

# Finance and Resources Committee

10.00am, Thursday, 23 May 2019

## Proposed Lease, The Old Observatory House, Calton Hill

<b>Executive/routine</b>	
<b>Wards</b>	11
<b>Council Commitments</b>	15, 46

### 1. Recommendations

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1.1 That Committee: -

1.1.1 Approves the proposed lease of The Old Observatory House, Calton Hill, Edinburgh, to Collective Gallery on the terms set out in this report and on such other terms and conditions to be agreed by Executive Director of Resources; and

1.1.1 Approves that the income from the Old Observatory House will be ring fenced within the Common Good Fund and allocated to the costs associated with the maintenance of the City Observatory complex.

**Stephen S. Moir**

Executive Director of Resources

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## Proposed Lease, The Old Observatory House, Calton Hill

### 2. Executive Summary

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- 2.1 This report seeks authority to lease The Old Observatory House, Calton Hill to Collective Gallery on the terms outlined in the report.

### 3. Background

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- 3.1 On 1 November 2011, the Finance and Resources Committee approved a 25-year lease of the Old City Observatory on Calton Hill to the Collective Gallery at a nominal rent of £1 per annum. The approval was directly related to the Collective Gallery relocating from their existing property at Anchor Close to allow the sale of the larger former Scotsman building.
- 3.2 The subjects included in the lease are shown hatched on Appendix One. Since that time, the Collective gallery, working in partnership with the Council, have restored the complex, for example, the City Dome opened to the public as a gallery in 2014.
- 3.3 The subjects of lease did not include Old Observatory House, which was subject to a separate agreement approved by the Culture and Leisure Committee, on 17 November 2009, and referred to the Finance and Resources Committee on 21 January 2010. The building was leased to the Vivat Trust who completed fitting-out to form holiday accommodation. The lease was set at £1 per annum, with a surplus profit share agreement. Profits returned into the Council were ring-fenced for the upkeep and development of the adjacent Observatory buildings. The arrangement resulted in an income of approximately £17,000 per year to the Council. The project ceased in 2015, when Vivat Trust entered into liquidation. Since then, the building has been unoccupied. The property is a Common Good asset and Court approval was gained in 2013 to allow a long-term lease to be granted.
- 3.4 Old Observatory House is shown crossed hatched in Appendix 1 and is an outstanding example of the very few extant buildings by James Craig and has great heritage value as the first Observatory on Calton Hill. It suffered from significant deterioration, exacerbated by dry rot, and was on Historic Scotland's "Buildings at

Risk” Register by 2002. Extensive building fabric repairs to the roof, masonry, pointing, drainage, windows, internal plaster and woodwork were carried out from 2007-2010, to restore the building to its original appearance and satisfactory condition.

- 3.5 The Collective Gallery now wish to include Old Observatory House within the wider lease of the Observatory complex, which is the purpose of this report.

## 4. Main report

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- 4.1 The Council and the Collective Gallery have worked in partnership to secure grant funding for the refurbishment and re-development of the City Observatory and associated buildings within the Playfair designed walled grounds of Calton Hill. The scope of construction works included a new restaurant and coffee bar, refurbishment of the City observatory, Transit House and City Dome at a cost of £3.77m.
- 4.2 The works are now substantially complete and Collective Gallery are about to enter a 25-year lease of the property, as approved by Committee in 2011. In addition, Collective now wish to include Old Observatory House within the wider lease of the Observatory complex and run it principally as a holiday letting business.
- 4.3 Allowing Collective to operate Old Observatory House as holiday accommodation would ensure that the entire site is run by one party and income from the holiday lets reinvested in the upkeep of the wider site. As a non-profit making company with charitable status, this proposal will allow the Council to support the sustainability of Collective moving forward.
- 4.4 Collective intend to hold weddings and other private events in the City Observatory and the availability of the accommodation in the Old Observatory House would add value to these events.
- 4.5 The following heads of terms have been provisionally agreed:
- Subjects: The Old Observatory House;
  - Lease Term: Co-terminus with new lease of City Observatory so likely to expire in 2044;
  - Rent: Base rent £15,000 per annum plus profit share arrangement;
  - Rent Reviews: Reviewed on each fifth anniversary to Market Rental Value;
  - Use: Holiday accommodation;
  - Repairs: Tenant internal repairing. Council will retain control and responsibility for maintaining external and common parts of Observatory complex;

- Rates: Tenant's responsibility;
- Utilities: Tenant's responsibility;
- Costs: Both parties to meet their own costs; and
- Other terms: As contained in a standard commercial lease.

## **5. Next Steps**

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- 5.1 Should Committee be minded to approve this report, the Council's solicitors will be instructed to conclude all legal documentation.

## **6. Financial impact**

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- 6.1 A new rental income of £15,000 per annum plus profit share will be generated. The level of profit share is such that, should the business plan proposals be achieved, an additional income of £4,000 would be achieved in year one, rising to £13,000 in year five. This compares with a full market rental of £20,000 per annum for the property in its current state as holiday accommodation with no recent annual accounts.
- 6.2 The agreement between Council and Collective will stipulate that the income from the Old Observatory House will be ring fenced within the Common Good and contribute to the costs associated with the maintenance of the site.

## **7. Stakeholder/Community Impact**

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- 7.1 Ward elected members have been made aware of the recommendations of this report.
- 7.2 The impact on equalities has been considered. The Integrated Impact Assessment (IIA) checklist has been completed and the outcome is that a full IIA is not required for this report.

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

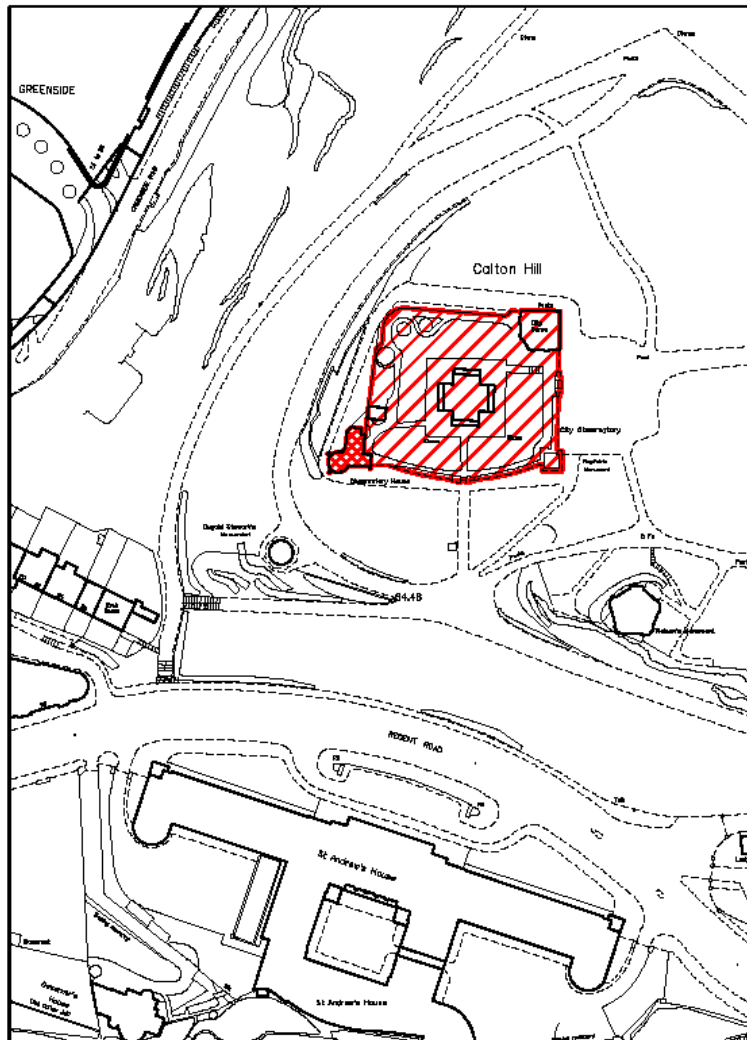
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- 8.1 [http://www.edinburgh.gov.uk/download/meetings/id/50960/item\\_720 -  
\\_refurbishment and redevelopment at the city observatory calton hill complex](http://www.edinburgh.gov.uk/download/meetings/id/50960/item_720_-_refurbishment_and_redevelopment_at_the_city_observatory_calton_hill_complex)
- 8.2 [http://www.edinburgh.gov.uk/download/meetings/id/32007/item\\_12 -  
\\_old observatory house calton hill](http://www.edinburgh.gov.uk/download/meetings/id/32007/item_12_-_old_observatory_house_calton_hill)

## **9. Appendices**

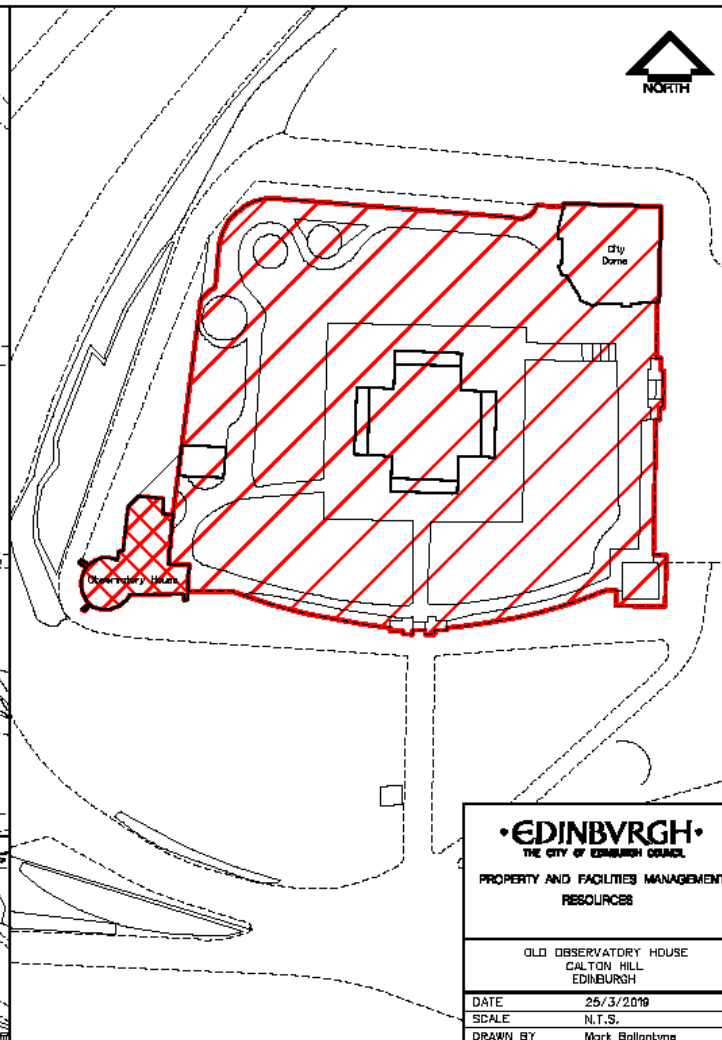
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- 9.1 Appendix 1 – Location Plan



LOCATION PLAN

PHOTOGRAPHICALLY REDUCED NOT TO SCALE



SITE PLAN



<b>EDINBURGH</b> THE CITY OF EDINBURGH COUNCIL	
PROPERTY AND FACILITIES MANAGEMENT RESOURCES	
OLD OBSERVATORY HOUSE CALTON HILL EDINBURGH	
DATE	25/3/2019
SCALE	N.T.S.
DRAWN BY	Mark Ballantyne
FILE NO.	
NEG. NO.	A3/2019

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