

Finance and Resources Committee

10.00am, Friday, 6 December 2019

Restaurant Unit, Assembly Rooms, 54 George Street, Edinburgh – Proposed Lease

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|---------------------|------------------|
| Executive/routine | Routine |
| Wards | 11 – City Centre |
| Council Commitments | |

1. Recommendations

1.1 That Committee:

- 1.1.1 Approves a new 15 year lease of the restaurant unit at the Assembly Rooms, George Street, Edinburgh to Stack and Still Limited on the terms as 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: Mark Bulloch, Portfolio Manager – Investments,

Property and Facilities Management Division, Resources Directorate

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Restaurant Unit, Assembly Rooms, George Street, Edinburgh – Proposed Lease

2. Executive Summary

- 2.1 The Assembly Rooms contains three commercial units on the ground floor of the building. As a result of the liquidation of Jamie's Italian Limited, the restaurant unit became vacant and has been marketed for lease. The report seeks approval for a new 15 year lease to Stack and Still Limited on the terms and conditions outlined in the report.

3. Background

- 3.1 The Assembly Rooms benefitted from a major refurbishment completed in 2012. The refurbishment created commercial space consisting of a restaurant and two retail units.
- 3.2 The retail units on the George Street frontage are let to Rox and L'Oreal, providing a rental income of £240,000 per annum (Rox) and £111,250 per annum (L'Oreal).
- 3.3 The restaurant unit, extending to approximately 643 sq m (6,920 sq ft) or thereby and shown on the attached plan, was leased to Jamie's Italian Limited for 25 years from 30 March 2012 at an initial rent of £253,000 per annum. The rent was increased to £297,000 per annum following a rent review on 30 March 2017.
- 3.4 Jamie's Italian Limited entered into a Company Voluntary Arrangement (CVA) in February 2018 and subsequently liquidated on 21 May 2019 and the unit has been vacant since that time.
- 3.5 The property was marketed for lease and discussions have subsequently taken place with interested parties, however, Stack and Still Limited, has come forward and proposed formal heads of terms.
- 3.6 Stack and Still Limited is the UK's largest urban pancake and licensed bar venue. Their flagship venue was opened in West George Street, Glasgow in October 2018 with two further openings at Silverburn (large shopping centre south west of Glasgow city centre) and Glasgow Fort (large shopping centre east of Glasgow city

centre). This business has been hugely successful and now has funding to expand into Edinburgh.

4. Main report

4.1 Following negotiation, the following main heads of terms are provisionally agreed:

- Subjects: Restaurant unit, Assembly Rooms, 54 George Street, Edinburgh as show on attached plan;
- Tenant: Stack and Still Limited (Company Number SC599871);
- Term: 15 years from date of entry with tenant option to extend for five years;
- Break Options: Tenant only break options at years five and 10 subject to providing no less than six months written notice;
- Rent: The higher of a base rent of £150,000 per annum or 8% of gross annual turnover net of VAT and capped at £300,000 per annum;
- Rent Review: Base rent will be reviewed on each fifth anniversary of the date of entry in line with RPI with collar and cap of 1% and 3%;
- Incentive: Equivalent of 12 months rent free with half rent paid for years 1 and 2;
- Use: Restaurant within existing Class 3 planning consent;
- Costs: Both parties to meet own costs with Tenant responsible for LBBT and registration dues.

5. Next Steps

5.1 Following approval of the report by Committee, solicitors will be instructed to progress the legal documentation to enter into the new lease.

6. Financial impact

6.1 The proposal provides a minimum of £150,000 per annum rental income to the Council. A minimum £75,000 per annum will be received for the first two years due to the incentive.

6.2 The average turnover across the three existing sites is £60,000 per week. If the tenant can maintain that turnover level the rent would increase to £249,600 per annum (8% of gross annual turnover net of VAT and capped at £300,000). It should

be noted that the Assembly Rooms restaurant unit is much larger and provides many more covers than the Glasgow outlets, however, there are obvious locational differences.

- 6.3 Whilst the proposed rent is less than was received from the previous tenant, the proposal received follows extensive marketing and reflects the current market rental value for the unit.
- 6.4 On the basis of the base rent, the proposals will require Property and Facilities Management to mitigate a budget pressure of £222k pa in F/Y 2020/21 and 2021/22 and a maximum of £147k pa from F/Y 2022/23 onwards. It is proposed that this mitigation be recovered from the wider investment portfolio before further budget savings can be offered from this wider income stream.

7. Stakeholder/Community Impact

- 7.1 Ward elected members have been made aware of the recommendations of the report.
- 7.2 The proposals have been discussed with Council Officers in Culture Division, Place Directorate.

8. Background reading/external references

- 8.1 N/A

9. Appendices

- 9.1 Appendix 1 – Location Plan



SITE PLAN

PHOTOGRAPHICALLY REDUCED NOT TO SCALE

• EDINBURGH •
THE CITY OF EDINBURGH COUNCIL

PROPERTY AND FACILITIES MANAGEMENT
RESOURCES

RESTAURANT UNIT
54 GEORGE STREET
EDINBURGH

| | |
|-------------|------------------|
| DATE | 31/10/19 |
| SURVEYED BY | |
| DRAWN BY | Mark Ballantyne |
| SCALE | 1:1250 @ A3 SIZE |
| NEG. NO. | A3/1155 |

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