

Finance and Resources Committee

10.00am, Thursday, 23 May 2019

Block 1 Unit 5 Pennywell Town Centre, Edinburgh – Proposed Lease

Executive/routine	Routine
Wards	4 - Forth
Council Commitments	2, 3

1. Recommendations

1.1 That Committee:

- 1.1.1 Approves a new 10-year lease to Sara Zarar at Block 1 Unit 5 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.

Stephen S. Moir

Executive Director of Resources

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2. Executive Summary

- 2.1 The Pennywell / Muirhouse Civic Centre Redevelopment project is a three-phase housing led project providing new ground floor retail accommodation with residential uses above.
- 2.2 This project continues the wider transformation of this area along with the opening of the new Craigroyston Community High School in 2010, the Pennywell All Care Centre at the end of 2017 and the construction of approximately 1000 new homes.
- 2.3 To facilitate the Civic Centre redevelopment, Sara Zarar trading as Ali's Pizza will relocate from their existing leased property (Units 27-28) 59 Pennywell Road to a newly constructed unit within Phase 2 Block 1, when complete.
- 2.4 This report seeks approval to grant Sara Zarar a new 10-year lease of Block 1 Unit 5 on the terms and conditions outlined in the report.

3. Background

- 3.1 Planning Permission in Principle for the masterplan of the central Pennywell / Muirhouse Area was approved in August 2012.
- 3.2 On 27 October 2016, Council agreed to the delivery of a new civic centre for Pennywell / Muirhouse. This involves the demolition of 48 existing flatted properties, 25 commercial units and public realm. The agreed project budget included allowances for costs associated with relocating tenants, where applicable, and compensating those whose leases would be ended early, or altered, as a result of the development.
- 3.3 When complete, the civic centre project will include high quality, public realm, 13 modern retail units and 148 flats, 96 of which have been designed to help meet the needs of older people. The first phase of demolition and construction is expected to complete in April/May 2019.
- 3.4 Sara Zarar currently holds a lease of the Council owned (Unit 27-28) 59 Pennywell Road which is due to expire on 15 April 2021. The current rent is £10,000 per

annum. This unit is due for demolition in Q2 2019 to make way for the second phase of the Pennywell / Muirhouse Civic Centre Redevelopment.

- 3.5 Discussions have taken place with the tenant to close the business to allow for the demolition and construction period before relocating to a new commercial unit within Phase 2 Block 1 when construction is complete.
- 3.6 Block 1 will consist of 7 retail units on the ground floor and 40 residential properties above. Unit 5 has formed the basis of discussions which will extend to 101 sq m (1,087 sq ft) or thereby, as shown outlined in red on the attached plan.

4. Main report

4.1 Following negotiations between the Council and Sara Zarar the following terms have been provisionally agreed:

- Subjects: Block 1 Unit 5 Pennywell Town Centre (outlined red on attached plan);
- Lease term: 10-year lease from date of entry / completion;
- Rent: £17,400 per annum;
- Rent Free Period: 6 months' rent free from the date of entry;
- Repair: Full repairing and insuring lease;
- Rent Review: The rent will be reviewed on the 5th anniversary, upwards only, to open market rental value;
- Break Option: The tenant has a break option on the tenth anniversary;
- Use: The tenant shall use the premises as a hot food takeaway and ancillary space.
- Costs: The Council will be responsible for the tenants legal and professional costs in relation to the new lease and compensation negotiations;
- Other terms: As contained in a standard commercial lease; and
- Renunciation: Mutual renunciation of the tenant's existing lease of (Unit 27-28) 59 Pennywell Road.

4.2 In addition the Council will make a compensation contribution to the tenant of £241,000. This will cover the tenant's loss of business due to their closing for up to 24 months during the demolition and construction period and the tenant's costs of equipment storage, moving to, and fitting out, the new premises. The contribution figure was incorporated into the business case for the new civic centre that was previously been approved by the Council on 27 October 2018.

5. Next Steps

- 5.1 If Committee approval is granted, the Council will seek to enter into the agreement to lease with Sara Zarar, in accordance with the terms and conditions outlined within this report.

6. Financial impact

- 6.1 Securing the relocation of the tenant removes potential contract delay costs for the Pennywell / Muirhouse Town Centre Redevelopment project with all costs met from the HRA revenue budget for the project.
- 6.2 A rent of £17,400 per annum will be received from a new unit to be developed for a 10 year term. The income contributes to the previously approved business case for the civic centre redevelopment.

7. Stakeholder/Community Impact

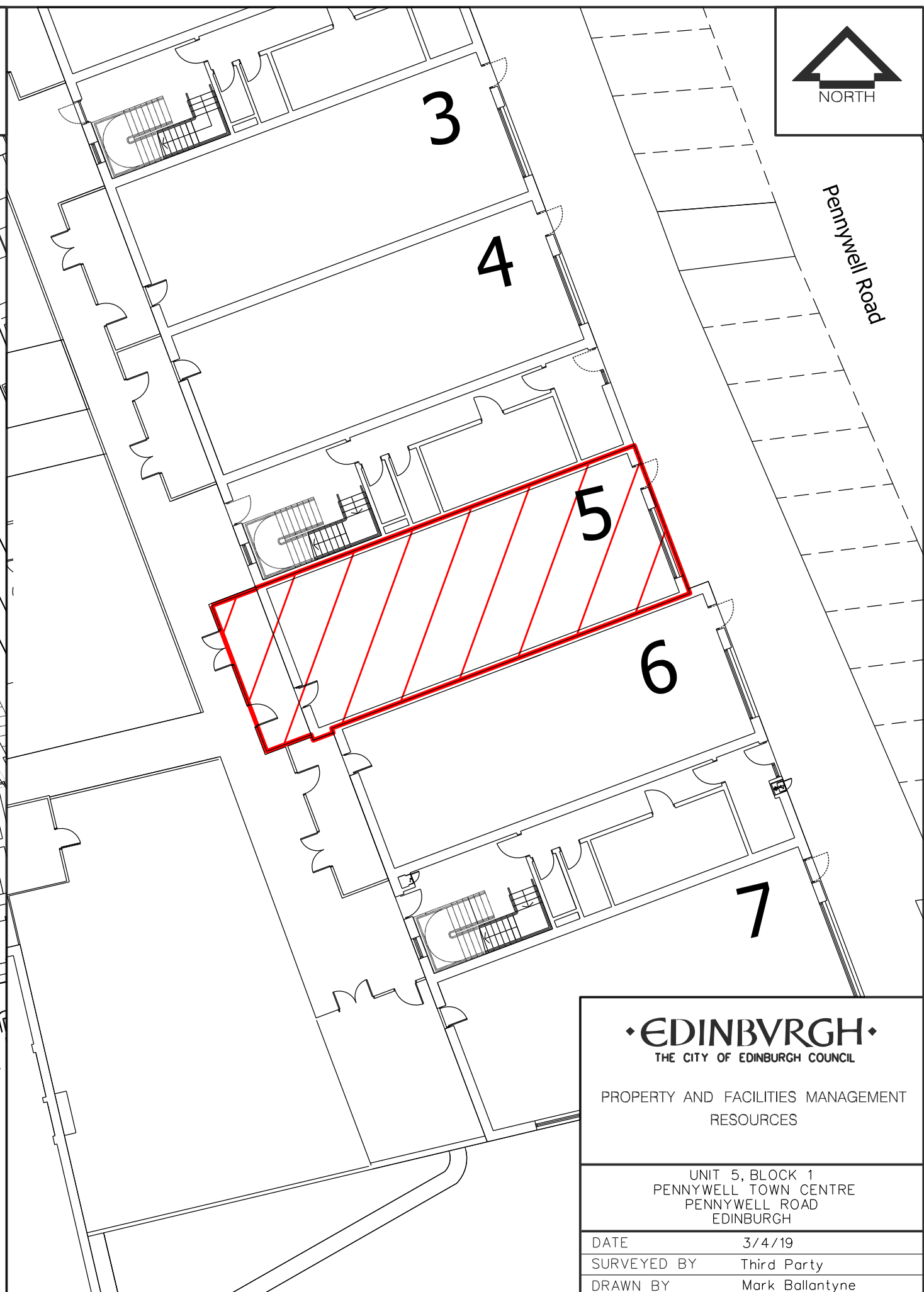
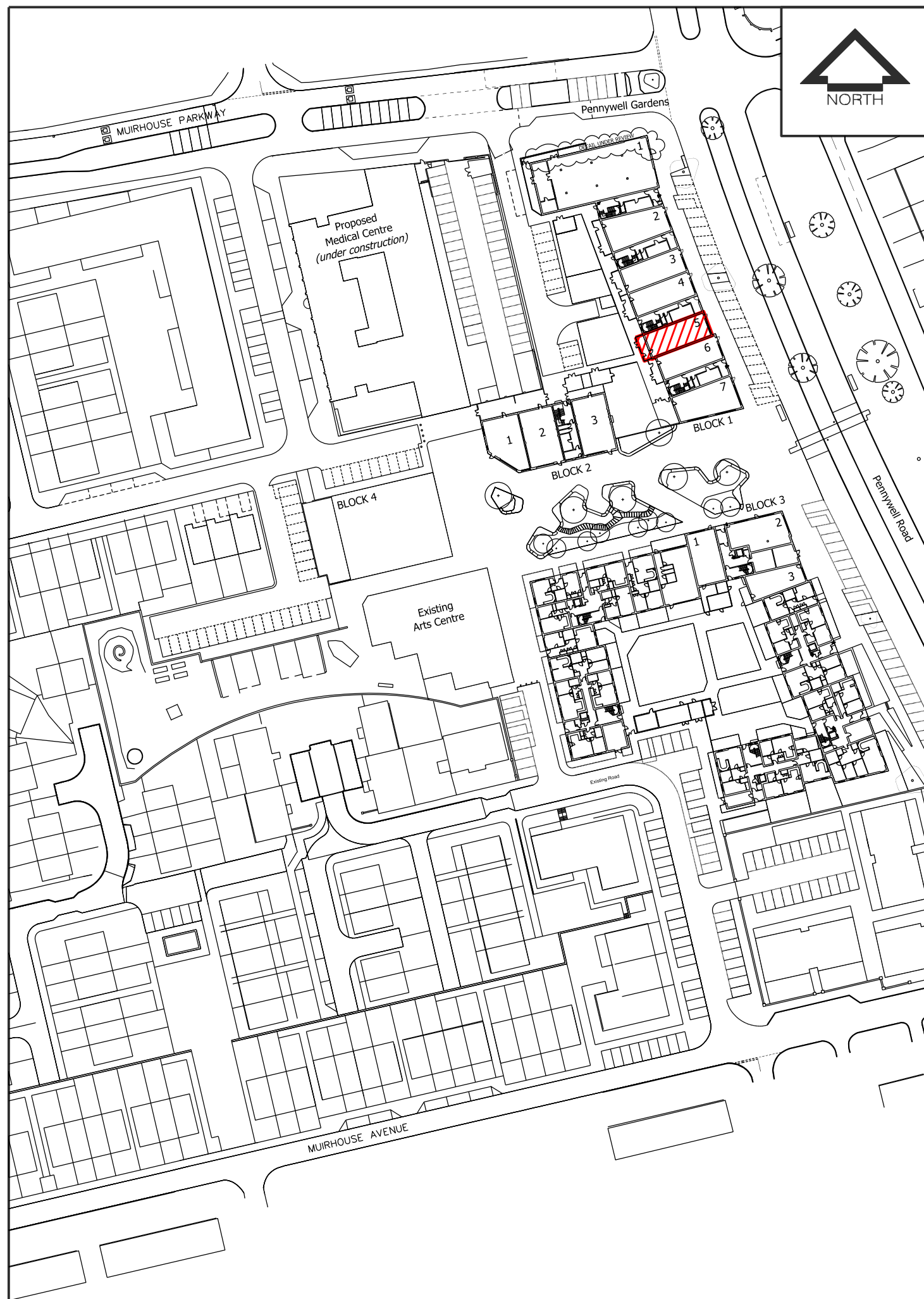
- 7.1 Ward elected members have been made aware of the recommendations of this report.

8. Background reading/external references

- 8.1 N/A.

9. Appendices

- 9.1 Appendix 1 – Location Plan



LOCATION PLAN

SCALE 1:1250

SITE PLAN

SCALE 1:200

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THE CITY OF EDINBURGH COUNCIL

PROPERTY AND FACILITIES MANAGEMENT
RESOURCES

UNIT 5, BLOCK 1
PENNYWELL TOWN CENTRE
PENNYWELL ROAD
EDINBURGH

DATE	3/4/19
SURVEYED BY	Third Party
DRAWN BY	Mark Ballantyne
SCALE	1:200 @ A3 SIZE
NEG. NO.	A3/2086a