

Vacant Asset – Gateway Centre

Agenda Item 16b

National Park Authority Board Meeting
Monday 14th June

Paper for decision

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1. Purpose

1.1. The purpose of this report is to highlight to Board members that the Gateway Building at Loch Lomond Shores has been vacated by the subtenants and officers are now considering its future along with associated land. While the subtenant has left the building and removed their assets they have still not served a formal Notice to Quit to bring the tenancy to a legal end. In anticipation of being in formal vacant possession of the building in due course, this report seeks to appraise Members of the history of the building including previous Board decisions. Previous Board decisions sought an eventual exit from the building in the medium term once the tenant's business was well established. Members are invited to indicate that they are content that officers continue to explore how to achieve this outcome within these new circumstances.

2. Recommendation(s)

2.1. That Members **agree** officers should pursue discussions with Scottish Enterprise in line with previous Board decisions with a view to exploring the possibility of exiting the current lease of the building with associated land while securing appropriate return on any proceeds that may arise. A further report for decision would be brought back to the Board once the full implications are understood.

3. Contribution to National Park Partnership Plan and/or Our 5-year Plan

3.1. The recommendations in this report are made in context of the following Our 5-Year Plan priorities:

- Priority 2: Visitor Infrastructure
We will invest strategically and create a multiple year capital investment plan for our visitor sites and facilities to improve the quality of the visitor experience, create economic and public benefits, and ensure efficiencies in the costs of operating and maintaining our assets.
- Priority 6: Fundraising
We will work towards identifying ways to supplement our core funding to help sustain and improve the services we deliver in the National Park.
- Our Enablers
Estate - We will maintain and develop a high quality estate; efficiently, cost effectively and innovatively to enhance user benefit and demonstrate good practice to minimise our impact on the environment.

3.2. There is also a contribution to our National Park Partnership Plan outcomes:

Outcome 7: Visitor Economy

The National Park's visitor economy is thriving with more businesses and organisations working together to create a world class destination.

4. Background

4.1. The Gateway Centre at Loch Lomond Shores was developed by the predecessor Loch Lomond and The Trossachs Interim Committee and opened in July 2002 as a visitor information and interpretation centre. On the establishment of the National Park Authority this asset then transferred to the organisation. The building is situated on ground which is on a long lease (150 years from 17th April 2000)) by the National Park Authority from Scottish Enterprise as owners of the overall Loch Lomond Shores site. From its opening the Gateway Centre was operated jointly by the National Park Authority and VisitScotland with shared operating costs. In 2008, VisitScotland decided to exit the building to focus on their other visitor information centre in Balloch. Full costs to operate the Gateway Centre then fell to the National Park Authority with building overheads and staffing costs then running at approximately £250,000 per annum. At the time the National Park Authority considered this cost unsustainable particularly in the context of changing resource priorities and it was therefore agreed to seek a commercial operator to operate the building while continuing to provide visitor information to the public. In 2010 the centre was marketed by a commercial property agent for rental for a leisure/restaurant operation. XX
XXXXXXXXXXXXXXXXXXXX

- 4.2. The successful tenderer took occupancy under a short term license agreement (rather than a lease) in November 2010 to operate a coffee shop, gift shop and provide visitor information. Very soon after the license agreement was signed and the proposed operation commenced in the centre the occupier's payments to the NPA became intermittent and irregular, resulting in arrears being accumulated. As a result of this and other issues notice was served to terminate our tenant's licence at the end of 2014.
- 4.3. With Loch Lomond Shores then growing in popularity at that time with over 1.1M visitors each year, it was considered that this represented an opportunity to secure a more prestigious and valuable tenant for the building. The aim was to find a new use for the building which both positively contributed to the Loch Lomond Shores destination as well as generate a good rental income for the National Park Authority.
- 4.4. As the Gateway building was designed to be operated as a visitor centre the services available comprised of toilets, ancillary storage area, offices, a meeting room and small staff kitchen areas as well as the main public open space for exhibits and activities. In order to market the building for the uses envisaged it was agreed that a joint investment by the National Park Authority and Scottish Enterprise would be needed in order to attract high quality businesses. The building would be marketed indicating that the landlords would invest in refurbished toilets, kitchen facilities for a food and drink operation and introduce a mezzanine floor to offer more floorspace for restaurant, retail or events type uses.
- 4.5. In March 2015 the National Park Authority launched a marketing and tender process for the Gateway Building promoting the opportunity to both local and national operators culminating in tender submissions being received by 29th June. Following significant interest during the process, three valid tender submissions were received, two of which were regarded as high quality. The initial preferred bidder with the highest tender scoring subsequently dropped out from the process. This was due to negotiations breaking down over the extent of investment expected by the preferred bidder from the National Park Authority/Scottish Enterprise on the services required for the building to host the proposed use.
- 4.6. Following this discussions were re-opened with the second placed bidder 200 SVS who still offered the opportunity of securing a high quality tenant and long term rental income for the building. Their submission was focused on providing a corporate events and wedding space with other elements incorporating a daytime food and drink bistro and a spa/beauty treatment offering. As an existing business based in Glasgow it was looking to expand its operations into the Gateway building. With an annual turnover of XXXXX and already employing 50 members of staff in Glasgow, the proposal would create up to 20 jobs at the Gateway in the first year. Following the completion of landlord works, the tenant would invest significantly in a fit out which focussed on external finishes and equipment for the operation of the various events spaces.

The lease is on the following standard commercial terms:

Lease Period	15 years
Rent year 1	XXX
Rent year 2	XXXXXX
Rent year 3	XXXXXX
Rent year 4	XXXXXX
Rent Review	Every 5 years

4.7. From the outset it was recognised that the building would need to be invested in to enable it to have the services and fixtures in place to host a viable food and drink/events business. As owner and head landlord with an interest in securing a positive future for the building, Scottish Enterprise committed to contributing to 70% of these investment costs and required to receive 70% of the rental income achieved. A total of circa £600k was invested in the building. The main works included:

Item	Reason why works are required
Removal of and reconfiguration of internal partitioning	To allow a new internal layout that maximises floor space in line with Building Standards.
Extension of mezzanine level	To allow the provision of additional useable floor space.
Mechanical Heating/Cooling system	To allow the building to have a functional heating/cooling system that is capable of dealing with large numbers of people and different uses.
Electrical	Upgraded to suit new internal layouts and loading requirements for new uses.

4.8. XXX
XXXXXXXXXXXXXXXXXXXXXXXXXXXX

4.9. In giving approval for proceeding on the basis a rigorous assessment was carried out exploring other options to establish whether there were lower cost ways to find a use for the building or to dispose of it. The nature of the long lease that the National Park Authority has together with Scottish Enterprise's role as head landlord meant that other options were not palatable at that time. It should be noted that the National Park Authority also lets out areas of ground associated with the Gateway Building to the Birds of Prey Centre and Treezone which both contribute positively to the Loch Lomond Shores offering. Our presence at the Duncan Mills Memorial Slipway and as operator of the pontoon in the lagoon are other ongoing interests at the site.

- 4.10. While approving proceeding with the proposed investment and concluding a lease with 200SVS, in July 2016, the Board stated that its expectation was for officers to explore disposing of our interests in the building at a later date once the new operator was established.
- 4.11. Following this decision there was a protracted process of undertaking negotiations with 200SVS to agree terms and to then tender for the landlord works, complete them and hand over the building to the tenant for their fit out. There were a number of disputes which arose during 2017 as the landlord works were completed and the building was handed over for fit out by the tenant which were eventually resolved.
- 4.12. The business created to run the operation opened as The Shore in early 2018 with a clear focus on the weddings market as well as corporate events. While not obliged to do so, the National Park Authority assisted indirectly with supporting the business getting established by helping incorporate it as a VIP hospitality venue for the 2018 European Open Water Swimming Championships and also hosting an international IUCN Peatland conference there the same year. There were no particular problems with the tenant through 2018 and 2019 including generally timeous payment of rent and site service charges.
- 4.13. The onset of the COVID19 pandemic in early 2020 has had massive impact on the market that the Shore has based its business model on. Members will recall that the National Park Authority agreed to temporary rent holidays to help support tenants who were unable to operate during lockdown restrictions. Like many businesses it was hoped that the relaxation of restrictions during 2020 would allow reopening of some activities and events. However the introduction of the Tier system and eventual second lockdown in late 2020 had a major impact on the prospects for this.
- 4.14. The Shore notified us informally by email on 18th February 2021 that they intended to vacate the premises on 19th February 2021, leaving the keys at Carrochan. This followed an earlier approach from the company seeking to propose alternative uses for the building XXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXXX
XX, all of which were unacceptable to us. While the building is now vacant and the company's assets have been removed, to date they have still not served us with a Notice to Quit to bring the tenancy to a formal end, despite repeated requests. It is currently not possible for the Park Authority to serve a Notice to Quit on The Shore, as COVID legislation was put in place to prevent landlords from removing tenants of commercial property for failing to comply with the terms of the lease under the current pandemic situation. We are currently exploring a suitable alternative to agree a renunciation, however The Shore have refused to communicate with us over this proposal.
- 4.15. It is unclear why The Shore will not bring the tenancy to a formal end and our legal advice is XX
XX We are continuing to attempt to get The Shore to agree to a renunciation.

5. Next steps

5.1. In the light of the current situation and site history this report seeks to ensure all Board members are aware of the current situation of the Gateway building and that officers intend to continue to investigate how the National Park Authority might dispose of its interests in the building and adjacent land (with subtenants) consistent with previous Board decisions. Once the merits of available options are better understood along with Scottish Enterprise's position a further report will be brought to the Board. Members are requested to indicate that they are content for officers to proceed on this basis.

Author(s): Gordon Watson, CEO
Executive Sponsor: Gordon Watson, CEO

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