

Economy Committee

10.00 am, Tuesday 17 September 2013

Port Edgar Marina – Proposed Lease

Item number	8.1.11
Report number	
Wards	1 - Almond

Links

Coalition pledges	P17, P42
Council outcomes	CO7, CO8
Single Outcome Agreement	SO1

Mark Turley

Director of Services for Communities

Roger McGaffin, Estates Surveyor

E-mail: roger.mcgaffin@edinburgh.gov.uk | Tel: 0131 529 4154

Executive summary

Port Edgar Marina – Proposed Lease

Summary

In June 2011, the Culture and Leisure Committee noted that Edinburgh Leisure's proposed infrastructure development plans for Port Edgar were no longer viable and that their Board had taken the decision to make a planned withdrawal from the management and operation of the marina by the end of 2013/2014.

The Committee approved an alternative plan to advertise the lease of Port Edgar Marina and Sailing School to find a third party willing to invest in the marina.

Following an update report in February 2012, the Committee noted the earlier approval and further approved that the procurement process should, so as not to deter investors from the level of investment required, offer operators a long ground lease of the land limited to the footprint of the marina and sailing school. The Council will therefore retain the ability to develop the remaining, surplus land at Port Edgar when more favourable market conditions return.

The opportunity to lease the Marina was subsequently advertised with a closing date of 28th September 2012 at which time one competent offer was received. A further offer was received after the closing date which was returned unopened.

Discussions were entered into with the bidder, Port Edgar Holding Ltd. (PHL), in order to clarify the offer. Following these discussions it has been provisionally agreed with PHL to grant a long lease.

Recommendations

The Committee:-

- (1) Approve the grant of a 30 year lease with the option to extend of Port Edgar Marina to Port Edgar Holding Limited on the terms and conditions outlined in this report and on such other terms and conditions to be agreed by the Director of Services for Communities and the Head of Legal, Risk and Compliance; and
- (2) Refers this report to the Finance and Budget Committee for ratification.

Measures of success

- The future of and investment in the deteriorating marina and sailing facility will be secured.
- Businesses of existing sub-tenants will be secured.

- The Council's liability in relation to the facility will be reduced.

Financial impact

The Council currently receive in the region of £46,000 per annum in rental income from the existing tenancies. This would decrease to £30,000 a year for the first three years before increasing to a minimum of £90,000 per annum thereafter.

With the withdrawal of Edinburgh Leisure from the marina the Council would become liable for the maintenance and upkeep of the breakwaters and the pontoons if the facility was to continue in operation. This liability will be transferred to PHL.

Equalities impact

A full Equalities Impact Assessment has been carried out and which established there are no direct equalities impacts arising from this report.

Sustainability impact

The approval of the recommendations in this report will enable the refurbishment of the existing, dilapidated buildings and reduce the need for travel which will have a positive impact on sustainability.

The impacts of this report in relation to the three elements of the Climate Change (Scotland) Act 2009 Public Bodies Duties have been considered, and the outcomes are summarised below. Relevant Council sustainable development policies have been taken into account and are noted at Background Reading later in this report.

- The proposals in this report will reduce carbon emissions because of the proposed refurbishment and/or replacement of the existing inefficient buildings at the facility will be to current standards.
- The need to build resilience to climate change impacts such as rising sea levels and extreme weather event will be a factor in any future development of the site however the continued provision of the facilities locally will reduce the need for travel for people to travel to take advantage of these.
- The proposals in this report will help achieve a sustainable Edinburgh because they will result in improvements in energy consumption and efficiency.

Consultation and engagement

The Council and PHL have consulted with key stakeholders in the Marina represented by, among others Port Edgar Yacht Club, the Bert Holders Association, existing Council tenants and, the Royal Naval Sailing Association, South Queensferry Sea Cadets, the Community Council on the proposal to lease the site. These discussions have been supportive of the proposed lease.

Background reading / external references

[Report to Culture and Leisure Committee 28 June 2011](#)

[Minute of Culture and Leisure Committee 28 June 2011](#)

[Update Report to Culture and Leisure Committee 22 February 2012](#)

[Minute of Culture and Leisure Committee 22 February 2102](#)

Port Edgar Marina – Proposed Lease

1. Background

- 1.1 Previous proposals to develop the entire Port Edgar site, not just the marina, by way of a competitive dialogue process proved unviable. Consequently approval was given to develop partnership working with Edinburgh Leisure, which decoupled the housing land development opportunity from the operational marina.
- 1.2 Edinburgh Leisure developed a plan for a phased approach to investment in the site however in the light of the economic downturn it reviewed its financial projections. As a result of which in early 2011 the Board of Edinburgh Leisure took the decision to withdraw from the management and operation of the marina by the end of 2013 or early 2014.
- 1.3 In order to secure the future operation of the marina Culture and Sport Committee approval was given to initiate a plan to offer the lease of the marina via an appropriate procurement process to third parties who would be willing to bring investment to the facility.
- 1.4 Following this procurement process a potential new operator has been identified in Port Edgar Holding Limited the Directors of which currently occupy a number of units at the marina as tenants.

2. Main report

- 2.1 Following the failure of the competitive dialogue approach to the redevelopment of the marina the buildings and other facilities at Port Edgar continue to deteriorate. The existing pontoons were estimated to have a life expectancy of between three and five years and whilst Edinburgh Leisure were carrying out essential repairs neither it nor the Council had the funds necessary for the major refurbishment required if the marina is to remain in operation beyond 2013/2014.
- 2.2 Edinburgh Leisure developed a plan for the infrastructure replacement that would have allowed for the continuation of the site beyond that lifespan. However, the cost of the refurbishment works together with a drop off in sailing school numbers and the reduced possibility of income growth from land and buildings combined to diminish Edinburgh Leisure's confidence in its ability to meet the loan repayments the refurbishment would entail. Consequently, in 2011, it indicated its intention to make a planned withdrawal from its operation of the marina by 2013/2014.

- 2.3 As the Council and Edinburgh Leisure had previously agreed to decouple the residential land development opportunity from the operational marina one option was to explore the potential for leasing Port Edgar to a third party willing to invest in the marina.
- 2.4 The lease would be limited to the footprint of the marina to ensure that the Council retained the ability to develop the remaining land for housing at a later date when residential market conditions are favourable. Also, so as not to deter operators by the level of investment required, the lease should be offered on a long term basis.
- 2.5 This approach was approved by the Culture and Sport Committee in June 2012 and the opportunity to lease Port Edgar Marina was advertised with a closing date of 28th September 2012. Notwithstanding a number of expressions of interest only one offer was received by the closing date. Another was received late and so declared non-compliant.
- 2.6 The competent offer was from Port Edgar Holdings Limited among the directors of which are tenants of the Council with existing businesses at Port Edgar.
- 2.7 Following receipt of the offer discussions were entered into with Port Edgar Holdings to clarify and fully assess their bid. The outcome of these discussions are the provisional agreement to grant a long lease to Port Edgar Holdings Limited on the basis of the main terms and conditions set out below. If approved this transaction would meet the Council's aims of securing the long term future of the sailing facility and sailing school, bringing investment to the rundown infrastructure, transferring liability to the new tenants and providing a more predictable future for the existing business located within the marina and currently occupying premises on a month to month basis.
- 2.8 The main terms and conditions are:-
- An initial Reduced Rent of £30,000 per annum will rise to a Fixed Rent of £90,000 in year three of the lease.
 - The Fixed Rent will be reviewed by reference to RPI at five yearly intervals.
 - The Council will also be entitled to a top up rent of 10% of the rent received by PHL from sub-tenancies in excess of the passing rent.
 - The lease will be for an initial period of 30 years with the opportunity to extend in ten year increments subject to the agreement and successful completion of investment works programmes.
 - A right of access to the water over the area to be leased shall be reserved in favour of the Royal Naval Sailing Association, Sea Cadets, Sea Scouts and the Port Edgar Sailing School.

- PHL will be entitled, without consent, to sub-let parts of the premises provided the term of the sub-let does not exceed 5 years or the rental payable does not exceed 33% of the Fixed Rent.
- A programme of capital investment will be agreed and enforced as part of the lease agreement. Council approval will be required prior to any works being carried out.
- The tenants to be responsible for their own and for the Council's reasonably and properly incurred expenses in the preparation of the lease.

2.9 The proposals meet the Council's objectives of finding a new operator to ensure the continuation of the marina facility, to bring investment into the facility and to reduce the Council's liabilities.

3. Recommendations

3.1 That Committee:-

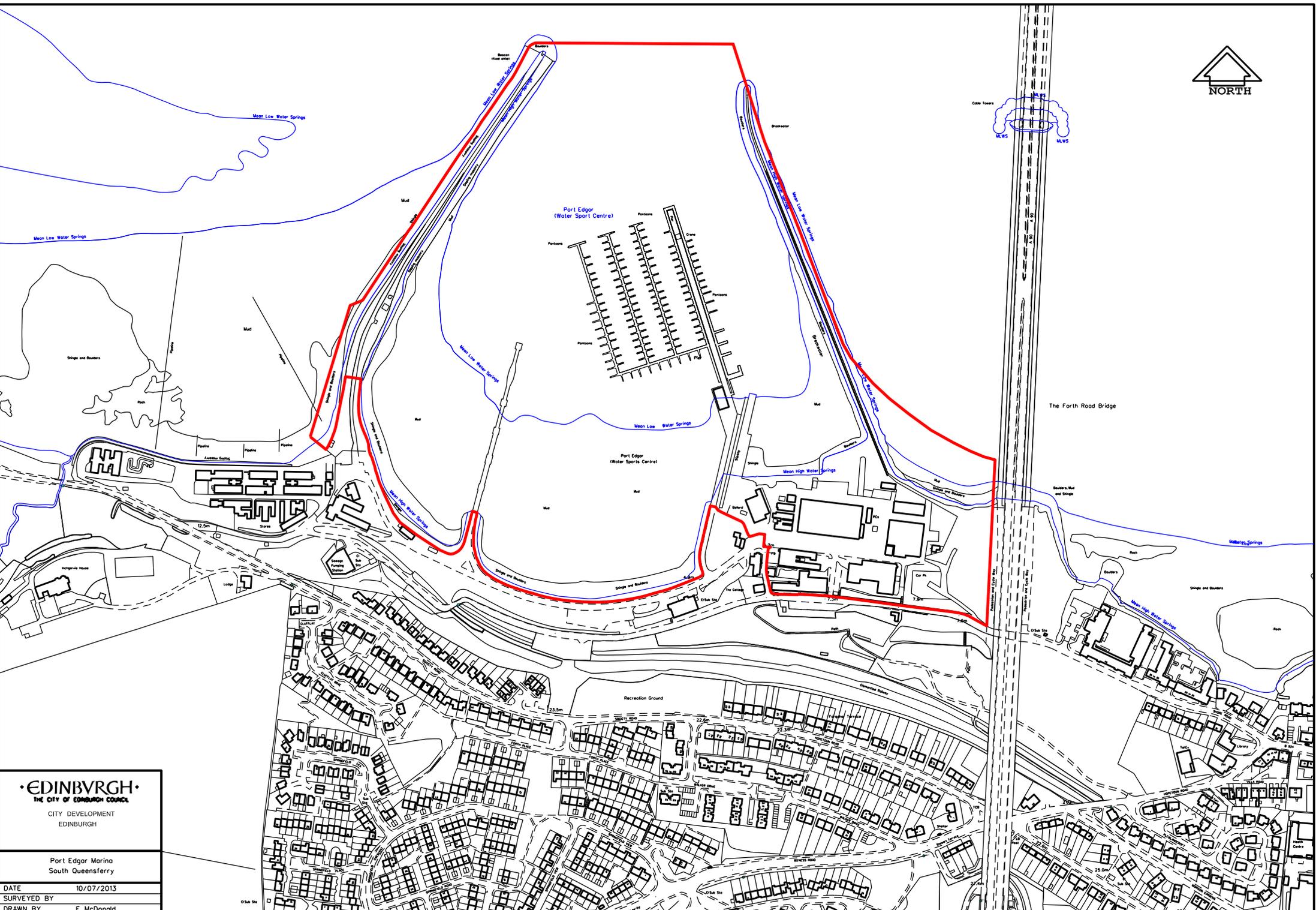
- (1) Approves the grant of a long lease to Port Edgar Holdings Limited on the main terms and conditions noted above and to the agreement of all other terms and conditions by the Director of Services for Communities and the Head of Legal, Risk and Compliance.
- (2) Refers the report to the Finance and Budget Committee for ratification.

Mark Turley

Director of Services for Communities

Links

Coalition pledges	P17 - Continue efforts to develop the city's gap sites and encourage regeneration P42 – Continue to support and invest in our sporting infrastructure
Council outcomes	CO7 – Edinburgh draws new investment in development and regeneration CO8 – Edinburgh's economy creates and sustains job opportunities
Single Outcome Agreement	SO1 – Edinburgh's economy delivers increased investment, jobs and opportunities for all.
Appendices	Location plan



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CITY DEVELOPMENT
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Port Edgar Marina
South Queensferry

DATE	10/07/2013
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