

Finance and Resources Committee

10.00am, Thursday, 23 May 2019

Land at Newcraighall – Proposed Lease and Lease Extension

Executive/routine	Routine
Wards	17 – Portobello/Craigmillar
Council Commitments	<u>2</u>

1. Recommendations

1.1 That Committee:

- 1.1.1 Approves a 175-year ground lease of 1.89 hectares (4.89 acres) at Newcraighall to South Yorkshire Pensions Authority 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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Land at Newcraighall – Proposed Lease and Lease Extension

2. Executive Summary

- 2.1 The Council owns 1.90 hectares (4.69 acres) of development land at Newcraighall and also the adjoining Eastern Industrial Estate, which is subject to a ground lease to South Yorkshire Pensions Authority.
- 2.2 South Yorkshire Pensions Authority has made an approach to the Council to acquire a 175 year ground lease of the vacant land to undertake the development of industrial accommodation, effectively expanding the existing Eastern Industrial Estate.
- 2.3 This report seeks approval to enter into a ground lease of the vacant development land at Newcraighall on the terms and conditions outlined in this report.

3. Background

- 3.1 South Yorkshire Pension Fund (SYPA) hold a ground lease from the Council on the development known as Eastern Industrial Estate, as shown shaded blue on the attached plan.
- 3.2 The ground lease runs until 5 November 2104 and the Council receive an annual rental based on 5% of the market rent of the units on the estate.
- 3.3 The remaining land within Council ownership extends to 1.90 hectares (4.69 acres), as shown outlined in red on the attached plan, and is zoned for industrial use. The ownership is a result of a legacy transaction that was put in place during the development of Fort Kinnard and adjacent B&Q.

4. Main report

- 4.1 SYPA has approached the Council to agree terms for a ground lease over the remaining development land with the intention to expand the industrial offering at this location.

- 4.2 The Council has considered other options, principally, to undertake the development of the industrial units itself as it has done elsewhere in the city. In that case, at East Hermiston, the successful development was small units aimed at start-up companies and SME's.
- 4.3 The units which will be developed at Newcraighall will be significantly larger and will attract a different market. Consequently, the development will have a greater risk profile with likely voids and therefore exposure to holding costs should there be any vacancies. By allowing SYPA to develop and let the units, the risk is passed on with the Council benefiting from an income albeit reduced to reflect the ratio of risk/reward.
- 4.4 Provisional terms have been agreed with SYPA as follows:
- Subjects: Development land extending to 1.9 hectares (4.89 acres) at Newcraighall;
 - Tenant: South Yorkshire Pensions Authority;
 - Lease Term: 175 years;
 - Rent: Initial rent to be £1 per annum until such time as the property is developed. When completed the Council will receive 15% of all rents received by SYPA;
 - Development: SYPA will undertake a master planning exercise and seek full planning permission for an industrial development;
 - Conditions: Outline planning consent for the proposed development, satisfactory site surveys and SYPA board approval;
 - Legal Costs: Each party to bear their own legal costs.

5. Next Steps

- 5.1 SYPA will take forward a master planning exercise and a detailed application thereafter.
- 5.2 Missives will be completed for the new lease agreement which will take effect from the date when planning permission is obtained.

6. Financial impact

- 6.1 Rental income, based on 15%, of the market rent of the units to be developed, will be received.
- 6.2 It is anticipated that the Council will begin to receive an income in financial year 2020/21 and is expected to be up to £75,000 pa.

7. Stakeholder/Community Impact

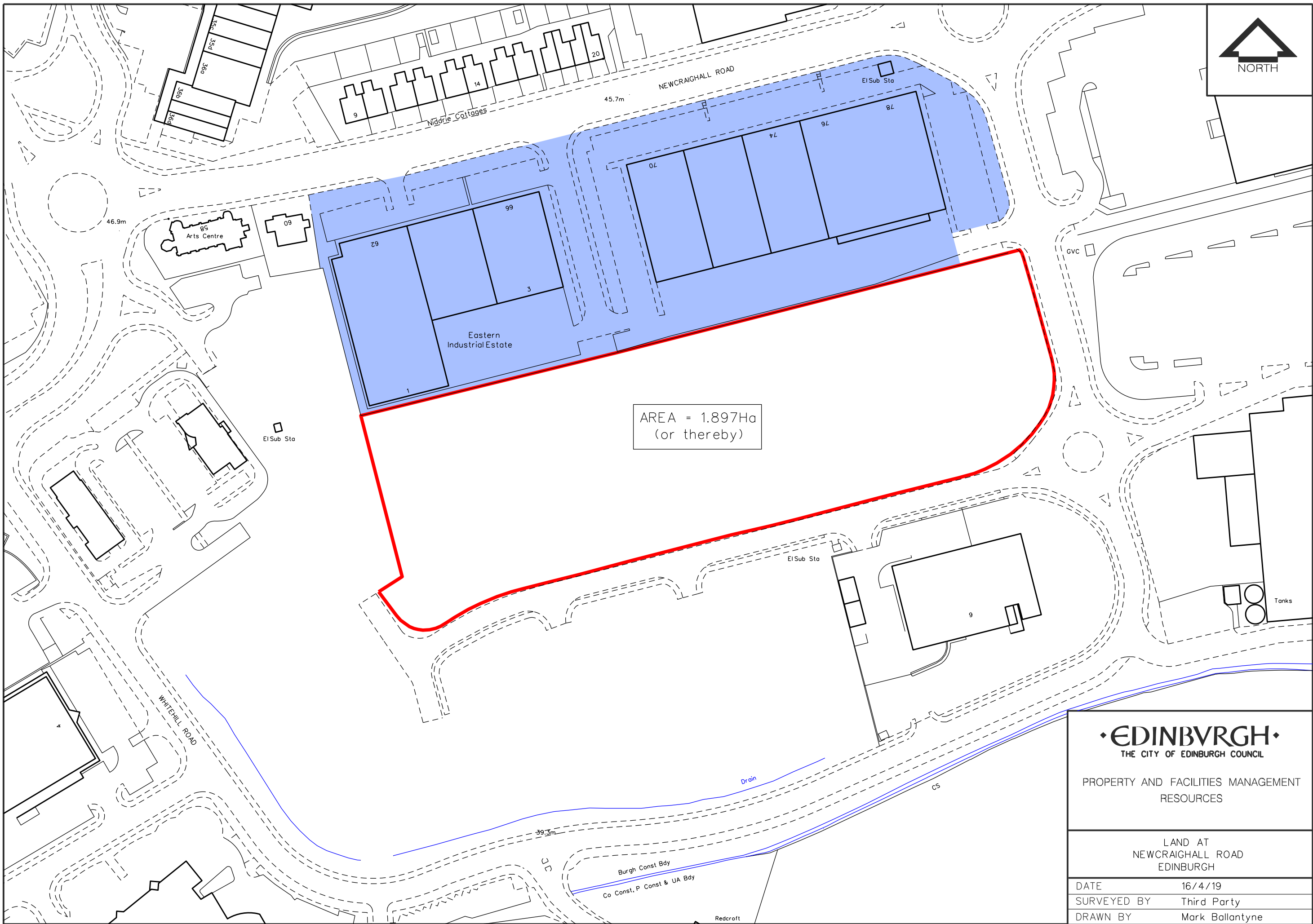
- 7.1 Ward elected members have been made aware of the recommendations of this report.

8. Background reading/external references

- 8.1 N/A.

9. Appendices

- 9.1 Appendix 1 – Location Plan



AREA = 1.897Ha
(or thereby)

• EDINBURGH • THE CITY OF EDINBURGH COUNCIL	
PROPERTY AND FACILITIES MANAGEMENT RESOURCES	
LAND AT NEWCRAIGHALL ROAD EDINBURGH	
DATE	16/4/19
SURVEYED BY	Third Party
DRAWN BY	Mark Ballantyne
SCALE	1:1250 @ A3 SIZE
NEG. NO.	A3/1818

SITE PLAN

SCALE 1:1250