

Finance and Resources Committee

10.00am, Thursday, 3 March 2022

Abbeymount Techbase – Proposed New Lease

Executive/routine	Routine
Wards	Craighentiny/Duddingston
Council Commitments	2

1. Recommendations

- 1.1 It is recommended that Finance and Resources Committee:
 - 1.1.1 Approve a 75-year lease of Abbeymount Techbase to Out of the Blue Arts Education Trust 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

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Report

Abbeymount Techbase – Proposed New Lease

2. Executive Summary

- 2.1 Out of the Blue (OOTB) occupy the majority of the business units within Abbeymount Techbase on various short-term leases. A 75-year lease over the whole of the property has been requested to allow an expansion of the studio space offered and secure funding for the improvement for the asset. This report seeks approval to grant a 75-year lease to OOTB and Education Trust on the terms and conditions outlined in the report.

3. Background

- 3.1 Abbeymount Techbase is a Class B listed former primary school situated at the southern end of Easter Road as shown in the plan at appendix 1. The building has been converted internally to create individual business units of various sizes, with further accommodation in the outbuildings within the former playground.
- 3.2 Historically the property has been let on flexible lease terms and, over time, has built up a reputation for providing artist's studio and workshop space. In December 2016, OOTB leased space in the building and established Abbeymount Studios with the support from Creative Scotland, Social Investment Scotland, Craft Scotland and City of Edinburgh Council.
- 3.3 Since that time OOTB have extended their occupation when other units have become vacant and now lease 14 of the 20 available units on short term leases which are continuing on an annual basis. The remaining space is let to five other occupiers.
- 3.4 In order to provide security of tenure, allow funding opportunities to be targeted for the refurbishment/repair of the building, and allow the Studios to reach their full potential, OOTB are seeking a long lease for the whole building.
- 3.5 The most recent condition survey undertaken by the Council (2017), outlined required repair costs of circa £325,000. A more recent condition survey commissioned by OOTB suggests current costs are closer to £500,000.
- 3.6 The current rental income received from the property is approximately £64,000 per annum. Of that total, £16,530 is received from the five non-OOTB tenants.

4. Main report

- 4.1 Following discussions, the following terms have been provisionally agreed for a lease of the whole building to OOTB:-
 - 4.1.1 Subjects: Abbeymount Techbase, Easter Road, Edinburgh;
 - 4.1.2 Tenant: OOTB and Education Trust;
 - 4.1.3 Lease Term: 75 years from date of entry;
 - 4.1.4 Break Option: a tenant break option every 3 years with six-month notice period;
 - 4.1.5 Rent: base rent of £20,000 per annum with additional top up payment based on 15% of gross rental income received by OOTB;
 - 4.1.6 Rent concession: for the first 9 months only the base rent will be payable;
 - 4.1.7 Rent Review: the base rent will be reviewed on a 5 yearly basis based on the increase in the Consumer Price Index with a minimum increase of 2% and maximum increase 5%;
 - 4.1.8 Other occupiers; prior to the lease commencing a 12-month agreement will be put in place with non OOTB tenants (these occupiers will become subtenants of OOTB when the head lease commences), this income will continue to be passed on to the Council for the 12-month period;
 - 4.1.9 Repair: full repairing obligation on the tenant subject to a schedule of condition;
 - 4.1.10 Conditions: subject to full condition and M&E survey to be undertaken by OOTB at their expense; and
 - 4.1.11 Costs: each party to bear their own costs.
- 4.2 The initial base rent £20,000 per annum is predicated on OOTB undertaking minimum expenditure £100,000 on asset improvement over the first 5 years. If the expenditure is lower than £100,000 then the base rent at the first rent review will increase, on a pro rata basis for any shortfall. For example, if the expenditure is £80,000, the base rent will increase by 20%.
- 4.3 OOTB estimate that over the first 5 years of the new lease, in the region of 100 people will earn an income from space in the building and that up to 13 teachers will run classes with some 300 participants per week. More information on the potential economic benefits from the proposal are set out in The OOTB Abbeymount Studios Economic and Policy Impact paper attached as appendix 2.

5. Next Steps

- 5.1 Following approval of the terms by Committee, Legal Services will be instructed to prepare the lease documentation and, at the same time, annual agreements to the non OOTB tenants will be put in place.

6. Financial impact

- 6.1 In the short term there will be a reduction in income received from the property, whilst OOTB work towards the refurbishment of the building. OOTB estimate that in the first year following refurbishment, the Council would receive a top up payment of circa £20,000 on an annual basis (therefore the Council would receive £5k in addition to the base rent and income from non OOTB leases). In year 1 the Council would receive circa £42,000 (base rent plus non OOTB income plus 3-months top up rent) in comparison to the current income level of circa £64,000.
- 6.2 When the full potential is realised it is estimated that the rent could reach circa £80,000 per annum, therefore exceeding the current rent levels received.
- 6.3 Agreeing to the lease will transfer the liability for the repair and refurbishment of the building to OOTB, who will target funding to raise the money required. This is a potential capital efficiency to the Council of circa an unbudgeted £500,000. Offers of potential support to OOTB have been made from Historic Environment Scotland, Architectural Heritage Fund and National Lottery Heritage Fund.

7. Stakeholder/Community Impact

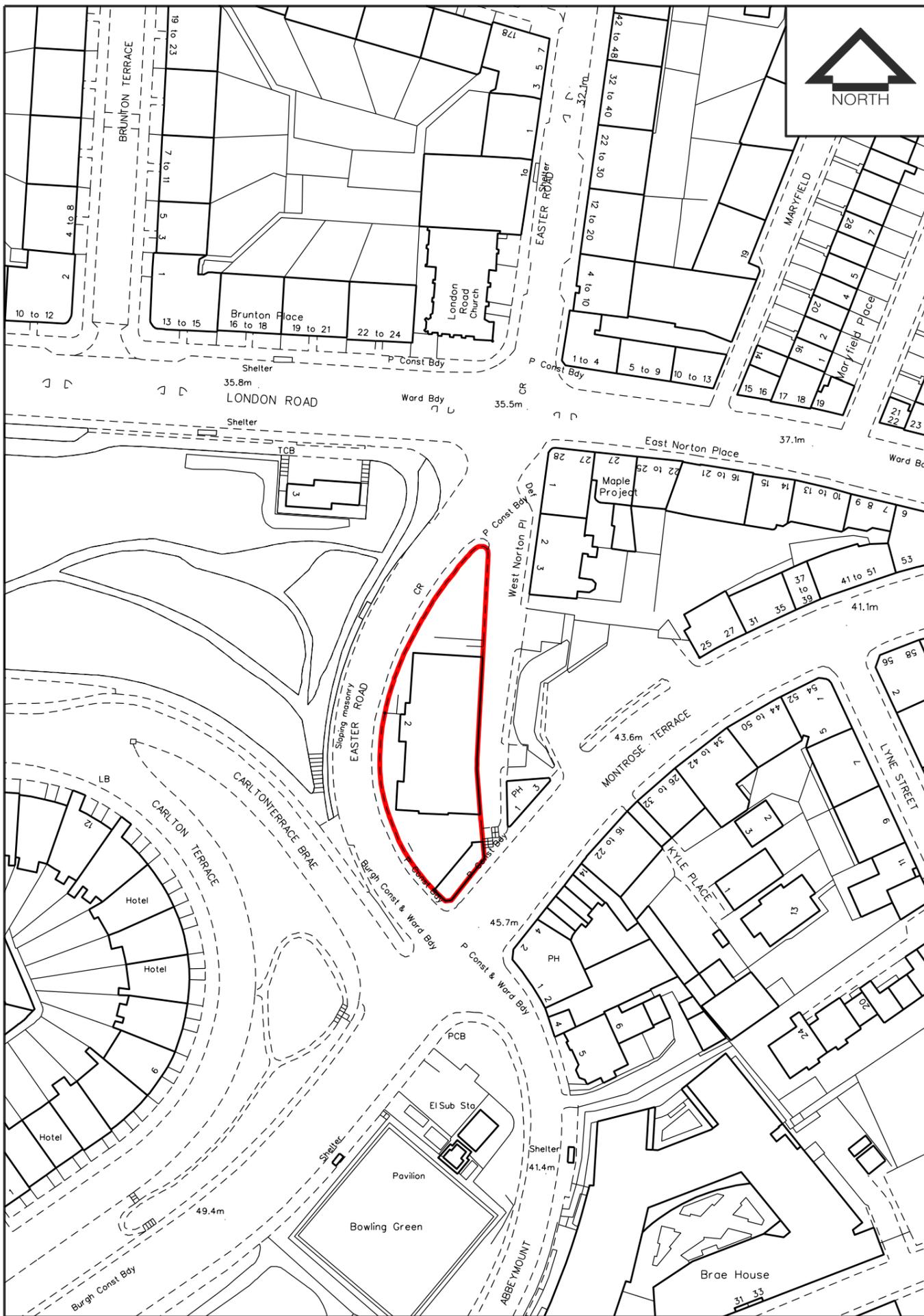
- 7.1 None.

8. Background reading/external references

- 8.1 None.

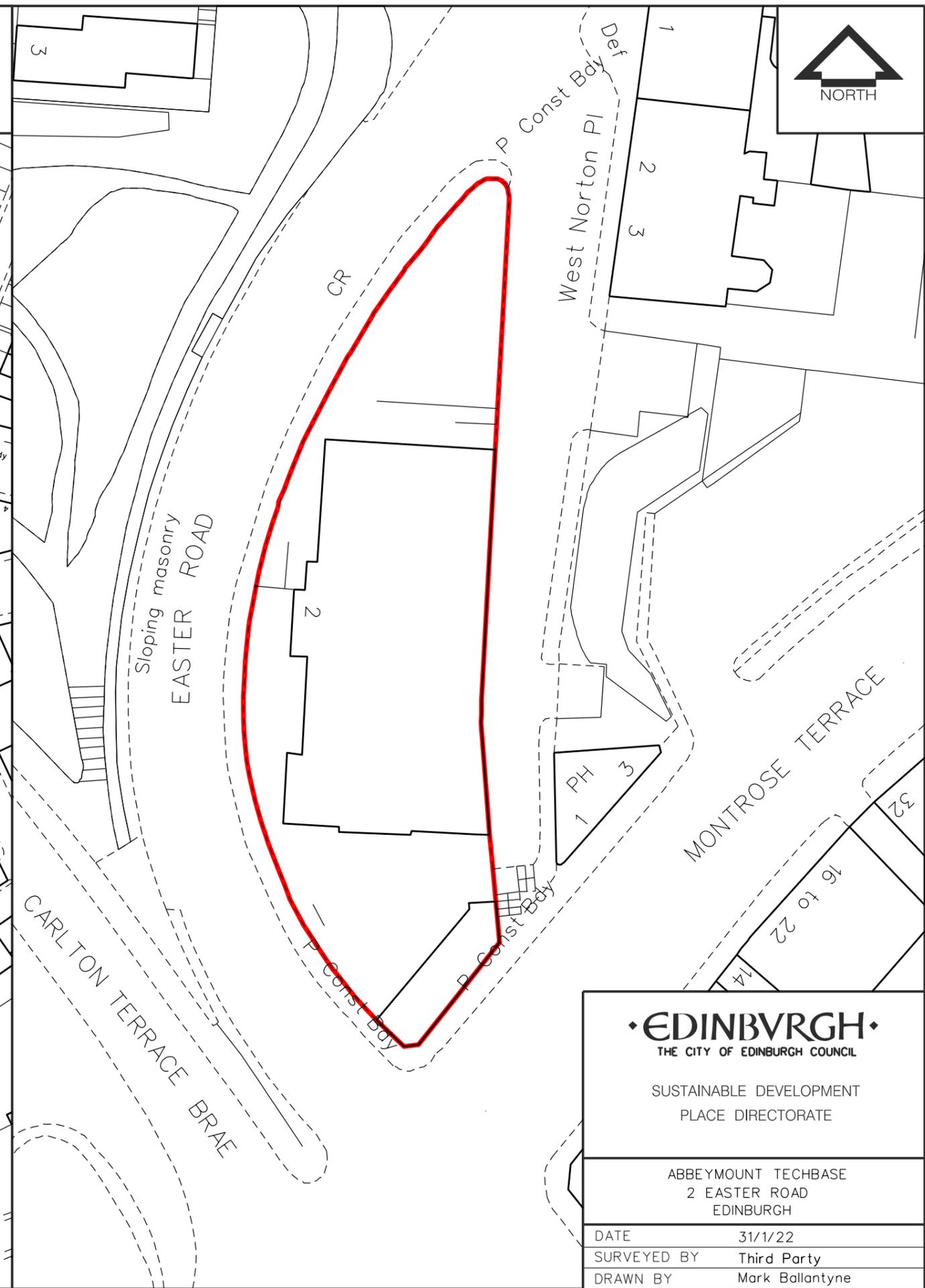
9. Appendices

- 9.1 Lease Plan
- 9.2 OOTB - Abbeymount Studios Economic and Policy Impact Paper



LOCATION PLAN

SCALE 1:1250



SITE PLAN

SCALE 1:200

• EDINBURGH • THE CITY OF EDINBURGH COUNCIL	
SUSTAINABLE DEVELOPMENT PLACE DIRECTORATE	
ABBEYMOUNT TECHBASE 2 EASTER ROAD EDINBURGH	
DATE	31/1/22
SURVEYED BY	Third Party
DRAWN BY	Mark Ballantyne
SCALE	1:500 @ A3 SIZE
NEG. NO.	A3/1297a

OUT OF THE BLUE ABBEYMOUNT STUDIOS ECONOMIC AND POLICY IMPACT

Micro Economic Impact.

It is estimated that some 100 people will earn income from office/studios, and workshop spaces at Abbeymount Studios, over the course of the first 5 year lease period..

There will also be classes with 300 participants per week, run by 13 teachers.

OOTB would use the training model we have established at [Out of the Blueprint](#) and [Drill Hall cafe](#) to generate a training programmes for young people

Whether interest lies in the Crafts (print, textiles, ceramics etc) or whether people consider themselves amateur, hobbyist or professional; OOTB AMS will be an affordable space that will give access to people, working across many disciplines, to earn a living from making and teaching.

This innovative and ambitious project will provide a facility with 40 work spaces for around 100 of Edinburgh's creative industries and artists, and creative activity which will help make the local area a vibrant place to live and visit. Artists share ideas and technologies, collaborate, feed ideas off each other and work together in innovative and complex ways. Artists sustain themselves through a huge range of artforms and activities.

By establishing the appropriate infrastructure and support, OOTB enable organisations to come into being and flourish. OOTB have an impact on organisations development through an ethos of fair work, social enterprise, education, community development and regeneration.

Macro Economic Impact

By creating considerable space for makers, AMS will add considerably to the local economy. These individuals and organisation will bring people into Abbeyhill (off Easter Road), generating spend in the local economy, through the purchase of food, drink and supplies.

AMS will generate more income for local businesses. Jobs will be created or sustained in the creative industry economy, through:

- Procuring supplies and the services from the local area, including arts suppliers and food and drink.
- Attracting visitor and tourists to the local area who spend money with local businesses.
- Providing premises for businesses that move into the area, creating new jobs and further investment.

Gross value added per head for the "arts, entertainment and recreation" sector in Edinburgh is £31,316 per annum – so given a workspace for 100 people the building will generate £3,131,600 per annum in value added revenue.

Creative Scotland are currently reviewing and updating a [Strategy for the Creative Industries 2016-17](#) which states;

"Our four headline aims are as simple as they are important:

1. Investing together to grow sustainable creative businesses through collaboration and partnership working.

2. Innovating for the wider economy across all areas of business including the public sector.
3. Increasing inclusivity; creating opportunity for emergent creative forms and recognising the value of local trading and place-based partnerships.
4. Increasing international profile and status; opening pathways to global marketplaces.”

It is also recognised that these businesses have the capacity to generate strong value for other business sectors – being directly or indirectly linked to creative industries, tourism, education, and health, – and are often informed by a strong social ethic. This ethos defines a sector with a rich ecology of micro-businesses who are fleet of foot and informed by a strong understanding of community interest as well as commercial ability, many working to a multiple bottom line of economic, social, environmental, educational and cultural value

The Circular Economy

Investing in the Abbeymount Studios infrastructure to enable over 100 people to earn their living in the area will provide significant links to local firms and local people .

Local people and other businesses will gain from the further development of Abbeymount Studios as a building with a network which is robust and sustained.

The more times money changes hands, the better for that community. Money that is re-spent in a local area is the same as attracting new money into that area, that is money re-spent locally helps to strengthen the local economy.

Social Enterprise

The development of Abbeymount Studios is an integral part of Out of the Blue’s social enterprise. Scotland’s 10 Year Social Enterprise Strategy with 3 x three year action plans are a strategic commitment to creating the conditions in which providers of social impact can do so in a more sustainable way. The “local” dimension in this enterprise strategy has become increasingly important. The 2019 Social Enterprise Census shows many social enterprise trading at a low level and selling to their own communities. Finding a model that boosts local enterprise and establishes social enterprise supply chains is vital for sustainability.

Scotland’s Social Enterprise Action Plan / 2021-2024 ‘Inclusive growth through social enterprise’ highlights the ‘fairness and equality ‘ values of Social Enterprises which provide a reconnection to ‘what is on our doorstep’ Localism is vital for realising a ‘greener and fairer’ society and supporting a well being economy. Social Enterprise can be a vital part of the ecosystem and a ‘transformational change’ for communities and individuals.

Community Wealth Building

The creation of a new sustainable and community facing facility at Abbeymount Studios will contribute to Community Wealth Building (CWB). CWB is a model whereby locally based anchor institutions focus spend locally to encourage the development of local economies and to limit procurement spend leaking out of the area. The CWB model is viewed as an important context and driver for undertaking activity at a more local level rather than out-sourcing to

external experts. It retains and builds capacity and keeps wealth in a local place by using local companies, trades people, technical skills and labour to the extent that these are available.

Place making Principle

The development of Abbeymount Studios will contribute to the Place Making Principle. Place making is about strengthening the connection between people and the places they live, work and share experience. Place making refers to a collaborative process by which people can shape the public realm where they live and work in order to maximise shared value. It is about focusing on a specific place and considering how to ensure it is resilient and the people who live there are committed to its development.

The 20 Minute Neighbourhood

The development of Abbeymount Studios will support the City of Edinburgh Council's ambition to create 20-minute neighbourhoods across the city. This supports the development of strong local community networks, with Council and partner agency services delivered through multi-service delivery points close to, and easily accessible for, all citizens.

“Most of the daily needs would be situated within 20-minutes by foot, cycle, or public transport - 20-minute round trip 'ten minutes there – ten minutes home', this:

- creates successful well-connected local places
- builds new models of shared service delivery with partners including key role of the voluntary sector
- delivers synergies between services and 'serendipity' of finding out more from one visit
- takes our best assets and delivers more services from them, creating more fit for purpose, sustainable assets
- creates a strategic approach to the location of our services rather than the existing organic way buildings have grown up over the last century

All key to supporting a growing city in a sustainable manner”

Environmental Improvements for Zero Carbon commitments

OOTB will bring our experience from environmental efficiency at the Drill Hall to Abbeymount Studios.

OOTB has an active Environmental Policy which includes:

- sourcing goods and services locally
- reducing waste
- recycling
- encouraging participants to walk, cycle or use public transport
- utilising solar energy through our solar panels

At our buildings where we control the waste management, we currently annually recycle the equivalent of 2,711kg of CO²

As such we aim to minimise pollution from our sites as part of IPPC (integrated pollution prevention and control) measures

- The conversion of the OOTB Drill Hall former Territorial Army base to an arts centre has been undertaken with an ethos of reducing carbon emissions through insulation, use of wood from sustainable forests, solar water heating, smart boiler system, energy efficient lighting, digital timers, automated cooling systems, heat transfer units and underfloor heating.
- OOTB use signage and display to inform and encourage awareness of environmental sustainable measures that are in place at the Out of the Blue Drill Hall
- OOTB are members of the Green Arts Venue initiative to help us to focus on strategies to streamline efficiency and discuss ideas with other like minded organisations looking to lower their carbon footprint, monitor and reduce water, gas and electricity usage, saving money and cutting waste.

As such, the project to refurbish Abbeymount Techbase would hugely improve its energy efficiency through installing a high-efficiency gas-fired condensing boiler or air/ground source heat pumps; better insulation; double/triple glazing; LED lighting; and cycle parking. It is estimated that these measures will reduce the CO2 emissions of the building considerably from its current situation.

We will;

- explore future connections to a district heating network and indeed innovative zero carbon generating initiatives such as taking heat from the rock on which the area is built!
- happily partner the City of Edinburgh Council in producing and showcasing a zero carbon building, promoting walking, cycling and bus travel within a 20 minute neighbourhood, whilst providing electric car charging points for those who are using vehicles to visit or move supplies and products in and out of the building