

Finance and Resources Committee

10.00 a.m, Thursday, 4 June 2015

Proposed new 15 year lease of Tourist Information Centre, Princes Mall, Edinburgh

Item number	8.3
Report number	
Executive/routine	Routine
Wards	Ward 11 – City Centre

Executive summary

The Council is landlord of a ground lease to Ritchie Investments Lux S.a.r.l. (RILS) of Princes Mall Shopping Centre. RILS subleases back to the Council the Tourist Information Centre on the plaza level of the mall. The Council then sub-under leases the Tourist Information Centre to VisitScotland Limited.

The current demise leased to VisitScotland is no longer fit for purpose and is too large for the Tourist Information Centre, and discussions have taken place with the RILS and VisitScotland to create a new Tourist Information Centre which will better meet the requirements of VisitScotland. The existing property will be subdivided to provide the Tourist Information Centre and a new restaurant. These works will be carried out by RILS which will also meet the capital costs.

The proposal greatly increases the rental payable to the Council which will rise from £49,000 to £90,700 per annum.

This report seeks Committee approval to grant a new 15 year lease of a newly created Tourist information Centre on the Plaza level of Princes Mall, Edinburgh at a rent of £90,700 per annum.

Links

Coalition pledges	P15 , P17
Council outcomes	CO7 , CO19
Single Outcome Agreement	SO1

Proposed new 15 years lease of Tourist Information Centre, Princes Mall, Edinburgh

Recommendations

It is recommended that Committee:

- 1.1 Approves a 15 year lease for a new Tourist Information Centre to VisitScotland Limited, on the terms outlined in the report, and on the other terms and conditions to be agreed by the Director of Services for Communities.

Background

- 2.1 The City of Edinburgh Council retains ownership of Princes Mall Shopping Centre. Ritchie Investments Lux S.a.r.l. (RILS) has the head tenant interest under a ground lease, expiring in March 2188, at a peppercorn rent.
- 2.2 RILS subleases back to the Council the Tourist Information Centre and other offices (as shown outlined red on the attached plan), on the roof plaza of Princes Mall Shopping Centre. This lease also expires in March 2188, and the rental is £1.00 per annum (if asked).
- 2.3 The Council then sub-under leases the Tourist Information Centre to VisitScotland Limited at an annual base rent of £24,000 per annum, plus a turnover top up of approximately £25,000 per annum, providing a total annual rental payable of £49,000 per annum. The current sub-under lease, between the Council and VisitScotland, is due to expire on 31 May 2015.
- 2.4 The existing Tourist Information Centre is too large for VisitScotland needs. It is therefore proposed that a new unit will be created to provide them with a more prominent unit, which more closely meets their requirements.
- 2.5 The physical works required to create the new separate units will be undertaken and paid for by RILS. These works will be subject to RILS obtaining all necessary statutory consents, including planning permission and building warrants.
- 2.6 Provisional agreement has been reached between the Council, VisitScotland Limited and RILS for RILS to take over control of the Tourist Information Centre, and to subdivide the property into two individual units. One of the individual units will be retained by the Council under a sublease from RILS. The Council will, in turn, enter into a sub-under lease with VisitScotland Limited, who will

continue to operate a Tourist Information Centre. The remaining unit is intended to be let on the open market by RILS to a suitable high class restaurant operator.

Main report

- 3.1 The existing sub-under lease between the Council and VisitScotland Limited will continue beyond the expiry date of 31 May 2015, until the new unit is ready and all legal documentation is agreed.
- 3.2 The following main terms have been provisionally agreed with VisitScotland Limited on the sub-under lease of the new unit:-
- **Demise:** A newly created retail unit to be created on the plaza level of the shopping centre which, based on the preferred option of the architects proposals, will extend to approximately 3,819 sqft (354 sqm). The existing demise is approximately 8,051 sqft (747 sqm);
 - **Lease Term:** 15 year FRI lease from date of entry (estimated to be summer 2016);
 - **Rent:** £90,700 per annum;
 - **Rent Free:** Three months from date of entry;
 - **Rent Review:** At fifth anniversary of the date of entry, and every subsequent five years, the rent will be reviewed on an open market basis (upwards only); and
 - **Costs:** Each party will be responsible for their own legal costs incurred. VisitScotland will be responsible for registration dues, LBTT and costs of extracts.
- 3.3 In addition to the increased income from the new sub-under lease, between the Council and VisitScotland Limited, the Council will receive additional income as a percentage of turnover from the newly created restaurant unit. This will be a separate agreement between the Council and RILS, with the terms reported to Committee at a later date.

Measures of success

- 4.1 A more prominent unit will be created for VisitScotland Limited allowing it to provide a better service through the Tourist Information Centre. The greater prominence and better accessibility of the unit will allow a higher number of tourist, and other users, to access the VisitScotland service. The proposal greatly increases the income payable to the Council.

Financial impact

- 5.1 An increase in the rental income payable to the General Property Account of £41,700 per annum, pro rata from 2016. The Council will also receive a

percentage of the restaurant turnover, which will be reported to Committee at a later date.

- 5.2 The financial impact with the ground lease and sublease is neutral with both existing arrangements of a peppercorn rent to continue.

Risk, policy, compliance and governance impact

- 6.1 It can be demonstrated that best value is being obtained and it is considered that there is little or no impact of Risk, Policy, Compliance or Governance issues.

Equalities impact

- 7.1 This new lease will allow VisitScotland to provide a more prominent, better configured, and more accessible Tourist Information Centre, resulting in a higher standard of service to visitors to the city. This will enhance the rights of productive and valued activities
- 7.2 The new lease is being agreed as a result of direct negotiations between the stakeholders. This could lead to claims by individual or parties who were not given the opportunity to be considered, however, given the nature of the service provided by the Tourist Information Centre, the benefits that brings to the city, and the long standing nature of their presence in this location, it is considered that any potential impact is proportional and justifiable.

Sustainability impact

- 8.1 There are no sustainability issues arising from this report.

Consultation and engagement

- 9.1 The works required to create the new units will require planning permission. The surrounding owners and occupiers together with the general public will be able to comment on the proposal during the planning application process.

Background reading/external references

N/A

John Bury

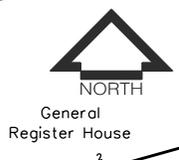
Acting Director of Services for Communities

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Links

Coalition pledges	P15 – Work with public organisations, the private sector and social enterprise to promote Edinburgh. P17 – Continue efforts to develop the city’s gap sites and encourage regeneration.
Council outcomes	CO7 – Edinburgh draws new investment in development and regeneration. CO19 – Attractive Places and Well Maintained – Edinburgh remains an attractive city through the development of high quality buildings and places and the delivery of high standards and maintenance of infrastructure and public realm.
Single Outcome Agreement	Edinburgh’s Economy Delivers increased investment, jobs and opportunities for all.
Appendices	Location Plan.



• EDINBURGH • THE CITY OF EDINBURGH COUNCIL	
SERVICES FOR COMMUNITIES EDINBURGH	
TOURIST INFORMATION CENTRE AT PRINCES MALL PRINCES STREET EDINBURGH	
DATE	29/4/15
SURVEYED BY	
DRAWN BY	Mark Ballantyne
SCALE	N.T.S.
NEG. NO.	A3/1591

LOCATION PLAN

PHOTOGRAPHICALLY REDUCED NOT TO SCALE

SITE PLAN

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