

# Finance and Resources Committee

10.00am, Thursday, 20 May 2021

## Tron Kirk Update

Executive/routine Wards Council Commitments	Executive 11 – City Centre <a href="#">2</a>
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### 1. Recommendations

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- 1.1 That Committee:
- 1.1.1 Notes the current position regarding the previous short-term lease to Old Town Projects Limited (a subsidiary of Edinburgh World Heritage Trust); and,
  - 1.1.2 Approves the proposal at Option B of entering into an agreement with Scottish Historic Buildings Trust on the terms set out in Appendix 2 and other such terms to be agreed by the Executive Director of Resources.

**Stephen S. Moir**

Executive Director of Resources

Contact: Mark Bulloch, Portfolio Manager,

Property and Facilities Management Division, Resources Directorate

E-mail: [mark.bulloch@edinburgh.gov.uk](mailto:mark.bulloch@edinburgh.gov.uk) | Tel: 0131 529 5991

## Tron Kirk Update

### 2. Executive Summary

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- 2.1 This report provides an update on the short-term lease for the Tron Kirk and highlights the options available to the Council moving forward. It recommends the option of entering into an agreement with Scottish Historic Buildings Trust to advance the Council's short and long-term aspirations for the building.

### 3. Background

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- 3.1 The Tron Kirk is located on a prominent position on the Royal Mile at the junction of High Street and South Bridge. The property extends to 278sq m (3,000 sq. ft) or thereby and is shown outlined red on the plan attached as Appendix 1.
- 3.2 Numerous reports on the Tron Kirk, dating back to 6 June 2013, have been presented to the Finance and Resources Committee, the most recent of which was [3 December 2020](#). In considering that report, Committee agreed the following motion:
- 1) To note the contents of the report and the work that had been carried out by both officers and Edinburgh World Heritage Trust (EWHT) to realise the Tron Kirk project;
  - 2) To further note that if the project were to proceed there would be a substantial impact on the Capital Budget Strategy that would negatively impact capital projects across the city; and,
  - 3) To therefore agree Option A in the report and to instruct officers to bring forward a report on the short- and longer-term future of the building to a future meeting of the Finance and Resources committee.
- 3.3 Option A was to reconfirm the position from 2013, that the Council are not prepared to make a capital contribution to the project due to significant other unbudgeted capital pressures. EWHT had advised that if this option was confirmed they could not continue with the project.
- 3.4 Following Committee's decision, agreement was reached with EWHT to terminate the lease as at 31 March 2021. Consequently, the Council secured vacant

possession, with effect from 1 April 2021, and the building has been vacant since that time.

## 4. Main report

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4.1 To consider options on the future of the Tron Kirk, the Council needs to be clear on the assumptions that inform those options. Consequently, for the purposes of this report, the following has been assumed, which are informed by previous Committee and Council decisions:

- That short-term refers to 1 to 5 years and relates to the building itself by making use of the temporary floor, constrained by the building footprint and lack of amenities;
- That any short-term use will specifically debar its use as a festival venue and/or alcohol licence;
- That long-term refers to 5 years plus and relates to the building and the potential to utilise the former Hunter Square toilets and at least part of Hunter Square itself (as per the EWHT proposals);
- That a capital contribution from the Council, towards a long-term strategy, is currently not available.
- That the Council will not sell the property and therefore any short- or long-term proposal will be by way of a lease agreement;
- That a financial return is not the principal determining factor when considering short- and long-term proposals; and,
- That preference is for a quasi-public-sector long-term proposal like the aspirations of the EWHT of show casing the building whilst acknowledging its historic and heritage importance.

4.2 On the basis of the above, options are restricted to Option A (or a permutation thereof) or Option B as detailed below.

### **Option A**

4.3 A short term strategy, in isolation, is limited by the duration of the agreement. Basically, the property is advertised on the open market for short term use, interest is solicited, and a closing date is set. Consequently, selection of a preferred bidder is also limited to the financial return and the use proposed.

4.4 Members are reminded that the above process was last carried out in 2013, which produced several offers resulting in numerous Committee reports, deputations and motions. The outcome was an indoor market which remained in place until the lease was terminated to allow EWHT to take possession, which again resulted in numerous Committee reports, including a review by GRBV.

- 4.5 Following further consideration and reflection on past experiences, Council officers are now of the professional view that the pursuit of separate short and subsequent long-term solutions is not conducive to achieving the principal objective of securing a sustainable future for the building and wider site. The nature of a short tenancy gives no incentive for an occupier to raise funds to invest in the future of the building. Consequently, the Council should now consider a strategy that seeks to secure the future of the Tron Kirk in the short and long term through one comprehensive process, like the one about to commence for the former Royal High School.
- 4.6 The approach would be to expose the opportunity to the wider market as a restoration/redevelopment opportunity as one package and seek proposals that principally focus on long-term outcomes. Importantly, but ancillary, are proposals to manage the asset in the interim including, for example, timescales, milestones, financials, conditions, engagement etc. Effectively, a suite of weighted criteria developed to assess any offers for both the interim use and longer-term project.
- 4.7 Bidding based on the above would be a major undertaking for any party and would not likely be of interest to an opportunist. It does however require the Council to acknowledge at the outset what the likely outcome will be, viz, the option is likely to generate substantial interest from commercial developers and occupiers, mainly in the retail, tourist and food and drinks sectors, and this will be reflected in proposed end uses. If the Council is inviting proposals from the market, and private finance is going to fund the development, commercial developers will require a return that reflects the risk undertaken including the ability to pay back the investment and make a profit. There are several permutations to this approach, but the headline principles remain.

### **Option B**

- 4.8 The Council has been approached by Scottish Historic Buildings Trust (SHBT) seeking the opportunity of taking the Tron project forward both in short and long term. The full initial proposal is attached as Appendix 2.
- 4.9 Committee will be aware that there is precedent of the Council working with SHBT at both Riddles Court and Customs House. In both projects the approach has been the same, interim proposals with longer term goals that secures funding for investment in the building and business plans that seek to find the right balance between sustainable income, heritage and public benefit.
- 4.10 Their proposal is to 'step in' and manage the short-term phase by utilising the Tron for tenants (akin to the EWHT short term use). During this period, work would commence on a longer-term feasibility study that would include a review of the original proposals and work already completed by EWHT. Effectively, a vision would be developed in consultation with the Council and ultimately signed off by this Committee.
- 4.11 SHBT bring substantial experience and track record of successfully taking on and finding solutions for difficult listed buildings.

## **Summary**

- 4.12 The significant difference between the two options is that one is a commercial enterprise and will produce a financial return with uses that are a mix of retail/food/drink/tourism whereas the other is a public/partner led project that will seek to be self-sustaining financially but with greater public benefit. Marketing the property, as in Option A, is unlikely to secure proposals that Option B offers.
- 4.13 In conclusion, based on the comments above and the assumptions detailed in paragraph 4.1, it recommended that Committee approves Option B and enters into direct discussions with SHBT on taking the project forward.

## **5. Next Steps**

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- 5.1 Subject to Committee approval, officers will engage with SHBT to advance legal documentation.

## **6. Financial impact**

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- 6.1 The termination of the lease to EWHT on 31 March 2021 will result in no income for the Council. As the building is Grade A listed there are no substantial vacant rates to be paid.
- 6.2 Option A could create a financial return to the Council, albeit this cannot be determined until the parameters of possible uses are confirmed.
- 6.3 The proposals from SHBT proposes no financial return to the Council as any surplus income will be invested in the property/project. The proposals make the Council responsible for external repairs in the short term, which is similar to the short-term situation when EWHT were in occupation. Considerable capital expenditure was incurred on roof repairs in recent years and therefore the risk of extensive external repairs, in the short term, is minimal.

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

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

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

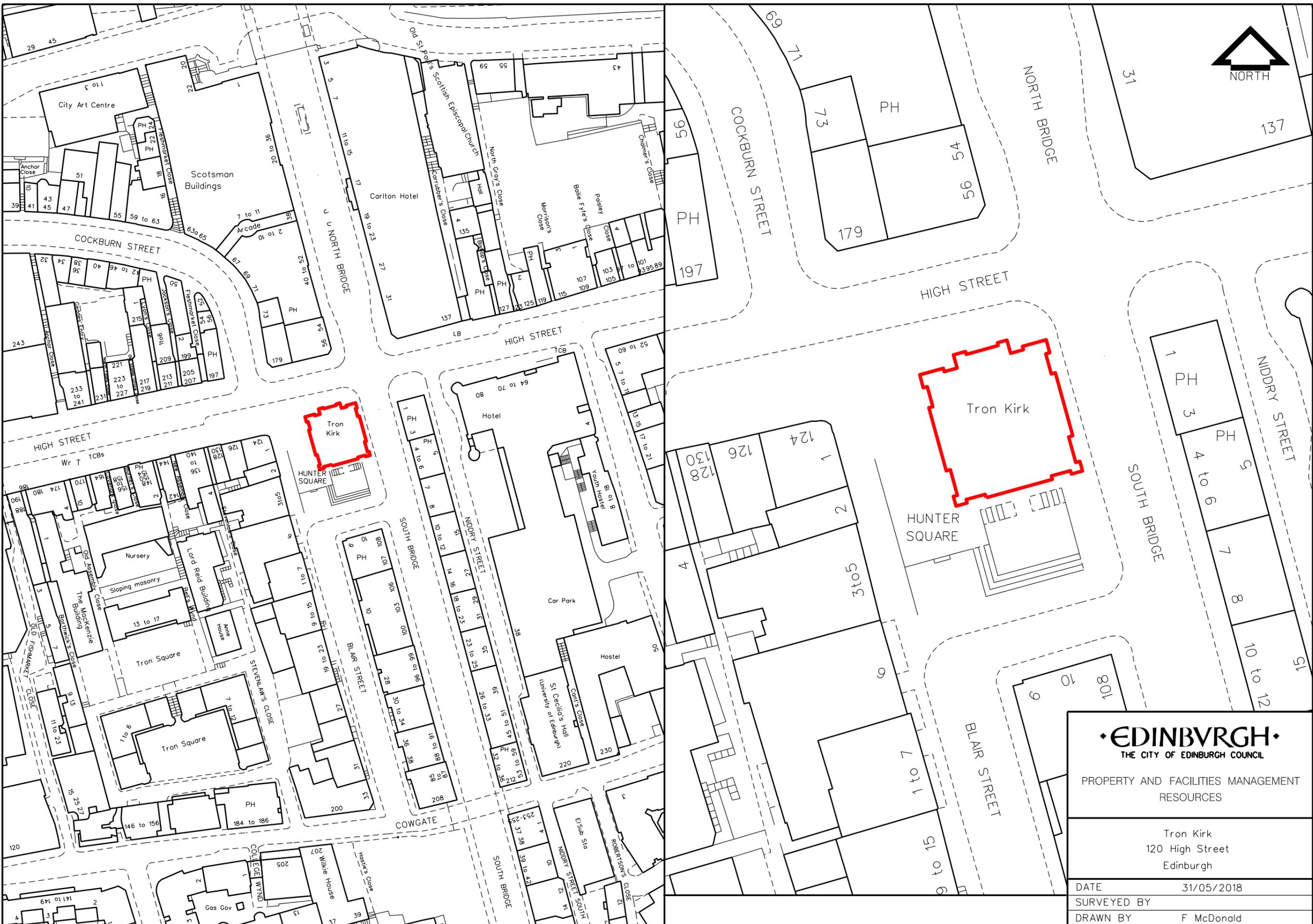
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- 8.1 [Finance and Resources Committee 3 December 2020 \(Tron Kirk, Edinburgh – Update Report\)](#)

## **9. Appendices**

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- 9.1 Appendix 1 - Location Plan
- 9.2 Option paper – Scottish Historic Building Trust



LOCATION PLAN

SCALE 1:1250

SITE PLAN

SCALE 1:500

<b>• EDINBURGH •</b> THE CITY OF EDINBURGH COUNCIL	
PROPERTY AND FACILITIES MANAGEMENT RESOURCES	
Tron Kirk 120 High Street Edinburgh	
DATE	31/05/2018
SURVEYED BY	
DRAWN BY	F McDonald
SCALE	Plan to Scale at A3
NEG. NO.	NT2573/A3/1356

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## THE TRON KIRK, EDINBURGH

PAPER for City of Edinburgh Finance and Resources Committee Meeting – 20<sup>th</sup> May 2021

### INTRODUCTION

Scottish Historic Buildings Trust (SHBT) is offering this paper as an option and way forward for the Tron Kirk following the announcement from Edinburgh World Heritage (EWH) to withdraw from the project on 31<sup>st</sup> March 2021.

SHBT already has a relationship with CEC on two buildings in Edinburgh – Riddle’s Court in the Lawnmarket which was restored in 2017 as a Centre for Learning which includes a Café, Holiday Apartment and Offices and is leased on a 99 Year Lease, and the Custom House in Leith which is currently on a short term Lease whilst a Feasibility Study is being undertaken to determine the long-term Vision for the building. In the meantime, SHBT manages the building as a Creative Hub within the heart of Leith. The building is home to a diverse group of tenants ranging from a Café and Coffee Roaster to a Barber and Men’s fashion retailer to the Edinburgh Tool Library and Men’s Shed to a number of artists, artisans and crafts people to the weekly Leith Market and a monthly Action House. Whilst a number of uses are public fronted, the building opens its doors on a regular basis to enable the Community and interested parties to come and hear about the project and see in person behind the scenes.

As a Charity, SHBT is able to retain public benefit and use of both Riddle’s Court and the Custom House, both in the interim and long-term use of the buildings. At Riddle’s Court, SHBT secured funding of over £7m from Historic Environment Scotland and the Heritage Fund to numerous Trusts and Foundations to public and private donations, guaranteeing the long-term future of this important building within the Old Town. CEC gave a cash contribution of £26,000 towards Riddle’s Court as well as its contribution in kind offsetting any rental income. The Council has also benefited from use of the building by its adult community learning classes at no charge. The Custom House Feasibility Study will determine the total investment required to safeguard this building, with the cost of repairs alone being in excess of £4m.

SHBT is a charity with a track record of over 40 years dedicated to regenerating significant historic buildings throughout Scotland whose survival is threatened. SHBT is well placed to assist the Council in developing a viable and sustainable future for the Tron Kirk which was acquired by CEC in the 1950’s. Although the building has been in sporadic use from the 1970’s, it was the traditional centre of the Edinburgh Hogmanay celebrations until recently when the focus moved to Princes Street and remains a fond memory of those who were fortunate to have been part of its history.

### SHBT PROPOSAL

SHBT would like to be involved in securing a future for the Tron Kirk and as per our agreement on the Custom House and previously Riddle’s Court. We would like to suggest that our involvement is broken down into 3 stages as follows:

#### IMMEDIATELY:

Subject to SHBT Board Approval, SHBT would step in immediately, or as soon as possible and take up a Missive/Licence to Occupy the Tron (similar to what we started with on the Custom House). This would enable us to step in and take over the day to day management of the building without delay.

### CONSERVING THE PAST – BUILDING THE FUTURE

SHBT will liaise with the most recent retail partners to EWH to discuss the option of returning to the building once Government lock-down restrictions ease. We understand that all existing retail tenants were asked to vacate the building on 31<sup>st</sup> March 2021. SHBT will discuss original Lease/Licence agreements which will be honored where possible and new Licences to Occupy the Premises with sufficient length of time to ensure that they have some continuity of tenancy will be granted. If possible, SHBT will immediately issue a month by month Licence to give tenants comfort in working towards the building re-opening in line with Government announcements.

If new tenants are required, SHBT will consider those with a retail offer appropriate to the building and the City of Edinburgh and will continue the theme of a heritage retail offer with commissioned local artists and craftspeople to promote the demand for Scottish books, prints, crafts and where possible food offerings.

***Immediate Outcomes:***

- SHBT will fulfil a management role for the Tron as long as required, and will liaise with all existing and new tenants to ensure that the building is open for business as soon as Government measures allow, and available for the Summer Tourist Season;
- SHBT will not charge any Management Fee for this period, but would recover its own costs from rental income from the tenants that occupy the building;
- SHBT will pay no rent on the building;
- CEC will continue to insure the building and undertake external repairs (other than day to day maintenance). SHBT will deal with any internal repairs/utilities, etc.

**SHORT TERM:**

Once the Immediate actions have been executed, SHBT enter into a longer-term agreement with the Council (similar to the arrangements on the Custom House and Riddle's Court) and secure a short-term Lease (minimum 5 years, with the ability to extend) which will enable SHBT to undertake a Feasibility Study to consider and develop the Long Term Vision for the Tron Kirk.

SHBT will also seek agreement at this stage for a longer lease of 125 Years with an agreed trigger-point which will enable SHBT to deliver a capital project and manage the building into the future. This long lease will be required for any funding applications that we will seek in the future. The agreement will set out the triggers for the Lease to be signed and registered, but in the short-term, SHBT will only require agreement from CEC to do this once a viable and sustainable capital project is developed (the same arrangement that we have on the Custom House, and previously Riddle's Court).

***Short Term Outcomes:***

- SHBT will continue to manage the building over the course of this extended Lease period. No rent will be paid and SHBT will recover all of its costs from the rental income received. SHBT is prepared to operate on an open-book basis, where any surplus income generated can be reinvested in the capital project (again a similar arrangement to that undertaken on Riddle's Court and the Custom House);
- CEC will continue to insure the building and deal with any external repairs and SHBT will deal with day to day maintenance;
- SHBT will develop a Feasibility Study (working with the Council) to set out a future Vision for the Tron which will provide public benefit to the people of Edinburgh and its Visitors. The Feasibility Study will also consider whether Hunter Square and the adjacent toilet block is beneficial to the viability of the Vision. It is expected that the completed Study will be signed off by CEC Finance & Resources Committee and any other sub-committees in its development;
- Once the Study Vision has been agreed with all parties, SHBT will develop the Capital Project including all fundraising required to realise the Vision. At a point when the project is fully funded and ready to tender for a Main Contractor, SHBT will trigger signing the 125 Year Lease (which will have been developed during this phase with title documents provided at the initial lease stage).

**LONG TERM:**

Once the trigger for the 125 Year Lease has been met, SHBT will take forward the final stages of project development to appoint a Main Contractor to undertake the capital work, and also finalise all fundraising conditions, including standard securities, ranking agreements and such like and deliver the capital project through to completion. The 125 Year Lease will reflect the end-use of the building and any specific conditions to its management. This Lease will be on a full repairing and insuring basis (as per Riddle's Court).

**Long Term Outcomes:**

- The Tron Kirk is restored and given new and meaningful life for the citizens of Edinburgh and beyond;
- The long-term management and maintenance of the Tron Kirk is secured.

**CONCLUSION**

SHBT has shown through the successful completion of the project at Riddle's Court that its involvement can secure the future of an important at risk historical building by giving it a viable and sustainable future. It is also an example of partnership working where the track record and skills of SHBT as a Building Preservation Trust and Charity were able to secure the future of Riddle's Court with a fully funded capital project with sustainable income generation to safeguard its ongoing maintenance and running costs whilst the Council is able to retain the building on its balance sheet. This arrangement will be mirrored on the Custom House where the CEC contribution is the acquisition of the building using Common Good funding.

SHBT acknowledges that CEC have no capital funds to contribute towards the restoration of the Tron Kirk in the current financial climate and is happy to proceed with the project on the above basis.

**Una Richards**

Chief Executive, Scottish Historic Buildings Trust

19<sup>th</sup> April 2021