnerable to weak markets. Commercial developers with income-producing properties (shops, offices, etc.) can be more robust, but as the recession deepened these also struggled and some with particularly high bank borrowings folded in late 2009 and 2010.

Occupier demand for property did not collapse during the recession and markets have remained subdued but active. Some sectors such as affordable housing and hotels have taken advantage of the weak commercial and residential sectors to actually expand during the recession. Scotland exited recession in 2010. The property market recovery is however extremely risk-averse and is focused upon large and deep markets with growth potential - essentially the main cities. Occupier demand is also increasingly hierarchical. Similarly, public sector funding seeking “leverage” favours larger centres where there is active: but not quite viable - private sector interest.

These overall conditions mean that market prospects for many small towns like Huntly - as far as such a generalisation can be made - remain comparatively weak. This weakness applies across the occupier, development and investment sectors and to residential as well as industrial and commercial property.

Aberdeenshire Employment Land: Occupiers Requirements

In Aberdeenshire away from the City there is significant lack of serviced land capable of purchase for owner occupation and in particular for occupiers with a Class 5 or 6 (Industrial, Storage and Distribution) use and those with a requirement for additional yard/external storage. Class 6 users (storage and distribution) with a need for a large yard seemed to be particularly marginalised with few opportunities available.

Employment land prices peaked in 2007 at £500k/acre and have since dropped to £300/350k/acre but this is restricted to the ‘hot’ locations on the edge of Aberdeen City and particularly to the south. This is real contrast to the ‘cold’ employment land market in say Huntly which will require intervention and subsidy. In the past granting planning permission for mixed use development (housing and employment) was a way of securing serviced employment land ‘on the back’ of more valuable residential but this is much more difficult in the current very risk-averse market.

A very significant issue that was highlighted in the consultations is that *‘occupiers are not prepared to pay for additional quality’*. Experience in the City/Shire employment sites and premises market is that occupiers are more concerned with the short term ‘cost of occupation’ and are very reluctant to take anything other than a short say five year view of the opportunity that is on offer. In this context business occupiers will not be prepared to cover the additional costs of ‘improving quality’ and achieving higher environmental standards.

It is clear that in the City/Shire employment property market, provision is at a basic specification because *‘that’s what occupiers want’*. The fundamental equation is that the build costs need to be less than value and that banks will only allow borrowing against their current valuation. Outside Aberdeen and say a 15/20 mile radius of the City the current fundamentals of the market are that

development costs will be more than value on a simple development appraisal. This is a fundamental market failure as result very little development happens outside the recognised locations.

In 2007 10.3 ha of land was zoned for industrial development and remained undeveloped however of this only 1.2 ha was serviced, 3.7 ha was marketable and the remainder was constrained. Constrained employment land includes land for example, that has planning difficulties, land subject to ownership difficulties (e.g. multiple ownership/unwilling sellers), land subject of local plan objections, land with insufficient infrastructure provision, etc. Marketable employment land is land that as well as meeting business requirements, has a secure planning status, can be serviced within 5 years, is accessible by walking, cycling and public transport. Aberdeenshire Council build rates on zoned land: show that there has been no ‘building on zoned land’ recorded in Huntly since 2001.

The current (2010) land supply position in Huntly is summarised in Table 3.1 and the table shows that despite 6.6 ha of established supply no land is immediately available.

Table 3.1: Huntly Employment Land Supply

Location	Developer	Comments	Serviced	Established	Constrained	Market-able	Immed- iately Available	Unclass- ified
Road Depot	RBF/Elliott Group Ltd	Infrastructure Restrictions	Part	1.6	0.0	1.6	0.0	0.0
Torry Hilock North	Private/ Aberdeenshire Council	Infrastructure Restrictions	Yes	2.0	2.0	0.0	0.0	0.0
Mart	Private	Infrastructure Restrictions	No	3.3	0.0	3.3	0.0	0.0
Totals				6.6	2.0	4.6	0.0	0.0

Source: Aberdeen City & Shire Employment Land Audit: April 2010

Aberdeenshire Council have confirmed that they have two small sites (4,500 sq m) available at Tory Hilock on the Huntly Industrial Estate. Aberdeenshire Council also currently do not have any industrial premises available for lease and checks with the three local solicitors/estate agents in Huntly have confirmed that:

- Murdoch McMath & Mitchell: have nothing available;
- Peterkins: suggested a shop unit in Gordon Street: very seldom do they have workshop type premises;
- Stewart & Watson: currently have a small industrial premise available for sale at Steven Road: 2,000 sq ft space and additional rooms at £100,000. Owned by Grampian Construction.



Local Case Study: Isla Bank Mills

Isla Bank Mills to the north of the Keith town was a centre for the tweed industry from the 1850s until the 1990s. The complex was acquired by Moray Council and as is now managed by the Council as an 'industrial complex' of around twenty buildings of various sizes. The buildings comprise mostly a traditionally built mill and workshop/warehouse units some with built in offices and toilets, all finished to a high standard. Annual rental for a 12,000 sq ft unit is £11,500 per annum: is equivalent to £1 per sq ft. Smaller units are available but the occupier view is that spaces are too large and therefore expensive for local trades businesses.



Based in the original darning shed of the Mills, Moray Textile Project has further developed the former Keith Kilt School to include a wide range of textile courses. The unique facility offers participants the opportunity to broaden skills in Traditional Hand Sewn Kiltmaking, Highland Dance Wear, Basic and Progressive Sewing and Pattern Skills, Patchwork and Bag Making. As a social enterprise company the project is keen to promote and extend the sharing of traditional skills and techniques across the generations.

Property Market: Aberdeenshire & Huntly Employment Land & Premises: Conclusions

The property market overview highlights that market prospects for small towns like Huntly - as far as such a generalisation can be made - remain comparatively weak. This weakness applies across the occupier, development and investment sectors including industrial and commercial property. In Aberdeenshire away from the City there is significant lack of serviced land capable of purchase for owner occupation and in particular occupiers with a Class 5 or 6 (Industrial, Storage and Distribution). In Huntly despite 6.6 ha of established supply, no employment land is immediately available. From conversations with the three solicitors/estate agents in Huntly only one small industrial premise is available on Steven Road.

A very significant issue that was highlighted in the consultations is that generally '*occupiers are not prepared to pay for additional quality*' of achieving higher environmental standards. Experience in the City/Shire employment sites and premises market is that occupiers are really only concerned with the short term 'cost of occupation'.

4.0 HUNTLY DEMAND SIDE MARKET RESEARCH & CONSULTATIONS

This chapter summarises the primary market research and business interviews that were undertaken. The chapter also includes a summary of the Exhibition/Drop In event that was held in the Stewart's Hall in February 2011.

Flexible Workspace: Demand Side Summary

Around thirty plumbers, joiners, builders, electricians, tile services and painter decorators businesses were identified in Huntly and listed in sources like the Huntly Handbook (2007/8) and regularly advertise in the Huntly Express. Telephone interviews were undertaken with a sample of twelve in late January/early February to assess their interest in the shared flexible workspace proposal. The results of the interviews are summarised in Table 4.1 below.

Table 4.1: Huntly Local Trades: Business Interviews

Contact	Business	Details	Existing Accommodation	Interested In Workspace Plans	Comments
1. Harry Duncan	DD Plumbing Services	Partnership Established in 2000 5 employees	Works from home Rents a unit from A. Council Shares with Gary Fowlie See below	Yes but Has been progressing proposals to build a house & store/workshop outside Huntly: '3 years of planning issues' Would also like to have a shop/showroom in the town	Believes there is demand from other trades businesses
2. Gary Fowlie	Joinery & Building Contractors Ltd	Ltd company Established in 2004 12 employees & 12 sub contractors	Shares container on Aberdeenshire Council land Ground rent is £2,400 for 30m X 30m container Short of space: manufacture windows/timber frames Has been negotiating with A Council for 3/4 years for land on Industrial Estate with no success	Yes Preference to buy land + build house/workshop Would rent on long 99 year lease	Desperate shortage of sites/premises in Huntly Less interested in shared facilities: reception/phone answering
3. Stuart Bremner	Joinery Contractor	Sole trader Established in 2005	Operates from home + rents a store at the Old Mart	Depends on location/price would want premises/small yard	Not interested in shared facilities: reception/phone answering
4. Alan J Morrison	Builder	Sole trader Established in 2000	Operates from home/croft outside Huntly	No	Real lack of places for small/trades businesses in Huntly Bringing a few

Contact	Business	Details	Existing Accommodation	Interested In Workspace Plans	Comments
					together would be good idea: shared costs
5. W. J Anderson	Painter Decorator	Sole trader Established in 2003	Operates from home has a shed + estate car	No	Doesn't think there is demand: especially from painter/decorators. Don't need storage, short contracts, very competitive pricing so don't want more overheads. Money isn't around
6. Charles Brown	Joiner	Sole trader Established 10+ years ago	Owns workshop adjacent to his home	No	Idea has been considered would have depended on size/cost
7. Andrew Boyle	Plumbing Solutions	Sole trader Established 9 months ago in Keith Assistance from Business Gateway & PSYBT	Has a small store at home + works for van Is looking to open kitchen/bathroom showroom in Keith: occupant is retiring Operates in Huntly/Keith/Elgin	No: wants to be based in Keith	Is a shortage of small work spaces. (400/500 sq ft) Friend operates car valet business: pays £70/week for 300 sq ft (£3.4K / annum) No interest in shared facilities: reception/phone answering
8. George Rettie	Joiner	Sole trader Established 19 years ago	Operates from home + has a small workshop at the back	No	Thinks there could be interest from 'younger trades businesses'
9. Anthony Gillon	Joiner	Sole trader Established in 2001	In process of setting up a small workshop/garage	Maybe depend on timing/location/cost	Shared space in Oxford with other joiner: worked well sharing cost of machines: help to move things: keeps rent down
10. Andy Morrison	Joiner	Sole trader Established in 2009	Operates from home, garage + van	Ideally wants to build house for owner occupation + workshop. Sees this as cost effective, reduced insurance etc Likely to need more space but reluctant to commit in the short term	Thinks there is demand for home/work/yard space but more likely to be edge of town or croft in the country Pay £100/150k for plot dependent on location/services
11. Tom Webster	Painter	Sole trader Established 16/17 years ago	Operates from home + van Doesn't need additional space	No	Less likely to be of interest to painters: don't need storage space
12. Alan	Knight	Well	Operate from own	Might be interested in	Prepared to look at

Contact	Business	Details	Existing Accommodation	Interested In Workspace Plans	Comments
Knight	Electrical	Established Partnership	building/yard	possibilities of additional space: depends on location/price Would look at opportunity	the opportunity

The results from the sample of interviews with Huntly trades businesses show that only two (17%) out of the twelve are currently actively seeking workspace. Another four businesses said that they might be interested depending on location, when the space was likely to be available, price and terms. Nine (75%) of the businesses were sole traders mainly operating from home. Six (50%) of the businesses said they were not interested and three were 'looking to retire'.

A major issue is the amount that individuals are prepared to pay in rent, particularly in moving from a situation where they are operating from home and therefore not currently paying rent. It would seem that £3/3.50 per sq ft would be a maximum rental. The resultant development economics are considered in Chapter 5. The businesses were not interested in shared facilities: reception/phone answering as all operate mobile phones/messaging. One business highlighted demand for home/work/yard space but appreciated that this was difficult to accommodate and more likely to be located on the 'edge of town or croft in the country'.



During the course of the feasibility study articles were placed in the Huntly Express referring to the emerging project and asking anyone interested in taking work space to contact HDT: no individuals made contact.

The UK Government's decision to increase VAT to 20% has led to widespread claims that the move will cost construction industry jobs and lead local trades businesses to increase prices. Small local builders who carry out much of the domestic work in Huntly that is affected by the rise in VAT prices worry that homeowners will turn to the black economy 'cash in hand cowboys'. This makes it more difficult for the legitimate local trades business to feel confident to make a medium/long term commitment to new premises.

Consultation Event and Exhibition

A 'Drop In' event and exhibition was held on the morning of Saturday 12 February at the Stewart's Hall, Gordon Street, Huntly to consult the wider community on the emerging proposals and 145 people visited the exhibition and 32 questionnaires were completed.

The analysis of the completed questionnaires that were relevant to the flexible workshop space for local trades businesses project provided the following summary of comments based on people's views on the proposed project:

- Good idea particularly if work space eventually leads to a more businesses in the town (2);
- A great idea for the ongoing rejuvenation of the town to create workspace for start up trades businesses;
- Small businesses that get a chance to start by sharing facilities is a good thing;
- Would help stimulate the local economy;
- Good idea if demand is proved by research;
- Use this to encourage trade apprenticeships
- Good to have workspace sites for a range of business and craft activities, not just trades (2);
- Complete lack of small business units currently available for any start-up business;
- Great idea - maybe set up as a co-operative between tradesmen, including workshop equipment and funded position for a technician;
- A good income generation opportunity for HDT if the right location can be found;
- Potential site near Tesco.



Market Research: Business Interviews & Consultation: Conclusions

Around thirty plumbers, joiners, builders, electricians, tile services and painter decorators businesses were identified in Huntly. The primary market research was based on interviews with a sample of twelve local trades businesses to assess their interest in the shared flexible workspace proposal. Only two (17%) out of the twelve are currently actively seeking workspace. Another four businesses said that they might be interested depending on location, when the space was likely to be available, price and terms. It would seem that £3/3.50 per sq ft would be a maximum rental. The general view from the Consultation Event was that the shared flexible workspace was a good idea and could lead to more local trades businesses being established to partly replace sole traders who were retiring. There was however fewer comments on this project than the other three projects.

The next chapter summarises the key conclusions that have emerged from the Feasibility Study, fundamental challenges and options for different ways forward.

5.0 HUNTLY FLEXIBLE WORKSHOP SPACE: CONCLUSIONS FUNDAMENTAL CHALLENGES & NEXT STEPS

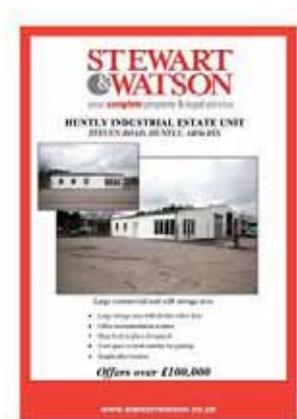
This chapter of the Final Report provides a synthesis of the key conclusions that have emerged from the Feasibility Study and the resulting challenges based on the review of regeneration policy context, property market and supply side review, primary market research on demand using business interviews and the outcomes from Consultations/Drop In Event. The chapter also includes options for the way forward and a clear recommendation and next steps.

From the evidence presented in chapter 2- 4 the DWA team have drawn six very clear conclusions namely:

1. Supply Side Conclusions: No Sites or Few Premises are Currently Available in Huntly

Aberdeen City and Shire Employment Land Audit (April 2010) shows that in Huntly despite 6.6 ha of established supply being established none is immediately available. Although Aberdeenshire Council have confirmed that they have two small sites (4,500 sq m) available at Tory Hillock on the Huntly Industrial Estate. The 2 ha site at Torry Hillock North that is in mostly private ownership (John Rhind) requires access and servicing across land owned by Aberdeenshire Council and there is currently no agreement on principles and values. There is only one industrial premise currently available for rent in Huntly according to Aberdeenshire Council and three local solicitors/estate agents.

Looking forward the Aberdeen City and Shire Structure Plan (2009) identifies that the Laurencekirk-Huntly road and rail corridor as a designated as a **growth area**. The Local Development Plan includes a proposal for a major expansion of Huntly with around 630 new houses between 2007-2023. A 4.5 ha site E1: Land to the south of the ward/A96 and near the Auction Mart is also allocated for employment uses.



2. Demand Side Conclusions: Limited Demand: Flexible Workshop Space: Local Trades Businesses

The results from the sample of interviews with Huntly trades businesses show that only two (17%) out of the twelve who were interviewed are currently actively seeking workspace. Another four businesses said that they might be interested depending on location, when the space was likely to be available, price and terms.

Nine (75%) of the businesses were sole traders mainly operating from home. A major challenge is the amount that individuals are prepared to pay in rent, particularly in moving from a situation where they are operating from home and therefore not currently paying rent. It would seem that £3/3.50 per sq ft would be a maximum rental in Huntly, although the total monthly ‘costs of occupation’ are more important.

3. Flexible Workspace: Development Economics

Experience in the City/Shire employment sites and premises market generally is that occupiers are more concerned with the short term ‘cost of occupation’ and are very reluctant to take anything other than a short say five year view of the opportunity that is on offer and are not interested in anything other than basic specification space. The implications in terms of the development economics of small flexible workspace project of say three 500/750/ sq ft spaces is that even with land at a nominal value the break even rental is around £4.75 psf to cover the costs of development, servicing, financing and fees and clearly this is likely to be £1/1.50 psf more than the maximum rent that the trades businesses are prepared to pay.



4. Promoting Independent Service Trades Business

The challenge here is to continue to boost enterprise and business start ups to ensure that the next generation of local trades businesses will emerge to replace sole traders who are looking to retire. Interestingly three of the businesses interviewed were looking to retire.

5. Era of Austerity

Like all councils across the country, Aberdeenshire Council is facing significant reductions in budget and is considering the best ways to maintain delivery of essential services. Council officers have developed a programme of budget reductions based on the council’s strategic priorities and particularly focussing on economic development, early intervention and demographic forecasts. This has very significant implications for agencies like HDT who have driven local regeneration initiatives and have also historically provided people (time and skills) to support local economic development initiatives. HDT is funded by Aberdeenshire Council, LEADER and Scottish Natural Heritage, and enjoys in-kind support from Forestry Commission Scotland. HDT has been charged by its funders with becoming a self-financing organisation in the near future and so HDT are actively exploring income-generating opportunities.

6. Risks for HDT in Driving the Delivery of a Flexible Workspace Project

Table 5.1 below summarises the anticipated risks and potential mitigating actions if HDT were to take on responsibility for delivering the flexible workspace for local trades businesses project.



Table 5.1: HDT: Flexible Workspace: Anticipated Risks & Mitigating Actions

Risk	Likelihood	Seriousness	Consequence	Mitigating Actions
1. Identifying Suitable Site/Building	Medium	High	Project could not proceed	Early site/building search based on feasibility. Early discussions with Aberdeenshire Council.

Risk	Likelihood	Seriousness	Consequence	Mitigating Actions
2. External Funding To Acquire Site/Building Not Secured	High	High	Project could not proceed	Approach/work with funders at an early stage.
3. External Capital Funding Is Not Secured	High	High	Project could not proceed	Approach/work with funders at an early stage.
4. Unforeseen Capital Costs	Medium	Medium	Capital works come to a standstill. Need additional capital funding	Good QS/Cost Planning Input. Include contingencies.
5. Lack of Take Up Of Space	High	High	Vacant space & reduced income.	Market project intensively & work closely with potential occupiers. Have a reserve list of occupiers.
6. Rentals/Income Assumed is Not Delivered	Medium	Medium	Gap between revenue & income will increase. Need to look for external revenue support & sponsorship.	Ensure negotiation with potential occupiers on rents is undertaken early. Monitor occupier's progress/success. Have a reserve list of occupiers.

Taking account of the above a fundamental conclusion is that the flexible workshop space for local trades businesses project as proposed can be justified from the supply side but is risky from the demand side. There is also likely to be a gap between the costs of providing the space and the level of rent that the Huntly 'local trades businesses market' would accept. In these circumstances and Table 5.1 shows that this is a risky project for HDT and is very unlikely to generate revenue in the foreseeable future.

In these circumstances the DWA team have identified four possible options for a way forward.

1. Direct Public Sector Intervention: Aberdeenshire Council

Aberdeenshire Council to take the lead and intervene in the local property market for economic development reasons and this includes:

- Acquiring or providing land or an existing site: possibly at Tory Hillock;
- Negotiating planning;
- Dealing with any abnormal;
- Investing in up front infrastructure/landscaping;
- Procuring 2/3 spec units;
- Managing completed development.

As an alternative, Aberdeenshire Council may be persuaded to focus on one of their existing depots/buildings in Huntly (e.g. Huntly Mental Health Ltd occupy a Council site that could be available if they were to relocate).

2. Establishing a Joint Venture

Public sector involvement might not necessarily be in the form of grant/gap funding contribution especially where other assets like land could form part of a joint venture. In the current economic climate, therefore Aberdeenshire Council may wish to consider investigating in the creation of a joint venture to use Aberdeenshire Council owned land/buildings in Huntly in an efficient and strategic

way to deliver on an identified local need. Aberdeenshire Council and a private sector contractor/developer would form a Joint Venture Company in order to facilitate the phased delivery of flexible workshop space for local trades businesses project. The JVC would:

- Receive a grassum lease of the site from Aberdeenshire Council
- Appoint a project manager and procure the tendering and phased delivery of the services and buildings
- Would manage manage the completed project and let space at ‘open market value’
- Be jointly funded and guaranteed by the two lead partners
- In due course reinvest surpluses in further phases of development

As an alternative a JVC could be established with a:

- Local developer/contractor who owns land/buildings for example Grampian Construction (who currently own the vacant industrial unit in Steven Road) or Deveron Homes;
- Local landowner like John Rhind who owns land at Torry Hillock North (see table 3.1);
- Social housing provider like Grampian Housing Association as part of their wider regeneration activities.

Key issues to consider in establishing a JVC are: retaining experienced yet cost-effective management, financial support and guarantees from the shareholders, exposure to risk in terms of securing occupiers and rent flows, and political intervention. If the foregoing issues can be addressed, then a Council driven Joint Venture may be able to utilise financial support and grants from other sources which an entirely private third party investor model might rule out.

3. Private Sector: Contractor/Developer Driven

Under this option the flexible workshop space for local trades businesses project package would be directed to a locally based contractor/developer. The contractor/developer like Grampian Construction or Deveron Homes would be encouraged to deliver the project on land that they might already own and by using economies of scale and in house design and build experience to keep costs down. The contractor developer would take on the risk and manage the completed project and may take a longer term view based on wanting to encourage and accommodate local sub contractors like plumbers, joiners, builders, electricians.

4. Longer Term Provision as Part of a Major Restructuring & Repositioning on the Huntly Industrial Estate

The Huntly Industrial Estate creates a very poor first impression and will need investment in the future if it is to remain as a competitive location. The main issues that need to be tackled include:

- No sense of place or identity: no clear infrastructure of roads and landscaping;
- Very poor signage: no clear hierarchy of roads;
- Minimum landscaping and insufficient car parking;
- Lower standards of maintenance;
- No clear definition of types of firms who might be attracted in the future;
- Opportunity to explore a combined heat and power exchange based on Rizza (refrigeration) and Deans (ovens) who use significant amounts of energy;
- Opportunity to accommodate the flexible workshop space for local trades businesses project.

One approach under this Option might be to explore a Business Improvement District: aiming to reinvent the Huntly Industrial Estate as a forward looking sustainable and ‘green’ location. The BID would deliver a sustainable financial model to a defined geographical area: the Huntly Industrial Estate. Here businesses would vote to invest collectively in local improvements in addition to those delivered by statutory authorities. They are often, although not exclusively, a partnership

arrangement through which the local business community and the statutory authorities can take forward projects which will benefit the local economy.



A BID is not a substitute for central or local government investment, but an additional investment to strengthen the local economy and give local businesses a unified voice, helping to provide an arena for businesses and local authorities to increase their understanding of each other's priorities.

BIDs are developed, managed and paid for by the business sector by means of a compulsory BID levy which the businesses within the proposed BID area must vote in favour of before the BID can be established. Each business liable to contribute to the BID will be able to vote on whether or not the BID goes ahead. Before agreeing to fund the additional investment the businesses within the proposed BID area would determine the priority issues and decide how their money will be spent and how much they are prepared to pay. The BID Business Plan that is prepared should include performance guarantees, a management structure and a delivery mechanism.

In addition to central support, the Scottish Government is offering a development grant of up to £20K to business groups and associations, community councils and Development Trusts working in partnership and with their local authority to develop Improvement Districts across Scotland. This option would need to be progressed with the full support of Aberdeenshire Council.

Recommendation

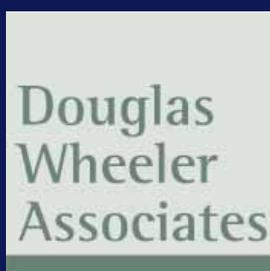
HDT to accept the conclusion that based on the evidence in Chapters 2-4 that the flexible workshop space for local trades businesses project as proposed is a risky project for HDT and is very unlikely to generate revenue in the foreseeable future. In these circumstances HDT should commit to pursuing one of the four options identified above.

Next Steps

The immediate next steps are:

1. HDT Board to formally approve the flexible workshop space for local trades businesses project feasibility study, recommendation and options as a basis for consultation with partners and stakeholders. *May/June 2011*
2. After consultations HDT to decide on and commit to a preferred option. *June/July 2011*

DWA/HDT Flexible Workspace /Final/210511



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