

# Evaluation of Discovery Quay Developments Ltd

Report

for

Scottish Enterprise Tayside

March 2007



*economic development & regeneration*

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## **Executive Summary**

### **Introduction**

In November 2007, EKOS Economic Development and Regeneration (with BDO Stoy Hayward providing financial input) was appointed by Scottish Enterprise Tayside (SET) to undertake a review and evaluation of Discovery Quay Developments Ltd (DQDL).

DQDL is a single purpose joint venture public/private partnership established in 1988 between the predecessor organisations of SET, HBG Properties Ltd and Highbridge Properties Ltd. Following competitive tender by the (then) SDA the consortium were appointed (through the DQDL JV structure) to complete the development of the Discovery Quay site, a 10 hectare derelict brownfield site.

Completed developments include offices, retail and hotel facilities as well as the award winning Discovery Visitors Centre, including the RRS Discovery and supporting infrastructure works.

The final phase of development, completed in 2005/06 delivered 6,500 sq m. of new office accommodation.

This allows the winding-up of the joint venture company, following distribution of final dividend payments. This is in line with current SE good practice advice on the establishment and continuation of associate companies.

This evaluation study is undertaken prior to the winding up of the company and considers its financial performance (as an investment for SET), the level of economic activity generated (at Tayside and Scottish levels), the qualitative benefits that it has achieved and the contribution that it has had on the physical regeneration of Dundee.

### **DQDL Background**

#### **Company Background**

DQDL is a single purpose joint venture public private partnership, set up to undertake the redevelopment of the Dundee Waterfront site. The company took forward the work of the earlier public sector led 'Dundee Partnership' which was active in the 1980s.

DQDL has traded profitably since its inception and has paid dividends to its three shareholders throughout the development period. Since 1994 £5.9m of dividends have been distributed, of which £1.7m was paid to SE<sup>1</sup>.

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<sup>1</sup> £1.191m dividends directly traced to SE but a further £1.5m of dividends were paid but no details of the split between recipients – therefore assumed one-third to each of the three parties.



The latest balance sheet shows sufficient cash to repay all creditors with the remaining balance of circa £1.1 million available for distribution amongst the shareholders. There may, however, be a final tax claim to be paid from this balance and therefore a lower dividend payment to shareholders.

BDO looked at the options for the winding-up of the company's affairs and their recommendation is that DQDL and its subsidiary, GA Properties Ltd, be dissolved by members' voluntary liquidation. This will mean that the directors will not have any ongoing responsibilities or potential liabilities.

This route will provide a final exit for SE.

## Project Activity

During its operation DQD has transformed Dundee waterfront, developing over 25 acres, representing £65m of (public and private) investment. The original development proposal i.e. leisure and retail led regeneration could not be completed due to the development of a competing scheme within Dundee. The current masterplan was renegotiated to replace the leisure elements with office development in line with identified demand.

The development of the waterfront has comprised major infrastructure works (road realignment, site servicing and removal of sewer outfalls), retail space (97,000 sq ft), office space (200,000 sq ft), a 50 bed hotel/restaurant and the major Discovery Point Visitor Centre, aligned with the famous Scott of the Antarctic research ship "RRS Discovery" berthed alongside.

The infrastructure works and Discovery Quay developments were funded by DQDL through the profit generated from the disposal of the retail sites. The £3m Discovery Quay visitor centre was subsequently transferred to the local authority for £1.

## Consultation and Fieldwork

### Stakeholder Consultation

In total 19 individuals across eight organisations participated in the consultation process. There was a general issue in a number of consultees who found it difficult to recall when DQDL had started and tended to focus their thoughts on the final phases of office development. When prompted and reminded that DQDL started in 1988 and had secured the development of the Discovery Quay Centre (and RRS Discovery) and the road realignment, their views of DQDL became more positive.

In general consultees felt that DQDL had taken much longer than originally anticipated to complete, but that it had been very successful in transforming the perception, image and place of Dundee.



It should be noted that it was not identified as the sole factor in this regeneration process, but it was identified as an essential and even for some, the key output from the project.

There were differing views on the partnership structure adopted by DQDL but on the whole it was felt to be an appropriate and successful model. Some consultees identified early local partnership issues with the former Dundee District Council and Tayside Regional Council who were not involved in DQDL and who felt that they were being excluded from any involvement in the process.

All of the consultees recognised the role that DQDL has had in regenerating and transforming the city of Dundee. This is primarily related to the development of the Discovery Quay Centre and RRS Discovery, which have been the mainstays of the city's brand and image marketing over the past 20 years.

Other elements of the DQDL development were also important in supporting this process i.e. the development of the former derelict railway yards and removal of the sewer outfalls. These were essential in improving the environment and access into the city centre.

A small minority of consultees felt that without DQDL as the development vehicle, the public sector could have led the regeneration and development process, with input from the private sector on an individual project by project basis. The majority of consultees, however, recognised the important role that the JV played in cross-funding the non-commercial project elements (road realignment and Discovery Quay Centre) from the site disposal values of the most commercial elements i.e. Tesco store.

The majority of consultees felt that this process could not have been achieved if the public sector had been in sole control of the development as there would have been pressure to spend the receipt on other priority projects.

## Business Survey

In total there are 14 companies located in premises developed on former DQDL land, ten of whom are public sector organisations, three are private companies and the final being the Discovery Quay Centre. Of these, nine participated in our business survey process.

Feedback provided by participants shows that most are happy with their business premises – both in terms of their location and their property – with 86% reporting that the location was either good or very good.

Key strengths of the area include accessibility, infrastructure and the riverside location. Two weaknesses of the location were identified by participants: the lack of on-site retail facilities and the quality of the train station.

## Resident/Visitor Survey

150 in-street surveys were completed in Dundee city centre in January 2007, of whom 83% were residents and 17% were visitors to the city.

The questionnaire sought views across five key areas:

- the City of Dundee: 58% of respondents thought that Dundee was a good place to live or visit and a further 37% thought it reasonable. 68% thought that in comparison, the environment of the city is better now than it was 20 years ago, with only 14% believing it to be worse. While still a positive response, a lower proportion of respondents, 50%, felt that the perception of the city was better than it was 20 years ago. In comparison with other cities, 38% of respondents believe that Dundee is better, 36% that it is the same and only 24% think that it is worse;
- the Discovery Point Centre: 78% of respondents had visited Discovery Point, but unsurprisingly 14% of these hadn't visited for a number of years, 58% visit only occasionally and only 6% visit regularly. 76% of respondents recommend a visit to the Centre to family and friends. 93% of respondents think that Discovery Point is important to Dundee's image, 70% of whom rated it as very important;
- the Waterfront area: 89% of respondents visit the waterfront area, 25% of whom visit it regularly and 61% occasionally. The most regularly visited areas are the Tesco store, Discovery Point and the river walkway. Discovery Point and the river walkway achieved the highest level of satisfaction rating – 77% each – amongst respondents. 80% of respondents felt that the development of the waterfront area had had a positive impact in changing people's perception of Dundee;
- views on the quality of DQDL developments: 88% of respondents felt that the quality of buildings were either good (55%) or reasonable (33%). 93% felt that the quality of the environment was either good (49%) or reasonable (44%); and
- future lessons for development of the Dundee Waterfront: respondents were not prompted with specific answers but were free to make suggestions on what they would like to see happen on the future development of the central waterfront site. Responses made by over 10% of people are:
  - 28% wanted to see better or improved facilities on the site with more for people to do
  - 18% wanted to see modernised and improved architecture and quality of development
  - 15% wanted more pedestrian areas with improved access and crossing points
  - 10% wanted to see more family friendly and play areas

- 10% did not want to see any more office buildings or supermarkets on the site
- 10% wanted to see more parks and open spaces.

## What has been achieved?

### Progress against Objectives

The study conclusions are reported against the original study objectives, as presented in the study brief:

– **evaluate the implementation and development of DQDL:**

*Evaluation complete –the review has produced positive results.*

– **assess the project origins and rationale:**

*Project origins can be traced to the Dundee Project of the 1980s. No specific rationale or objectives identified, but generally to support the wider regeneration of the Dundee – successful outcome.*

– **evaluate process efficiency and effectiveness:**

*Difficult to assess as the project started 20 years ago before internal monitoring processes were adopted. Anecdotal evidence confirms that processes were efficient and effective.*

– **identify project inputs:**

*The main public sector input to the process was the value of the development land (no valuation available from 1988<sup>2</sup>). There are no financial records pre 1992, but anecdotal evidence suggests that there may have been public sector contribution to site remediation works, of around £500,000.*

*Private sector project inputs were in sourcing and providing the development funding for projects. The private sector carried the financial risk for development and construction.*

– **identify project activities and outputs:**

*Project activities include realignment of the A85, development of the Discovery Point Centre and RRS Discovery, 93,000 sq ft of retail floorspace, development of a 50 bed hotel/restaurant, development of 200,000 sq ft of office accommodation and public realm/landscape works.*

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<sup>2</sup> 12.6 hectares of waterfront land was purchased by SDA between 1983 and 1989 at a total cost of £770k

- **identify project outcomes and impacts:**

*The project has developed 25 acres of former derelict/ brownfield land adjacent to the city centre and on the main access route into the city. The level of additionality of the project (in terms of employment and GVA) is relatively low (due to the high proportion of public sector occupiers and the retail/leisure aspects of the development) but the project has had a major place-making and transformational change impact in supporting the wider regeneration of Dundee.*

- **review financial performance, risks and stability:**

*Financial performance review completed by BDO Stoy Hayward – no major issues identified.*

- **consider the impact on the image and profile of Dundee:**

*DQDL has had a significant impact on the image and profile of Dundee, particularly in supporting the 'City of Discovery' brand and marketing process. The consultation and in-street surveys confirmed the positive change in Dundee over the past 20 years, and the positive role that DQDL has played in that process.*

- **benchmark performance against appropriate comparators:**

*A review of six comparator projects was undertaken – three public-private joint ventures and three public sector led initiatives. Whilst a number of lessons were identified for both these groups, no real comparison can be made with DQDL due to the size/scale/location of development and also the type of project activity.*

## Other Conclusions

A research has highlighted a number of wider conclusions:

- there does not appear to be any future role for DQDL in delivering the longer term development of the wider waterfront;
- while the partnership structures were good, they could have been better in the early years, particularly between SE and the local public sector bodies. This will be a key aspect for future success;
- the development took considerably longer to complete than originally envisaged. There were reasons for this, primarily the change from leisure to office based development, but also due to the risk averse nature of the partners;



- while the development will have made a positive economic impact on the city and wider region, the level of additionality (i.e. new economic activity) will reflect the type of development and occupiers (bespoke office – mainly public sector, retail and leisure);
- there is no clear or easy way to measure the qualitative impact that the development has had in supporting place-making and transformational change in Dundee, but the evidence suggests that the impact has been very significant;
- the long term approach and the need for lasting and robust commitment was a necessary pre-requisite to delivery. There was a strong legal commitment that had positive benefits in that the partnership was strong and held up through the 20 year process;
- however, it also had a down-side in that it did not allow SET to put any pressure on the private partners to encourage early development of projects;
- the joint venture approach adopted with DQDL ensured that both parties were committed to the process till completion and also that the site values realised from the early retail disposals were ring-fenced for reinvestment of appropriate on-site projects;
- the private sector partners brought specific strengths and benefits to the partnership, particularly investment resources and expertise, but they were also risk averse and this impacted on the length of time to complete the project; and
- a key impact of DQDL has been in qualitative benefits in terms of supporting the wider regeneration of Dundee by improving the quality and importantly the perception of the city.

## Lessons for the Future

The research has highlighted a number of lessons for future interventions:

- the public sector need to recognise and commit to the long-term process of development and regeneration for projects of this nature and scale;
- the evidence from the wider review and the consultants own experience suggests that a formal joint-venture public-private model approach tends to offer the greatest opportunities for successful outcomes;
- however, any future approach must carefully consider the various benefits and implications of any particular approach. A detailed options appraisal should be undertaken that considers different types of partnership structure and reviews risks, benefits and feasibility before commitment to any specific structure;

- the positive benefits associated with transformational change and place-making in improving the perception of place should be recognised and considered from the outset – these are key positive outcomes from this type of development and ones that can support a much wider goal or vision of place making;
- the review and analysis suggests that successful projects have adopted a bespoke marketing approach built around branding the location and the project as part of a wider approach to place making. This should recognise the contribution and role of private sector partners;
- projects of this nature should include a formal stakeholder consultation plan covering the period from initial project review to final completion. This should include the level/type of contact with a wide range of stakeholders including businesses, residents and partner organisations and should also identify the means of reporting findings;
- there is a need for large complex and long-term development projects to identify a single point of contact (a role rather than a person) who can act as the single point of contact;
- evaluation evidence shows that delivery is improved and benefits enhanced where someone is tasked with project delivery as their “day-job” rather than it being an add-on to their existing work portfolio;
- the clear benefit of the DQDL project was its role in supporting the brand marketing for the city through the Discovery Point Centre and RRS Discovery. Wider regeneration benefits are improved considerably when projects have a clear USP that can be used to change the perception and image of the place; and
- the evaluation process was somewhat hindered due to the lack of any previous or interim evaluation reviews. While it is appropriate to do the final evaluation at this point in time for DQDL, the amount and level of appropriate background information was limited. In future, and in line with current SE guidance, interim evaluations of this type of project should be conducted at regular intervals.

# 1. Introduction

## 1.1 Study Background

In November 2007, EKOS Economic Development and Research was appointed by Scottish Enterprise Tayside (SET) to undertake a review and evaluation of Discovery Quay Developments Ltd (DQDL).

DQD Ltd is a single purpose joint venture public/private partnership established in 1988 between the predecessor organisations of SET, HBG Properties Ltd and Highbridge Properties Ltd<sup>3</sup>. Following competitive tender by the Scottish Development Agency the HBG/Highgate consortium were appointed (through the DQDL JV structure) to complete a leisure and tourism development of the Dundee waterfront site.

Discovery Quay is a former brownfield site of approximately 10 hectares located on Dundee's central waterfront. While the original development was not taken forward as originally planned, completed developments include 20,000 sq m of offices, retail and hotel facilities as well as the award winning Discovery Visitors Centre and supporting infrastructure works.

The final phase of development in 2005/06 delivered 6,500 sq m of office accommodation. This allows the winding-up of the joint venture company, following distribution of final dividend payments. This is in line with current SE good practice advice on the establishment and continuation of associate companies.

This evaluation study is undertaken prior to the winding up of the company and considers its financial performance (as an investment for SET), the level of economic activity generated, the qualitative benefits that the project has achieved and the contribution that it has had on the physical regeneration of Dundee.

## 1.2 Report Structure

This report provides the written output from the study analysis. It is structured as follows:

- **Chapter 2** gives an outline review of the background of DQDL, including activity, legal structure and company performance;
- **Chapter 3** outlines the context within which DQDL has operated over the past 20 years (strategic and economic) and includes a review of six comparator projects;
- **Chapter 4** provides analysis of the views and opinions expressed by organisations and individuals that participated in the consultation process;

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<sup>3</sup> Scottish Development Agency, BAK Group Ltd and GA Group Ltd



- **Chapter 5** considers the impacts and benefits that DQDL has directly secured, or has contributed towards over the past 20 years; and
- **Chapter 6** provides our final study conclusions, key lessons and recommendations.

### 1.3 Acknowledgements

This research was greatly assisted by input from businesses, organisations and individuals through face-to-face consultations, telephone interviews and in-street surveys. The input of these individuals and organisations is gratefully acknowledged by the authors of this report.

## 2. Review of DQDL

Chapter 2 provides an outline review of the background to DQDL, including its operational structure and company performance.

### 2.1 Background

The development of the Dundee Waterfront can be traced back to the award of Enterprise Zone status in March 1984. The site, comprising former railway yards and docks, was held in the ownership of a number of different parties.

Between 1983 and 1989, SDA acquired 13 plots of land<sup>4</sup> totalling 12.6 hectares (31 acres) at a total cost of £770,000. EZ status aimed to attract investors through the provision of tax incentives for new property development activities i.e. the opportunity for the private sector to claim 100% capital allowances against construction and development activities.

The development of the site was subject to an original Development Agreement in May 1988 between the SDA, Dundee District Council and Tayside Regional Council. This required the SDA to deliver a mixed use leisure, commercial and tourist development scheme.

In order to maximise the financial viability of the project i.e. the financial incentives available to the private sector, but also to retain a degree of control by the public sector, the SDA decided to establish a public-private joint venture company to undertake the development.

The tender brief, including the 1988 Development Agreement, identified a number of key requirements to be included in development proposals:

- outline proposals to regenerate the Waterfront site;
- improve the main gateway route into Dundee; and
- provide a visitor attraction based around Scott's ship Discovery.

Following the competitive tendering process, DQDL was incorporated between three parties:

- Scottish Development Agency (SE): responsibility to secure/hold development land and manage the process of partnership with key public sector local partners;
- GA Properties (HBG Properties): responsibility to deliver the development and manage the construction process; and
- National Leasing & Finance (Highbridge Properties): responsibility to raise the capital required to fund the development works.

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<sup>4</sup> 5 British Railways Board, 2 National Carriers Ltd, 5 City/Regional Councils and 1 Crown Estates Commissioners

Over the period since 1988 all three parties have undergone some changes and company restructuring, but have retained their original responsibilities, as outlined above.

The operation of DQDL was governed by a Minute of Agreement dated November 1988 that established the JV between the three parties. In order to have sufficient security over the site, the JV was given a 21 year lease of the land, but ultimate ownership remained with SE.

The original SDA approval paper for establishment of DQDL cannot be traced, therefore the original rationale for the project cannot be established. This evaluation review has relied on the content of subsequent SE/SET Board approval and information papers together with the recollection of key personnel that were involved in the project at that time.

The original development proposal as outlined by DQDL and agreed with the two key local public sector partners, Dundee District Council and Tayside Regional Council (now the City of Dundee Council) envisaged retail and leisure developments that would fund the visitor attraction element.

The original proposal envisaged development in three phases:

- Phase 1: disposal of land for retail development to fund renewal of the contaminated land and relocation of Riverside Drive to create a viable waterfront development site;
- Phase 2: redevelopment of Craig Harbour to form a dry dock for the RRS Discovery adjacent to a mall development incorporating visitor centre for Discovery, restaurant, bar, nightclub, retail, cinema and bowling alley; and
- Phase 3: development of the remaining land for offices aimed at attracting inward investment to Dundee.

Negotiations were held with a number of interested operators for the retail and leisure elements with land subsequently sold to Tesco and Homebase for retail space.

The negotiations with the leisure operator (Rank Leisure) to create a new waterfront entertainment complex were subject to some delays in obtaining local/regional authority approval. The leisure element ultimately failed when permission was granted for two competing entertainment complexes, at Lochlee and Dock Street, thus rendering the Rank proposal unviable.

In August 1991, revised project approval was given by SE/SET Boards for a free-standing visitor centre, incorporating the RRS Discovery, hotel, restaurant, car parking and office developments.

Agreement of the local public sector partners<sup>5</sup> was obtained for this revision on four conditions:

- the offices were retained for inward investment;
- the hotel was delivered by 1994 at the latest;
- the renegotiation of the financial contribution from Tayside Regional Council for drainage works which had been front-funded and completed by the SDA; and
- satisfactory resolution of city centre parking arrangements, with requirement for additional parking on the waterfront site.

A revised Minute of Agreement was signed between the three DQDL JV partners in 1992 outlining the revised development proposals and obligations of each party.

Over the subsequent period there have been various amendments to both the Minute of Agreement and Development Agreement with the public sector partners, as outlined in Section 2.3. These have, however, reflected relatively minor changes to proposals or the completion of project elements and therefore obligations. The development proposals have remained largely as envisaged in the revised 1992 DQDL Minute of Agreement.

The development was not complete by 1994, the end of the Enterprise Zone period, therefore 'Golden Contracts' were put in place to preserve the tax benefits for a 10 year period. In 2004, DQDL was restructured to allow further preservation of the tax benefits for the completion of three outstanding development plots.

The activities undertaken by DQDL since 1988 are outlined in Section 2.2 below. Two final points to note by way of background relate to internal reviews by SE. The first relates to a review of all property development companies in 2005. DQDL was reviewed as one of nine companies where SE had an interest with the recommendation that SE should exit the JV on completion of the final project elements, envisaged in 2006.

DQDL was also the subject of an internal Major Project Review audit in 2006/07. This identified the considerable operating timescale for DQDL and noted the requirement for an independent evaluation of the company's activities, performance and impact. This review noted a key point in relation to any evaluation:

*"The absence of the original approval paper means that there is no audit trail to reconcile the final project outputs with the original rationale for intervention, financial inputs and expected economic benefits. It is not clear how much the SDA and SET have spent on this project overall."*

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<sup>5</sup> Dundee District Council in July 1991, Tayside Regional Council in January 1992 and Dundee Partnership in January 1992.

The review awarded the project a relatively low risk rating of '2' (with 1 being low and 5 being high) in relation to its overall risk to SE.

## 2.2 Project Activity

During its operation DQDL has transformed Dundee waterfront, developing over 25 acres, representing an estimated £65m of investment. The development of the waterfront has comprised major infrastructure works, retail space (97,000 sq ft), office space (150,000 sq ft), a 50 bed hotel, 170 cover restaurant and the major Discovery Point Visitor Centre, aligned with the famous Scott of the Antarctic research ship "Discovery" berthed alongside.

The road realignment, environmental works and visitor centre were undertaken by DQD from profit generated through the retail developments.

The process of development was that land was owned by SE and leased to DQDL for its exclusive use. The title of land passed directly to the third party owner when contracts were concluded for development.

The specific project activities and key milestones are outlined in **Table 2.1** below.

<b>Table 2.1: DQDL Activities and Milestones</b>			
1988	DQDL Incorporated as JV		
1990	Tesco complete	67,000 sq ft retail	£
1990	Homebase complete	30,000 sq ft retail	£
1990	Road realignment, drainage works and removal of sewer outfalls complete		£
1993	Discovery Point visitor centre complete		£5m
Oct 1993	'Golden Contracts' signed between DQDL and GA Properties to preserve the EZ tax benefits		
Jan 1994	EZ status ceases		
1994	Travel Inn complete	50 bedrooms	£
1994	Brewers Fayre complete	170 seats	£
1995	Car park site sold to Dundee District Council		£ nominal
1995	Ownership of Discovery Centre transferred to Dundee District Council		£1
1996	Requirement for walkway overhead crossings extinguished		
1997	Caledonian House complete	60,000 sq ft offices	£7m
2002	Compass House complete	30,000 sq ft offices	£4m
Apr 2005	Development of 3 remaining sites commenced to preserve EZ tax benefits		
2006	Quadrant House complete	21,000 sq ft offices	£6.3m
2006	1 Greenmarket complete	18,000 sq ft offices	£5.3m
2006	3 Greenmarket complete	18,000 sq ft offices	£6.3m

Source: SET project files and web searches



In addition, DQDL delivered a number of additional projects including:

- upgrade to the west façade of the Olympia Centre, circa £100,000;
- 50 parking spaces for the exclusive use of the Olympia Centre; and
- riverside walkway and esplanade.

All of these developments remain and are fully occupied with one exception – the Homebase retail unit was vacated in ..... and subsequently demolished in 2005. The site is currently vacant and is being marketed for redevelopment.

The office developments accommodate a range of occupiers, mainly attracted through Scottish or UK Government public sector relocations:

- Caledonian House: Inland Revenue, DVLA and Procurator Fiscal;
- Compass House: Care Commission and Scottish Social Services Council;
- 1 Greenmarket: Communities Scotland, Her Majesties Inspectorate of Education and Graham & Sibbald (the only private sector tenant);
- 3 Greenmarket: Scottish Enterprise Tayside and Careers Scotland; and
- Quadrant House: Office of the Scottish Charity Regulator.

The Discovery Point visitor centre and RRS Discovery, the first major visitor attractions for Dundee, are operated by Dundee Industrial Heritage Ltd.

DQDL was legally obliged to deliver a hotel development on the waterfront site by 1994, but marketing of the opportunity produced only two bids, one of which required a significant financial contribution by DQDL and was therefore discounted.

## 2.3 Legal Structure

DQDL is a joint venture between HBG Properties Limited, Highbridge Properties plc and Scottish Enterprise Tayside. The shareholding is as follows:

SE	334 'A' Shares
Highbridge	334 'B' Shares
HGB	334 'C' Shares

It is a single purpose joint venture public/private partnership established in 1988 with the initial objective of undertaking the redevelopment of the Dundee Waterfront.

The operation of the business has been governed by a Minute of Agreement dated 25 November 1988 which established a joint venture between the three organisations. The minute of agreement was subsequently varied by further agreements in February and March 1989 and various supplementary agreements in 1990.

In 1992, a further minute of agreement was signed where the three parties agreed to substantially vary the terms of the main agreement and amendments to it. The latest minute of agreement was signed on 28 June 1999. The purposes of the 1992 agreements had been substantially fulfilled and the 1999 agreement set out the conditions for ongoing operations.

The 1999 agreement sets out the obligations of the parties in respect of the development and construction works on the sites. It also has a clause that sets out the profit distribution policy. It states that profits arising from the joint venture shall be distributed equally among the three shareholders, in a manner agreed by the directors of DQD.

In addition, DQD owns 100% of the share capital of GA Properties Limited, a company registered in Scotland. This is understood to be a requirement of the 'Golden Contract' provisions to ensure that tax benefits could continue to be secured for development. GA Properties engaged the services of HGB Construction to provide construction management services to the company.

DQD does not have any direct employees.

## 2.4 Company Performance – Trading Results

BDO were appointed as sub-consultant to provide specialist financial/accounting support and to undertake a review of the financial performance of DQDL and also to identify any issues for SET regarding the future winding-up of the company. The BDO review is based on information supplied by SE, SET and DQDL together with financial performance analysis.

The detailed report provided by BDO is attached at **Appendix 1**.

### 2.4.1 Profit and Loss

The sales were in respect of commercial property developments and are stated net of VAT. The final development was completed in 2006 and there will be no further sales.

The sales depended on completion and sale of each development and therefore vary from year to year. For example, **Table 2.2** shows that in 2005, DQDL sold two sites to third parties resulting in a turnover of £10.6m. In 2006 the final sale, for £1.2m, was made.

<b>Table 2.2: Profit and Loss</b>				
£000	Year Ended 30 Dec 2004	Year Ended 30 Dec 2005	Year Ended 30 Dec 2006	Year Ended 30 Dec 2007
Sales	0	10,641	1,216	0
Cost of Sales	7	9,097	552	(298)
Gross (loss)/Profit	(7)	1,544	644	298
Overheads	78	51	24	5
EBIT	(85)	1,493	640	293
Net Interest Received	31	258	253	31
Profit before Tax	(54)	1,751	893	324
Tax	(6)	519	268	98
Profit after Tax	(48)	1,232	625	226
Retained Profit B/F	974	212	1,444	869
	926	1,444	2,069	1,095
Dividends Paid	714	0	1,200	0
Retained Profit C/F	212	1,444	869	1,095

Source: BDO

Cost of sales represents the building costs and professional fees. At the end of 2006, there was an over-accrual for costs and these were reversed in 2007. This book entry resulted in a credit to the cost of sales in 2007.

Overheads include administrative and marketing expenses.

The company had a positive cash balance during the period under review and therefore received interest.

#### 2.4.2 Dividends

The rules regarding the distribution of dividends are set out in the Articles of Association. The distribution of profits was split into three categories: initial profit, the subsequent profit and the remaining profit.

The initial profit was the first £900,000 and was payable to GA Properties Limited (now HGB Properties Ltd), the holder of the 'C' shares. The subsequent profit was the next £1,350,000 and was payable to the three shareholders using the following proportions:

'A' Shares – SE	£300,000
'B' Shares – Highbridge	£600,000
'C' Shares – HBG	£450,000

The remaining profit is to be distributed equally between the shareholders. This last clause agrees with the dividend policy in the joint venture agreement which states that profits shall be distributed equally amongst the shareholders.

**Table 2.3** shows that the actual distribution of dividends was varied by agreement of the directors. It has not followed the agreement to distribute equally for the following reasons.

**Table 2.3: Dividends Paid for Annual Accounts**

£000	'A' Shareholders SE	'B' Shareholders Highbridge	'C' Shareholders HGB	Total
1994	424	424	425	1,273*
1996	78	78	78	234*
2000	250	250	250	750
2002	416	632	632	1,680
2004	125	294	295	714
2006	400	400	400	1,200
Total	1,693	2,078	2,080	5,851

Source: BDO. Note: \* Analysis not available, assume equal split

One of the office development projects undertaken by DQDL was the development of offices for the Scottish Ministers to be occupied by The Scottish Commission for the Regulation of Care and the Scottish Social Services Council.

Scottish Enterprise decided not to take the construction cost risk of the funding risk of being responsible for inputting one-third of the development funding. Instead, the SE funding risk would be undertaken by the private sector partners, in return for which they would receive a priority profit. This amounted to 10% of their aggregate committed funds. In 2002, the priority profit of £423,000 was paid to the private sector partners, with a lower profit for SE. Thereafter the remaining return was split one-third each. This arrangement was approved by the SE Projects Advisory Group on 17<sup>th</sup> May 2001 and subsequently by the Board of SET.

Similarly, the dividend distribution in 2004 followed a similar pattern where SE decided not to take the funding risk and received a smaller share of dividend as a result.

There was a mistake in the 2004 accounts in that they showed HGB receiving a smaller dividend. According to the directors, the 'C' ordinary shareholder is shown as receiving less as it had been erroneously assumed that this was SE. The actual position is that SE is the 'A' shareholder and HGB the 'C' shareholder.

### 2.4.3 Assets and Liabilities – Balance Sheet Analysis

There are no fixed assets. All land was owned by SE and leased to DQDL.

There were no debtors at October 2007. The group had other debtors of £3,850,000 at 31 December 2005 which were in connection with the sale of properties.

The creditors in 2004 and 2005 included trade creditors which substantially reduced as the sales of developments were completed.

At 31 October 2007, creditors consisted of accrued audit fee of £13,500 and expected costs to complete the developments as follows:

SET site	£300,000
Site 2B	£600,000
Site 2C	£450,000

The company has repaid all loans and has cash on hand of £1.541 m at 31 October 2007. The cash is sufficient to pay the creditors noted above and corporation tax with the remaining amount available to be distributed among the shareholders.

The corporation tax provision for 2007 has been calculated as 30% of profits before tax. BDO did not review the tax computations and it is possible that additional tax may be payable. This would result in a reduction of the funds available for distribution. The only movement in shareholders' funds is the profit for the period.

**Table 2.4** presents the balance sheet results for 2004 to 2007.

<b>Table 2.4: Summary Balance Sheets</b>				
£000	December 2004	December 2005	December 2006	December 2007
Fixed assets	0	0	0	0
Debtors	364	3,850	91	0
Creditors	3,342	3,548	697	362
	(2,978)	302	(606)	(362)
Cash	8,161	3,364	1,742	1,541
Bank Loan	5,000	1,708	0	0
Corporation Tax	(30)	513	266	83
Net Assets	213	1,445	870	1,096
Share Capital	1	1	1	1
Retained Reserves	212	1,444	869	1,095
Shareholders' Equity	213	1,445	870	1,096

Source: BDO

#### 2.4.4 Cash Flows

Cash is received when completed developments are sold. The funding for the development has been obtained from shareholders and by way of bank loans. The cash received and paid out has therefore been subject to the progress of the developments and has therefore been spread unevenly throughout the years.

In 2004, DQDL acquired GA Properties Limited. The purchase price of £50 reflected the book value of the assets and liabilities. There was no significant difference between the book value and fair value of the assets and liabilities acquired and therefore no goodwill. The assets included cash at bank and in hand of £2,984 and debtors of £106. The liabilities included advance payments of £2,497 and creditors of £543 making a book value of £50.

The financial position of GA Properties at 31 December 2006 showed shareholders funds of £151. The assets and liabilities have been consolidated with those of DQDL in the numbers noted in the 'Assets and Liabilities' section above.

Also in 2004, loans from shareholders, HBG and Highbridge were repaid from funds arranged by way of a bank loan of £5 million. The bank loan was repaid in 2005 and 2006.

<b>Table 2.5: Profit and Loss</b>				
£000	Year Ended 30 Dec 2004	Year Ended 30 Dec 2005	Year Ended 30 Dec 2006	Year Ended 30 Dec 2007
Net cash inflow/(outflow) from operating activities	(989)	(1,763)	1,588	49
Returns on investments and servicing of finance	31	258	226	31
Taxation	(260)	0	(528)	(279)
Acquisitions and disposals	2,933	0	0	0
Equity Dividends	(714)	0	(1,200)	0
Financing	2,492	(3,292)	(1,708)	0
Increase/(Decrease) in Cash	3,493	(4,797)	(1,622)	(199)

Source: BDO

#### 2.4.5 Disposal of Remaining DQDL Assets and Liabilities

There are two options for the dissolution of the business. For the purposes of this section, the business included DQDL and its subsidiary GA Properties Ltd. The options and recommendations below apply to both companies.

The first option is to strike off the companies and the second is to involve a Members' Voluntary Liquidation (MVL).

##### **Strike Off**

The process for strike-off is for the directors to make an application to Companies House. The companies should not have traded or changed name in the previous three months. The companies are then struck off three months after publication in the Gazette.

This method has some advantages as it is cost effective, it is controlled internally and it has a short timescale.

It also has some disadvantages. The companies can be restored for up to 20 years with the directors being personally liable for any creditors emerging in that time. Any assets recovered revert to the Crown.

## **Members' Voluntary Liquidation**

The directors appoint a liquidator who then arranges for the distribution of remaining assets and closing the companies.

The MVL has several advantages:

- liquidator is responsible for identifying/agreeing creditor claims;
- responsibility of directors ceases on appointment of a liquidator;
- the MVL process should only last for three to twelve months;
- on completion of the MVL, the companies can only be restored for up to two years;
- directors are not responsible for creditors unless negligent; and
- assets vest in the liquidation can be distributed to shareholders.

## **Recommendation**

BDO's recommendation is that DQDL and its subsidiary, GA Properties Limited, be dissolved by MVL. This will mean that the directors will not have any ongoing responsibilities or potential liabilities.

## **2.5 Summary**

The DQDL project has delivered a number of specific projects through the JV mechanism:

- infrastructure provision: - road, services and removal of sewer outfalls;
- environmental improvements and derelict land upgrade; and
- property development - office, retail, hotel and visitor centre

No real issues were identified through the financial review of DQDL, but no financial accounts or information was available for the period prior to 1992. The key findings are that:

- DQDL has traded profitably since its inception;
- dividends were paid throughout to shareholders - £1.2 million to SE;
- there is a current financial balance of £1.1m to be split one-third each between the JV partners, but there is a potential taxation claim with which Highbridge are currently reviewing; and
- DQDL should be wound-up by Members Voluntary Liquidation rather than strike-off.

## 3. DQDL Context

This section outlines the context within which DQDL has operated (strategic and economic) and outlines some comparator projects against which DQDL can be considered.

### 3.1 Strategic Fit

This section of the report presents an outline of the strategic fit that DQDL has had with key local, regional and national policy documents and the overarching contribution that it has made to the goals and objectives of these documents.

#### 3.1.1 Smart Successful Scotland

Smart Successful Scotland was first published in 2001 and refreshed in 2006, building on the objectives of the original strategy. These documents set the overarching economic development strategy for the Enterprise Networks outlining the key aims and objectives for intervention. It has recently been succeeded by the Government Economic Strategy.

The strategy had three key objectives:

- growing businesses: taking forward entrepreneurial dynamism and research and development to deliver innovative companies growing in scale;
- learning and skills: developing skills to make best use of human capital to prepare for tomorrow's labour market; and
- global connections: taking forward aspects of physical and electronic infrastructure, together with building the global connections of Scottish businesses to create world class locations, part of Europe and connected to the global economy.

DQDL contributed to the over-arching Smart Successful Scotland policy objectives through the provision of high quality business property and leisure/visitor facilities, providing opportunities for local businesses and employees. The office properties in particular provided high quality office accommodation that attracted new employers to the city – primarily high quality public sector operators offering skilled and well-paid employment opportunities.

It is important to note that the DQDL masterplan was set and projects commenced a considerable time before the introduction of Smart, Successful Scotland. It is interesting to note that the wider regeneration benefits of DQDL do help to contribute towards the third objective i.e. creating a world-class location – it could be argued that the removal of dereliction and blight followed by high quality office and leisure development on the Dundee Waterfront has been a key factor in the successful regeneration of the city.



### 3.1.2 Dundee Partnership Agreement

The Dundee Partnership is a joint venture of key agencies operating in the city including DCC, SET, Communities Scotland, Tayside Police and NHS Tayside. The roots of the partnership can be traced back to the Dundee Project, an area regeneration initiative established in 1981 to deliver projects to improve Dundee's physical and economic environment.

The Partnership has now evolved and broadened its remit to become the local vehicle for the delivery of the community planning agenda with an agreed Regeneration Outcome Agreement strategy.

The original partners in the Dundee Project were the SDA, Dundee District Council and Tayside Regional Council. It was resourced by a team of full-time employees and secondees from each partner and remained in force until 1991, focusing on the physical regeneration of Dundee and the attraction of inward investment to the city.

In 1991, the Scottish Enterprise network was introduced and with it a new body established to continue the work of the Dundee Project team. The Dundee Partnership was formed by the three key local public partners, with SET replacing SDA. The Partnership had no permanent staff and functioned through a Steering Committee, feeding through a Senior Officers Group into individual project support groups. Activity was driven by the 'New Horizons for Dundee' strategy document.

Local Government reorganisation in 1996 removed the two-tier structure and established Dundee City Council. The Partnership was restructured to encompass a broader range of organisations including the Universities, College, Scottish Homes and representatives of voluntary/private sectors. The partnership continued without a permanent team and functioned through a revised structure with overarching Partnership Forum, Senior Officers' Committee, Partnership Executive and individual project groups.

Activity was driven by a new, broader strategy 'A Vision for Dundee' which proposed four main aims to develop Dundee as:

- a major location for employment and investment;
- a thriving regional shopping centre;
- a city of knowledge, innovation and enterprise; and
- a vibrant cultural, leisure and visitor economy.

These aims were supported by four enabling activities, to:

- realise the potential of all sectors of the community;
- improve the environment, transport and communications;
- maximise external financial resources; and
- improve the city's image and reputation.

Since 2001, the Dundee Partnership has evolved and broadened to become the vehicle for delivery of the city's first Community Plan.

DQDL was a key project initiative developed by the Dundee Project and has contributed to the aims and objectives of the changing partnership structure consistently over the past 20 years. Specifically looking at the revised 'Vision for Dundee' strategy, DQDL has made a significant contribution to the three of the aims and enabling activities, as outlined in bold above.

### 3.1.3 SE/SET Operating Plans

We have reviewed historic SE and SET Operating Plans and have outlined, in summary format, the key objectives of these plans, by timescale.

#### **1993-1998**

The early strategic plans by SET focused on improving the competitiveness of Tayside's companies and people. The SET Strategic Plan 93-96 had the following aims:

- enhancing the skills of Tayside's Workforce by 1998;
- strengthening the Competitiveness of Tayside's Companies by 1998;
- improving Tayside's Business Infrastructure by 1998; and
- regenerating Tayside's Disadvantaged Communities by 1998.

This plan also identified the key industries in Tayside's economy, of which at this time there were five:

- engineering;
- food and drink;
- tourism;
- oil; and
- higher and further education.

This early strategy was supported by the SET Business Plan 1995/98 which was build around 3 imperatives:

- competitive companies;
- competitive people; and
- competitive places.



This plan was updated with the SET Business Plan Update 1996/97. It identified three of the key sectors in Tayside: tourism, food and drink and biotechnology.

The document sets out the overall ambition for SET which is to halt and reverse Tayside's relative economic decline, measured in terms of GDP (Gross Domestic Product) per capita. This produced two specific goals:

- three year goal: to halt Tayside's relative decline, compared to the OECD average by 1998; and
- ten year goal: to reach and exceed the European Union average by 2005.

The strategy was built around the three imperatives identified in the 93-96 Strategic Plan and the five key industries in Tayside's economy. However, it also identifies two emerging sectors:

- biotechnology and healthcare; and
- information industries.

## **1999-2002**

Scottish Enterprise produced its own strategy for the whole network in 1999. This put more emphasis on the importance of innovation to people, business and organisations, the value of strong enterprise from within Scotland, the challenge of lifelong learning and the need to create a more inclusive society.

The SET Operating Plan for 2000/2001 identified the main barriers to economic growth as unemployment, poverty and rural locations. The equivalent plan for the whole of the SE Network had four main goals:

- innovative and far-sighted organisations;
- positive attitudes to enterprise and learning;
- economic development as an inclusive process (where everyone plays a positive part in Scotland's economic development); and
- Scotland as a competitive place in the world economy.

These goals were adopted by each of the local enterprise companies, including SET.

The Priorities for Action document produced by SET for 2000/2001 emphasised that the Tayside economy is an economy in transition. Industries such as textiles and fishing, which once employed many thousands of local people, have dwindled to a fraction of their former size, largely as a result of changing international conditions. Others, such as engineering, food processing and tourism have adapted to embrace new technologies and market opportunities.

Industries such as education, healthcare, biotechnology, call centres, the leisure industry and digital media have strengthened their foothold in Tayside. This is backed up by the document Scottish Enterprise Tayside 'What We Do and Why' 2001-2002 which emphasises these points.

The SET Annual Report in 02/03 followed the goals of A Smart, Successful Scotland. It set the following targets across each of the three key areas of SSS as outlined above.

### **2003 -2004**

The SE Operating Plan for 2003/04 further emphasises the goals of A Smart, Successful Scotland but did not introduce any further policies.

The SET Annual Report for the same year provides information on SET achievement in each of the three key areas set out in A Smart Successful Scotland but with no new policy objectives. The SET Operating Plan for 2003/04 detailed £21 million investment in the Tayside economy in these three key areas.

The Scottish Enterprise Operating Plan 2004-2007 emphasised a renewed focus on those activities that will make a real difference to long term economic prospects. There was also an additional emphasis on growing businesses, capitalising on the strength account management systems.

All policy is in line with the key policies of A Smart, Successful Scotland. The SET Annual Report 04/05 expanded on how SET planned to build on these key themes.

### **2005-2008**

The SE Operating Plan 2005-2008 has the following strategic objectives:

- a greater focus on City Regions, as the engines of economic growth. To deliver this the LEC funding allocation process was amended, placing greater emphasis on collaborative working between LECs in city region areas;
- a significant increase in the value of foreign direct investment (FDI) into Scotland after four years of decline in the global flows of FDI;
- more resource into programmes and projects that deliver real value and phase out activities which do not, reducing network products from over 500 to fewer than 300, with scope for further reductions. This will reduce customer confusion, introduce a greater consistency across the Network and provide better quality results; and
- a pilot programme for aspiring companies of scale aimed at providing support to overcome the substantial barriers to acquiring real scale. This is in addition to expanding the Global Companies Development Programme and the proposed launch of a new Scottish Investment Fund.

## Summary

It is possible to identify key areas where the DQDL development contributed toward and met the strategic goals and aspiration of both SE and SET, they are not major, and are less easy to identify in the latter years of the project.

It is fair to say, however, that the DQDL project was developed in the SDA period when physical regeneration was a key activity in its own right, rather than being connected to economic and social aspirations.

### 3.1.4 Local and Structure Plans

Physical development activity is governed by statutory planning documents – the Local and Structure Plans. The Dundee Local Plan Review was completed in August 2005 and takes forward the previous Local Plan adopted in 1998. The current Dundee and Angus Structure Plan covers the period 2001 – 2016. Both of these documents were prepared after development of the DQDL site was commenced.

The planning situation with regard to the Waterfront site was also affected by its Enterprise Zone designation, see below. In response to this a formal Development Agreement was signed in 1988 (and subsequently updated in 1992) between SDA/SE and the District Regional Councils. The detail of this is covered in Section 2.1.

For the purposes of this evaluation we have assumed that the development as undertaken by DQDL fitted with both the Local and Structure Plan documents, which will have taken account of the Enterprise Zone designation and the Development Agreements.

### 3.1.5 Dundee City Centre Economic Development Plan

The current Dundee Economic Development Plan 2005-2007 is the fourth in the series and builds on past Plans. It would be inappropriate to review DQDL against the current plan, but it is appropriate to consider the review of past activity as outlined in the current Plan. The plan identifies changes that have occurred in recent years, including:

- employment levels have improved over the plan period;
- claimant rates have been reduced;
- long term unemployed has fallen;
- business start-ups are on the rise;
- GDP down slightly;
- investment exceeding £220 million over the last 3 years; and
- employment continues to grow despite losses in the manufacturing sector which mirrors global trends.

Based on our wider review and analysis, the DQDL development played a key part in the wider regeneration of Dundee. While it is not possible to identify the extent to which DQDL, directly or indirectly, contributed toward the achievement of these goals, it is possible to say that it will have made a significant contribution.

### 3.1.6 Enterprise Zone

In addition to the specific documents outlined in the study brief, it is appropriate to include a review of the Tayside Enterprise Zone.

Enterprise Zones were introduced by the new Conservative Government in 1979. They were urban areas (usually the 'worst' areas for deprivation, job loss and limited investment) and delivered benefits to developers, investors and occupiers.

Developers and investors were granted freedom from normal planning controls and were able to claim financial incentives i.e. 100% capital allowances against development and construction costs. Occupiers benefitted through relief from local business property rates over the period of the EZ status.

Enterprise Zones were seen as a means of stimulating economic growth with reduced regulation, lower taxes and other financial incentives for businesses. Economic activity was assumed to increase due to the reduced cost of operating businesses within designated EZ areas.

An early objective of the Dundee Project was to establish an Enterprise Zone in the city, following their introduction in the Local Government, Planning and Land Act 1980. Enterprise Zones provided fiscal incentives and an opportunity to simplify planning procedures for new investment in defined sites. It was felt to be an appropriate mechanism to support Dundee's regeneration strategy.

The intention of the Enterprise Zone measures were to achieve economic regeneration through a property development led approach, with EZ development land more attractive to private developers and property funds.

Enterprise Zone status was gained in Dundee in 1984 for six sites:

- Wester Gourdie – general industrial;
- Technology Park – high technology;
- Dundee Airport – airport related activities;
- Central Waterfront – commercial, tourism and high amenity;
- Dundee Port – oil related uses; and
- West Pitkerris – a green-field location.

The Central Waterfront site (DQDL) was a key focus for the Dundee Partnership, to be achieved through planned management and development. The site was identified for commercial, tourism and retail use, in recognition of its proximity to the city centre. This led to the development of specific proposals including the siting of the RRS Discovery.

The EZ status in Dundee was seen as essential in increasing the attractiveness of the site to property developers and funders and ensured that development proposals (in financial terms) were viable without the assistance of the public sector, based on occupier pre-lets.

## 3.2 Socio-Economic Trends

This chapter provides a socio-economic baseline of Dundee. The baseline provides an overview of the current economic climate of Dundee and the changes that have occurred over the last 20 years (where data is available). Further to this, we have also, where available and appropriate drawn comparisons with Scotland.

Our socio-economic baseline assessment covers the following areas:

- economic:
  - population
  - employment and unemployment
  - business base activity;
- social:
  - benefits
  - skills and qualifications
  - economic activity; and
- environmental:
  - development activity
  - land use/derelict land.

### 3.2.1 Economic

#### Population

**Table 3.1** shows the population change of Dundee between 1981 and 2006.

<b>Table 3.1: Population</b>					
	1981	1991	2001	2006*	% change 81-06
Dundee	169,581	155,600	145,500	142,200	-16%
Scotland	5,180,200	5,083,300	5,064,200	5,116,900	-1%

Source: Census 2001

\* Data source: Mid Year Population Estimates

The population has fallen quite significantly from 169,581 in 1981 to 142,200 in 2006, a total decrease of 16%. In the same time period the population of Scotland fell by 1%.

#### Employment Base

The Annual Business Inquiry (ABI) provides data on workplace-based employment across Dundee. **Table 3.2** details the employment base broken down by broad industrial sector.

<b>Table 3.2: Employment Base by Industry 1991-2006</b>					
	Dundee				Scotland
	1991	2001	2006	% change 91-06	2006
Agriculture and fishing	0%	0%	0%	0%	2%
Energy and water	1%	1%	0%	-1%	2%
Manufacturing	23%	15%	12%	-11%	9%
Construction	6%	4%	6%	0%	6%
Distribution, hotels and restaurants	20%	26%	24%	4%	22%
Transport and communications (1991 includes banking finance and insurance)	13%	4%	4%	-7%	5%
Banking, finance and insurance, etc	-	10%	14%	4%*	18%
Public admin, education & health	6%	34%	36%	30%	30%
Other services	31%	6%	5%	-25%	5%
<b>Total</b>	<b>68,447</b>	<b>72,426</b>	<b>73,858</b>	<b>8%</b>	<b>-</b>

Source: ABI

\* Change is 2001 to 2006, as no previous 1991 data



Total employment in Dundee increased by 8% overall between 1991 and 2006, taking account of increase and decline across each of the sectors.

The main areas of decline in employment in Dundee were in manufacturing and other services. Manufacturing fell by 11% between 1991 and 2006 and other services fell by 25% during the same period. The main industry of growth was public admin, education & health which grew by 30% between 1991 and 2006.

The employment base in Dundee for manufacturing in Dundee (12%) is higher than the comparative employment base for Scotland (9%), despite a decrease of 11% in Dundee since 1991. In Dundee, Public Admin, Education and Health accounts for a higher proportion of employment (36%) than the Scottish average (30%). This is an industry that has grown significantly in Dundee since 1991.

**Table 3.3** shows the employment base by industry in 1991 and 2006 and how the proportion of employment in Dundee has changed as a percentage of the overall Scottish employment base.

<b>Table 3.3: Employment Base by Industry, 1991 and 2006 for Dundee and Scotland</b>						
	1991			2006		
	Dundee	Scotland	% of Emp Base	Dundee	Scotland	% of Emp Base
Agriculture and fishing	0	27,611	0%	<25	35,871	0%
Energy and water	817	59,337	1%	6	38,236	0%
Manufacturing	15,687	380,974	4%	8,619	223,961	4%
Construction	4,040	130,110	3%	4,166	138,421	3%
Distribution, hotels and restaurants	13,361	411,041	3%	17,742	530,135	3%
Transport and communications, banking finance	9,087	314,634	3%	2,996	120,827	2%
Banking, finance and insurance, etc				10,224	433,753	2%
Public admin, education & health	4,017	140,149	3%	26,309	720,326	4%
Other services	21,438	540,044	4%	3,776	129,025	3%
Total	68,447	2,003,900	3%	73,858	2,370,555	3%

Source: ABI

The employment base by industry for Dundee as a percentage of the Scottish total has remained fairly static. Between 1991 and 2006 there has been no significant change in any of the industry sectors as a percentage of Scotland's employment base. Energy and water and public admin, education & health both increased by 1%.

**Table 3.4** shows the changes that have occurred in the total employment base for the period 1991-2006.

<b>Table 3.4: Total Employment Base, 1991-2006</b>				
	1991	2006	Absolute change	% change
Dundee	68,447	73,858	5,411	8%
Scotland	2,003,900	2,370,554	366,655	18%
Dundee as % of Scotland's Total employment base	3%	3%	-	-

Source: ABI

Between 1991 and 2006 the total employment base in Dundee grew by 8%. This was less the increase for total employment base for Scotland which grew by 18%. In 1991 Dundee accounted for 3% of the total Scottish employment and this remained the case in 2006.

### Unemployment

The following section summarises the residence-based unemployment that is available from claimant count data. The claimant count records people that register for Job Seekers Allowance (JSA) and is shown in **Table 3.5**.

<b>Table 3.5: Claimant Count, 1985-2007</b>					
	1985	1991	2001	2007	% change 85-07
Dundee	14,960	8,659	4,525	3,129	-79%
Rate	-*	-*	5.0%	3.5%	
Scotland	351,463	223,599	101,171	68,538	-80%
Rate	-*	-*	3.2%	2.1%	
% of Scotland's Claimant Count	4%	4%	4%	5%	

Source: Claimant Count

\* These figures are missing

The claimant count in Dundee between 1985 and 2007 fell significantly, as it did for Scotland, 79% and 80% respectively. During this period of time, Dundee's contribution to the total claimant count for Scotland has remained virtually the same. Between 1985 and 2001 it was 4% before latterly rising to 5% in 2007.

**Table 3.6**, details the Long Term Unemployment (LTU) across the geographies. LTU measures people that have been unemployed for longer than 12 months.

<b>Table 3.6: Long Term Unemployment, October 2007</b>					
	1985	1991	2001	2007	% change 85-07
Dundee	5,285	2,850	1,225	485	-91%
Rate	-	-	1.4%	0.5%	
Scotland	115,070	60,250	16,665	9,745	-92%
Rate	-	-	0.5%	0.3%	
% of Scotland's LTU	5%	5%	7%	5%	

Source: Claimant Count

The numbers of long term unemployed in Dundee and Scotland fell significantly between 1985 and 2007, 91% and 92% respectively. Dundee's long term unemployment as a proportion of the overall Scottish LTU grew between 1985 and 2001 from 5% to 7%. However, this rate reduced to 5% by 2007.

### Business Base

The Annual Business Inquiry measures the number of VAT registered businesses within an area. **Table 3.7** details the number of businesses broken down by industry for Dundee and Scotland.

<b>Table 3.7: Business Base by Industry 2006</b>					
	Dundee				Scotland
	1991	2001	2006	% change 91-06	2006
Agriculture and fishing	0%	0%	0%	0%	2%
Energy and water	1%	0%	0%	-1%	1%
Manufacturing	11%	7%	6%	-5%	6%
Construction	6%	7%	7%	1%	9%
Distribution, hotels and restaurants	37%	39%	36%	-1%	31%
Transport and communications (1991 includes banking, finance and insurance)	17%	3%	3%	-14%	5%
Banking, finance and insurance, etc		18%	23%	5% (01-06)	26%
Public administration, education & health	3%	14%	15%	12%	12%
Other services	26%	12%	9%	-15%	19%

Source: ABI

The business base that has grown the most in Dundee since 1991 is the Public Administration, Education and Health. This grew by 12% between 1991 and 2006 and gives Dundee a greater proportion of businesses (15%) in this sector than the national average (12%).

With the exception of Construction and Banking, Finance and Insurance, the other industries in Dundee have declined in numbers, most significantly Other Services which fell by -15%. The reason for the decline in transport and communications will be partly because of the reclassification of this industry between 1991 and 2001.

The strongest industry sector in Dundee is Distribution, Hotels and Restaurants, accounting for 36% of all registered businesses in Dundee, a higher proportion than the national average at 31%.

**Table 3.8** shows the Business Base by Industry in Dundee in Scotland in 1991 and 2006 and the percentage of the overall base for Scotland that Dundee contributes.

<b>Table 3.8: Business Base by Industry, 1991 and 2006 for Dundee and Scotland</b>						
	1991			2006		
	Dundee	Scotland	% of Bus Base	Dundee	Scotland	% of Bus Base
Agriculture and fishing	0	708	0%	6	3,485	0%
Energy and water	18	1,114	2%	6	821	1%
Manufacturing	366	11,922	3%	243	10,047	2%
Construction	204	10,233	2%	289	15,528	2%
Distribution, hotels and restaurants	1,258	40,414	3%	1,480	54,105	3%
Transport and communications	597	24,191	2%	139	7,877	2%
Banking, finance and insurance, etc				958	45,142	2%
Public admin, education & health	111	4,653	2%	622	21,526	3%
Other services	883	29,644	3%	365	15,104	2%
<b>Total</b>	<b>3,436</b>	<b>122,879</b>	<b>3%</b>	<b>4,108</b>	<b>173,635</b>	<b>2%</b>

Source: ABI

The total business base in Dundee increased by 20% between 1991 and 2006. This is less than the increase for Scotland as a whole which rose by 41% over the same time period. Dundee as a proportion of Scotland's overall business base has reduced by 1% between 1991 and 2006, falling from 3% to 2%.

Within the sectors there has not been a great deal of significant change in the overall contribution of Dundee's business base compared to the overall business base for Scotland. Manufacturing fell by 1% and transport and communications rose by 1%. Other sectors have remained proportionately the same.

### 3.2.2 Social

#### Benefits

**Table 3.9** shows the number of benefit claimants in Dundee and Scotland between August 1999 and August 2006. The number of claimants in Dundee and Scotland has fallen over the last 7 years. In Dundee the number of claimants has declined by 12%, which is a slightly greater improvement in the number of claimants in Scotland over the same time period which was 10%.

<b>Table 3.9 Benefit Claimants Dundee and Scotland 1999-2006</b>		
	Dundee	Scotland
August 1999	22,350	617,390
August 2000	21,490	602,590
August 2001	21,120	591,760
August 2002	21,500	608,580
August 2003	20,780	595,740
August 2004	20,340	581,360
August 2005	19,830	561,890
August 2006	19,660	553,160

Source: Nomis

#### Skills and Qualifications

This section details the qualification levels of all people aged 16-74 years. **Table 3.10<sup>6</sup>** below indicates the level of qualifications achieved by residents in Dundee.

<b>Table 3.10: Qualifications of the Workforce (aged 16-74), 2001</b>						
	All People	No Qualifications	Group 1	Group 2	Group 3	Group 4
Dundee	108,107	34%	24%	17%	7%	18%
Scotland	3,731,079	33%	25%	16%	7%	19%

Source: Census 2001

The qualifications of the workforce in Dundee are very similar to the qualifications of the workforce across Scotland.

<sup>6</sup> Highest level of Qualification is defined as:

Group 1: 'O' Grade, Standard Grade, Intermediate 1, Intermediate 2, City and Guilds Craft, SVQ level 1 or 2, or equivalent.

Group 2: Higher Grade, CSYS, ONC, OND, City and Guilds Advanced Craft, RSA Advanced Diploma, SVQ level 3 or equivalent.

Group 3: HND, HNC, RSA Higher Diploma, SVQ level 4 or 5, or equivalent.

Group 4: First Degree, Higher degree or Professional Qualification.

## Economic Activity

This section examines the levels of economic activity within Dundee for residents aged 16-74. **Table 3.11** reports the findings.

<b>Table 3.11: Economic Activity, 2001</b>		
	Dundee	Scotland
All people aged 16-74	108,107	3,731,079
<b>Economically Active</b>	<b>60%</b>	<b>65%</b>
Employee part-time	10%	11%
Employee full-time	36%	40%
Self-employed	4%	7%
Unemployed	5%	4%
Full time students also in work	5%	3%
<b>Economically inactive</b>	<b>40%</b>	<b>35%</b>
Retired	15%	14%
Students not in employment	8%	4%
Looking after home/family	5%	6%
Permanently sick/disabled	8%	7%
Other	4%	4%

Source: Census 2001

The economic activity rate in Dundee is 60%, 5% less than the rate for Scotland. Of the residents that are economically active, Dundee has a lower proportion of those in employment and a marginally higher proportion of unemployment people and students.

Of the residents that are economically inactive, Dundee has a high proportion of students (8%), compared to the national average (4%).

### 3.2.3 Environmental

#### Development Activity

According to the Scottish Property Network (SPN) database there were 5 registered office developments in the Dundee City Council area between February 2007 and February 2008. These are located at Explorer Road, Faraday Street, Long Wynd, North Lindsay Street and West Victoria Dock.

SPN also had data on retail developments in the Dundee City Council area between February 2007 and February 2008. There are 4 registered retail developments at various locations across the city. There is a supermarket and petrol filling station development at South Road, a retail and office development at South Ward Road, a car showroom at Dunsinane Avenue and refurbished retail units at Kingsway West.

There are 4 industrial developments registered on SPN at various locations in the city. There are 4 industrial units at Ainslie Street, 4 industrial units at Balgray Place, 2 industrial units at Balunie Drive and a warehouse at Longtown Road.

The final development on SPN is for construction of 20 holiday units. This is a proposed development at this stage by Piperdam Golf & Leisure Park Ltd.

## Vacant and Derelict Land

**Table 3.12** reports the Scottish Vacant and Derelict Land Survey for 2007 in the Dundee City Council Area. In total in 2007 there were 219.25 hectares of derelict land on 204 sites. The majority of these sites were vacant sites with only 16 of 204 sites being derelict.

<b>Table 3.12 Scottish Vacant and Derelict Land Survey 2007 – Dundee City Council Area</b>						
<b>Year</b>	<b>Vacant no of sites</b>	<b>Hectares</b>	<b>Derelict no of sites</b>	<b>Hectares</b>	<b>No of sites</b>	<b>Total Hectares</b>
2007	188	177.72	16	41.53	204	219.25

SVDLS 2007

## 3.3 Comparator Project Review

As part of the study we reviewed alternative public-private joint venture delivery mechanisms that have operated in an urban regeneration context. In total we reviewed six alternative models comprising a mix of public and private sector input under two key categories:

- public-private joint venture models; and
- public sector controlled models both with and without private sector input.

The analysis presented below sets out a brief review of examples of different types of public/private joint ventures.

It should be noted, however, that it is difficult to make direct comparisons with DQDL because there are major differences in the scale, approach and activities of each organisation.

The detailed review is presented at **Appendix 2**.

### 3.3.1 Model 1: The Joint Venture Model

The joint venture model approach requires strategic partnerships between public sector organisation(s) and a private sector partner (normally single). This can be developed along a number of lines, as a partnership with a developer, a funder or a combination of the two.

Three specific JV models were included in our review:

- Priority Sites Ltd: public-private partnership owned by The Royal Bank of Scotland (51%) and English Partnerships (49%). Created in 1997 it is a vehicle to focus on the development of commercial property where private-sector development and investment companies are generally reluctant to invest and develop. The company has become established as a key developer of industrial and commercial property in the English Regions. It has completed over 1 million sq ft of industrial floorspace in areas of economic need. The cumulative development programme indicates over 3.4m sq ft of completed space by December 2007 with a current Business Plan target that envisages the provision of a further 725,000 sq ft per annum up to 2011;
- Blueprint: 50/50 limited partnership between East Midlands Development Agency (EMDA) and Igloo Regeneration. The company bought £35m of property from EMDA, manages a small business property portfolio and owns a range of mixed use regeneration sites estimated at £500m. Blueprint is a limited liability partnership formed in May 2005 with a remit to focus on social and economic regeneration. There are four separate strands to Blueprint activity: social good, economic benefit, environmental improvement and reasonable return on investment; and
- City of Stirling Business Parks (CSBP): Stirling Council has a 50/50 public-private joint venture with Scarborough Properties, the main focus being the delivery of new business space at Castle Business Park. Financial support in the form of gap funding has been provided for individual projects from the public sector, primarily SE Forth Valley. Stirling Council has recently decided to expand its public-private JV and is understood to have recently amended the agreement with Scarborough to expand the activities of CSBP to include the non-operational portfolio of the Council. The revised organisation will be called the Stirling Development Agency (SDA).

The key benefits identified from our review are that this approach allows a considerable element of risk sharing between the public and private sector partners and that the private sector often bring specialist skills and financial investment resources. The down-side is, however, that timing can be difficult to control. Private bring specialist input.

### 3.3.2 Model 2: The Public Sector Model

This approach sees the public sector in overall strategic control through either:

- 100% ownership of the delivery vehicle; or
- the public sector retaining 51% plus control.



In all cases though, the private sector are involved either as funding and/or development partners. Three specific models of JV style partnerships were included in our review:

- EDI Group: established in 1988 by the City of Edinburgh Council (CEC) to carry out the development of Edinburgh Park, but subsequently undertaking a wide range of property development including office, retail, industrial and housing. One of EDI's roles is to work in partnership with both public and private sector partners carrying out projects that bring added value in respect of architectural, environmental and economic development benefits. The company is 100% owned by CEC and delivers JVs with the private sector on the basis of specific projects. EDI has retained ownership of the majority of its completed commercial developments, and this, coupled with strategic individual purchases has resulted in the creation of a significant investment portfolio of over 100 individual properties;
- Akeler (Scotland) Ltd: formed in 1994 between SE and Akeler Developments to develop business space with the aim of 'kick-starting' the regeneration of the Lanarkshire economy. All profits generated were recycled into each subsequent phase with 67% of the company owned by SE. Akeler obtained financial returns from a retainer, development fees and property returns. The company was wound-up in 2005 with the property portfolio brought into SE ownership – the funds to pay for the Akeler proportion were obtained from the current operating profit in the company's accounts; and
- East Dunbartonshire Development Company: formed in 1988 between the predecessor organisations of SE Dunbartonshire, East Dunbartonshire Council and the local Enterprise Trust to specifically develop Southbank Business Park in Kirkintilloch, but subsequently undertaking office, education, industrial and leisure developments across East Dunbartonshire. The JV was designed to provide speculative and bespoke business property for economic development objectives. The original assets were provided by EDC land assets (Southbank) and SE grant funding (£2m). Although initially wholly reliant on public funding the company now operates on a commercial basis raising bank funding to support new commercial developments on the strength of its wider portfolio – the company has retained ownership of all of its completed developments.

The key benefits identified include control and retained ownership of completed projects, thereby recycling funds to support future development activity. The downside is the lack of a committed private sector development partner who is able to bring specialist skills and development funding – these models have to secure funding on a project-by-project basis.

### 3.3.3 Summary of Comparator Companies

We have reviewed two overarching models of public-private activity in support of property development, with three specific examples considered under each type.

Based on our review a number of factors can be established:

- the private sector has been involved to a greater or lesser extent in each of these six examples, but to a greater extent in the JV models;
- the original objectives have primarily been around promoting property development by unlocking value tied up in public sector assets (primarily local authority); and
- the models often employ at least one member of staff to manage the process and to in-source appropriate private sector commercial skills, where required;
- JVs appear to be a better model in sharing risk between the public and private sectors, but there are identified timing issues and the public sector is unable to work with another private sector partner to secure deliver; and
- the public sector models give greater control and allow retained ownership in the properties and therefore the ability to recycle profits to support subsequent property development activity.

In considering lessons for DQDL, it would appear that the company operated along similar lines to the identified joint venture models outlined above. We believe that this is the most appropriate model for DQDL as it allowed the company to retain profit and control of activity and allowed cross-funding for the leisure and infrastructure elements.

## 3.4 Summary

This section has reviewed the overarching policy and strategy documents that have been in place over the past 20 years to identify key objectives and targets and see where DQDL contributed. It is clear that DQDL has had a good level of overall fit, especially following the change in development proposals from the leisure to the office based scheme.

DQDL developments have met a number of key policy objectives, including:

- supporting economic growth in Dundee and Tayside;
- delivery modern property development;
- supporting the delivery of community benefits in terms of environment and place-making;



- significantly supporting the city marketing campaign i.e. Discovery brand;
- improving the environment of the city at a key access point;
- supporting business growth through the expansion of the business professional services market in Dundee; and
- generating tourism for the city through the development of the Discovery Point Centre.

## 4. Consultation and Fieldwork

This chapter reports on the feedback and responses provided through the consultation and fieldwork programme.

### 4.1 Stakeholder Consultation

A key aspect of the consultation element of the study was to speak with a number of individuals and organisations that had/have an involvement in, or awareness of DQDL.

In total 19 individuals participated in the stakeholder consultation process as outlined in **Table 4.1** below.

<b>Table 4.1: Stakeholder Consultees</b>	
Kevin Bazley	Scottish Enterprise Tayside
John Burke	HBG Properties
Nick Day	Former Scottish Enterprise Tayside
Steve Carter	Scottish Enterprise Tayside
Douglas Davidson	Scottish Enterprise Tayside
Mike Galloway	Dundee City Council Planning
Eric Gray	Federation of Small Businesses
Cameron Gunn	Scottish Enterprise
Peter Johnston	Former Dundee City Council Planning
Graham McKee	Former Scottish Enterprise Tayside
Gordon McLaren	ESEP Ltd
Jim McLeish	Fife Council (former Dundee City Council)
Vicki Miller	Visit Scotland
Mark Munsie	Dundee Heritage Trust
Peter Noad	Scottish Enterprise Tayside
Piet Pulford	Highbridge Properties
Peter Selman	Elphinstone (Former Scottish Enterprise Tayside)
Alex Stephen	Dundee City Council Chief Executive
Allan Watt	Scottish Enterprise Tayside

The interviews were conducted in confidence and whilst the views and opinions of participants are provided below, it is not produced in a format that will identify individual responses.

#### 4.1.1 Involvement with DQDL

##### **Level of Involvement**

The vast majority of consultees had some previous involvement with DQDL either through direct activity, funding support, involvement in adjacent projects or through the approvals mechanism (planning, funding, etc). A number of the consultees (from a number of organisations) were involved in the Dundee Project and therefore had a detailed awareness of the design and delivery of DQDL.

It is important to note, however, that a small number of consultees were not involved in the project at all and provided input based on their perception of the activity and impacts of DQDL.

### **Level of Stakeholder Investment/Support**

There were differing views provided by consultees regarding the level of stakeholder and partner support given to DQDL.

The most common view, however, was that there were issues around the level of external partner support, particularly in the early years of the company and specifically from Tayside Regional Council (TRC) and Dundee District Council (DDC). The consultees generally felt that the relationship improved in the mid to late 1990s, partly due to the recognition of a need to work in partnership but also partly due to changes in staffing and therefore personality.

Many of the consultees recognised that SET had a difficult role in DQDL because they were 'caught' between the private sector and other public sector partners and had responsibilities to both. There was a minority view that DQDL adopted a rather arrogant attitude in the early stages in relation to TRC and DDC and that this did not help to smooth the process.

There was a minority view that this difficult relationship affected DQDLs ability to deliver the leisure scheme on the waterfront and the decision of the planning authority to award approval for the development of a competing scheme, effectively stopping the waterfront leisure development.

Some credit was paid to the private sector DQDL partners who continued to work with SET through some very difficult periods and over a considerable period of time (almost 20 years). It would have been possible for the private sector partners to claim that the original development agreement (and therefore legal structure) was no longer valid as the original development plan i.e. the leisure element, could be procured.

### **Views on Partnership Structure**

Consultees also had differing views on the strengths of the partnership structure adopted by DQDL. The general view was that it was a positive and appropriate vehicle but that there were some issues which if resolved would have led to better outcomes for Dundee.

On the positive side almost all of the consultees recognised that having a single purpose vehicle dedicated to the development of one specific site was a huge benefit. The company held the assets and resources and therefore any proposed investment and/or disposal of assets needed the approval of the other partners. This was particularly important as it removed any internal (SET) or external (other public) pressure for DQDL to invest in other projects, or to dispose of assets to fund other projects, and held the focus of the company clearly on the delivery of the waterfront site.

On the negative side, comments were raised by some consultees over the risk averse nature of the private sector partners in DQDL. This affected the company's ability to undertake higher risk opportunities that could have produced significant benefits for the city e.g. early speculative office development. The inclusion of a get-out clause for SET would have been helpful in focusing the minds of the private sector partners and would have allowed engagement with an alternative private sector partner to procure development. This could have speeded up the rate of development.

Overall, the input of the private sector in the process was seen as a positive move. Pre DQDL, the reputation of Dundee as a viable investment location for the private sector, was poor. There was, however, some recognition amongst consultees that at the time the company was established in the late 1980s, that the structure of DQDL i.e. the long-term partnership with the private sector was not appropriate.

A number of consultees specifically questioned whether the development could have been delivered without the private sector input, and also whether it could have been delivered without the single purpose joint venture approach of DQDL. These consultees recognised that the approach allowed the site sales receipt obtained through disposal of the retail superstore site to be used to cross-fund the non-viable or 'public good' elements of the project i.e. infrastructure, environment and visitor centre (including ship).

### **Strategic Fit**

Overall consultees felt that DQDL had a good level of strategic fit with the key aims and objectives of local, regional and national policy. Its key objectives were to remove dereliction and support regeneration and these were supported by all of the partners.

The final outcome of the process has delivered tourism, environmental upgrade and has attracted or retained business and employment in Dundee.

Some concerns were raised by a small number of consultees over the extent to which the physical development activity was connected to the partners other economic development objectives i.e. business support and training activities. It is possible that a more joined-up approach could have delivered better outcomes for Dundee.

## **4.1.2 Successes and Missed Opportunities**

### **Successes**

Consultees were asked to identify what they considered to be the greatest success of DQDL. In response, a number of projects and actions were identified, with all of the individual DQDL projects identified by at least one of the consultees.

Overall, the clear preferences of consultees were the realignment of the road, the development of the Discovery Point centre and securing the RRS Discovery ship.

The road realignment was identified (together with the removal of the sewer outfalls) as a key piece of infrastructure required not only to support DQDL developments, but also in supporting other city wide developments which would have required infrastructure upgrade at the city centre access point.

The visitor centre and ship were identified by all of the consultees as a key (and in some cases primary) feature in the regeneration of the city's brand and image. The 'Dundee City of Discovery' brand was based entirely on these projects and they have been instrumental in the city's revival.

### **Missed Opportunities**

Mixed views were expressed by consultees on the failure to deliver the leisure aspects of the original development proposal. Some thought that whilst the Stack leisure development was not successful, a similar development on the waterfront would have been. Others, however, felt that delivery of the original leisure elements of the scheme would also have failed and do not consider this to be a missed opportunity.

Doubt was cast by some of the consultees as to the inclusion of a retail superstore on the site, however, on reflection it was accepted that without this element (and the funds that it brought to the scheme) the rest of the development would have been significantly (and perhaps fatally) compromised.

There was general consensus, however, that the hotel development was not successful and should not have been allowed to proceed. Whilst there is a recognition that it was the best proposal put forward at the time, consultees felt that it should have been rejected and revived at a later date when the market was more buoyant.

### **Achieved Objectives**

There was general consensus that DQDL has successfully delivered against its overarching objectives, albeit through a different product mix.

Whilst the original masterplan was not procured, the principal objectives i.e. removal of blight and supporting city-wide regeneration, were successfully delivered against.

## **Value for Money**

Overall, consultees felt that DQDL had been value for money. In financial terms it has generated positive income flows that were distributed to each of the three stakeholder partners.

The development, however, has had a much wider impact than just the developments that it supported and the direct impacts delivered. It is viewed as very important in the regeneration of Dundee and has therefore supported the attainment of much greater outcomes – these have contributed to its value.

### **4.1.3 Impact on Business Performance**

Consultees found it most difficult to identify the level of impact that DQDL might have had on Dundee's business base.

In general, they felt that it is likely to have had a positive influence, primarily as it has attracted or retained high value public sector jobs in Dundee and has helped to attract visitors to the city.

In qualitative benefit terms, the businesses located in the office developments will bring business visitors to the city who have witnessed the positive transformation of Dundee over recent years. Two types of quantitative business multiplier impacts were identified:

- supplier linkages: the businesses will purchase goods and services from a range of local suppliers; and
- employment linkages: the spending impact of employees working for the businesses, some of which will go to local businesses.

The Discovery Point centre and ship is a key feature in the city's tourism and visitor attraction 'offer'. Whilst a proportion of these visitors would come to the city without this offer, it will play a significant role in attracting external visitors, who will spend money in local businesses.

### **4.1.4 Other Impacts**

#### **Wider Regeneration Impacts**

The developments of DQDL were identified by consultees as a key component in the regeneration of Dundee. All of the consultees identified that the regeneration of the city was due to a number of different factors and projects coming together, including Overgate and the Technology Park.

Due to its highly visible location and the visitor/leisure elements, the development of the waterfront is identified as a key composite part.



When prompted and reminded of the original DQDL developments (i.e. road realignment, sewer outfall removal and Discovery Point), the vast majority of the consultees questioned the viability of these other projects to achieve successful transformational outcomes.

## **Environment/Perception**

DQDL developments are seen as very important in supporting the transformation of the environment within, and particularly on the main entrance route to, the city centre of Dundee. In particular, the removal of a highly visible derelict site, the removal of the sewer outfalls (on a site adjacent to the city centre) and the modern development and public realm created were cited as important. These projects have had a major positive impact on the perception of visitors and tourists coming into the city, but have also enabled other regeneration projects around the city.

In particular a small number of consultees felt that the delivery of the DQDL projects had helped to change the culture and attitude of local residents, business operators and public sector organisations as to what could realistically be achieved in Dundee. Over the past decade or so, consultees felt that the city has begun to adopt a 'can-do' attitude and that this was influenced by the waterfront developments.

Of particular note, all of the consultees recognised the important role that Discovery Point (centre and ship) has had in the city's rebranding campaign. It was recognised by all that this campaign has been highly successful but could not have been delivered without Discovery Point i.e. DQDL project. Some consultees, however, felt that in its absence an alternative (but possibly less successful) 'brand' would have been identified and that at least some of the positive benefits would have been secured.

It is important to note that this view was not unanimous and that other consultees felt that without the 'City of Discovery' brand, an alternative would have been a generic, and probably less unique, brand that would not have differentiated the city from other places. This group felt that without 'Discovery' the brand imaging of Dundee (in terms of changing the perceptions of people/businesses outwith the city) would have been considerable less successful.

## **Property Market**

Different views were expressed from the consultees with regard to the importance of the DQDL commercial office developments in addressing property market failure in Dundee. It was accepted by all consultees that Dundee's property market has improved in recent years, but doubts were raised by some as to the additional impact that DQDL in particular played in this change.

In the late 1990s, DQDL began to deliver the only major new office development in Dundee city centre for some time and was therefore important. However, some of the consultees believe that without DQDL, another private sector developer/investor would have taken forward development on this prime development site, and similar outcomes could have been achieved.

One issue raised by almost all of the consultees was the length of time that it took to secure the full and final development of the waterfront site. The general view was that the private sector partners were too risk averse and that without them in place the public sector could have promoted development sooner (but perhaps requiring financial/grant support) and that it could also perhaps have secured speculative office development.

### **Key Lessons**

As a broad consensus, four key lessons were identified by the consultees:

- the ability to work with changes as they arise on the ground i.e. the original DQDL plan became unviable after planning consent was awarded to the competing leisure development, but DQDL pursued an alternative development strategy;
- the input of the private sector is important in such a large, mixed-use and long-term project. Whilst working with the private sector can bring its own challenges as the public sector lose outright control of the project, their input brings much needed project finances, can often protect the focus and effort on the specific site and remove external pressure for investment/activity on competing priorities; and
- with such a large and complicated site, there is a real need for partners to recognise the long-term approach required to complete the project. The original masterplan for the site envisaged that development would be complete within 10 years, but in reality it has taken almost 20 years to reach completion. Whilst the DQDL project was affected by the failure to deliver the original masterplan, unforeseen circumstances will always arise in major regeneration projects, affecting the ability to complete within a short timescale.

### **Counterfactual**

A minority view was expressed by consultees that in the absence of DQDL an alternative delivery approach would have been adopted by the public sector that would have achieved similar regeneration outcomes.

The majority of consultees, however, believed that in the absence of DQDL, the benefits achieved could not have been achieved. This view is expressed in recognition of the need to treat the whole site as a holistic entity i.e. cross-funding the 'public good' elements of the development (road realignment, public realm and visitor elements) from the revenue generating elements (superstore site receipt).

Considerable doubt was raised, particularly by current and former SET employees over whether sufficient funds could have been raised from SE to cover the cost of the public good elements and that without the land sales receipt from the superstore the road realignment and visitor elements would not have been delivered.

In the absence of DQDL as the delivery vehicle, the site would have been held by the public sector and therefore cross-funding should in principle have been possible. Consultees, however, felt that even with the significant site disposal receipt from the superstore, there would have been significant competition to spend the receipt on other priority projects.

If the site had been retained and disposed of by the council, there would have been significant competition to use the site receipt to fund a wide range of competing Dundee priorities. If the site had been owned and sold by SET the funds would automatically have been transferred back to SE and therefore subject to Scottish wide competing priorities.

### **Next Steps**

In summary, four key points were identified by consultees in taking forward future development on the Central Waterfront site:

- there is a need to connect the waterfront site with the city centre. Other cities have achieved successful regeneration outcomes, particularly in leisure developments by opening up their river or waterfront sites to appropriate development and connecting these with the city centre;
- the business, office and leisure development aspects of DQDL should be continued to increase Dundee's 'offer' and to attract more businesses and visitors to the city;
- the public sector partners should periodically review the Premier Travel Inn site. There is recognition that this development does not fit with its neighbouring uses and that the site will be purchased for redevelopment over the next 5-10 years. While there is unlikely to be a specific role for the public sector in taking forward redevelopment of the site, there may be a role in promoting the value of the site, thereby ensuring a more appropriate high quality development is secured; and
- there is a need to resolve/redevelop the Tay House site. This is a highly visible site on the main route into the city centre from the south and east and creates a poor visual image of the city, especially for first time visitors arriving by road and rail.

## Overall Consultation Findings

The general consensus view of the consultees is that whilst DQDL took considerably longer than originally envisaged, the regeneration outcomes are significant in themselves in transforming the image and perception of Dundee.

The development has also played a key role in supporting other regeneration and development projects across the city. While it is recognised that DQDL has not been the only factor in this process, it was described by most as 'critical'.

## 4.2 Business Survey

A second key element of the consultation and fieldwork was to speak with a number of organisations that are located in the Discovery Quay area. In total 9 individuals/organisations participated in the business interview process against a total of 15.

The interviews were conducted in confidence and whilst the views and opinions of participants are provided below, they are not produced in a format that identifies individual respondents.

### 4.2.1 Background Details

The majority of the businesses interviewed have been located at Discovery Quay since 2005. 71% of the businesses that operate from Discovery Quay do so because they had no choice in their relocation i.e. they were subject to UK or Scottish Government public sector relocations.

The remaining 29% reported that they operate from Discovery Quay because of the success of the business in that location.

### 4.2.2 About Premises

The premises that the business operate from have not changed in size for 86% of businesses over the last 3 years. The businesses were also asked if they would change the size of their premises, with only 14% responding that they would like to change their premises, all to larger sized units.

### 4.2.3 About business

The businesses were asked to provide details of their business performance. All of the businesses have a turnover of over £500,000. 75% thought that their turnover had increased compared to 3 years ago. None of the businesses expected turnover to fall over the coming 3 years.

As a large proportion of respondents have only been in Discovery Quay since 2005 we tried to establish any kind of business support that may have been received. Only one of the businesses received such support towards the fit out of the office. This is unsurprising given the high proportion of public sector occupiers.

The businesses all think Discovery Quay is a good location and enjoy operating from there. They were asked to rate Discovery Quay as a place to do business when they first moved in and to compare it with now.

Some 43% thought that it was a good location and 28% thought it was a very good location when they first moved in. Approval ratings have increased over the past three years. When asked to rank the location for doing business now 57% responded that it is a good location and a further 29% responded that it was a very good location.

The businesses were asked to identify the main improvements to the area and any weaknesses that remain. The main improvements that were identified were the cleaning up of the area and the improved environment. Suggestions for ways in which the area has worsened include the lack of links with the city centre, the parking charges and the length of time the development has taken to complete.

The businesses also gave an indication as to what they saw as the main strengths and weaknesses of the area. The standard of access and infrastructure, communication links and riverside location were seen as the main strengths of the area. The weaknesses identified were a lack of retail and residential to make use of the waterfront. Improvements to the railway station are also identified by respondents.

#### 4.2.4 Employees

The businesses were asked to provide information on their employees. The number of employees that work at Discovery Quay are spread evenly amongst those who live in Dundee, live within 5 miles of Dundee and live more than 5 miles from Dundee.

The businesses also provided information on how their employment patterns have changed over the last 3 years. Half of the businesses have the same number of employees as they had 3 years ago. One-third have increased and 17% decreased.

Information was also provided on future employment projections. Half of businesses are unsure of future employment due to ongoing restructuring in their organisation. One-third expect staff numbers to remain the same and 17% expect the number of employees to rise.

#### 4.2.5 Perceptions of Discovery Quay

The businesses were asked about their perceptions of Discovery Quay. The main improvements suggested were better maintenance and cleanliness, more/better cafes and restaurants and improved appearance of the streets and buildings. If these improvements made 57% of those interviewed thought it would lead to more people using the area and 29% thought it would attract more investment.

The majority of the businesses thought that the road, bus and pedestrian access was adequate and that the train access was very good. Improvements suggested included a better link between the bus and railway stations.

### 4.3 Resident/Visitor Survey

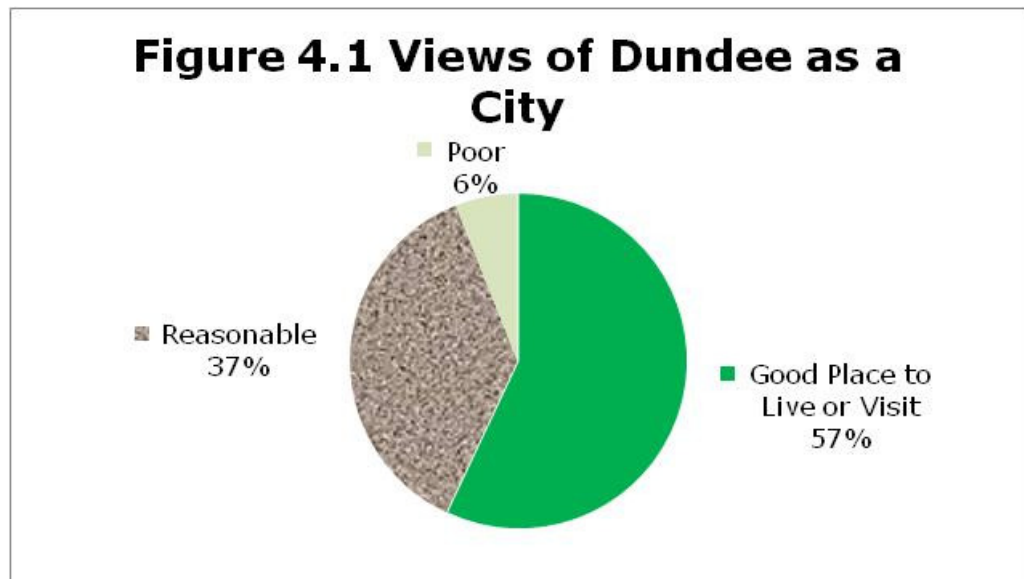
An in-street resident survey was carried out in Dundee in January 2008. Those who participated completed a 17 question survey. The full analysis is presented at **Appendix 3**.

#### 4.3.1 Respondent Details

Of the participants who took part in the resident survey 83% were residents and 17% were visitors; 42% were male and 58% female.

#### 4.3.2 City of Dundee

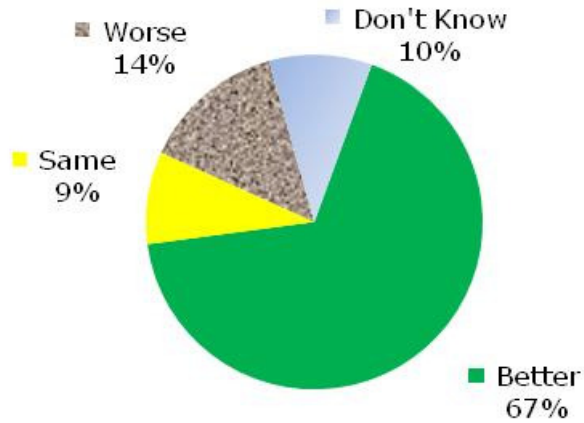
The participants were asked to give their general views on Dundee as a city, the results of which are shown in **Figure 4.1**. The majority of respondents, 57%, thought that Dundee was a good place to live or visit. Some 37% thought that it was a reasonable place to live and only 6% thought that it was a poor place to live.



Following on from this, respondents were asked their opinion on how Dundee compares with 20 years ago. This question was split into two parts, the first relating to their views on the environment; the second relating to people's perception of the city.

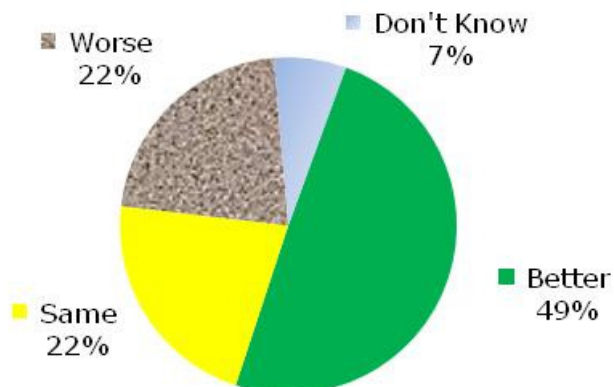
The participants were asked to indicate whether they thought it was better, same, worse or don't know. The results are positive as shown in **Figures 4.2** and **4.3**, over.

**Figure 4.2 Dundee Compared to 20 Years Ago - Environment**



Two-thirds of respondents thought that the environment was better compared to 20 years ago, 14% thought that it was worse and 9% thought that it was the same.

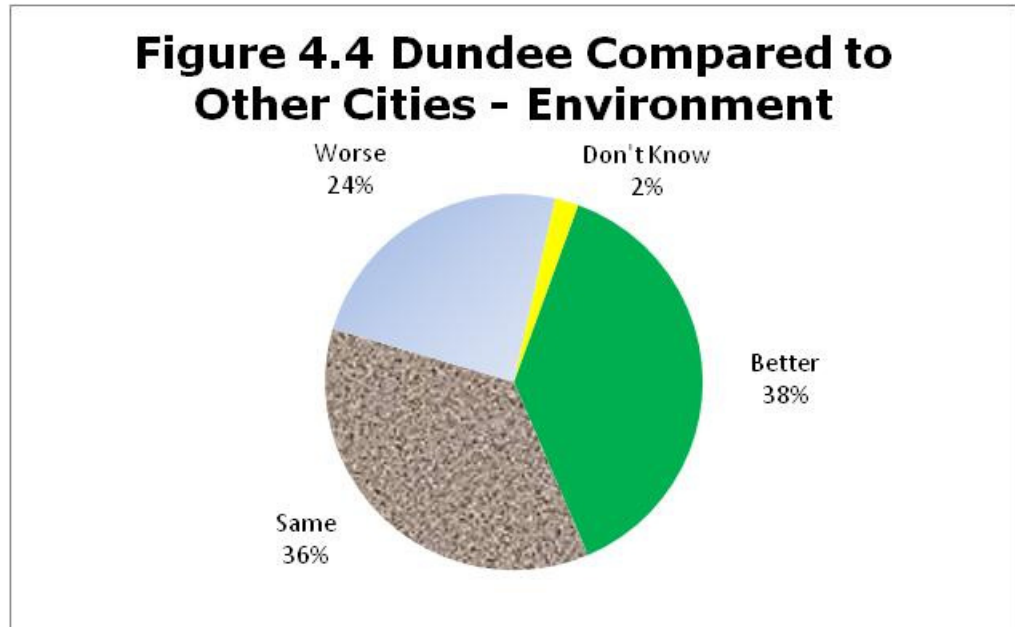
**Figure 4.3 Dundee Compared to 20 Years Ago - Perceptions**



In terms of perception of the city, half thought that it was better than 20 years ago. 22% thought that the perception of the city was worse now than 20 years ago and 22% of the participants thought that it was the same.

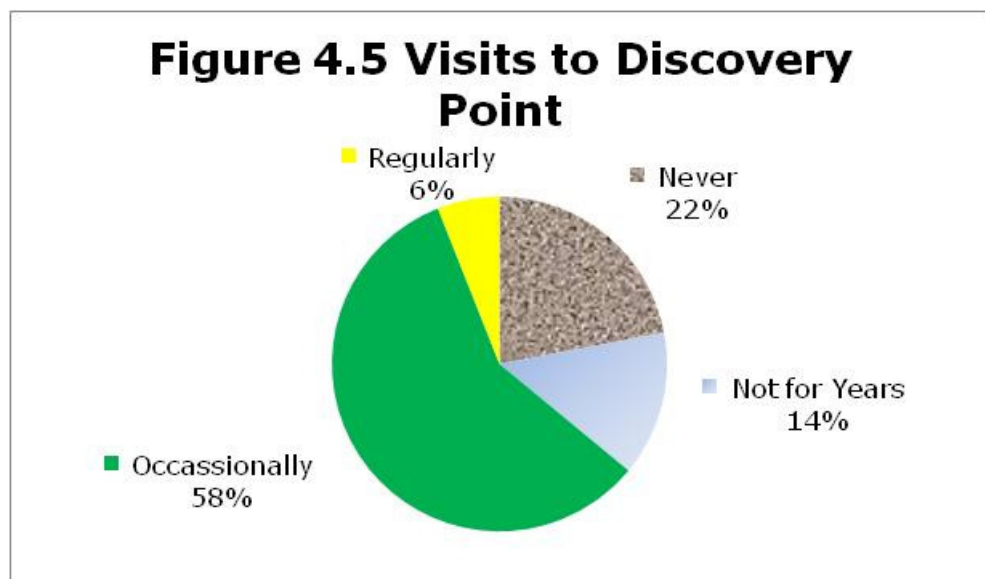
The final question on the city of Dundee asked the participants to compare Dundee with other cities in terms of the quality of environment and place. Again they were asked to rank it as better, same, worse or don't know. The results are shown in **Figure 4.4**.

A marginal majority, 38%, thought that Dundee was better, 36% thought it was the same and 24% thought it was worse compared to other cities in terms of quality of environment/place.



#### 4.3.3 [Discovery Point](#)

The participants were asked to provide some information on their views of the Discovery Point visitor attraction. First of all, respondents were asked whether they ever come to visit the Ship or Visitor Centre. As **Figure 4.5** shows, 58% of the participants indicated that they occasionally visit, 22% reported that they never visit and 14% that they had not visited for a number of years. Only 6% of the participants indicated that they regularly visit Discovery Point – this is unsurprising given that the majority of respondents were residents of the city.





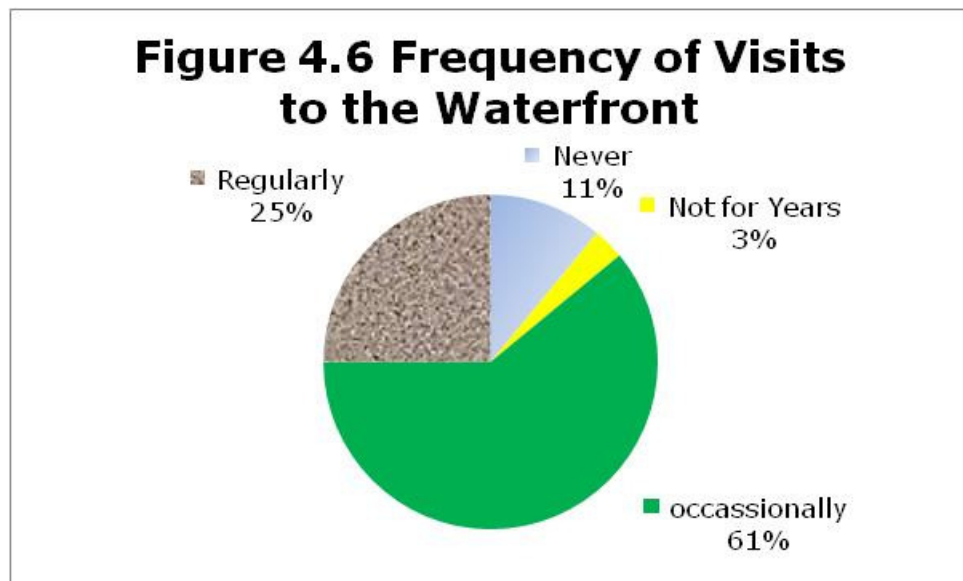
The participants were subsequently asked to indicate whether they ever recommend to friends/family/visitors to visit Discovery Point. The majority, 76%, indicated that they do recommend the attraction to friends/family.

The participants were asked to rank the importance of Discovery Point (the Centre and Ship) to the city's image. 70% thought that it was very important to the city's image and a further 23% thought that it was marginally important. 5% of the participants did not think it was very important and 2% thought that it was not important at all.

The results of this section show that while respondents do not regularly visit the Discovery Quay attraction themselves, there is a high level of satisfaction and pride.

#### 4.3.4 The Waterfront Area

Participants were asked whether they ever visit the waterfront area of Dundee. **Figure 4.6** shows that the majority, 61%, visit only occasionally with 25% visiting regularly. 11% of participants reported that they never visit the waterfront area and the final 3% that they have not visited for a number of years.



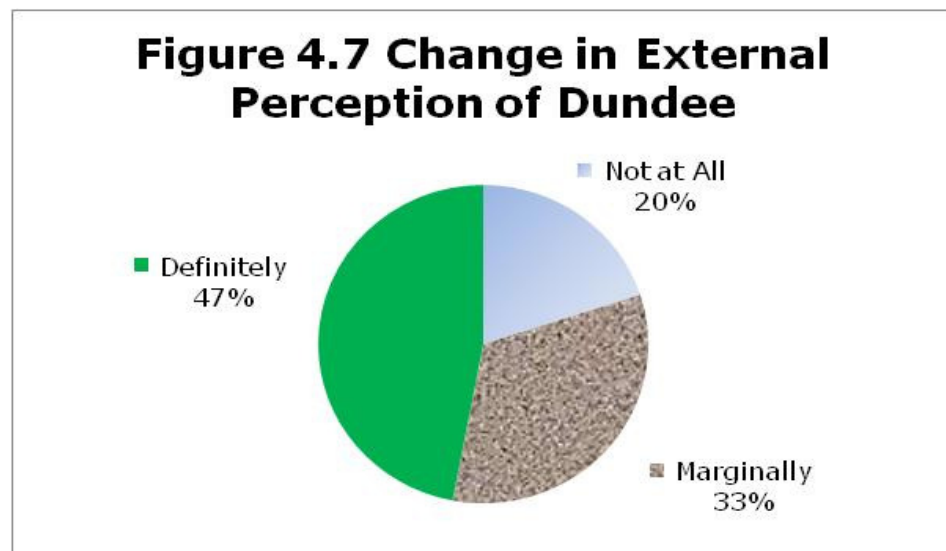
The participants that do visit the waterfront area were then asked to indicate which bits they visited, which bits they would rate as "good" and the bits that could be better. The areas in question were Discovery Point, Travel Inn Hotel, River Walkway, Tesco Store and Offices. The area with the highest response was the Tesco Store, with 83% of the participants indicating that they visit this store.

Just over three-quarters of respondents (77%) rated both the Discovery Point attraction and river walkway as good, followed by a 57% approval rating for the Tesco store. The office component secured only a 5% response.

When questioned about what could be better the largest group, 50%, reported that they did not know with a further 10% reporting that no aspect of the area could be better. The developments that secured over 10% response for areas that could be improved include:

- the offices (18%);
- Travel Inn hotel (14%);
- river walkway (14%); and
- Tesco store (12%).

Respondents were asked for their opinion on the development of Dundee's waterfront and the change that it has had on other people's perception of the city, the result of which is shown in **Figure 4.7**. Almost half (47%) indicated that it has definitely changed perceptions of the city and a further one-third that it had marginally changed it. 20% of the participants did not believe it had changed at all.

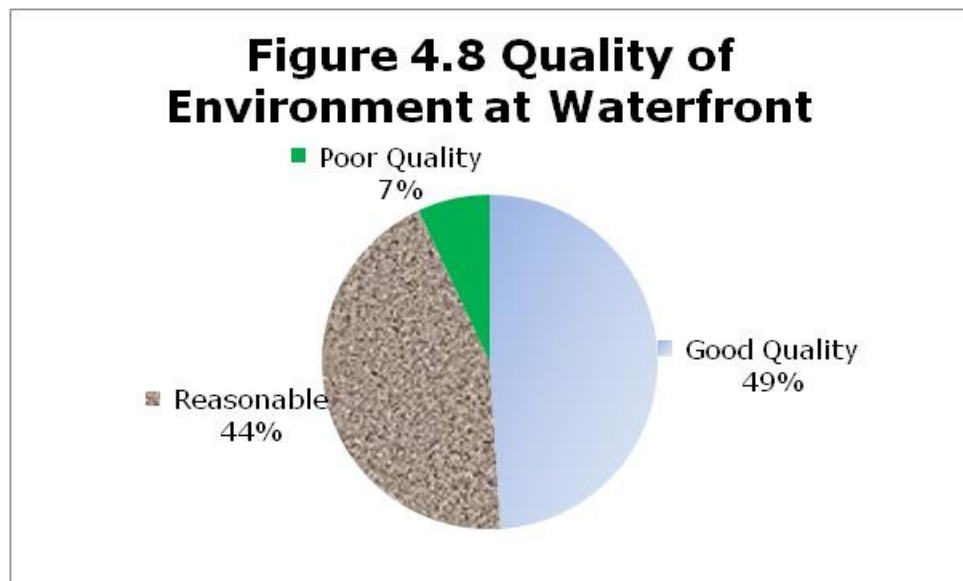


Of those that thought other people's perceptions have changed as a result of DQDL, the vast majority, 91%, think that this has been positive.

#### 4.3.5 Views on DQDL Development

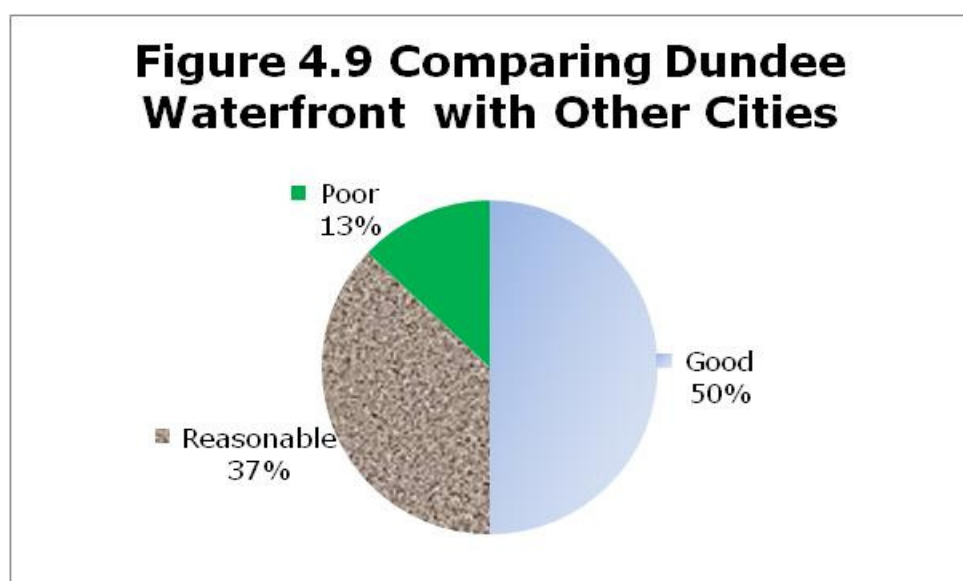
Respondents were asked for their general views on the redevelopment of Dundee's waterfront (extending from the Discovery Quay attraction to Tesco and the Greenmarket car park). The majority, 55%, thought that it was good quality, one-third thought that it was reasonable but 12% thought that it was poor quality.

Respondents were then asked to rate the environment in the area. **Figure 4.8** shows that the majority, 93% thought that the environment was good quality or reasonable with only 7% reporting that the environment of the waterfront area is poor quality.



The participants were also asked to indicate whether they thought that the waterfront development overall has helped to improve the image of Dundee. The majority, 78%, thought that it has, but 12% do not think it has improved the image of the city. 10% of respondents were unsure about the extent to which the development had helped to improve the image of the city.

The final question in this section asked respondents to compare Dundee's waterfront with other cities and to indicate whether they thought that in comparison Dundee was good, reasonable or poor. **Figure 4.9** shows that the waterfront development has a high level of approval amongst respondents, with 87% reporting that it is either good or reasonable. Only 13% of the respondents thought that Dundee's waterfront compared unfavourably with other cities.

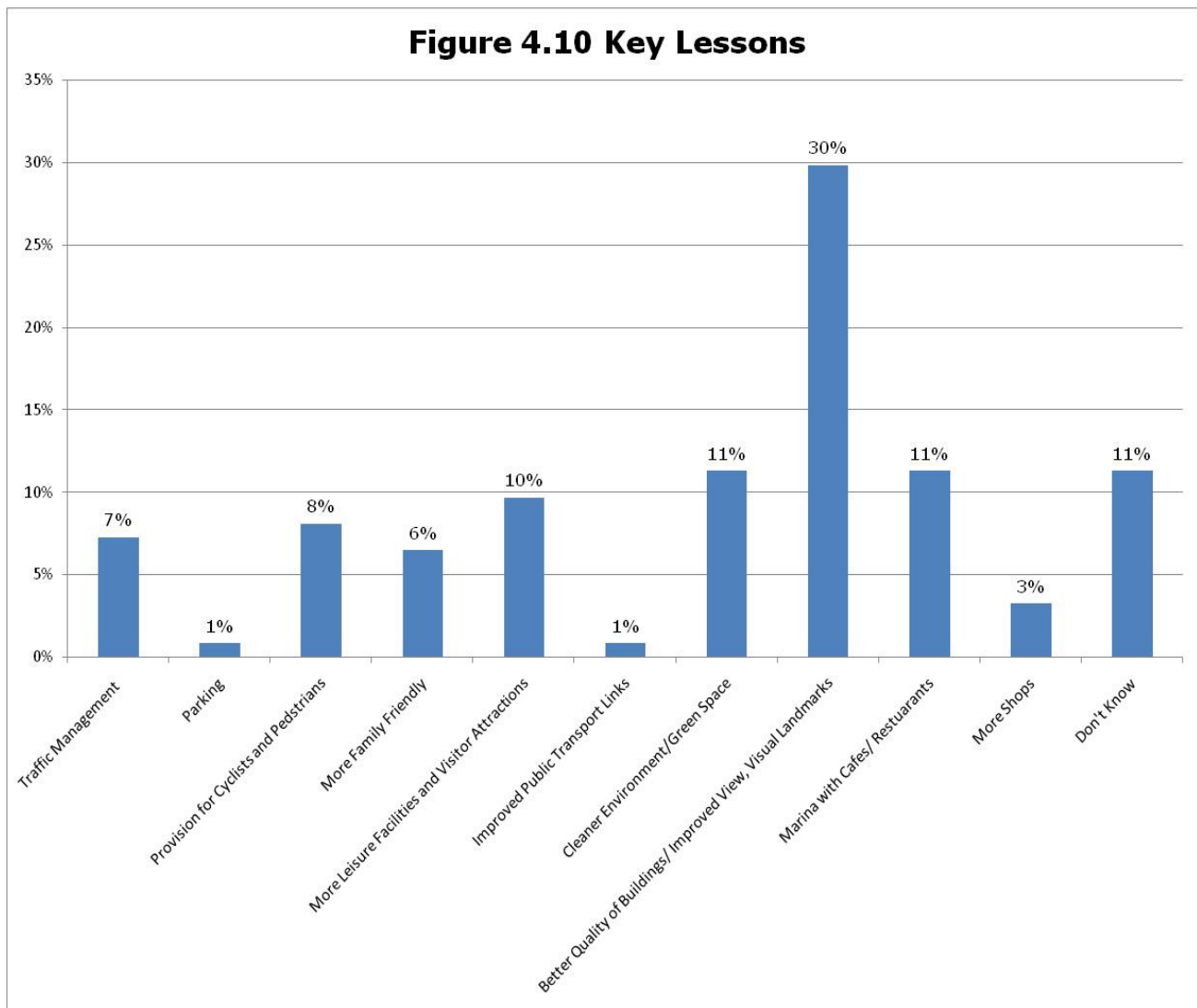


### 4.3.6 Key Lessons

The final section of the questionnaire asked respondents to identify the key lessons from the development of DQDL that should be included in the future development of the central waterfront site at East Dock Street.

This question was unprompted and as outlined in **Figure 4.10**, there were a variety of suggestions. By a significant extent the biggest response was to ensure better quality of buildings, views and visual landmarks, as recommended by 30% of the survey sample.

Other key lessons included a marina with cafes/restaurants (11%), a cleaner environment and some green space (11%) and more leisure facilities and visitor attractions (10%).



The final question asked respondents what they thought should be included in the future development of the site at East Dock Street. This question was also unprompted and produced a wide range of suggestions. Those factors that secured over 10% are:

- better and improved facilities and more to do (28);
- modernise/improve architecture and buildings (18%);
- increase pedestrian areas/access/pedestrian crossings (15);
- no more office buildings/supermarkets and overcrowding (10%);
- create family friendly and play areas (10%); and
- create parks and open spaces (10%).

## 4.4 Property Market Review

### Stakeholder Consultations

The property market review sought to identify the impact that the DQDL development has had on the local and regional property market in Dundee over the past 20 years, in particular focusing on the office elements completed over the past 10 years.

In total, only four interviews were undertaken with property agents and developers – against an original target of 10. Some caution must therefore be taken over the interpretation of the responses outlined below.

In general, consultees felt that there has been a major change in the property market in Dundee, particularly over the past 5 years. This has not been limited to any one segment but has occurred across retail, leisure, residential and business space markets.

Respondents reported that DQDL has been an important factor in improving the local property market, partly acting as a demonstration project and proving the case that there is demand for high quality office accommodation. Respondents also felt that other factors have also been important in supporting this process, namely the universities, city centre improvements and Dundee Technology Park.

Dundee is now recognised as being more attractive to developers and occupiers. This was partly attributed to the city now telling a positive story about its regeneration, compared to past negative messages and perceptions. Consultees felt that Dundee now has something up-beat and successful to talk about.

Overall, consultees recognised that DQDL has been important in supporting the development and regeneration of the city.

#### 4.4.1 1993 Property Market Report

As the response to the property market survey was limited, we have also undertaken a review of a key property market report, undertaken at a time when DQDL was near the start of the development process.

In 1993, *Pieda* and Ryden produced an independent review of the property market in Dundee and Tayside. This review was undertaken at a time when the area's economy had been affected by recession, major closures in the area (Timex and Valentines), and a long-term process of decline.

The review identified that there is limited serviced sites available for immediate development and some demand for modern 'office park' space in the city, particularly modern units of around 10,000 sq ft. This recognises that there is a substantial amount of relatively poor quality office and business space available in the city.

One of six strategic issues identified for the future property market in Dundee is the provision of city centre/inner area office and business space. This should be done through the preparation of Development Briefs and the promotion of, and support for, development to the private sector.

The report finds that most of the office property in Dundee is relatively poor quality with the highest standard property largely confined to the periphery (i.e. the Technology Park). One issue is that office rentals in Dundee have not risen over the previous four years, limited prospects for speculative office development.

The Dundee property market is described as being caught in a 'low level equilibrium' in which weak demand co-exists with low rents and qualitatively poor supply. Until there are improvements in local economic conditions, demand is likely to remain weak and the prospects of attracting inward investors are poor, primarily due to the level of completion from other areas.

The analysis recognises the role that property investment can play in area regeneration. It specifically identifies the Railway Goods Yard site as a possibility for office development as part of a mixed scheme. Development of 'Business park' units of a high quality could provide an attractive development and 'hold' certain types of businesses in the city centre.

The report identified three key issues with regard to the market for office development in Dundee:

- there has been no large-scale speculative office development in the city in the last decade;
- current rental levels will not support new speculative development; and
- any large-scale development is likely to require pre-lets.

The final section of the report presents 'Action Plan Proposals'. A number of specific points of note are made in this section:

- over the last decade there has been considerable progress in the regeneration of Dundee including the Technology Park and the development of the Discovery Point visitor attraction. In the city centre, however, there are a number of prominent sites that remain undeveloped and much of the existing office accommodation is poor;
- in order to promote the regeneration of inner Dundee, it is proposed that priority is given to a project that will harness demand for Business Class space to the task of regeneration. SET should support the development of the small business park proposed as part of the redevelopment of the Railway Goods Yard (DQDL) site;
- it is not proposed that SET should provide substantial new incentives to encourage speculative office development. Existing proposals should, however, be considered for financial support when they seem likely to proceed. SET should co-operate with the District Council to strengthen the traditional office core; and
- the proposals for the development of the waterfront site should be reconsidered as a high quality low density office campus might have considerable potential in this location.

This review is important as it sets the context within which the office element of the DQDL project was established. It provides some understanding of the issues influencing DQDL as a developer, but also the prospects for attracting inward investors to Dundee, a requirement set by the local/regional council for its approval to the amended Development Proposal in 1992.

## 5. Impacts and Benefits

This report presents an evaluation of the DQDL project from its inception in 1988 (including the earlier activity required to consolidate the site and obtain local partner support) to completion of the final project in 2006 (and subsequent financial transactions).

This section presents a review of the quantitative and qualitative impacts that have been generated as a result of that activity.

### 5.1 Quantitative Impacts/Benefits

Of the 15 companies based at DQDL, we completed interviews with 9. A key aspect of the interview process was to obtain data on employment, property and business performance. Not all of the respondents were, however, able to provide relevant data on these indicators.

In preparing our economic impact analysis we have therefore relied on employment data from a mix of sources including:

- information provided by the company;
- information provided by SE Tayside; and
- estimates based on floorspace and employment density ratios<sup>7</sup>.

Based on our analysis of the completed projects we would estimate that DQDL has generated the following:

- redeveloped 10 hectares (25 acres) of brownfield and largely derelict land on a key access point into the city and adjacent to the city centre;
- 14,000 sq m (150,000 sq ft) of new, high quality office accommodation split across five units;
- 6,200 sq m (67,000 sq ft) of retail floorspace for Tesco, with one earlier development of 2,800 sq m (30,000 sq ft) for Homebase now demolished and the site marketed for redevelopment;
- 50 bed budget hotel operated by Premier Travel Inn;
- 170 seat pub/restaurant operated by Brewers Fayre; and
- Discovery Point incorporating the RRS Discovery and a purpose-built visitor attraction, generating around 90,000 visits per annum.

Based on the developments listed above, we have estimated that the DQDL development accommodates some 1,350 gross jobs across all of the developments.

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<sup>7</sup> English Partnerships, A Full Guide to Employment Densities



Taking account of leakage, deadweight, displacement and multiplier factors we have estimated that these gross jobs can be translated into net additional jobs of:

- 230 net additional at the local level, generating salaries of £3.9m and GVA of £7.7m per annum; and
- 110 net additional at the national level, generating salaries of £1.8m and GVA of £3.7m per annum

The development represents a relatively low level of gross to net impact in terms of jobs created, but this can be explained by the requirement (as set by the 1992 Development Agreement, see Section 2.1) to secure inward investors to the site. This generated a high level of government relocations (at the UK but primarily Scottish levels) which has affected the level of additionality and deadweight associated with the project.

A further element affecting the gross to net calculation is the high proportion of retail jobs accommodated on the site, estimated at 30% of the total. In economic impact appraisal terms, retail jobs generate low levels of net additional impact – primarily relating to high levels of competition and therefore displacement. The retail element has, however, been of significant importance in relation to the DQDL project as it provided the capital funds to develop three key project elements:

- the Discovery Point attraction – visitor centre and dry dock for the RRS Discovery;
- the relocation of Riverside Drive to create a viable waterfront development site; and
- the removal of the sewer outfalls at the quay walls on the waterfront site.

Without the capital receipt generated through the disposal of land for retail, these three elements would have required public sector funds – estimated at £10m.

Given the level of financial resource provided by the public sector, it is clear that the project overall represents value for money in economic terms i.e. the public sector contribution to the project<sup>8</sup> is estimated at £1.27m<sup>9</sup>, while the economic returns, in terms of national level GVA is £3.7m per annum.

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<sup>8</sup> Excluding the impact of Enterprise Zone benefits, which have not been included in this evaluation.

<sup>9</sup> Representing £770,000 site acquisition and £500,000 derelict land grants.

It is, however, important to include the financial returns for the public sector in terms of dividend payments. Section 2.4 outlines the financial performance of DQDL and reports that SE has received financial dividends of £1.19m to date, with a further £1.5m to be allocated between each of the three parties after allowance for tax, if applicable.

The total financial impact on the public sector is therefore likely to be positive with dividends paid through DQDL offsetting land acquisition and derelict land grant costs.

The project also represents value for money in terms of the rates of public to private leverage generated through the development. The private sector funded all of the property development, infrastructure and associated landscaping/environmental improvement works at the DQDL site. This is estimated at a total cost of £65m.

The public to private leverage (based on costs, rather than net financial impact) is therefore:

$$£1.27 : £65m = 1 : 51$$

Overall, the project has generated net additional benefits in terms of local employment and GVA and has secured £65m of private sector investment in Dundee over the past 20 years.

## 5.2 Qualitative Impacts/Benefits

While the project has generated net additional quantifiable benefits at the local and national level, the key impact and benefit of the project has come through a range of qualitative benefits. The project has played a key role in the overall regeneration of Dundee and together with other key projects that have taken place over the past 20 years, has supported transformational change in the city.

The positive impact on place and perception is confirmed through the interviews undertaken with key stakeholder organisations and the in-street survey results. The project has removed a major area of blight in Dundee and regenerated derelict former railway yards and docks into a good quality waterfront environment.

The key qualitative impact that the project supported was the city's marketing brand i.e. City of Discovery. This campaign was launched on the back of the purpose-built visitor attraction facility at Discovery Point, which as outlined above was funded through the DQDL vehicle i.e. the profit generated through the disposal of land for retail.

The City of Discovery campaign is a promotional campaign designed to lead the way in positively transforming the image of Dundee by promoting a more accurate perception of Dundee as a vibrant and attractive city. The target audience is both domestic and international and included residents, the business community and visitors to the city. A review of the campaign in 2007 identified strong awareness and recognition of the City of Discovery brand.

The DQDL project is also attributed with playing a role in the delivery of other key regeneration projects within Dundee, including the city centre environmental improvement works and the future regeneration of the central waterfront site. This is primarily due to the prominent location of the DQDL site i.e. on the main access route into the city.

The final issue in terms of qualitative review stems from our analysis of comparator projects, as outlined in Section 3.3. While we don't have formal evaluation evidence to compare results, our review suggests that DQDL performs well in terms of financial (public sector input) and qualitative terms, but that the net additional economic impacts generated are relatively low, in comparison.

## 6. Conclusions and Lessons

This section presents our final conclusions and identifies some key lessons for future action.

### 6.1 Progress Against objectives

The study conclusions are reported against the original study objectives, as presented in the study brief:

- **evaluate the implementation and development of DQDL:**

*Evaluation complete –the review has produced positive results.*

- **assess the project origins and rationale:**

*Project origins can be traced to the Dundee Project of the 1980s. No specific rationale or objectives identified, but generally to support the wider regeneration of the Dundee – successful outcome.*

- **evaluate process efficiency and effectiveness:**

*Difficult to assess as the project started 20 years ago before internal monitoring processes were adopted. Anecdotal evidence confirms that processes were efficient and effective.*

- **identify project inputs:**

*The main public sector input to the process was the value of the development land (no valuation available from 1988<sup>10</sup>). There are no financial records pre 1992, but anecdotal evidence suggests that there may have been public sector contribution to site remediation works, of around £500,000. There was no public sector gap funding provided to secure the office developments.*

*Private sector project inputs were in sourcing and providing the development funding for projects, estimated at £65m. The private sector carried the financial risk for development and construction.*

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<sup>10</sup> 12.6 hectares of waterfront land was purchased by SDA between 1983 and 1989 at a total cost of £770k

– **identify project activities and outputs:**

*Project activities include realignment of the A85, development of the Discovery Point Centre and RRS Discovery, 93,000 sq ft of retail floorspace, development of a 50 bed hotel/restaurant, development of 200,000 sq ft of office accommodation and public realm/landscape works.*

– **identify project outcomes and impacts:**

*The project has developed 25 acres of former derelict/brownfield land adjacent to the city centre and on the main access route into the city. The level of additionality of the project (in terms of employment and GVA) is relatively low (due to the high proportion of public sector occupiers and the retail/leisure aspects of the development) but the project has had a major place-making and transformational change impact in supporting the wider regeneration of Dundee.*

– **review financial performance, risks and stability:**

*Financial performance review completed by BDO Stoy Hayward – no major issues identified.*

– **consider the impact on the image and profile of Dundee:**

*DQDL has had a significant impact on the image and profile of Dundee, particularly in supporting the 'City of Discovery' brand and marketing process. The consultation and in-street surveys confirmed the positive change in Dundee over the past 20 years, and the positive role that DQDL has played in that process.*

– **benchmark performance against appropriate comparators:**

*A review of six comparator projects was undertaken – three public-private joint ventures and three public sector led initiatives. Whilst a number of lessons were identified for both these groups, no real comparison can be made with DQDL due to the size/scale/location of development and also the type of project activity.*

The overall conclusion of the evaluation is that DQDL was an appropriate and successful model to secure the development of the Dundee Waterfront site and to support the wider regeneration of the city. While the project did not deliver within the timescale originally expected (20 years against the original 10) there were a number of specific issues at the outset that rendered the original development proposal unviable.

This required a new development proposal for the site, based primarily around office development, which was subject to clauses limiting occupiers to inward investors to the city. This in turn affected the timescale with which occupiers could be attracted and therefore the development complete.

## 6.2 Other Conclusions

The research has also highlighted a number of wider conclusions in relation to the future development of the Dundee Waterfront and the establishment of similar JV structures elsewhere:

- there does not appear to be any future role for DQDL in delivering the longer term development of the wider waterfront;
- while the partnership structures were good, they could have been better in the early years, particularly between SE and the local public sector bodies. This will be a key aspect for future success;
- the development took considerably longer to complete than originally envisaged. There were reasons for this, primarily the change from leisure to office based development, but also due to the risk averse nature of the partners;
- while the development will have made a positive economic impact on the city and wider region, the level of additionality (i.e. new economic activity) will reflect the type of development and occupiers (bespoke office – mainly public sector, retail and leisure);
- there is no clear or easy way to measure the qualitative impact that the development has had in supporting place-making and transformational change in Dundee, but the evidence suggests that the impact has been very significant;
- the long term approach and the need for lasting and robust commitment was a necessary pre-requisite to delivery. There was a strong legal commitment that had positive benefits in that the partnership was strong and held up through the 20 year process;
- however, it also had a down-side in that it did not allow SET to put any pressure on the private partners to encourage early development of projects;
- the joint venture approach adopted with DQDL ensured that both parties were committed to the process till completion and also that the site values realised from the early retail disposals were ring-fenced for reinvestment of appropriate on-site projects;
- the private sector partners brought specific strengths and benefits to the partnership, particularly investment resources and expertise, but they were also risk averse and this impacted on the length of time to complete the project; and
- a key impact of DQDL has been in qualitative benefits in terms of supporting the wider regeneration of Dundee by improving the quality and importantly the perception of the city.

## 6.3 Key Lessons

The research has highlighted a number of lessons for future interventions:

- the public sector need to recognise and commit to the long-term process of development and regeneration for projects of this nature and scale;
- the evidence from the wider review and the consultants own experience suggests that a formal joint-venture public-private model approach tends to offer the greatest opportunities for successful outcomes;
- however, any future approach must carefully consider the various benefits and implications of any particular approach. A detailed options appraisal should be undertaken that considers different types of partnership structure and reviews risks, benefits and feasibility before commitment to any specific structure;
- the positive benefits associated with transformational change and place-making in improving the perception of place should be recognised and considered from the outset – these are key positive outcomes from this type of development and ones that can support a much wider goal or vision of place making;
- the review and analysis suggests that successful projects have adopted a bespoke marketing approach built around branding the location and the project as part of a wider approach to place making. This should recognise the contribution and role of private sector partners;
- projects of this nature should include a formal stakeholder consultation plan covering the period from initial project review to final completion. This should include the level/type of contact with a wide range of stakeholders including businesses, residents and partner organisations and should also identify the means of reporting findings;
- there is a need for large complex and long-term development projects to identify a single point of contact (a role rather than a person) who can act as the single point of contact;
- evaluation evidence shows that delivery is improved and benefits enhanced where someone is tasked with project delivery as their “day-job” rather than it being an add-on to their existing work portfolio;
- the clear benefit of the DQDL project was its role in supporting the brand marketing for the city through the Discovery Point Centre and RRS Discovery. Wider regeneration benefits are improved considerably when projects have a clear USP that can be used to change the perception and image of the place; and

- the evaluation process was somewhat hindered due to the lack of any previous or interim evaluation reviews. While it is appropriate to do the final evaluation at this point in time for DQDL, the amount and level of appropriate background information was limited. In future, and in line with current SE guidance, interim evaluations of this type of project should be conducted at regular intervals.





## **Appendix 1: BDO Financial Review**

## Appendix 2: Comparator Project Review

This section presents a review of six comparator projects based on two overarching types of model, as outlined below:

- Model 1: the Joint Venture Model:
  - Priority Sites Ltd
  - Blueprint
  - City of Stirling Business Parks; and
- Model 2: the Public Sector Model:
  - EDI Group
  - Akeler (Scotland) Ltd
  - East Dunbartonshire Development Company.

### Priority Sites Ltd

Priority Sites Limited is a public-private partnership owned by The Royal Bank of Scotland (51%) and English Partnerships (49%). It was created in 1997 as a vehicle to focus on the development of industrial and commercial property where private-sector development and investment companies are generally reluctant to invest and develop. The company was founded with a combination of equity and loan stock from the partners and draws on a development loan facility from The Royal Bank of Scotland and a state-aid-approved gap-funding facility from English Partnerships. The company has become established as a key developer of industrial and commercial property in the English Regions.

Priority Sites is a unique joint venture which brings together the strengths of a major private-sector financial group, The Royal Bank of Scotland, and a public-sector national regeneration agency, English Partnerships.

The company specialises in the development of new business space in partnership with landowners, regional development agencies, local authorities and businesses. The development programme is fully funded with secured investment facilities from shareholders and other resources. Priority Sites Ltd works principally in areas of economic need and Regional Development Agency (RDA) priority areas, with a remit to attract new jobs and wealth to these regions in partnership with landowners, RDAs, local authorities and businesses.

The company develops larger business premises for growing SMEs and inward investors. These range from factories and warehouses to offices and hi-tech space for the service sector.

Priority Sites has achieved its regeneration objectives with the provision of over 1 million square feet of industrial floor space in areas of economic need.

Priority Sites cumulative development programme indicates over 3.4 m sq ft of completed space by December 2007 with a revised Business Plan which envisages the provision of 725,000 sq ft per annum up to 2011.

<b>Priority Sites Ltd</b>	
Date Established	1997
Partnership structure	Public-private partnership
Partners	Owned by The Royal Bank of Scotland (51%) and English Partnerships (49%).
Strategic Objective(s)	A vehicle to focus on the development of industrial and commercial property where private-sector development and investment companies are generally reluctant to invest and develop.
Geographic Remit	English Regions
Funding structure	The company was founded with a combination of equity and loan stock from the partners and draws on a development loan facility from The Royal Bank of Scotland and a state-aid-approved gap-funding facility from English Partnerships. The development programme is fully funded with secured investment facilities from shareholders and other resources.
Project Activities	The company develops larger business premises for growing SMEs and inward investors. These range from factories and warehouses to offices and hi-tech space for the service sector. Over 3.4 m sq ft of completed space by December 2007 and Business Plan target to provide 725,000 sq ft per annum up to 2011.
Evaluation	Not known – none sourced.

## **Blueprint**

Blueprint is a 50/50 limited partnership between East Midlands Development Agency (EMDA) and Igloo Regeneration. The company bought £35 million of property from EMDA, manages a small business property portfolio and owns a range of mix use regeneration sites throughout the East Midlands. The completed value of these is estimated at £500 million.

Blueprint is a Limited Liability Partnership which formed in May 2005 with a remit to focus on social and economic regeneration. Investment, control, risk and profit are shared equally between the public and private sector partners. During 2004, EMDA identified an opportunity to utilise its then £23 million investment portfolio to generate £50 million funding identified by the URC as necessary to support regional urban regeneration.

EMDA created a steering group consisting of English Partnerships, urban regeneration companies, a local authority representative and a private sector developer to guide the establishment of "blueprint".

The JV funding was structured as follows:

- public sector contributed property assets (buildings/sites) and some cash;
- private sector contributed a "cash match";
- EMDA made a cash loan; and
- additional equity subsequently invested on a pro-rata basis.

There are 4 separate strands to Blueprint activity:

- social goods;
- economic benefits;
- environmental improvement; and
- reasonable return on investment.

Blueprint is regarded by its stakeholder partners as a model example which provides a new way to regenerate areas in the region that may not otherwise have attracted investment.

<b>Blueprint</b>	
Date Established	2005
Partnership structure	Limited Liability Partnership
Partners	East Midlands Development Agency and Igloo Regeneration
Strategic Objective(s)	Remit to focus on social and economic regeneration.
Geographic Remit	East Midlands
Funding structure	Partnership vehicle where investment, control, risk and profit are shared equally between the public and private sector.
Project Activities	Nottingham Science Centre (12 acre site), Derby (1.7acre site). Are these the only completed developments? No = Leicester Waterside ongoing
Evaluation	Not known – none sourced.

### **City of Stirling Business Parks**

Stirling Council has a 50/50 public-private joint venture in the form of City of Stirling Business Parks (CSBP) with Scarborough Properties. The main focus is on delivering new business space in Stirling.

Castle Business Park has been the key project activity of CSBP and with development now complete the JV is pursuing a Phase 2 extension. Financial support in the form of gap funding for individual projects has been provided by Scottish Enterprise Forth Valley. CSBP also has joint responsibility for developing and managing both Castle and Broadleys Business Parks in Stirling.

Scarborough Development Group plc (SDG) is a national property company with a £1bn development programme. SDG develops major schemes either on its own account or in joint venture partnership.

<b>City of Stirling Business Parks</b>	
Date Established	Late 1980s
Partnership structure	50/50 public/private joint venture
Partners	Stirling Council and Scarborough Property Group.
Strategic Objective(s)	New development at Castle Business Park and joint responsibility for managing Castle and Broadleys Business Parks.
Geographic Remit	Stirling
Funding structure	Public = land, Private = development funding
Project Activities	Business accommodation at Castle Business Park and estate management at Broadleys
Evaluation	Not known – none sourced.

### 6.3.1 Model 2: The Public Sector Model

This approach sees the public sector in overall strategic control through either:

- 100% ownership of the delivery vehicle; or
- the public sector retaining 51% plus control.

In all cases though, the private sector are involved either as funding or development partners. Three specific models of JV style partnerships are outlined below.

Public sector have control as they retain ownership in land. Can recycle returns for next project.

#### **EDI Group**

The EDI Group was established in 1988 by the City of Edinburgh Council to carry out the development of Edinburgh Park. Since then, the EDI Group has developed most forms of property from office and retail through to factories and housing for the homeless. One of the EDI's roles is to work in partnership with both public and private sectors, carrying out specific property projects, which are not only profitable but bring added value in respect of architectural, environmental and economic development benefits.

The company is 100% owned by the City of Edinburgh Council and it delivers JVs on the basis of project specific projects. For example, the company have a 50/50 joint venture with Smarts Developments (Edinburgh Industrial Estates Ltd) and ERDC (Ratho Ventures).

EDI has also formed a separate joint venture company with the City of Edinburgh Council to deliver the long term strategic regeneration of Craigmillar through the Urban Regeneration Company structure.

EDI also has responsibility for ensuring delivery of appropriate infrastructure, integration of existing public and local authority provision and the creation of new landscaping, public parks and civic spaces.

The EDI Group has retained ownership of the majority of its completed commercial developments, and this, coupled with strategic individual property purchases, has resulted in the creation of a significant investment portfolio of over 100 individual properties.

<b>EDI Group</b>	
Date Established	1988
Partnership structure	City of Edinburgh Council – individual private sector partnerships as appropriate.
Partners	The company is 100% owned by the City of Edinburgh Council and delivers JVs on the basis of project specific projects. 50/50 joint venture with Smarts Developments (Edinburgh Industrial Estates Ltd) and ERDC (Ratho Ventures).
Strategic Objective(s)	Working in partnership with both public and private sectors, carrying out specific property projects, which are not only profitable but bring added value in respect of architectural, environmental and economic development benefits.
Geographic Remit	Edinburgh
Funding structure	Joint venture with property developers or borrowing from commercial (bank) sources.
Project Activities	Development of Edinburgh Park, now established as one of the principal business parks in Britain. EDI Group has developed most forms of property including office, retail, factories and housing. EDI Group has retained ownership of the majority of its completed commercial developments, coupled with strategic individual property purchases has created an investment portfolio of over 100 individual properties.
Evaluation	Not known – none sourced.

### **Akeler (Scotland) Ltd**

In 1994, Akeler Developments formed a special purpose vehicle with Scottish Enterprise to develop business space in support of economic development and kick-start the regeneration of the Lanarkshire economy.

The joint venture company consisted of Akeler and Scottish Enterprise and traded as Akeler (Scotland) Ltd. It provided an alternative means of delivering business space that would otherwise have fallen to the public sector to provide.

All profits generated by the initiative were recycled into each project to secure ongoing economic development in the area with 67% of the company owned by the public sector. Akeler obtained financial returns from a monthly retainer, development fees and property return.

<b>Akeler (Scotland) Ltd</b>	
Date Established	1994 - 2005
Partnership structure	Joint Venture 67% owned by public sector
Partners	Akeler and Scottish Enterprise.
Strategic Objective(s)	To develop business space in support of economic development and kick-start the regeneration of the Lanarkshire economy.
Geographic Remit	Lanarkshire
Funding structure	All profits generated by the initiative recycled into projects to secure ongoing economic development in the area. Akeler obtained returns from a monthly retainer, development fees and property return.
Project Activities	Business and industrial space across Lanarkshire.
Evaluation	Not known – none sourced.

### **East Dunbartonshire Development Company**

East Dunbartonshire Development Company (EDDC) was formed to develop Southbank Business Park in Kirkintilloch. It has provided up to 100,000 square feet of office and managed workspace in Kirkintilloch, Milngavie and Lennoxton. The company uses profits to fund future developments. EDDC is a joint venture between East Dunbartonshire Council Scottish Enterprise and East Dunbartonshire Enterprise Trust.

The joint venture was designed to provide speculative and bespoke business property for economic development objectives. The company has been operational for almost 20 years and has provided new business premises, learning centre, marina and public realm/environment/infrastructure works.

Original company assets were provided by EDC land assets and SE grant funding (£2 million). Although initially wholly reliant on public funding, the company now operates on a commercial basis raising bank funding to support new commercial developments on the strength of its wider portfolio. The company adopts a cross-funding mechanism i.e. funding less profitable ventures through surplus generated from other projects.

The JV was originally established to counter job losses in East Dunbartonshire by developing accommodation for small and new-start businesses at a time when the private sector was unwilling to speculate in this sector of the market. An evaluation of the company in 2002 found that at that date the company has developed nearly 100,000 sq ft of floor space and supported the start-up and growth of over 200 businesses. Subsequent property development and project activity will have increased these impacts over the past six years.

<b>East Dunbartonshire Development Company</b>	
Date Established	1989
Ownership structure	Joint venture
Partners	East Dunbartonshire Council, Scottish Enterprise and East Dunbartonshire Development Company.
Strategic Objective(s)	The joint venture was designed to provide speculative and bespoke business property for economic development objectives.
Geographic Remit	East Dunbartonshire
Funding structure	Initially reliant on public funding, the company now operates on a commercial basis, raising bank funding to support new developments on the strengths of its wider portfolio. Surplus funding is also used to support other projects.
Project Activities	New business space, learning centre, marina and infrastructure. The company has developed over 100,000 sq ft of floor space and supported the start-up and growth of 200 businesses.
Evaluation	Yes – 2002.





## **Appendix 3: Visitor Survey**