

Finance and Resources Committee

10.00am, Thursday, 10 November 2022

Block 1 Unit 1 Pennywell Town Centre, Edinburgh – Proposed New Lease

Executive/routine Wards Council Commitments	Routine 1 – Almond
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1. Recommendations

- 1.1 It is recommended that Finance and Resources Committee approves a new 15-year lease to Alliance Property Holdings Limited at Block 1 Unit 1, Pennywell Town Centre, on the terms and conditions outlined in this report.

Paul Lawrence

Executive Director of Place

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Report

Block 1 Unit 1 Pennywell Town Centre, Edinburgh – Proposed New Lease

2. Executive Summary

- 2.1 The Pennywell/Muirhouse Civic Centre Redevelopment is a three-phase project providing new ground floor retail accommodation with residential uses above. To facilitate the redevelopment Alliance Property Holdings Ltd will relocate from their existing leased property at Block 2 Unit 1 having been successful at a closing date for the larger new unit at Block 1 Unit 1, which is currently being constructed as part of the second phase of the wider development. This report seeks approval to grant a new 15-year lease to Alliance Property Holdings Limited on the terms and conditions outlined in the report.

3. Background

- 3.1 Pennywell/Muirhouse is a major Council led regeneration project delivering 196 new affordable homes around a new civic square with retail outlets. The development of the new civic centre for Pennywell/Muirhouse involves the demolition of 48 flatted properties, 25 commercial units and existing public realm delivered over three phases.
- 3.2 Block 1 forms part of the second phase of the town centre redevelopment and will consist of eight retail premises on the ground floor and approximately 40 residential properties above.
- 3.3 The demise at Block 1 Unit 1 Pennywell Town Centre extends to 408.60 sq m (4,398 sq ft) or thereby and is shown outlined in red on the attached plan.
- 3.4 This property was openly marketed and a closing date was set for 23 March 2022, although no suitable offers were initially received. A second closing date was therefore set for 14 September 2022 with two offers received.

4. Main report

- 4.1 Following assessment of the bids received at the closing date, Alliance Property Holdings Limited has been selected as the preferred bidder for Unit 1. The following terms have been provisionally agreed:
- 4.1.1 Subjects: Block 1 Unit 1 Pennywell Town Centre, Edinburgh;
 - 4.1.2 Tenant: Alliance Property Holdings Limited (trading as Morrisons Daily);
 - 4.1.3 Lease term: 15 years from date of entry (1 December 2022);
 - 4.1.4 Rent: £60,000 per annum;
 - 4.1.5 Rent Review: rent will be reviewed at year five;
 - 4.1.6 Break Option: A tenant only break option will be available on the 5th and 10th anniversaries;
 - 4.1.7 Use: class 3 retail;
 - 4.1.8 Repair: full repairing obligation on the tenant;
 - 4.1.9 Costs: each party will bear their own costs; and
 - 4.1.10 Rent free; as the unit is in a shell condition a twelve month rent free period will be granted.
- 4.2 Alliance Property Holdings were in the process of acquiring certain assets of McColls Retail Group Plc, who had been trading in Block 2 Unit 1, at the time of the first closing date and were unable to submit an offer.

5. Next Steps

- 5.1 Following Committee approval, the Legal Services will be instructed to progress with drafting the essential documentation for the proposed new lease.

6. Financial impact

- 6.1 A rent of £60,000 per annum will be received from a new unit to be developed for a 15-year term. The income contributes to the previously approved business case for the civic centre redevelopment.

7. Stakeholder/Community Impact

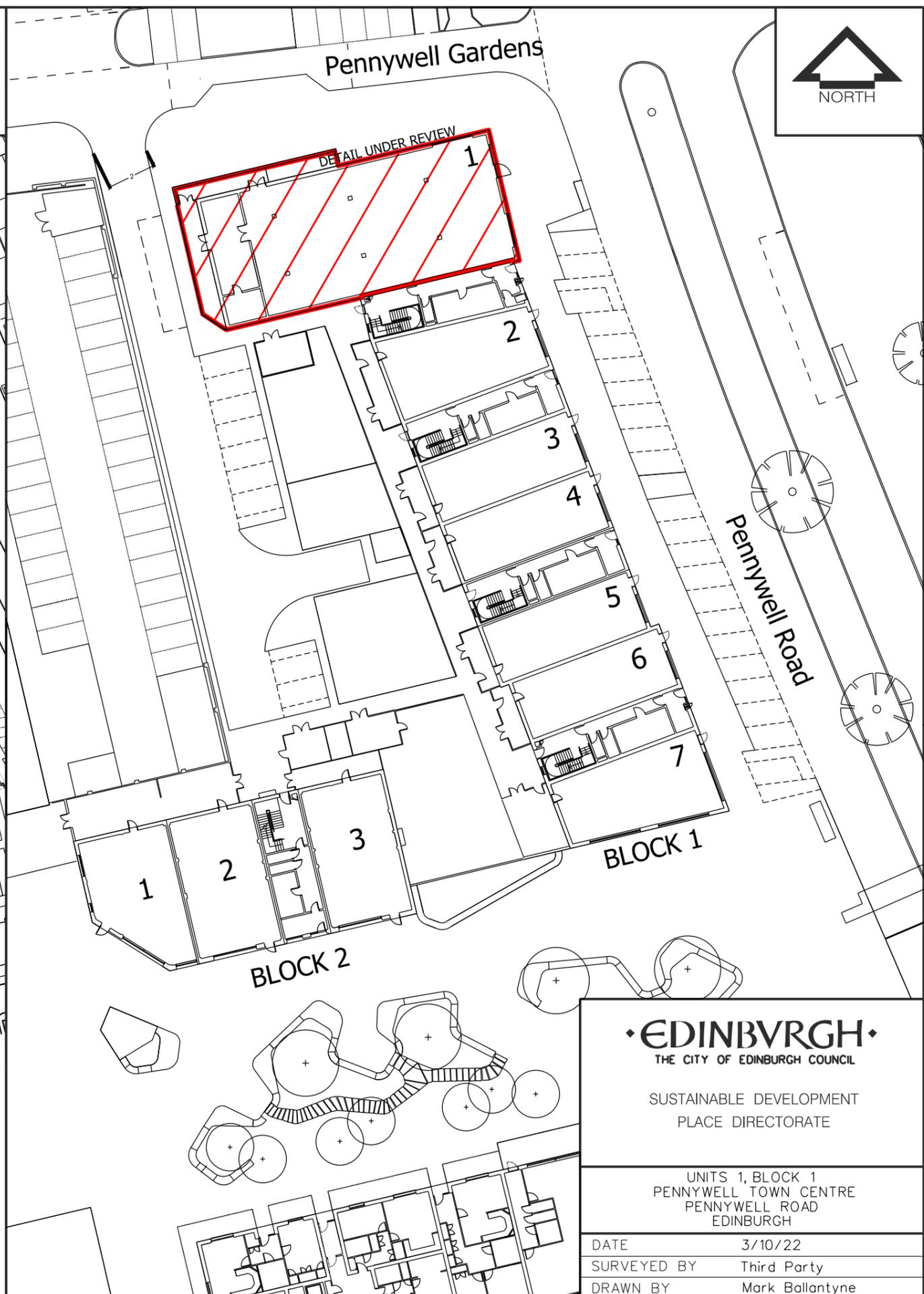
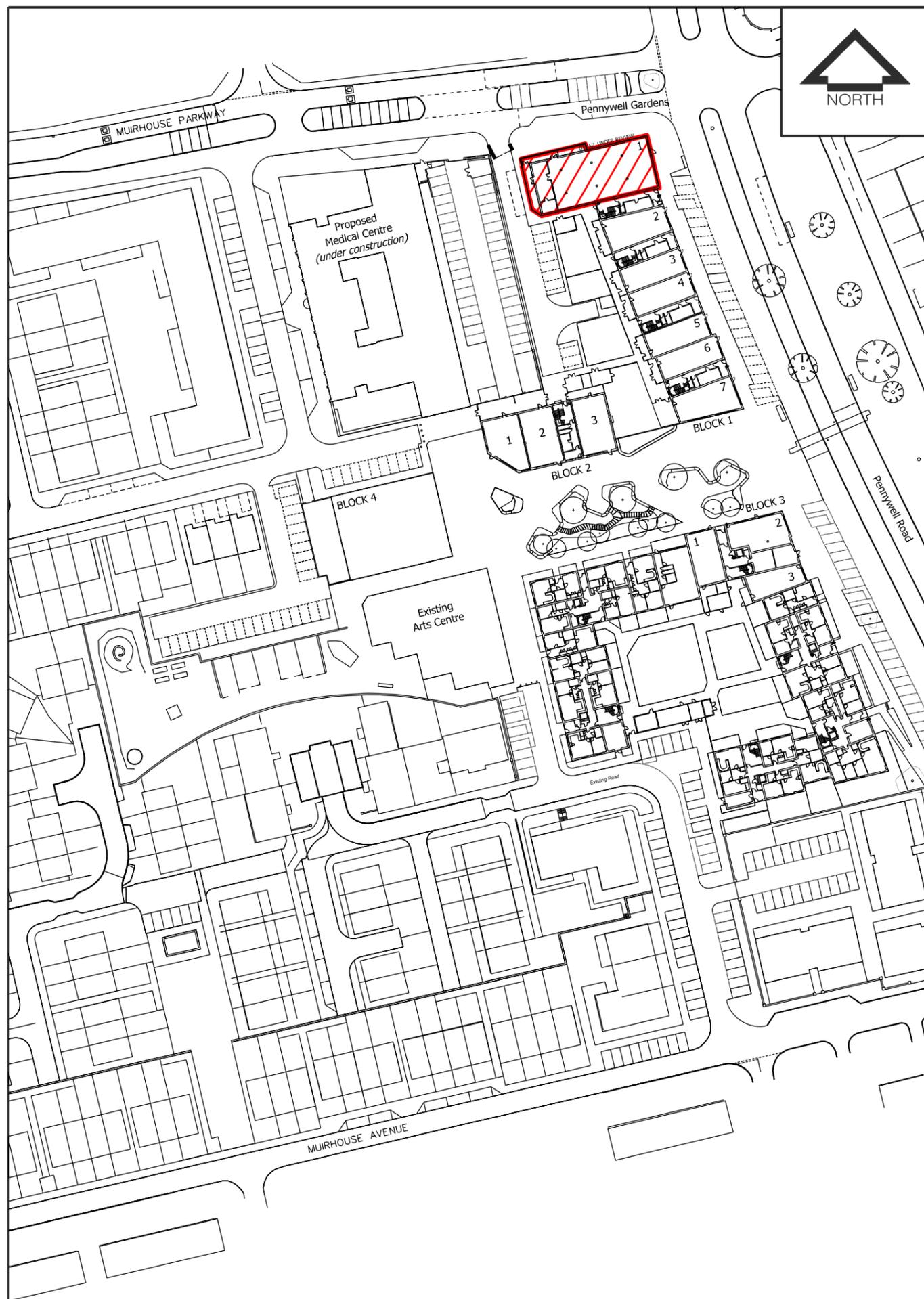
- 7.1 Ward members have been made aware of the recommendations of the report.

8. Background reading/external references

- 8.1 [Pennywell - Muirhouse Civic Centre](#) - City of Edinburgh Council, 27 October 2016.

9. Appendices

9.1 Appendix 1 – Location plan.



LOCATION PLAN

SCALE 1:1250

SITE PLAN

SCALE 1:500

• EDINBURGH • THE CITY OF EDINBURGH COUNCIL	
SUSTAINABLE DEVELOPMENT PLACE DIRECTORATE	
UNITS 1, BLOCK 1 PENNYWELL TOWN CENTRE PENNYWELL ROAD EDINBURGH	
DATE	3/10/22
SURVEYED BY	Third Party
DRAWN BY	Mark Ballantyne
SCALE	1:200 @ A3 SIZE
NEG. NO.	A3/2086a