

Finance and Resources Committee

2.00p.m, Thursday, 18 August 2016

Proposed new lease to Pulsant (South Gyle) Ltd at Units 1 & 2 The Clocktower, Flassches Yard, South Gyle Industrial Estate, Edinburgh

Item number	8.10
Report number	
Executive/routine	Routine
Wards	3 - Drumbrae/Gyle

Executive summary

Units 1 & 2 Clocktower, Flassches Yard, South Gyle Industrial Estate are currently let to MCL Create Ltd and Freedom4 Access Ltd respectively. Both tenants will be vacating their respective properties by September 2016.

This report seeks authority to grant a fresh lease of Units 1 & 2 Clocktower to Pulsant (South Gyle) Ltd on the provisional agreed terms detailed in this report.

Links

Coalition pledges	P15 , P28
Council priorities	CP5 , CP8
Single Outcome Agreement	SO1

Proposed new lease to Pulsant (South Gyle) Ltd at Units 1 & 2 The Clocktower, Flassches Yard, South Gyle Industrial Estate, Edinburgh

Recommendations

- 1.1 That Committee:
 - 1.1.1 Approves the grant of a new lease to Pulsant (South Gyle) Ltd of Units 1 and 2 The Clocktower, on the terms outlined in this report and on other terms and conditions to be agreed by the Acting Executive Director of Resources.

Background

- 2.1 Unit 1 Clocktower extends to approximately 651 sq m (7,011 sq ft) or thereby shown edged red on the attached plan and is leased to MCL Create Ltd from 13 June 2006 to 31 July 2016. The current passing rent is £54,000 per annum excluding VAT. The tenant has not sought to renew the lease.
- 2.2 Unit 2 Clocktower extends to approximately 467sqm (5,031 sq ft) or thereby, shown edged red on the attached plan and is leased to Freedom4 Access Ltd from 28 March 2002 to 31 December 2021. The tenant is in breach of its lease terms, possession of the unit will be acquired by the council on 31 August 2016. The current rent is £40,248 per annum excluding VAT.
- 2.3 Pulsant (South Gyle) Ltd is a long standing existing tenant of the Council, which currently occupies Unit 6 and 11-20 at The Clocktower Estate. The company is currently operating at maximum capacity and requires urgent additional space to facility client demand.
- 2.4 Pulsant is one of the UK's largest providers of datacentres, managed cloud and hosting services and managed networks. The company designs, deploys and optimises technology solutions that deliver business-focused outcomes to a fast growing customer base of over 2,500 organisations active in the private and public sector.
- 2.5 Pulsant is one of only two companies globally to hold the BSI CSA Star accreditation for cloud security. In 2013, Pulsant was awarded the Royal Warrant as a provider of hosted IT and datacentre services to the Royal household.

Main report

- 3.1 In order to expand its business and to support its infrastructure investment, Pulsant has requested 20 year lease.
- 3.2 The following main terms have been provisionally agreed:
- Subjects: Industrial units 1 & 2 The Clocktower, Flassches Yard, South Gyle Industrial Estate, Edinburgh, EH12 9LB.
 - Lease: 1 September 2016 until 31 August 2036.
 - Rent: £97,000 per annum excluding VAT (current market rental value).
 - Review: Upwards only rent review on 01 September 2021 and every five years thereafter.
 - Use: Datacentre.
 - Repairs: Full repairing and insuring basis.
 - Costs: Pulsant (South Gyle) Ltd will meet the council's reasonable property and legal fees.
- 3.3 Pulsant has fulfilled all its legal and financial obligations in terms of its existing leases at Unit 6 and Units 11 – 20 The Clocktower.

Measures of success

- 4.1 The grant of a 20 year lease is required to provide security of tenure for Pulsant's £10m infrastructure investment. This additional space will support its business demand, sustain employment for its workers and provide the wider economy with cloud data storage solutions.

Financial impact

- 5.1 An increase in rental income of £2,752 per annum exclusive of VAT payable to the General Property Account.
- 5.2 This proposal would remove any rental void term and associated rates liability costs.

Risk, policy, compliance and governance impact

- 6.1 The proposals will ensure both units will remain in economic use beyond September 2016.

Equalities impact

- 7.1 An Equality and Rights Impact Assessment has been carried out. By approving the proposed lease to Pulsant (South Gyle) Ltd and providing a lease commitment to 2036, this could potentially have an impact on other businesses who may wish to rent these particular properties. However, given they are an existing client operating in an expanding market the level of investment and job creation the impact on others is considered to be proportionate and justifiable.

Sustainability impact

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

Consultation and engagement

- 9.1 Local ward Councillors have been made aware of this letting to Pulsant (South Gyle) Ltd.

Background reading/external references

N/A

Hugh Dunn

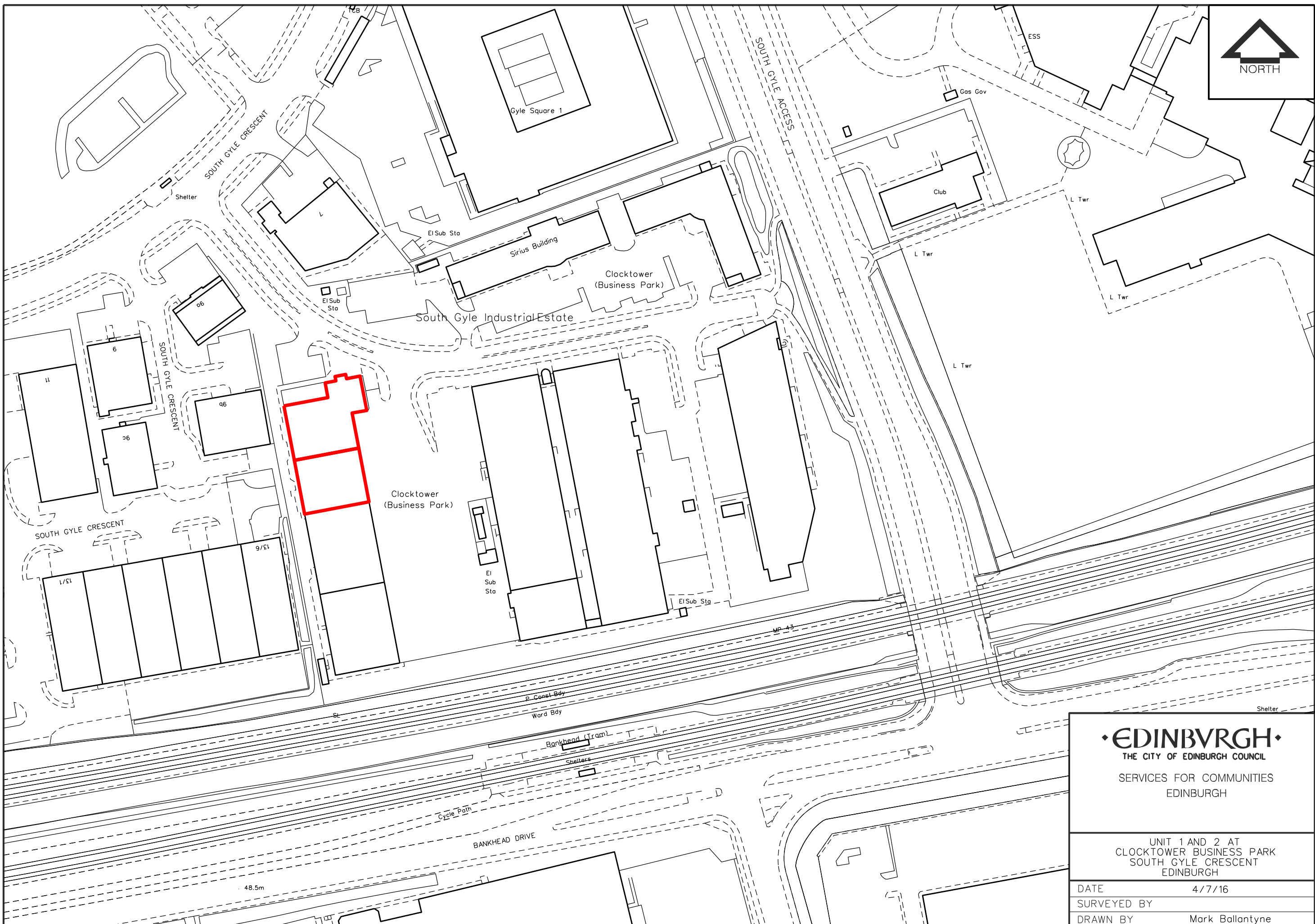
Acting Executive Director of Resources

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Links

Coalition pledges	P15 – Work with public organisations, the private sector and social enterprise to promote Edinburgh to investors. P28 – Further strengthen our links with the business community by developing and implementing strategies to promote and protect the economic well being of the city.
Council priorities	CP5 - Business growth and investment. CP8 - A vibrant, sustainable local economy.
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 SERVICES FOR COMMUNITIES EDINBURGH	
UNIT 1 AND 2 AT CLOCKTOWER BUSINESS PARK SOUTH GYLE CRESCENT EDINBURGH	
DATE	4/7/16
SURVEYED BY	
DRAWN BY	Mark Ballantyne
SCALE	N.T.S.
NEG. NO.	A3/1685

SITE PLAN

PHOTOGRAPHICALLY REDUCED NOT TO SCALE