

Proposed lease of shop, 82 Canongate, Edinburgh

Finance and Resources Committee

25 September 2012

Purpose of report

- 1 To reconsider the granting of the lease of the property at 82 Canongate.

Main report

- 2 The recommendation submitted to the Finance and Resources Committee on 31 July 2012 to lease the property at 82 Canongate to Huseiyn Kulhas for a period of 20 years at a rental of £18,200 per annum, was continued to allow Remade in Edinburgh to:-
 - (a) Explore issues of funding, and;
 - (b) Develop a business plan (on a division).
- 3 A copy of the original report is attached under Appendix 1. This report confirmed that, following the marketing of the empty property, four offers were received, ranging from £1000 per annum from Remade in Edinburgh to £18,200 per annum from Huseiyn Kulhas.
- 4 Following a deputation from Remade at Committee, it was agreed that the Council would assist Remade in the preparation of a business plan and explore sources of funding to close the gap in rental.
- 5 Discussion between Waste Services and Remade has resulted in a business case being prepared and, after due consideration, Waste Services has offered Remade a one-off grant of £15,000 for one year. This will help meet the start-up costs of a new reuse and repair project for items that might otherwise be sent to landfill, which fits well with the Council's Waste and Recycling Strategy.
- 6 It is anticipated that this grant will be used towards the rent for the first year of operation at the premises which will then allow them the space to implement their business plan and develop other resources of income through their partners and customer base.
- 7 Although the award of grant is not directly linked to the tonnage diverted from landfill, it is anticipated that Remade's activities will divert 240 tonnes from landfill in year one, worth in the region of £24,000 (if this had all gone to landfill).

- 8 A service level agreement will be agreed between Waste Services and Remade although no commitment has been given to provide further funding beyond the first year. This will be kept under review in light of the progress made.
- 9 Committee is therefore asked to consider the amended proposal to lease the premises to Remade for a period of one year at a rental of £15,000 per annum on the understanding that this lease will be reviewed at the end of the period of let.

Financial Implications

- 10 Should the amended proposal from Remade be accepted, there will be a reduction of £3,200 per annum compared to the offer from Mr Kulhas with no guarantee that this will be sustainable over the longer period of 20 years offered by Mr Kulhas.

Equalities Impact

- 11 There are no equalities impacts arising from this report.

Environmental Impact

- 12 There are no adverse environmental impacts arising from this report.

Recommendations

- 13 Committee is asked to consider either the lease of the property to:-
- a) Mr Huseiyn Kulhas for a period of 20 years at a rental of £18,200 per annum; or
 - b) Remade in Edinburgh for a period of one year at a rental of £15,000 per annum with the lease to be reviewed after one year.

Mark Turley
Director of Services for Communities

| | |
|--------------------------|--|
| Appendices | Finance and Resources Committee report dated 31 July 2012 |
| Contact/tel/Email | Bill Miller Tel: 529 5932 email william.miller@edinburgh.gov.uk |
| Wards affected | 11, City Centre |
| Single Outcome Agreement | 1. Edinburgh's economy delivers increased investment, jobs and opportunities for all. |
| Background Papers | * None |

Proposed Lease of Shop, 82 Canongate

Finance and Resources Committee

31 July 2012

Purpose of report

- 1 To seek authority to grant a 20-year lease of the property at 82 Canongate, Edinburgh.

Main report

- 2 The property at 82 Canongate shown hatched on the attached plan is held on the Services for Communities Account and became available for re-let when the previous tenant vacated the property and moved to alternative premises.
- 3 Due to the prominence of this location the property was only on the market a short period of time before a number of notes of interest were received and a closing date was set. At the closing date, four offers were received ranging from £1,000 per annum to £18,200 per annum.
- 4 One of the offers was from a new community-let initiative called 'Remade in Edinburgh' which was established to create a reuse and repair centre in south/central Edinburgh. This group has offered to pay a rental of £1,000 per annum (to be reviewed after 12 months) and propose to trade upcycled goods, provide training and skills workshops and engage with residents and visitors to expand and improve waste management as well as developing local skills and enterprise.
- 5 On 3 February 2011, the Council agreed a Motion by Councillor Burgess recommending that the Council agrees, where practical, to provide start-up advice to Remade in Edinburgh and particularly in its search for suitable premises. The Economic Development Committee, at its meeting on 31 May 2011, also agreed this Motion.
- 6 Since then the Property Management & Development Section has been involved in assisting Remade in its search for suitable premises and has shown them round a number of vacant Council premises. None of these properties have met their requirements but the property at 82 Canongate appears to be suitable. The rental offered is, however, more of a token gesture rather than a market rental for this commercial property and is substantially lower than the other offers.
- 7 The Council's current policy states that it will not let out property at less than market value unless there is a good business case to do so and that the difference between the rent offered and the market rent is covered by one of the Service Departments, who would in effect sponsor the organisation by

providing grant funding to cover the difference. In this case, the difference is £17,200 per annum which, if taken over the 20 years offered by the highest offerer, would result in a subsidy of £344,000.

- 8 Both Motions refer to 'providing advice' to Remade rather than offering them a property at less than market value and suggest that they should be seeking to use accommodation that is 'presently disused and abandoned space in central Edinburgh which is consistently incurring a maintenance cost to the Council.' This shop does not fall into this category, being a sought-after commercial property in one of the main tourist streets in Edinburgh which has only recently become vacant.
- 9 The Economic Development Division has been contacted to ascertain whether they would be prepared to assist the group in paying a commercial rent but they have confirmed that, although Remade's aims and ambitions are commendable, the economic impact and job creation possibilities are relatively slight and they would not be prepared to support a subsidised rental. They did suggest that as the main focus of the organisation would appear to be on reducing waste and landfill they would be better linked to the Environmental Services Division of Services for Communities.
- 10 Environmental Services have been contacted and they have confirmed that they have already agreed, in principle, funding of £5,000 to support Remade's waste diversion activities, subject to them securing the balance of funding elsewhere. This was originally for 2011/12 but they have been unable to secure the majority of the funding elsewhere. A Waste Action grant of £2,500 was also granted in May 2011 to provide storage space, workshops (to reuse/repair items) and a sewing machine.
- 11 Environmental Services has also indicated that Remade is trying to establish themselves as a social enterprise, but as they are not yet constituted this poses a risk and they would not be prepared to provide further grant funding for their premises.
- 12 Currently Remade do not carry out activities which reduce the Council's reliance on landfill and Environmental Services could not justify redirecting any landfill moneys to this organisation. Funding this organisation for this purpose would also set a precedent as Environmental Services do not fund any of their other community partners.
- 13 In view of this and following detailed consideration of the offers Committee approval is sought for a 20-year lease to Huseyin Kulhas at a rental of £18,200 per annum with rent reviews to open market rent every five years.
- 14 The property will be used as a confectionery/chocolate shop.
- 15 The tenant will be responsible for the Council's reasonably incurred legal and surveyors costs together with any stamp duty, land tax and registration fees due thereon.

Financial Implications

- 16 The rental of £18,200 per annum will be effective from completion of missives and will be subject to a rent review to open market rent at five yearly intervals.

Equalities Impact

- 17 There are no equalities impacts arising from this report.

Environmental Impact

18 There are no adverse environmental impacts arising from this report.

Recommendations

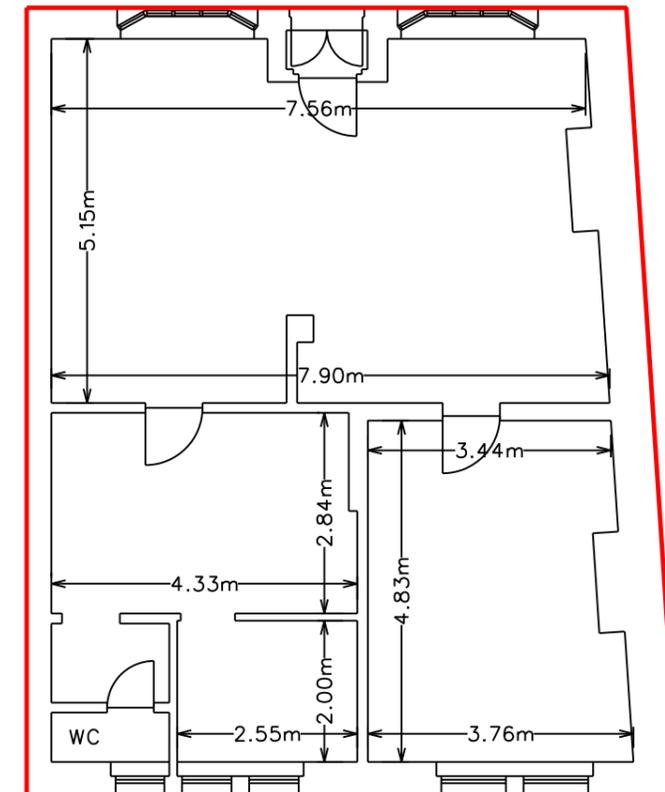
19 Committee is asked to approve a 20-year lease of the premises at 82 Canongate to Huseyin Kulhas on the terms and conditions contained in this report and on other such terms and conditions to be agreed by the Director of Services for Communities and the Acting Head of Legal and Administrative Services.

Mark Turley
Director of Services for Communities

| | |
|--------------------------|--|
| Appendices | 1. Location Plan |
| Contact/tel/Email | Mark Bulloch – 529 5991 – mark.bulloch@edinburgh.gov.uk |
| Wards affected | 11, City Centre |
| Single Outcome Agreement | National Outcome 2 - We realise our full economic potential with more and better employment opportunities for our people |
| Background Papers | None * |



CANONGATE



| | |
|---|-----------------|
| • EDINBURGH • THE CITY OF EDINBURGH COUNCIL | |
| CITY DEVELOPMENT EDINBURGH | |
| Shop 82 Canongate Edinburgh | |
| DATE | 19/04/2011 |
| SURVEYED BY | F McDonald |
| DRAWN BY | F McDonald |
| FILE NO. | |
| NEG. NO. | NT 2673/A3/1190 |

AREA OF LEASE SHOWN DELINEATED RED - 98.69 sq.m., or thereby

LOCATION PLAN

SCALE 1:1250

SITE PLAN

SCALE 1:100