

Finance and Resources Committee

10.00 a.m, Thursday, 27 August 2015

Proposed 25 year lease of the Engine Shed, 19 St Leonard's Lane, Edinburgh

Item number	8.4
Report number	
Executive/routine	Routine
Wards	15 – Southside / Newington

Executive summary

The Engine Shed is a substantial three storey property located in the St Leonard's area of the city. It was leased for 25 years to Garvald Community Enterprises Limited, until 31 March 2015.

The property was placed on the open market for lease in early March 2015 and a closing date was set for 22 May 2015. Five offers were received at the closing date.

This report seeks committee approval to grant a new 25 year lease of the Engine Shed, 19 St Leonards Lane, at an annual rent of £65,000.

Links

Coalition pledges	P17
Council outcomes	CO7
Single Outcome Agreement	SO1

Proposed 25 year lease of the Engine Shed, 19 St Leonard's Lane, Edinburgh

Recommendations

That Committee:-

- 1.1 Approves the grant of a 25 year lease to Newmake Limited, on the terms outlined in the report, and on the other terms and conditions to be agreed by the Director of Services for Communities.

Background

- 2.1 The Engine Shed is a substantial three storey building, extending to 733 Sqm (7,900 ft) along with dedicated parking and landscaping, situated just off St Leonard's Lane, diagonally opposite St Leonard's Police Station, as shown hatched red on the attached plan.
- 2.2 The Engine Shed was extensively refurbished in 1990 when Garvald Community Enterprises Limited took entry to the building under a 25 year lease. The rent payable was £55,200 per annum. The lease expired on 31 March 2015.
- 2.3 The property was placed on the market in early March 2015. Following a full marketing period, a closing date was set and five offers to lease the building were received. Two of the offers were from church organisations at low rents, (£25,000 and £35,000 per annum) and these low rents together with associated planning and funding risks, resulted in both offers being discounted.
- 2.4 The remaining three offers received were evaluated further. The details of the recommended offer are set out in 3.1. Information concerning the two remaining bids is detailed below.
- 2.5 A community based bid from St Leonards Yard proposes to use the property as a mainly food based social enterprise hub with bakery, cafe and shared kitchen space. The offer is based on an annual rental of £55,195 with seven months' rent free on a 10 year lease, with a tenant break option at year five. The rent would be reviewed to open market value at year five. The offer is conditional on St Leonards Yard obtaining at least 80% relief on its non-domestic rates liability and conditional on the outcome of a structural survey.
- 2.6 The support charity, Carr Gomm, made an offer which proposes to relocate the Rivers Centre to the Engine Shed. The Rivers Centre provides treatment for patients suffering from psychological trauma. A Rivers Centre Public Social

Partnership (PSP) was to be set up with a service level agreement with NHS Lothian who would essentially control, maintain and fund the building. The offer is based on an annual rent of £60,000 with six months' rent free on a 15 year lease. The rent would be reviewed to open market value at year five. Although Carr Gomm expects to receive some form of relief on non-domestic rates liability its offer is not conditional on that point. No other conditions apply.

- 2.8 Newmake Limited was established to resurrect the tradition of distilling single malt whisky in Edinburgh and has identified the Engine Shed as the ideal location. It wishes to establish a significant new tourism attraction with the creation of 25 new jobs and with opportunities for young workers, trades, and apprenticeship training through the Edinburgh Guarantee. The proposal would result in an initial £1.5m capital investment.

Main report

- 3.1 The following main terms have been provisionally agreed with Newmake Limited:

- Subjects: The Engine Shed, 19 St Leonard's Lane, Edinburgh;
- Lease Term: 25 years;
- Break Option: Tenant only break option at year 15;
- Rent: £65,000 per annum with three months rent free;
- Rent Review: Every fifth anniversary of date of entry and linked to RPI;
- Use: Boutique distillery with visitor experience to include tasting, retail and cafe; and
- Costs: Each party will be responsible for their own legal costs incurred. Newmake Limited will be responsible for registration dues, LBTT and costs of extracts.

Measures of success

- 4.1 A large vacant property will be brought into a commercial and productive use providing additional income to the Council. The offerer has indicated that the proposal will create up to 25 additional jobs (production staff, administrative, management, cafe, visitor centre and retail outlet) and provide opportunities for young workers, trades and apprenticeship training in support of the Edinburgh Guarantee.

Financial impact

- 5.1 Additional rental income of £9,800 per annum payable to the Services for Communities (General Property) Account.

Risk, policy, compliance and governance impact

- 6.1 The proposal reflects best value and it is considered that there is little or no impact on Risk, Policy, Compliance or Governance issues.
- 6.2 The proposed use requires planning consent. The Planning Service has been consulted, and it is considered that all issues could be addressed. To mitigate against this risk, the offerer has agreed to cover the Council's holdings costs whilst permission is applied for.

Equalities impact

- 7.1 An Equality and Rights Impact Assessment has been carried out. A possible infringement has been identified in that claims could be made by individuals that they have not been given the opportunity to lease or make an offer for the property, however the premises were widely marketed for a period of three months with a closing date set for offers. This gave ample opportunity for any interested parties to make an offer.

Sustainability impact

- 8.1 There are no sustainability issues arising from this report.

Consultation and engagement

- 9.1 The proposals have been subject to consultation with the Planning Service.

Background reading/external references

N/A

John Bury

Acting Director of Services for Communities

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Links

Coalition pledges	P17 – Continue efforts to develop the city's gap sites and encourage regeneration.
Council outcomes	CO7 – Edinburgh draws new investment in development and regeneration.
Single Outcome Agreement	SO1 - Edinburgh's Economy Delivers increased investment, jobs and opportunities for all.
Appendices	Location Plan.



LOCATION PLAN

PHOTOGRAPHICALLY REDUCED NOT TO SCALE

SITE PLAN

• EDINBURGH •
THE CITY OF EDINBURGH COUNCIL

SERVICES FOR COMMUNITIES
EDINBURGH

ENGINE SHED AT
19 ST LEONARD'S LANE
EDINBURGH

DATE 18/6/15

SURVEYED BY

DRAWN BY Mark Ballantyne

SCALE N.T.S.

NEG. NO. A3/1601