

Finance and Resources Committee

2.00p.m, Thursday, 18 August 2016

Proposed lease restructure of Tourist Information Centre at Waverley Mall, Edinburgh

Item number	8.2
Report number	
Executive/routine	Routine
Wards	11 – City Centre

Executive summary

On 4 June 2015, Finance and Resources Committee approved a report detailing a new sub-letting of the Tourist Information Centre to VisitScotland Limited. This report seeks to inform committee of the next phase of the lease restructure.

The Council is landlord of a ground lease to Ritchie Investments Lux S.a.r.l. (RILS) of Waverley Mall (rebranded from Princes Mall) Shopping Centre. RILS subleases back to the Council the Tourist Information Centre on the plaza level of the mall. The Council then sub-under leases the Tourist Information Centre to VisitScotland Limited.

The current demise leased to VisitScotland is no longer fit for purpose and is too large for the Tourist Information Centre, and discussions have taken place with the RILS and VisitScotland to create a new Tourist Information Centre which will better meet the requirements of VisitScotland. The existing property will be subdivided to provide the Tourist Information Centre and a new restaurant. These works will be carried out by RILS which will also meet all capital costs.

The lease restructure greatly increases the rental payable to the Council which will rise from £49,000 to minimum of £88,396 to a potential £109,396 per annum.

This report seeks Committee approval to enter into and agree the lease restructure.

Links

Coalition pledges	P15 , P17
Council priorities	CP5 , CP8 , CP9 , CP12
Single Outcome Agreement	SO1

Proposed lease restructure of Tourist Information Centre at Waverley Mall, Edinburgh

Recommendations

That Committee:

- 1.1 Approves a lease restructure between the Council, RILS and VisitScotland Limited on the terms outlined in the report, and on the other terms and conditions to be agreed by the Acting Executive Director of Resources.

Background

- 2.1 The Council retains ownership of Waverley Mall Shopping Centre. Ritchie Investments Lux S.a.r.l. (RILS) has the head tenant interest under a ground lease, expiring in March 2188, at a peppercorn rent.
- 2.2 RILS subleases back to the Council the Tourist Information Centre and other offices (as shown outlined red on the attached plan), on the roof plaza of the Shopping Centre. This lease also expires in March 2188, and the rental is £1.00 per annum (if asked).
- 2.3 The Council then sub-under leases the Tourist Information Centre to VisitScotland Limited at an annual base rent of £24,000 per annum, plus a turnover top up of approximately £25,000 per annum, providing a total annual rental payable of £49,000 per annum. The current sub-under lease, between the Council and VisitScotland, was due to expire on 31 May 2016 (holding over to 2017).
- 2.4 The existing Tourist Information Centre is too large for VisitScotland needs. It is therefore proposed that a new unit (known as Unit A) will be created to provide them with a more prominent unit, which more closely meets their requirements.
- 2.5 The physical works required to create the new separate units will be undertaken and paid for by RILS. These works will be subject to RILS obtaining all necessary statutory consents, including planning permission and building warrants.
- 2.6 Provisional agreement has been reached between the Council, VisitScotland Limited and RILS for RILS to take over control of the Tourist Information Centre by receipt of a sub under lease from the Council until 28 March 2188 (equating

to the other leasehold interests of the Centre), and to subdivide the property into two individual units known as Unit A (Tourist Information Centre) and Unit B.

- 2.7 The Council will retain a level of control over Unit A for the purpose of intended and continued occupation for Edinburgh and Scotland tourism purposes and the initial letting will be to VisitScotland Limited as per a report approved by Finance and Resources Committee on 4 June 2015. The initial term will be 15 years at £90,700 per annum.

Main report

- 3.1 A new rental mechanism will be entered into within the new sub under leases whereby the gross income generated from the sub under leases will be split as follows – Council 28% and RILS 72%.
- 3.2 The rent of the Tourist Information Centre is agreed with RILS at £90,700. The rent of the newly created restaurant unit is expected to be between £225,000 and £300,000 per annum providing a rent to the Council of between £88,396 and £109,396 per annum for that unit.
- 3.3 The existing sub-under lease between the Council and VisitScotland Limited will continue beyond the expiry date of 31 May 2016, until the new unit is ready and all legal documentation is agreed. VisitScotland Limited will be afforded continuity of trade through the period and the Council will continue to receive the full rental income for the existing Tourist Information Centre during the restructure and redevelopment.

Measures of success

- 4.1 A more prominent unit will be created for VisitScotland Limited allowing it to provide a better service through the Tourist Information Centre. The greater prominence and better accessibility of the unit will allow a higher number of tourist, and other users, to access the VisitScotland service. The proposal greatly increases the income payable to the Council.

Financial impact

- 5.1 The combined impact of the creation of two units will result in an increase in the rental income payable to the General Property Account of between £39,396 and £60,396 per annum.
- 5.2 The financial impact with the ground lease and sublease is neutral with both existing arrangements of a peppercorn rent to continue.

Risk, policy, compliance and governance impact

- 6.1 It can be demonstrated that best value is being obtained and it is considered that there is little or no impact of Risk, Policy, Compliance or Governance issues.

Equalities impact

- 7.1 This new lease will allow VisitScotland Limited to provide a more prominent, better configured, and more accessible Tourist Information Centre, resulting in a higher standard of service to visitors to the city. This will enhance the rights of productive and valued activities
- 7.2 The new lease is being agreed as a result of direct negotiations between the stakeholders. This could lead to claims by individual or parties who were not given the opportunity to be considered, however, given the nature of the service provided by the Tourist Information Centre, the benefits that brings to the city, and the long standing nature of their presence in this location, it is considered that any potential impact is proportional and justifiable.

Sustainability impact

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

Consultation and engagement

- 9.1 The works required to create the new units will require planning permission. The surrounding owners and occupiers together with the general public will be able to comment on the proposal during the planning application process.

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. P17 – Continue efforts to develop the city’s gap sites and encourage regeneration.
Council priorities	CP5 – Business growth and investment CP8 – A vibrant, sustainable local economy CP9 – An attractive city CP12 – A built environment to match our ambition
Single Outcome Agreement	SO1 - Edinburgh’s Economy Delivers increased investment, jobs and opportunities for all.
Appendices	Location Plan.



NORTH
General Register House
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• EDINBURGH •
THE CITY OF EDINBURGH COUNCIL
SERVICES FOR COMMUNITIES
EDINBURGH

TOURIST INFORMATION CENTRE AT
PRINCES MALL
PRINCES STREET
EDINBURGH

DATE	29/4/15
SURVEYED BY	
DRAWN BY	Mark Ballantyne
SCALE	N.T.S.
NEG. NO.	A3/1591

LOCATION PLAN

PHOTOGRAPHICALLY REDUCED NOT TO SCALE

SITE PLAN

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