

# Finance and Resources Committee

10.00am, Friday, 1 February 2019

## Block 1 Unit 6 Pennywell Town Centre, Edinburgh – Proposed Lease

Item number	8.6
Report number	
Executive/routine	Routine
Wards	4 – Forth
Council Commitments	<a href="#">C2, C3</a>

### Executive Summary

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The Pennywell / Muirhouse Civic Centre Redevelopment is a three-phase project providing new ground floor retail accommodation with residential uses above.

To facilitate the redevelopment Lloyds Pharmacy Limited will relocate from their existing leased property (Units 24-25) 55A-57 Pennywell Road to the new Block 1 Unit 6 which will be constructed in the second phase of the development

This report seeks approval to grant Lloyds Pharmacy Limited existing a new 20-year lease of Block 1 Unit 6 on the terms and conditions outlined in the report.

## Block 1 Unit 6 Pennywell Town Centre, Edinburgh – Proposed Lease

### 1. Recommendations

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#### 1.1 That Committee:

- 1.1.1 Approves a new 20-year lease to Lloyds Pharmacy Limited at Block 1 Unit 6 Pennywell Town Centre 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 Planning Permission in Principle for the masterplan of the central Pennywell/Muirhouse Area was approved in August 2012. It is a major Council led regeneration project delivering 196 new affordable homes around a new civic square with retail outlets.
- 2.2 On 27 October 2016, Council agreed to the delivery of a new civic centre for Pennywell/Muirhouse. This involves the demolition of 48 flatted properties, 25 commercial units and existing public realm. The agreed project budget included allowances for costs associated with relocating tenants, where applicable, and compensating those leases which would be ended early, or altered, as a result of the development.
- 2.3 Lloyds Pharmacy Limited currently hold a lease of the Council owned (Unit 24-25) 55A - 57 Pennywell Road which is due to expire on 2 August 2033. The current rent is £15,840 per annum. This unit is due for demolition in Q2 2019 for the second phase of the Pennywell / Muirhouse Civic Centre Redevelopment.
- 2.4. Discussions have taken place with the tenant to relocate to a new commercial unit within Block 1.
- 2.5 The tenant will temporarily relocate to Block 2 for 1 year at £20,800 per annum, until the new Block 1, which is being developed after Block 2 is complete.
- 2.6 Block 1 forms part of the second phase of the town centre redevelopment, and will consist of 8 retail premises on the ground floor and 40 residential properties above. Block 1 Unit 6 will extend to 101 sq m (1,087sq ft) or thereby, as shown outlined in red on the attached plan.

### 3. Main report

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3.1 Following negotiations between the Council and Lloyds Pharmacy Limited, the following terms have been provisionally agreed:

- Subjects: Block 1 Unit 6 Pennywell Town Centre (outlined red on attached plan);
- Lease term: 20-year lease from date of entry / completion;
- Rent: £17,400 per annum;
- Repair: Full repairing and insuring lease
- Rent Review: The rent will be reviewed on the 5<sup>th</sup> anniversary, upwards only, to open market rental value;
- Break Option: The tenant has a break option on the tenth and fifteenth anniversary;
- Use: The tenant shall use the premises as a retail pharmacy, office, and ancillary space.
- Costs: Both parties to meet their own legal and professional costs;
- Other terms: As contained in a standard commercial lease.
- Renunciation: Mutual renunciation of the tenants existing lease of (Unit 24-25) 55A-57 Pennywell Road

3.2 In addition, the Council will make a contribution to the tenant of £263,000. This will cover the costs of the tenant moving to, and fitting out, the new premises and compensation for loss of trade. The contribution figure was included in the approved business case for the new civic centre.

### 4. Measures of success

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4.1 Granting a new 20-year lease of the premises will allow the tenant to relocate from their existing unit which is essential for the redevelopment to proceed.

4.2 A tenant which has traded in the area for a number of years will form part of the new town centre.

### 5. Financial impact

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5.1 Securing the relocation of the tenant removes potential contract delay costs for the Pennywell/Muirhouse Town Centre Redevelopment project and costs will be met from the HRA revenue budget earmarked for this project.

- 5.2 A rent of £17,400 per annum will be received from a new unit to be developed for a 20-year term. The income contributes to the previously approved business case for the civic centre redevelopment.

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

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- 6.1 This is a new 20-year lease to an existing tenant who has been trading in the local area since August 2003. It is considered there is little or no impact on Risk, Policy, Compliance or Governance issues.

## **7. Equalities impact**

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- 7.1 The proposal in this report is to secure vacant possession of a property required for demolition, granting a new lease on a new property for a dental practice and office purposes, therefore providing the tenant with a permanent location to provide a service to the local area. It is not considered that this will have a significant additional impact on people, equalities, the economy, and the environment.

## **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 Ward elected members have been made aware of the recommendations of this report.

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

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- 10.1 Not applicable.

### **Stephen S. Moir**

Executive Director of Resources

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## 11. Appendices

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### 11.1 Appendix 1 - Location Plan.

# BLOCK 1, UNIT 6 AND BLOCK 2, UNIT 2 PENNYWELL AND MUIRHOUSE CIVIC CENTRE



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50m



**• EDINBURGH •**  
THE CITY OF EDINBURGH COUNCIL

PROPERTY AND FACILITIES MANAGEMENT  
RESOURCES

BLOCK 1, UNIT 6 AND BLOCK 2, UNIT 2  
PENNYWELL AND MUIRHOUSE CIVIC CENTRE  
PENNYWELL ROAD  
EDINBURGH

DATE	19/1/18
SURVEYED BY	Third Party
DRAWN BY	Mark Ballantyne
SCALE	N.T.S.
NEG. NO.	A3/1890a