

Finance and Resources Committee

10.00am, Thursday, 23 March 2017

Port Edgar Marina – Proposed Lease Variation

Item number	8.5
Report number	
Executive/routine	Routine
Wards	1 - Almond

Executive Summary

In April 2014, Port Edgar Holdings Limited (PEHL), was granted a lease of Port Edgar Marina subject to making staged investment in the facility. In 2016, having exceeded the investment requirements, and to permit further investment, PEHL was granted an early incremental extension to the lease together with permission to grant Irritancy Protection to secure a major leisure operator as a tenant.

To allow for continued investment in the facilities at the marina, PEHL has now requested that the lease is converted to a fixed term and for the area of the marina covered by the lease to be extended.

Links

Coalition Pledges	P15 , P17 , P42
Council Priorities	CP5 , CP8
Single Outcome Agreement	SO1

Port Edgar Marina – Proposed Lease Variation

1. Recommendations

That Committee:

- 1.1 Approves the amendment of the existing lease to PEHL to a fixed period of 67 years until 2084, and an extension of the area of the marina covered by the lease, on the main terms set out in this report and on other terms and conditions to be agreed by the Acting Executive Director of Resources.

2. Background

- 2.1 Port Edgar Marina comprises the area shown outlined in red on the attached plan (Appendix 1). Port Edgar Holdings Ltd (PEHL) entered into a lease in April 2014 following a marketing exercise.
- 2.2 The terms of the lease were agreed with the aim of securing the future of the marina and to ensure future investment. The lease was for an initial period of 30 years subject to PEHL carrying out investment of approximately £600,000 within the first five years of the lease, with a subsequent period of investment to be completed by 2029. Further options were available at 10 year intervals to extend the lease until 2084.
- 2.3 Since taking possession in 2014, PEHL has invested over £1m on dredging the harbour, demolition and upgrade works, the creation of a new car park and new open slipway, forming a new temporary Sailing Centre along with significant landscape works. This is significantly in excess of £600,000 initially agreed.
- 2.4 These works have secured seven permanent tenants previously on monthly leases. In addition, PEHL has attracted interest from a major restaurant and leisure operator, already with a presence at several other marinas, which resulted in the initial 10 year lease extension until 2054 being approved in June 2016, along with the ability to grant an irritancy protection agreement to secure the tenant, and the additional funding required to create and fit out suitable premises.
- 2.5 This consent will not only result in investment in the new leisure facility but also secured the necessary upgrade of sub-standard utilities infrastructure serving Port Edgar. At present, the electricity distribution for the marina is housed in a building outwith the area leased to PEHL and is the responsibility of the Council. The equipment is dated and will require to be upgraded to provide security of supply. Water treatment at the site also fails to meet current standards and needs to be

upgraded with the provision of a new water treatment installation to accommodate the current and future development proposals.

3. Main report

- 3.1 As a result of the high level of investment to date, the success of the project in reinvigorating Port Edgar, the additional investment required in the near future and the need to be able to pro-actively manage the facility without the need to revert to the Council for permissions and extensions, PEHL have now formally requested that the lease be further amended as follows:
- 3.1.1 The lease will be converted to a fixed term until 2084 allowing the tenant to better plan their long term investment in the facility;
 - 3.1.2 The area leased to be extended to include the area shaded pink on the attached plan. This will accommodate boat storage which will be displaced due to increased car parking required to support increasing visitor numbers and the restaurant/leisure provision. This area also includes the Power House building which houses the electricity distribution for the marina and, once the current required investment is made as in condition (3.1.4) below, the Council will have no further future maintenance/upgrade liabilities;
 - 3.1.3 As with the original Port Edgar Lease, PEHL would become the intermediate landlord for existing tenants within the extension area and provide those on short term lease similar security of tenure as was provided to existing tenants in the area of the original lease;
 - 3.1.4 For further development of the marina to continue infrastructure improvement works at an estimated cost of £200,000 are required. Currently responsibility for these lies with the Council. By extending the area leased this responsibility will be transferred to the tenant. Following negotiation it has been agreed that rather than grant, as the tenant had requested, an immediate rent free period to cover the cost of the improvement works, the rent profile will be amended to spread this over a 15 year period as indicated in the attached schedule. Adjusting the rent over 15 years rather than granting a rent free period at the commencement of the new lease benefits the Council by reducing the impact of the concession in real terms;
 - 3.1.5 The tenants to meet the Council's reasonable legal costs; and
 - 3.1.6 Other terms and conditions to be agreed.
- 3.2 Whilst these proposals result in an initial reduction in income to the Council, this will be offset by the removal of the Council's liability for the maintenance and repair of the buildings within the extended area. The Council will also be relieved of the liability for maintenance to power supply and drainage infrastructure in this area. The future development of the marina will require substantial investment in these areas which PEHL will be obliged to undertake.

4. Measures of success

- 4.1 Agreement to the proposals would enable further substantial investment at Port Edgar Marina much sooner than had previously been anticipated. This will assist with securing the long term future of the facility in fulfilment of the Council's objectives when the opportunity to lease the marina was advertised.

5. Financial impact

- 5.1 Agreement to the proposals will mean a decrease of £200,000 in rental income, reduced in real terms due to its spread over the 15 year period 2017 - 2032. It will also remove the Council's responsibility for the maintenance, repair and potential replacement of infrastructure which is a barrier to development and future investment in the marina. It will also relieve the Council of similar responsibilities for existing buildings. Early development would also bring forward the possibility of the Council receiving overage payments which under the terms of the existing lease arise once the rental income from the marina exceeds £90,000 p.a.

6. 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 leisure operator.

7. 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.

8. 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; and
- 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.

9. Consultation and engagement

9.1 The Council and PEHL have consulted with key stakeholders in the Marina represented including Port Edgar Yacht Club, the Berth Holders Association, existing tenants and the Marine Sailing and Sea Cadet Association as major stakeholders on the proposals. These discussions have been supportive of the proposed development.

10. Background reading/external references

10.1 Local Development Plan -

http://www.edinburgh.gov.uk/download/downloads/id/8521/ldp_proposals_map_-_north_west.pdf

Resource Use Policy -

http://www.edinburgh.gov.uk/downloads/file/6342/resource_use_policy

Economy Committee - 17 September 2013 - Port Edgar Marina - Proposed Lease

Finance and Resources Committee - 9 June 2016 - Port Edgar Marina - Proposed Lease Extension

Hugh Dunn

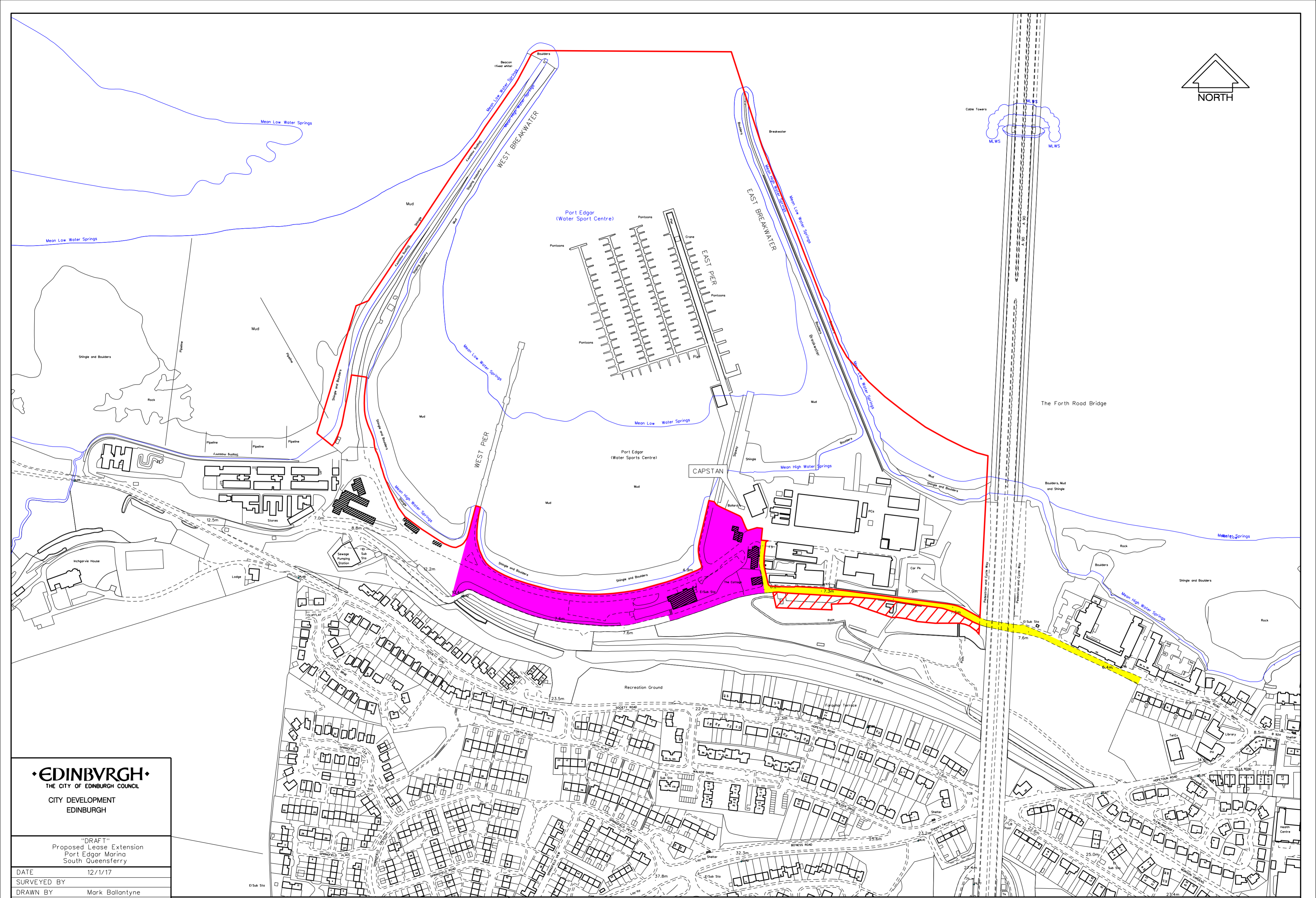
Acting Executive Director of Resources

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11. Links

Coalition Pledges	P15 - Work with public organisations, the private sector and social enterprise to promote Edinburgh to investors. P17 - Continue efforts to develop the city's gap sites and encourage regeneration. P42 – Continue to support and invest in our sporting Infrastructure.
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 Appendix 2 – CEC Rent Proposals



EDINBURGH
THE CITY OF EDINBURGH COUNCIL
CITY DEVELOPMENT
EDINBURGH

"DRAFT"
Proposed Lease Extension
Port Edgar Marina
South Queensferry

DATE	12/1/17
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

PROPOSED LEASE EXTENSION SHOWN SHADED PURPLE

	Lease period	Existing PEH	MSSC	Total Anticipated Rental income	Utilities Obligations - Spread over 15 years	Rental less obligations	Proposed PEH	Difference
	April 14- March 15	30,000		30,000		30,000	30,000	-
	April 15- March 16	30,000		30,000		30,000	30,000	-
	April 16- March 17	30,000		30,000		30,000	30,000	-
YR1	April 17- March 18	90,000	7,500	97,500	13,333	84,167	37,500	46,667
YR2	April 18- March 19	90,000	7,500	97,500	13,333	84,167	37,500	46,667
YR3	April 19- March 20	90,000	7,500	97,500	13,333	84,167	52,500	31,667
YR4	April 20- March 21	90,000	7,500	97,500	13,333	84,167	75,000	9,167
YR5	April 21- March 22	90,000	7,500	97,500	13,333	84,167	95,000	(10,833)
YR6	April 22- March 23	90,000	7,500	97,500	13,333	84,167	95,000	(10,833)
YR7	April 23- March 24	90,000	7,500	97,500	13,333	84,167	95,000	(10,833)
YR8	April 24- March 25	90,000	7,500	97,500	13,333	84,167	95,000	(10,833)
YR9	April 25- March 26	90,000	7,500	97,500	13,333	84,167	95,000	(10,833)
YR10	April 26- March 27	90,000	7,500	97,500	13,333	84,167	95,000	(10,833)
YR11	April 27- March 28	90,000	7,500	97,500	13,333	84,167	95,000	(10,833)
YR12	April 28- March 29	90,000	7,500	97,500	13,333	84,167	95,000	(10,833)
YR13	April 29- March 30	90,000	7,500	97,500	13,333	84,167	100,000	(15,833)
YR14	April 30- March 31	90,000	7,500	97,500	13,333	84,167	100,000	(15,833)
YR15	April 31- March 32	90,000	7,500	97,500	13,333	84,167	100,000	(15,833)
		1,440,000	112,500	1,552,500	200,000	1,352,500	1,352,500	0