

The City of Edinburgh Council

10.00am, Thursday 27 May 2021

20 West Shore Road, Granton, Edinburgh – Proposed Ground Lease Acquisition and New Lease – referral from the Finance and Resources Committee

Executive/routine
Wards
Council Commitments

1. For Decision/Action

- 1.1 The Finance and Resources Committee has referred a report on 20 West Shore Road, Granton, Edinburgh – Proposed Ground Lease Acquisition and New Lease to the City of Edinburgh Council for approval.

Andrew Kerr

Chief Executive

Contact: Rachel Gentleman

Strategy and Communications Division, Chief Executive's Service

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Referral Report

20 West Shore Road, Granton, Edinburgh – Proposed Ground Lease Acquisition and New Lease

2. Terms of Referral

- 2.1 On 20 May 2021, the Finance and Resources Committee considered a report regarding the property at 20 West Shore Road, which is subject to a long ground lease to November 2104. An opportunity to acquire the tenant's interest in the property has arisen which would allow the Council to let the property to a tenant in keeping with the Granton Waterfront regeneration vision. The report sought approval to acquire the ground lease interest, and to subsequently lease the property to Edinburgh Palette on the terms and conditions outlined in the report.
- 2.2 The Finance and Resources Committee agreed:
- 2.2.1 To approve the purchase of the ground lease interest in the property at 20 West Shore Road;
 - 2.2.2 To agree the use of Prudential Borrowing to fund the purchase;
 - 2.2.3 To approve a 15-year lease of the property to Edinburgh Palette on the terms outlined in the report and on other terms and conditions to be agreed by the Executive Director of Resources; and
 - 2.2.4 To refer the report to Council for approval.

3. Background Reading/ External References

- 3.1 Finance and Resources Committee of 20 May 2021
- 3.1 [Finance and Resources Committee – 20 May 2021 – Webcast](#)

4. Appendices

- 4.1 Appendix 1 – report by the Executive Director of Resources

Finance and Resources Committee

10.00am, Thursday, 20 May 2021

20 West Shore Road, Granton, Edinburgh – Proposed Ground Lease Acquisition and New Lease

Executive/routine Wards Council Commitments	Executive Ward 4 - Forth 1 , 2 , 10 , 11
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1. Recommendations

1.1 That Committee:

- 1.1.1 Approves the purchase of the ground lease interest in the property at 20 West Shore Road;
- 1.1.2 Approves the use of Prudential Borrowing to fund the purchase; and,
- 1.1.2 Approves a 15-year lease of the property to Edinburgh Palette 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

Contact: Graeme McGartland, Investments Senior Manager,

Property and Facilities Management Division, Resources Directorate

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20 West Shore Road, Granton, Edinburgh – Proposed Ground Lease Acquisition and New Lease

2. Executive Summary

- 2.1 The Council own the heritable interest in the property at 20 West Shore Road, which is subject to a long ground lease to November 2104. An opportunity to acquire the tenant's interest in the property has arisen which would allow the Council to let the property to a tenant in keeping with the Granton Waterfront regeneration vision. The report seeks approval to acquire the ground lease interest, and to subsequently lease the property to Edinburgh Palette on the terms and conditions outlined in the report.

3. Background

- 3.1 In [March 2018](#), the Housing and Economy Committee agreed the high-level objectives for the regeneration of Granton Waterfront including the intention to work collaboratively with the public-sector partners and the local community to develop a vision for Granton. This included agreement to undertake work to update frameworks and studies to support future development.
- 3.2 Later the same year, the Council purchased the Forthquarter site with other land in Granton Waterfront, owned by Waterfront Edinburgh Limited (WEL/EDI), also transferred to the Council. A multi-disciplinary team was appointed to prepare a Development Framework and a high level, programme delivery plan for Granton Waterfront.
- 3.3 On [6 December 2019](#), the Finance and Resources Committee approved the appointment of Arcadis to provide project management capacity and capability to support the delivery of Granton Waterfront.
- 3.4 On [25 February 2020](#), the Corporate Policy and Strategy Committee received an update on Granton Waterfront Regeneration including an outline of the Programme Delivery Plan.
- 3.5 The Development Framework, which will guide future development within Granton Waterfront, was approved by the Planning Committee on 26 February 2020. This guidance sets out the ambition to transform this former industrial site into a new city quarter which will, with time, redefine Edinburgh into one of Europe's top Waterfront destinations to live, learn, work and visit.

- 3.6 The Council owns around 120 acres of developable land within the Granton Waterfront area, creating a unique opportunity for the Council to take an infrastructure first approach and work in collaboration with key partners and the community to deliver exemplar regeneration. There are however several assets held on long leases which will require to be acquired/relocated to assist with the delivery of the vision in the longer term.
- 3.7 The Council own the heritable interest in the property at 20 West Shore Road as shown outlined in red on the attached plan. The site is held on a ground lease by Philip Smith, which does not expire until 28 November 2104. There is a substantial warehouse building on the site which was constructed by a former tenant under the ground lease. The current rent received by the Council is £23,300 per annum.
- 3.8 The building has been vacant for some time and an opportunity has arisen for the Council to acquire the ground lease interest. This would provide the Council with ownership of the ground and the building and would assist with the aspirations of the Council to deliver the Development Framework principles in connection with the Waterfront. The longer-term plan is to develop this area at the north shore as a coastal park over the next 10-15 years, creating an inclusive, biodiverse and climate resilient shoreline.
- 3.9 In advance of this, and to complement the wider regeneration that will take place on adjacent sites, an acquisition and subsequent lease allows 20 West Shore Road to be activated as an exciting meanwhile offering utilised to support community enterprise and activity. Together with the refurbishment of Granton Station building as a creative enterprise hub, this will help strengthen the vision to create Granton Waterfront as a place where people want to live, work, learn and visit.

4. Main report

- 4.1 An independent valuation of the property, undertaken on behalf of the Council, reported a figure of £1.15m. A subsequent building survey was instructed to provide a report on the condition of the property and costs for any essential works to the building to allow occupation.
- 4.2 The reports allowed a negotiation on the price. This has resulted in Heads of Terms being agreed, in principle, for a purchase as follows:-
- Subjects 20 West Shore Road, Granton, Edinburgh;
 - Purchaser: City of Edinburgh Council (General Fund);
 - Gross Purchase Price: £1.025m (plus LBTT);
 - Date of Entry: After purification of all suspensive conditions;
 - Conditions:
 - i) The Purchaser being satisfied with all technical information relating to the buildings/structures to remain on site;
 - ii) Finance and Resources Committee Approval;

- 4.3 To coincide with the proposed purchase, the Council, with the consent of the current occupier, undertook an advance marketing exercise to secure a tenant for the property. The intention being to mitigate the risk holding costs of the vacant property once the tenant interest was acquired.
- 4.4 Marketing details were prepared setting out key criteria and interested parties were asked, by a closing date, to set out proposals which addressed the following:
- Details of the proposed lease term, on a full repairing and insuring basis, and the proposed mechanism for paying a rent to the Council. Rental offers of in the region of £95,000 per annum were sought;
 - How the proposed use would address the Granton Vision for the property as a meanwhile use and how the property will be used as a creative space while the regeneration is taking place on adjacent sites; and
 - The way the community will be involved in the future use of the building.
- 4.5 At the closing date two proposals were received which were assessed by a panel of Council officers from the Granton Waterfront Project Team. The preferred submission which was deemed to best address the key criteria set out in the marketing details was that received from Edinburgh Palette.
- 4.6 The provisional terms for the lease to Edinburgh Palette are as follows:-
- Tenant Edinburgh Palette;
 - Rent £95,000 per annum;
 - Term 15-years from the date of entry;
 - Rent Free 12-month rent free period from date of entry;
 - Rent Review At 5-yearly intervals;
 - Use Creation of sustainable creative studio and business incubation space;
 - Repair Full repairing liability on the tenant.
- 4.7 Consequently although the Council will forgo the income from the ground lease of £23,300 per annum, the acquisition of the ground lease interest and proposed re-letting will allow a greater rental income to be received.

5. Next Steps

- 5.1 Subject to Committee approval, the legal documentation for the purchase of the ground lease and subsequent re letting of the property will be completed.

6. Financial impact

- 6.1 It is proposed to use borrowing to fund the purchase.
- 6.3 The capital cost of acquiring the ground lease interest totals £1.07m including LBTT and legal costs. This can be funded through borrowing serviced by the net rent generated from leasing the building to the proposed tenant. The borrowing costs for the purchase price equate to £72,000 per annum over a 20-year period.
- 6.4 The purchase of the ground lease will result in an immediate loss of income to the General Fund of £23,300 per annum. This will be offset by a higher rent on re letting the building once the acquisition is complete of £95,000 per annum with the increase in rent received enough to cover the current rent and the annual borrowing costs. There will be the possibility of increasing the rent at the review dates within the lease.

7. Stakeholder/Community Impact

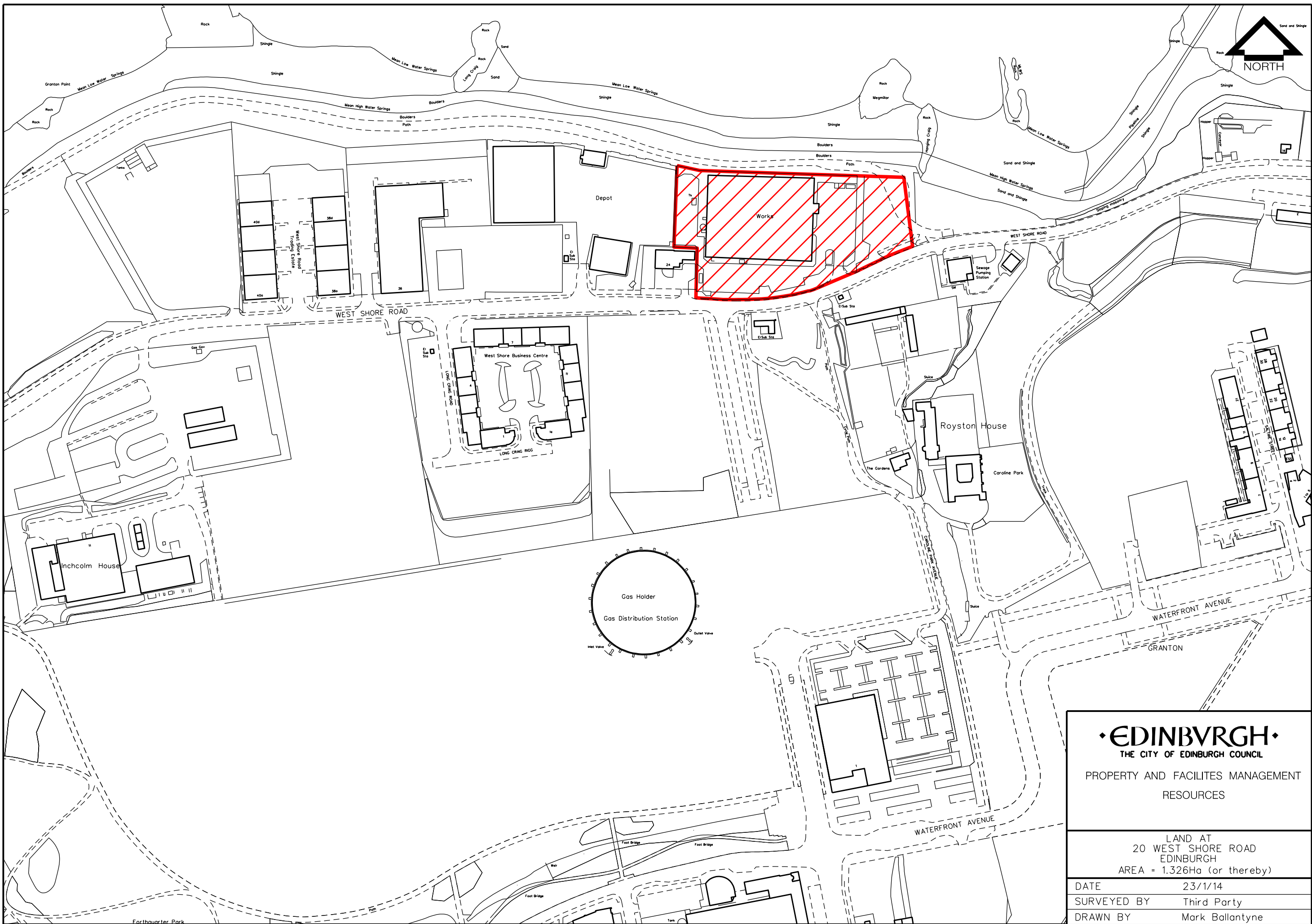
- 7.1 Ward members have been made aware of the recommendations of the report.

8. Background reading/external references

- 8.1 Report to Housing and Economy Committee 22 March 2018 - [Granton Waterfront Regeneration Strategy](#)
- 8.2 Report to Finance and Resources Committee 6 December 2019 - [Award of Contract – Project and Commercial Management Support for Granton Waterfront](#)
- 8.3 Report to Policy and Sustainability Committee - [Granton Waterfront – Leading the Way in Sustainable Development: Programme Delivery Plan](#)

9. Appendices

- 9.1 Appendix 1 – Location Plan



LOCATION PLAN

SCALE 1:2500

• EDINBURGH •
 THE CITY OF EDINBURGH COUNCIL
 PROPERTY AND FACILITIES MANAGEMENT
 RESOURCES

LAND AT 20 WEST SHORE ROAD EDINBURGH AREA = 1.326Ha (or thereby)	
DATE	23/1/14
SURVEYED BY	Third Party
DRAWN BY	Mark Ballantyne
SCALE	1:2500 @ A3 SIZE
NEG. NO.	A3/1420a

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