

Finance and Resources Committee

10.00am, Thursday, 1 December 2016

Proposed 30 year lease of 32 Market Street, Edinburgh

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

Executive Summary

32 Market Street has been vacant since the Royal Edinburgh Military Tattoo relocated to 1 Cockburn Street.

The property was subject to a full marketing campaign from May 2016, with two formal offers received at the closing date of 31 August 2016.

This report seeks approval to the grant of a new 30 year lease to General Dynamic Fun Limited on the terms and conditions outlined in the report.

Links

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| Coalition Pledges | P17 |
| Council Priorities | CP5 , CP7 , CP9 , CP12 |
| Single Outcome Agreement | SO1 |

Proposed 30 year lease of 32 Market Street, Edinburgh

1. Recommendations

That Committee:

- 1.1 Approves a new 30 year lease to General Dynamic Fun Limited of 32 Market Street on the terms outlined in this report and on other terms and conditions to be agreed by the Acting Executive Director of Resources.

2. Background

- 2.1 The premises at 32 Market Street is formed over ground and first floor and extends to 682 sqm (7,342 sqft) or thereby, as shown outlined red on the attached plan.
- 2.2 The property was leased to the Royal Edinburgh Military Tattoo who purchased 1 Cockburn Street from the Council. Following completion of the refurbishment and relocation into 1 Cockburn Street, the Tattoo's lease was terminated on 28 May 2016. The rent paid by the Tattoo for 32 Market Street was £64,000 per annum.
- 2.3 32 Market Street was placed on the open market for lease in May 2016. Following receipt of notes of interest, a closing date was set for 31 August 2016, when two formal offers were received.
- 2.4 Initial discussions were held with the highest bidder who subsequently withdrew their offer. Provisional heads of terms have now been agreed with the under bidder.
- 2.5 General Dynamic Fun Limited is a new limited company and is a joint venture between John and Lynne Dunsmore, who are the founders and directors of The Edinburgh Beer Factory Limited, and Gino Stornaiuolo of Nonna's Kitchen.
- 2.6 As the new limited company has no trading history, John and Lynne Dunsmore will provide personal guarantees to cover all lease obligations.

3. Main report

- 3.1 Following negotiations, the following terms have been provisionally agreed:
 - Subjects: 32 Market Street outlined red on attached plan;
 - Lease term: 30 year lease from date of entry with tenant break options at 10th and 20th anniversary on six month notice;

- Rent: £100,000 per annum;
- Incentives: Equivalent of 18 months rent to be phased across the first two and a half years of the lease (six months rent free from date of entry and then half rent for two years). The tenant will be spending in the region of £1m refurbishing the property;
- Rent Reviews: Reviewed on each fifth anniversary to open market value;
- Use: Food / beverage ("Pizzeria Paolozzi") at ground floor with office above;
- Costs: Both parties to meet their own costs with office above and;
- Other terms: Subject to planning permission for change of use and other conditions as contained in a standard commercial lease.

4. Measures of success

- 4.1 Granting a new 30 year lease of the premises will bring a vacant unit back into commercial use thus reducing the Council's vacant property costs and generating a rental income.

5. Financial impact

- 5.1 Removal of approximately £55,000 per annum financial liability to Council on vacant Non Domestic Rates, plus, new rental income of £100,000 per annum payable to the General Property Account.

6. Risk, policy, compliance and governance impact

- 6.1 It is considered that this is little or no impact on Risk, Policy, Compliance or Governance issues.

7. Equalities impact

- 7.1 An equality and Rights Impact Assessment has been carried out.
- 7.2 The letting of the property would bring a vacant unit back into commercial use. The new tenant will use the property as a high quality restaurant at ground floor level with office above. This letting will help provide for Edinburgh's economic growth and prosperity, while enhancing the right to productive and valued activities.
- 7.3 In a commercial property letting the main infringement of rights can often be claims by individuals who were not given the opportunity to lease or make an offer for the

property. It is not considered to be the case in this instance. The property was fully and openly marketed for a period of three months with a closing date for offers, providing the best possible opportunity for every interested party to submit an offer.

8. Sustainability impact

8.1 There are no sustainability issues arising from this report.

9. Consultation and engagement

9.1 N/A

10. Background reading/external references

10.1 N/A

Hugh Dunn

Acting Executive Director of Resources

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11. Links

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| Coalition Pledges | 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 | Appendix 1 – Location / Site Plan |

