

Finance and Resources Committee

10.00am, Thursday, 16 January 2025

49 North Fort Street, Edinburgh – Lease Extension and Proposed Capital Contribution

Executive/routine
Wards

Routine
13- Leith

1. Recommendations

- 1.1 That Finance and Resources Committee:
 - 1.1.1 Notes that a lease extension from 29 May 2027 until 28 May 2035, with a tenant break option on 28 May 2030, will be granted to the existing tenant using delegated powers; and
 - 1.1.2 Approves a capital contribution of up to £250,000 (inclusive of VAT) from existing investment portfolio capital funds for Reinforced Autoclaved Aerated Concrete (RAAC) removal / repair / reinstatement works to Heritage Portfolio Limited for the property at 49 North Fort Street.

Gareth Barwell

Interim Executive Director of Place

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49 North Fort Street, Edinburgh –Lease Extension and Proposed Capital Contribution

2. Executive Summary

- 2.1 The premises at 49 North Fort Street, Edinburgh is let to Heritage Portfolio Limited (HPL) from 29 May 2022 to 28 May 2027 with a tenant only break option on 29 May 2025. A survey of the property has identified Reinforced Autoclaved Aerated Concrete (RAAC) within part of the roof which has an estimated repair cost of £500,000.
- 2.2 It is proposed that the Council make a capital contribution of up to £250,000, from existing investment portfolio capital funds, towards the repair of the roof and in return HPL will agree to a lease extension until 28 May 2035.

3. Background

- 3.1 The premises known as 49 North Fort Street extends to 965.50sq m (10,393sq ft) or thereby, and is shown shaded pink on the attached plan.
- 3.2 Heritage Portfolio Limited (HPL) has occupied the premises since May 2022 and operate a food production kitchen with ancillary offices and stores. The current rent is £73,000 per annum.
- 3.3 As the premises fit HPL's operational needs they considered extending their lease and as part of their due diligence instructed a building survey in May / June 2024 that identified Reinforced Autoclaved Aerated Concrete (RAAC) in part of the roof. Subsequently the removal / repair / reinstatement works have been costed at £500,000. To avoid needing to exercise the break option in the lease, HPL approached the Council to determine if any funding was available.

4. Main report

- 4.1 In accordance with the Commercial Portfolio Strategy, it is proposed that existing capital funds held from the previous sales of portfolio assets will be used to meet

a half share of the costs via a capital contribution of up to £250,000 (inclusive of VAT).

- 4.2 The capital contribution will be made after the works have been completed and the full costs provided by HPL, on an open book basis.
- 4.3 In return for this capital contribution, HPL will enter into an extension of the existing lease. The lease extension, which can be progressed under delegated powers, will be completed before the repair works are undertaken.
- 4.4 The lease extension will be on the following terms:
 - 4.4.1 Subjects: 49 North Fort Street, Edinburgh;
 - 4.4.2 Tenant: HPL;
 - 4.4.3 Lease extension: Eight years from 29 May 2027 to 28 May 2035;
 - 4.4.4 Break option: Tenant only break option 28 May 2030;
 - 4.4.5 Rent: £73,000 per annum;
 - 4.4.6 Rent review: 29 May 2029 and five yearly thereafter;
 - 4.4.7 Use: Food production kitchen with ancillary offices and stores;
 - 4.4.8 Repair: Full repairing and maintaining obligation;
 - 4.4.9 Capital contribution: The Council will provide a half share of the costs of the
 - 4.4.10 RAAC repair works up to a value of £250,000 (inclusive of VAT); and
 - 4.4.11 Costs: Tenant responsible for all the Councils legal costs.
- 4.5 The tenant has fulfilled all their legal and financial obligations in terms of the existing lease.

5. Next Steps

- 5.1 Following Committee, the legal documentation will be progressed.

6. Financial impact

- 6.1 Under the lease extension the rent will remain at £73,000 per annum with the opportunity for review on 29 May 2029 and five yearly thereafter.
- 6.2 The Council will make a capital contribution of up to £250,000 (inclusive of VAT) to the tenant, from capital funds held from the completed sales of investment portfolio assets. Full costs will be provided by the tenant after the works are complete before any contribution is made.
- 6.3 On 20 June 2023 the Committee approved the disposal of [47a Cockburn Street](#) for £90,000 and on 30 April 2024 approved the disposal of [13 Lochrin Place](#) for

£165,000. A further disposal is subject to Committee approval which will realise a further capital receipt of £210,000.

- 6.4 The capital contribution will be more than offset by the rent received during the extended term of the lease, even if the break option in 2030 is implemented.

7. Equality and Poverty Impact

- 7.1 This is a proposed lease extension and capital contribution to an established tenant. It is considered this proposal does not have any equality or poverty implications.

8. Climate and Nature Emergency Implications

- 8.1 It is considered there are no direct Climate and Nature Emergency Implications from offering a lease extension and capital contribution for repair works to the established tenant.

9. Risk, policy, compliance, governance and community impact

- 9.1 Ward members have been aware of the recommendations of this report.
- 9.2 Without a capital contribution the tenant would implement their break option in May 2025 with no works to address the RAAC issue being undertaken. The Council would lose the annual income of £73,000 per year, be liable for all empty holding costs of the property and the total bill for the RAAC repairs.
- 9.2 The proposed capital contribution is in accordance with the Commercial Property Portfolio strategy that was approved by the Committee on 23 June 2023, specifically the disposal of assets within the portfolio with capital receipts being re invested within the portfolio.

10. Background reading/external references

- 10.1 [Commercial Property Portfolio Strategy](#)

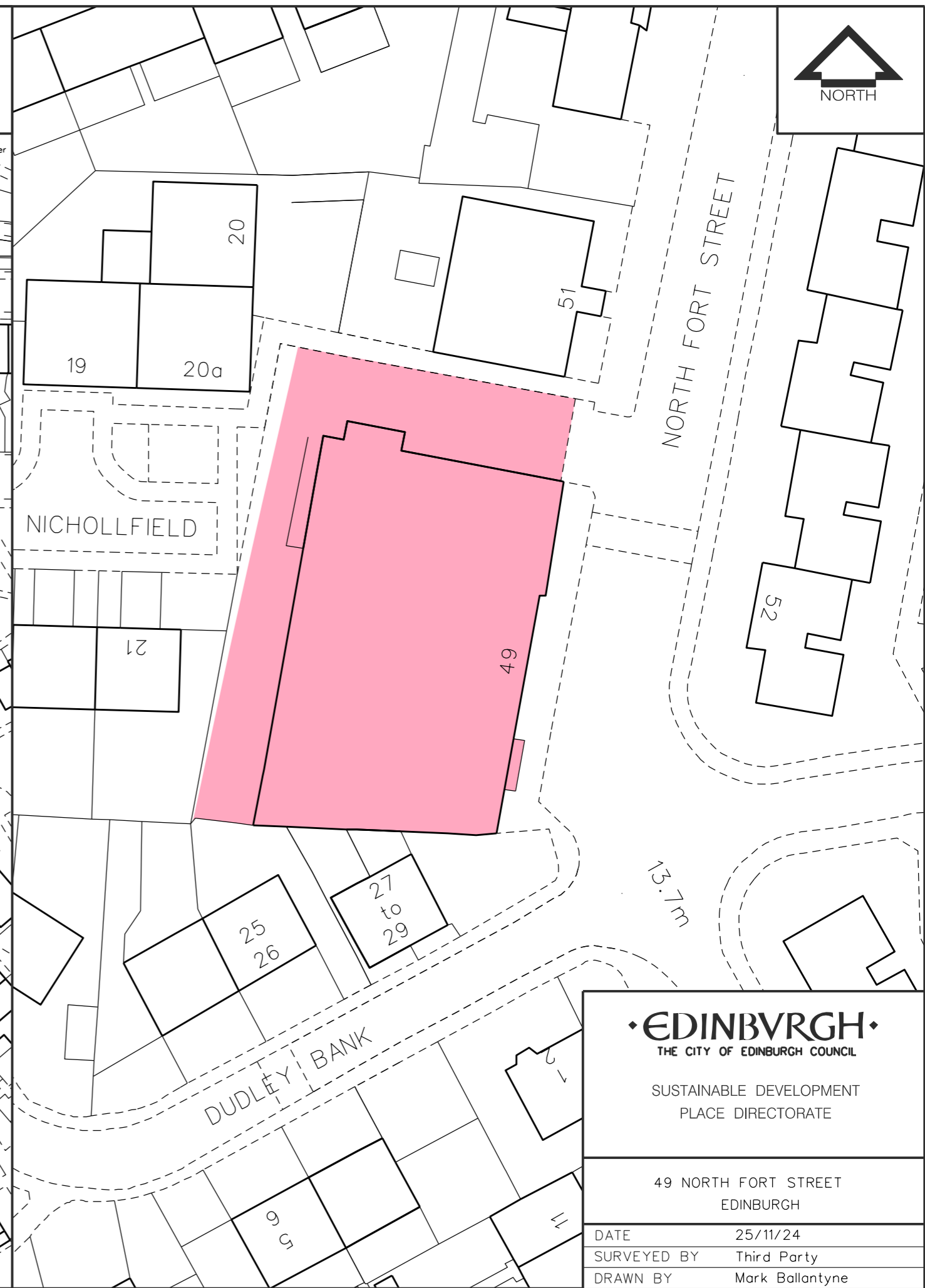
11. Appendices

Appendix 1 – Location plan.



LOCATION PLAN

SCALE 1:1250



SITE PLAN

SCALE 1:500

• EDINBURGH • THE CITY OF EDINBURGH COUNCIL	
SUSTAINABLE DEVELOPMENT PLACE DIRECTORATE	
49 NORTH FORT STREET EDINBURGH	
DATE	25/11/24
SURVEYED BY	Third Party
DRAWN BY	Mark Ballantyne
SCALE	1:500 @ A3 SIZE
NEG. NO.	A3/2331