

# Finance and Resources Committee

**10.00am, Tuesday, 5 September 2017**

## **Proposed New Lease of 32 Market Street, Edinburgh**

<b>Item number</b>	8.11
<b>Report number</b>	
<b>Executive/routine</b>	Routine
<b>Wards</b>	11 – City Centre

### **Executive summary**

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

The property has been openly marketed for lease since May 2016 resulting in two further closing dates following the withdrawal of the preferred bidder selected at the first closing date.

This report seeks approval to the grant of a new 30 year lease to Beds and Bars Ltd on the terms and conditions outlined in the report.

## Proposed New Lease of 32 Market Street, Edinburgh

### 1. Recommendations

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That Committee:

- 1.1 Approves a new 30 year lease to Beds and Bars Ltd of 32 Market Street on the terms outlined in this report and on other terms and conditions to be agreed by the Executive Director of Resources.

### 2. Background

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- 2.1 The premises at 32 Market Street is formed over ground and first floor and extends to 682 sq m (7,342 sq ft) or thereby and is shown outlined red on the attached plan.
- 2.2 The property was leased to the Royal Edinburgh Military Tattoo who successfully acquired 1 Cockburn Street from the Council. Following completion of the refurbishment of 1 Cockburn Street, the Tattoo's lease was terminated on 28 May 2016 when they relocated. The rent paid by the Tattoo for 32 Market Street was £64,000 per annum.
- 2.3 The property 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 were then agreed with the under bidder.
- 2.5 On 1 December 2016, Committee approved a report allowing Council officers to progress negotiations with General Dynamic Fund Ltd who subsequently, following several months of discussions, withdrew their offer.

### 3. Main report

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- 3.1 The Council reverted to all parties who had previously noted interest and subsequent closing dates were set during March and May 2017. Following analysis of the offers received, Beds and Bars Ltd has been identified as the preferred bidder.
- 3.2 Beds and Bars Ltd operate the existing accommodation under the St Christopher's Inns and Belushi's brands directly opposite to the subject property.

They are a leading operator of tourist accommodation in seven major cities across 10 countries.

3.3 Following negotiations between the Council and Beds and Bars Ltd, 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
- Rent: £145,000 per annum (highest offer);
- Incentives: Rent free till property is operational up to a maximum of 12 months.
- Rent Reviews: Reviewed on each fifth anniversary to open market value;
- Use: Tourist accommodation with associated food and drink offering. Subject to planning permission for change of use.
- Costs: Both parties to meet their own costs
- Other terms: As contained in a standard commercial lease.

#### **4. Measures of success**

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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**

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5.1 Removal of approximately £55,000 per annum financial liability to Council on vacant Non Domestic Rates, plus, new rental income of £145,000 per annum payable to the General Property Account.

#### **6. Risk, policy, compliance and governance impact**

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

#### **7. Equalities impact**

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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. 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 over an extended period with various closing date for offers, providing the best possible opportunity for every interested party to submit an offer.

## **8. Sustainability impact**

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

## **9. Consultation and engagement**

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- 9.1 Not applicable.

## **10. Background reading/external references**

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- 10.1 None.

### **Stephen S. Moir**

Executive Director of Resources

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## **11. Appendices**

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Appendix 1 - Location / Site Plan



LOCATION PLAN

PHOTOGRAPHICALLY REDUCED NOT TO SCALE

SITE PLAN

• EDINBURGH •  
THE CITY OF EDINBURGH COUNCIL

SERVICES FOR COMMUNITIES  
EDINBURGH

32 MARKET STREET  
EDINBURGH

DATE 14/10/16

SURVEYED BY

DRAWN BY Mark Ballantyne

SCALE N.T.S.

NEG. NO. A3/1549