

Finance and Resources Committee

10.00am, Thursday 9 June 2015

Port Edgar Marina – Proposed Lease Extension

Item number	8.3
Report number	
Executive/routine	Routine
Wards	1 - Almond

Executive summary

Port Edgar Holdings Ltd (PEHL) entered into a long lease at Port Edgar Marina in April 2014 on condition of making substantial investment in the facilities over the first five years of the lease.

During the first 18 months of the lease PEHL has exceeded this obligation. Based on the initial success of its occupation it has attracted the interest of a major restaurant and leisure operator for a proposed new hub building. However, for both PEHL and its potential sub-tenant to secure funding for the construction and fit-out of this building, the operator requires the security of a 35 year lease. The initial term of PEHL's lease is until April 2044 with an option, which, under the terms of the lease, becomes available in 2024, to extend by 10 years.

Following a formal request by PEHL, this report seeks committee approval to grant this extension to facilitate the continued investment at Port Edgar sooner than would otherwise be the case.

Links

Coalition pledges	P17 , P42
Council outcomes	CO7
Single Outcome Agreement	SO1

Port Edgar Marina – Proposed Lease Extension

Recommendations

That Committee:

- 1.1 Approves the grant of a 10 year extension of Port Edgar Marina, from April 2044 until April 2054, and the grant of irritancy protection on the terms and conditions set out in this report, and on terms and conditions to be agreed by the Acting Executive Director of Resources.

Background

- 2.1 Port Edgar Marina comprises the area shown outlined in red on the attached plan. Following previous efforts to dispose of Port Edgar and the withdrawal of Edinburgh Leisure from the management of the facility, the opportunity to take over the operation of the property on a long lease was advertised. The successful bidder, Port Edgar Holdings Ltd, entered in a lease in April 2014.
- 2.2 The terms of the lease were approved by the Finance and Resources Committee on 19 September 2013 with the aim of securing the future of the marina and to ensure future investment. The lease is for an initial period of 30 years subject to an initial investment of approximately £600,000 to be expended within the first five years of the lease, and to the agreement by the tenant to undertake a subsequent period of investment to be completed by 2029.
- 2.3 At 2029 and on completion of its investment obligations, the tenant can, opt to extend the lease until 2054 and would from then on have the option, every 10 years, to extend the lease by a further ten years but not beyond 2084.
- 2.4 The initial rent is £30,000 p.a. rising to £90,000 p.a. after three years and thereafter is subject to an index linked review every five years. In addition, once the rent from occupational leases exceeds £90,000 p.a. the Council will receive 10% of any excess.
- 2.5 Since taking possession in 2014, PEHL has expended over £1m, which is well in excess of the £600,000 agreed with the Council, on dredging the harbour, demolition and upgrade works, the creation of a new car park and new open slipway, creating a new temporary Sailing Centre together with significant expenditure on landscape works.

- 2.6 The improvement works have led to seven tenants, previously on month to month tenancies, signing up to longer leases including a sailing school operator which ensures the continuation of this service following the withdrawal of Edinburgh Leisure from the marina.
- 2.7 PEHL's investment has also resulted in the marina being visited by both the Scottish Government's Minister of Tourism and Economic Development and the Chair of the Maritime Tourism Group, the latter associated with the Government's Awakening the Giant report on Scottish Maritime Tourism published in March 2015.

Main report

- 3.1 PEHL's master plan for the development of the site included, as part the second tranche of investment, the construction of a hub building to provide restaurant and other support facilities for the site. Following the success of this investment in reinvigorating the marina, PEHL has agreed provisional terms with a major Scottish restaurant and leisure operator to be based in the proposed hub.
- 3.2 The operator was established in 1990 and currently has a turnover of £8m per annum from its existing operations including other marina locations in the West and South West of Scotland. Due to this interest, PEHL now proposes to bring forward the construction of the hub building at an estimated construction cost of £1m with a similar amount being expended on fit-out by the operator.
- 3.3 In order to fund this proposed development, two key requirements have been raised:
 - 3.3.1 In order to fund its lease and fit-out costs the operator's funders require a sub-lease of a minimum 35 year duration. Due to the terms of its lease, PEHL is not in a position to grant such a term and, for it to do so, it would need to trigger the first extension to its lease from 2044 until 2054. Under the terms of the lease this option will not become available until 2029 and so requires a variation to the lease to allow it to take advantage of this opportunity.
 - 3.3.2 The prospective occupier and its funders has also made it clear that, due to the level of investment, it is essential that it has irritancy protection in place to cover the eventuality (however unlikely) of the head lease being terminated. Funding of the operators fit-out can only be secured if the funder is assured that the operator will be able to continue to trade regardless of what happens with PEHL.
- 3.4 PEHL has now formally requested Council consent to variations to the lease which would allow it to bring forward the first 10 year extension of the lease, from

2029, and for the Council to grant irritancy protection to the prospective operator of the proposed hub building.

- 3.5 Should PEHL secure the necessary consent it would bring forward further investment of approximately £3m over the next two years not only on the construction of the hub but also in further refurbishment of existing buildings and in utilities infrastructure.
- 3.6 If the proposals are approved the current rental arrangements would continue, however, following a period of rental incentive for the operator, the substantial increase in occupational rents including from additional lettable space created in the hub, would mean the opportunity for the Council to benefit from the rental top up provisions earlier than anticipated.

Measures of success

- 4.1 Agreement to the proposals would bring forward substantial investment at Port Edgar Marina sooner than had previously been anticipated and so help to secure the long term future of the facility in fulfilment of the Council's objectives.

Financial impact

- 5.1 Agreement to the proposals will have no financial impact on the Council as the project will be funded and managed by the tenants. The present income stream will be maintained and the opportunity for the Council to benefit from rental top up provisions will be improved. PEHL will meet the Council's costs incurred in completing the lease extension.

Risk, policy, compliance and governance impact

- 6.1 The proposals do not seek to change any policy currently in place. There is minimal risk to the Council as the project will be developed, funded and managed by PEHL and the prospective hub operator.

Equalities impact

- 7.1 Approving the requested lease variation will have a positive impact on the rights to health, education and learning, productive and valued activities and individual, family and social life.

Sustainability impact

8.1 The impacts of this report in relation to the three elements of Climate Change (Scotland) Act 2009 Public Bodies Duties have been considered and outcomes summarised below.

- The proposals in this report will have a limited impact on carbon emissions as the increase related to new construction will be limited by the use of current building standards and off-set by the refurbishment of existing buildings to modern standards using modern materials.
- The proposals in this report will increase the city's resilience to climate change impacts by redeveloping on previously developed land.
- The proposals in this report will help achieve a sustainable Edinburgh by promoting personal well being and meeting diverse needs of current and future communities.
- The proposals in this report will help achieve a sustainable Edinburgh by creating an improved environment for the local and wider communities.
- The proposals in this report will help achieve a sustainable Edinburgh because apart from new development on a brownfield site it will also reuse existing buildings.

8.2 Relevant Council sustainable development policies have been taken into account and are noted at Background Reading later in this report.

Consultation and engagement

9.1 The Council and PEHL have consulted with key stakeholders in the Marina including Port Edgar Yacht Club, the Berth Holders Association, existing tenants, the Royal Naval Sailing Association and the local Community Council, all of whom have been supportive of the proposed development.

Background reading/external references

[Report to Finance and Resources Committee, Tuesday 19 September 2013, Item 8.1.11 – Port Edgar Marina – Proposed lease](#)

Hugh Dunn

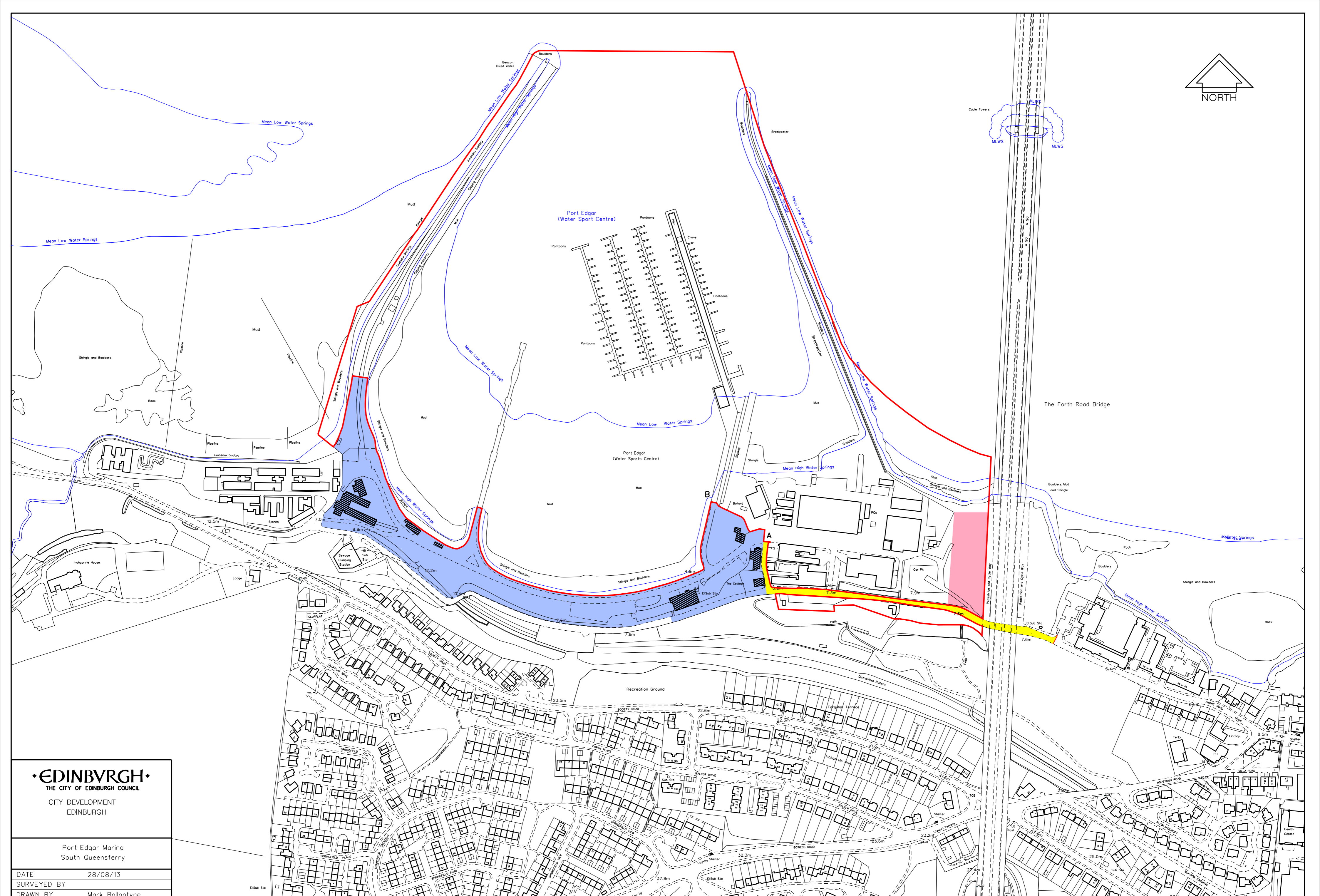
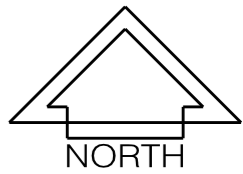
Acting Executive Director of Resources

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Links

Coalition pledges	P17 - Continue efforts to develop the city's gap sites and encourage regeneration. P42 – Continue to support and invest in our sporting Infrastructure.
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	Appendix 1 - Location Plan.



EDINBURGH
THE CITY OF EDINBURGH COUNCIL
CITY DEVELOPMENT
EDINBURGH

Port Edger Marina
South Queensferry

DATE	28/08/13
SURVEYED BY	
DRAWN BY	Mark Ballantyne
FILE NO.	1:2500 @ A2
NEG. NO.	NT1177/A2/87 A

LAND AND HARBOUR TO BE LEASED SHOWN DELINEATED RED

ADDITIONAL LAND AVAILABLE FOR USE BY THE MARINA ON A SHORT TERM BASIS PENDING FUTURE POTENTIAL DEVELOPMENT SHOWN COLOURED BLUE