

Finance and Resources Committee

10.00am, Thursday, 12 August 2021

Proposed Lease Extension for Kings Theatre and Proposed New Lease for Festival Theatre

Executive/routine	Routine
Wards	15 Southside/Newington; 11 City Centre
Council Commitments	2, 46

1. Recommendations

- 1.1 It is recommended that Finance and Resources Committee:
 - 1.1.1 approves the lease extension for the Kings Theatre and new lease of the Festival Theatre to Capital Theatres Limited (CTL) on the terms outlined in this report and on other terms and conditions to be agreed by the Executive Director of Place.

Paul Lawrence

Executive Director of Place

Contact: Brian Paton, Senior Surveyor

E-mail: brian.paton@edinburgh.gov.uk | Tel: 0131 469 5228

Proposed Lease Extension for King's Theatre and Proposed New Lease for Festival Theatre

2. Executive Summary

- 2.1 This report seeks approval to grant a 50-year lease extension on the King's Theatre and a 52-year lease of Festival Theatre (this would result in the leases being co-terminus) to Capital Theatres Limited on the terms and conditions outlined in the report.

3. Background

- 3.1 On [23 March 2017](#), Finance and Resources Committee approved, in principle, a 25-year extension to the King's Theatre lease from 2023, to Festival Theatre Theatres Trust – now known as Capital Theatres Limited (CTL).
- 3.2 On [12 June 2018](#), Finance and Resources Committee approved a new 25-year lease of the Festival Theatre to CTL. The rental figure agreed at that time covered prudential borrowing costs for the purchase of two former retail units which were demolished to form part of the theatre glass entrance foyer and is significantly lower than the estimated market rent.
- 3.3 The prudential borrowing for the shop purchase will be repaid in 2037/2038, thereafter it is proposed that the rent payable will drop to £1 per annum, reflecting the partnership arrangements between the Council and Capital Theatres, jointly promoting arts and culture through performance arts.
- 3.4 As part of the ongoing funding efforts to raise £25m for the redevelopment of the King's Theatre, CTL have requested long term leases of the King's Theatre and Festival Theatre of 50 years in order to satisfy the requirements of potential funders. The long leases enhance the likelihood of key partnership funders committing resources to the project.

4. Main report

4.1 Following negotiations between the Council and CTL, the following terms have been provisionally agreed for the new Festival Theatre lease;

- Subjects: 13-29 Nicolson Street, Festival Theatre;
- Lease Term: 52-year lease from 24 August 2021;
- Break Option: 5 yearly mutual break options (with 6 months' notice);
- Rent: £128,500pa exclusive of VAT until repayment of prudential borrowing is complete, thereafter £1 per annum for the remainder of the lease term (compared to an estimated market rental value of £418,000 based on rateable value);
- Repair/Maintenance: Full repairing and insuring;
- Use: For use as a Public Theatre and for all theatrical and similar purposes;
- Other Terms: As contained within a standard commercial lease (with the exception of rent reviews);
- Costs: Each party to bear their own costs.

4.2 In respect of the King's Theatre, the following terms have been provisionally agreed for the extension of the lease:

- Subjects: 2 Leven Street, King's Theatre;
- Lease Term: 50-year lease from 1 July 2023;
- Break Option: 5 yearly mutual break options (with 6 months' notice);
- Rent: £1pa exclusive of VAT (compared to an estimated market rental value of £232,000 based on rateable value);
- Repair/Maintenance: Full repairing and insuring;
- Use: For use as a Public Theatre and for all theatrical or similar purposes;
- Other terms: As contained in a standard commercial lease (with the exception of rent reviews);
- Costs: Each party to bear their own costs.

5. Next Steps

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

6. Financial impact

- 6.1 In respect of the Festival Theatre, the Council will receive a rent of £128,500 per annum. This figure covers prudential borrowing costs associated with the acquisition of two former shop units which now comprise part of the theatre.
- 6.2 It is proposed that the rent payable will drop to £1 per annum once prudential borrowing has been repaid, reflecting the partnership arrangements between the Council and Capital Theatres, jointly promoting arts and culture through performance arts. The estimated market rent for this property is £418,000 based on the current rateable value.
- 6.3 All other costs such as maintenance, utility, insurance and rates will be met by CTL.
- 6.4 In respect of the King's Theatre, the Council will receive a rent of £1 per annum. Under the current rental arrangement, Capital Theatres pay an annual rent of £150,000 (excluding VAT), which is then covered by a grant from the Council, resulting in a neutral transaction. The estimated market rent for this property is £232,000 based on the current rateable value.
- 6.5 CTL are undertaking a £25m refurbishment of the building and will continue to be responsible for ongoing building maintenance, utility, insurance and rates costs.
- 6.6 The Council has previously agreed to contribute £4m as part of its Capital Investment Strategy towards the refurbishment along with a prudential borrowing facility of £5m.

7. Stakeholder/Community Impact

- 7.1 Council Officers have engaged fully with Capital Theatres Limited throughout this process
- 7.2 Ward elected members have been made aware of the recommendations of this report.

8. Background reading/external references

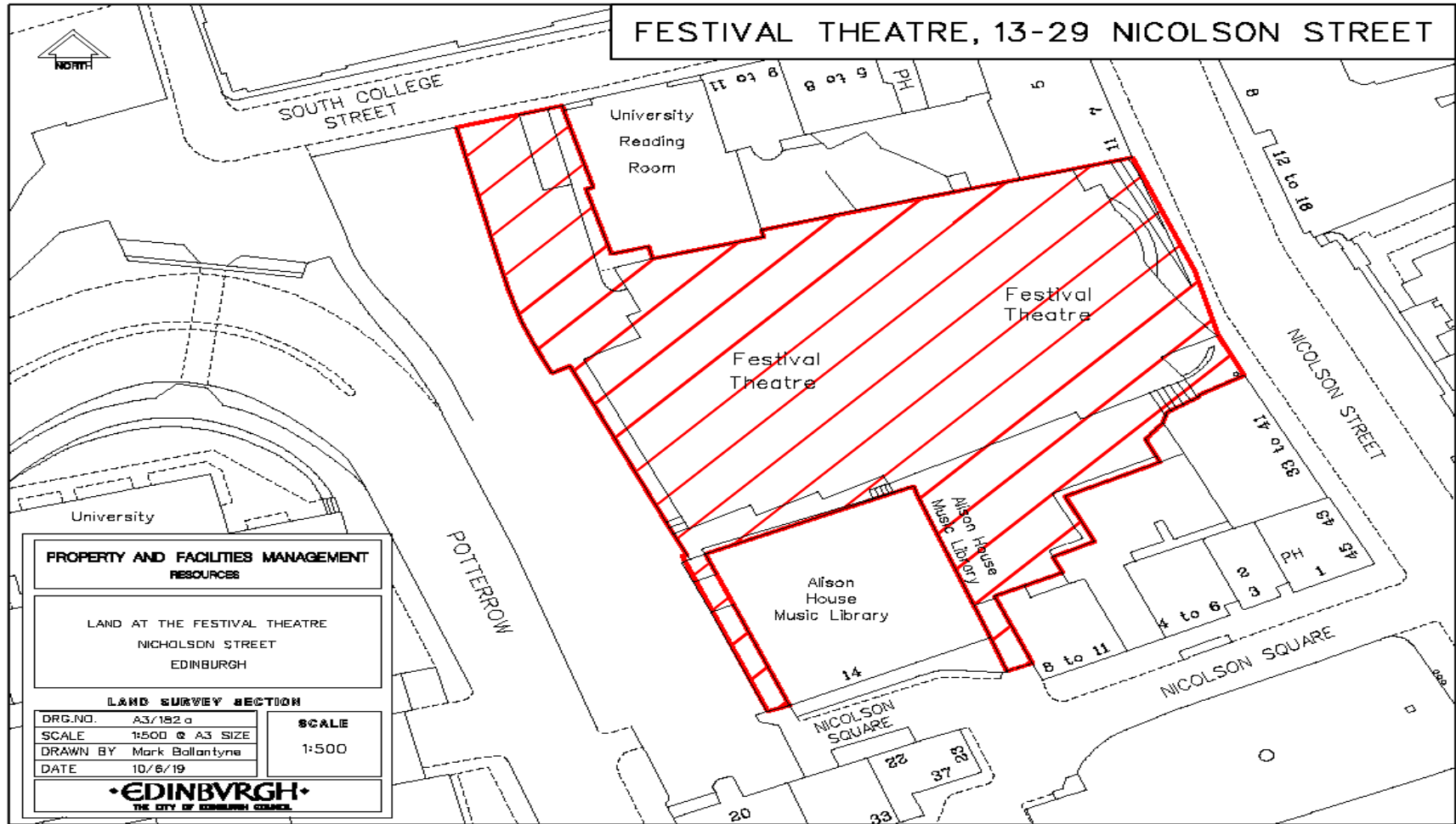
- 8.1 [King's Theatre: Report to Finance and Resources Committee 23 March 2017](#) - King's Theatre Capital Development Project - referral from the Culture and Sport Committee

- 8.2 [Kings Theatre - Report to Finance and Resources Committee 4 December 2018](#) - King's Theatre Capital Project Update Report – referral from the Culture and Communities Committee
- 8.3 [Festival Theatre: Report to Finance and Resources Committee 12 June 2018](#) - Festival Theatre, 13-29 Nicolson Street – Proposed new 25-year lease

9. Appendices

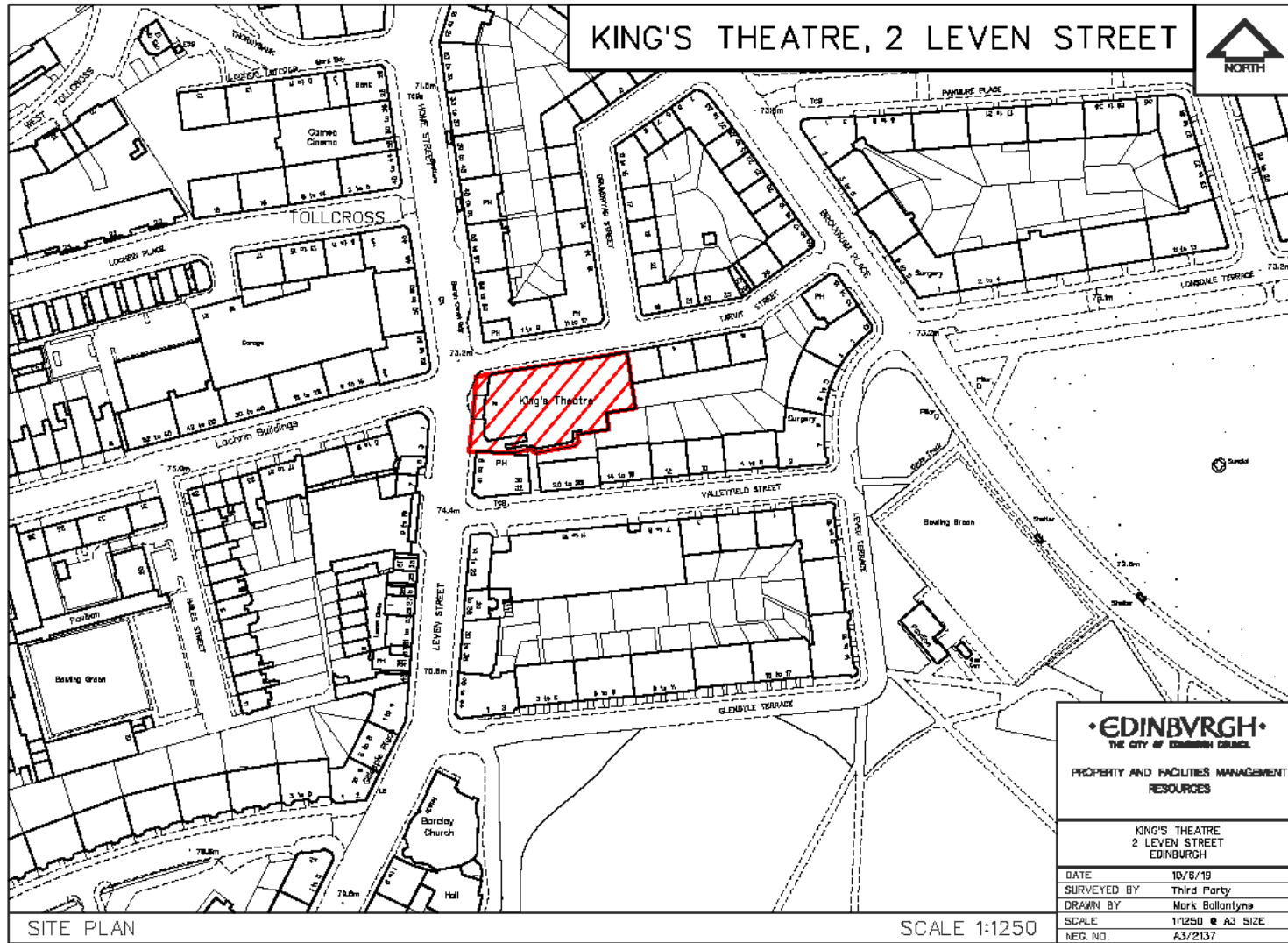
- 9.1 Location Plan – Festival Theatre.
- 9.2 Location Plan – King's Theatre.

Appendix 1



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Appendix 2



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