

◆ EDINBURGH ◆  
THE CITY OF EDINBURGH COUNCIL

CITY DEVELOPMENT

CORPORATE PROPERTY AND CONTINGENCY PLANNING

Ms Julie Logan  
43/2 New Street  
EDINBURGH  
EH8 8BH

Date 21 January 2009

Your Ref

Our Ref 20151/9/GT/AJD  
IN361899/2404

Dear Ms Logan

FREEDOM OF INFORMATION (SCOTLAND) ACT 2002

Thank you for your request for information in regard to background papers to Council Report "Rationalisation of Office Accommodation Fit for Future Project 30 June 2005" received on 19 December 2008. I have dealt with your request in accordance with the Act.

The full development appraisal was created and held electronically by the Council's specialist advisers, Cushman & Wakefield and not held by the Council. What was held on file are extracts from the Appraisal and copies are enclosed herewith.

If you are not happy with this, or want to complain about the way in which we have handled your application, please write to the Director of Corporate Services, Level 2/7, Waverley Court, 4 East Market Street, EDINBURGH EH8 8BG.

If, after you have received a reply from the Director of Corporate Services you remain dissatisfied you may wish to ask the Scottish Information Commissioner to conduct a review. You can contact him at Scottish Information Commissioner, Kinburn Castle, Doubledykes Road, St Andrews, Fife KY16 8DS. Phone 01334 464 610. Email: [enquiries@itspublicknowledge.info](mailto:enquiries@itspublicknowledge.info).

Yours sincerely



**BILL MILLER**  
Property Management and Development Manager  
Encs

**DAVE ANDERSON**

DIRECTOR

Waverley Court, 4 East Market Street, Edinburgh, EH8 8BG



# Project Gullane - Option 1

( 50/50 split for first six million followed by 20/80 on balance )

## Profit Sensitivity Matrix

Ref : DAD 21/06/05

<b>Profit</b>		<b>28,006,382.00</b>			<b>Cost</b>	£	186,662,049.00	<b>Check total</b>
					<b>Profit</b>	£	28,006,382.00	
					Return on cost at	10.00%	18,666,204.90	
<b>Profit Tranches</b>		<b>Total £</b>	<b>Share</b>	<b>CEC £</b>	<b>Share</b>	<b>Mountgrange £</b>		
First Tranche	Day one site price	2,500,000.00	100.00%	2,500,000.00	0.00%	-		From land value not profit
Second Tranche	Payment on receipt of planning	2,000,000.00	100.00%	2,000,000.00	0.00%	-		
Third Tranche	50/50 split of profit up to £6 million	6,000,000.00	50.00%	3,000,000.00	50.00%	3,000,000.00		
Fourth Tranche	Balance of profit until Mountgrange have 10% profit on cost	15,666,204.90	0.00%	-	100.00%	15,666,204.90		
Final Tranche	Balance at 20%/80%.	4,340,177.10	20.00%	868,035.42	80.00%	3,472,141.68		
<b>Total profit</b>		check 28,006,382.00		<b>8,368,035.42</b>		22,138,346.58		28,006,382.00

<b>Profit</b>		<b>35,000,000.00</b>			<b>Cost</b>	£	186,662,049.00	<b>Check Total</b>
					<b>Profit</b>	£	35,000,000.00	
					Return on cost at	10.00%	18,666,204.90	
<b>Profit Tranches</b>		<b>Total £</b>	<b>Share</b>	<b>CEC £</b>	<b>Share</b>	<b>Mountgrange £</b>		
First Tranche	Day one site price	2,500,000.00	100.00%	2,500,000.00	0.00%	-		
Second Tranche	Payment on receipt of planning	2,000,000.00	100.00%	2,000,000.00	0.00%	-		
Third Tranche	50/50 split of profit up to £6 million	6,000,000.00	50.00%	3,000,000.00	50.00%	3,000,000.00		
Fourth Tranche	Balance at until Mountgrange have 10% return on cost	15,666,204.90	0.00%	-	100.00%	15,666,204.90		
Final Tranche	Balance at 20%/80%.	11,333,795.10	20.00%	2,266,759.02	80.00%	9,067,036.08		
<b>Total profit</b>		check 35,000,000.00		<b>9,766,759.02</b>		27,733,240.98		35,000,000.00

<b>Profit</b>		<b>20,000,000.00</b>			<b>Cost</b>	£	186,662,049.00	<b>Check Total</b>
					<b>Profit</b>	£	20,000,000.00	
					Return on cost at	10.00%	18,666,204.90	
<b>Profit Tranches</b>		<b>Total £</b>	<b>Share</b>	<b>CEC £</b>	<b>Share</b>	<b>Mountgrange £</b>		
First Tranche	Day one site price	2,500,000.00	100.00%	2,500,000.00	0.00%	-		
Second Tranche	Payment on receipt of planning	2,000,000.00	100.00%	2,000,000.00	0.00%	-		
Third Tranche	50/50 split of profit up to £6 million	6,000,000.00	50.00%	3,000,000.00	50.00%	3,000,000.00		
Fourth Tranche	Balance at until Mountgrange have 10% return on cost	12,000,000.00	0.00%	-	100.00%	12,000,000.00		
Final Tranche	Balance at 20%/80%.	-	20.00%	-	80.00%	-		
<b>Total profit</b>		check 22,500,000.00		<b>7,500,000.00</b>		15,000,000.00		20,000,000.00

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**Project Gullane - Option 2**  
(15%/85% profit split on all profit)

**Profit Sensitivity Matrix**  
Ref: DAD 27/06/05

15%

Profit		28,006,382.00		Cost	£ 186,662,049.00	Check total
				Profit	£ 28,006,382.00	
				Return on cost at	10.00%	18,666,204.90
Profit Tranches		Total £	Share	CEC £	Share	Mountgrange £
First Tranche	Day one site price	2,500,000.00	100.00%	2,500,000.00	0.00%	-
Second Tranche	Payment on receipt of planning	2,000,000.00	100.00%	2,000,000.00	0.00%	-
Third Tranche	Profit split of balance 15%/85%	26,006,382.00	15.00%	3,900,957.30	85.00%	22,105,424.70
Fourth Tranche	Balance at until Mountgrange have 10% return on cost	-	0.00%	-	0.00%	-
Final Tranche	Balance	-	0.00%	-	0.00%	-
<b>Total profit</b>		<b>28,006,382.00</b>		<b>8,400,957.30</b>		<b>22,105,424.70</b>

*do work include this plus MG land work?*

*12%*

Profit		35,000,000.00		Cost	£ 186,662,049.00	Check Total
				Profit	£ 35,000,000.00	
				Return on cost at	10.00%	18,666,204.90
Profit Tranches		Total £	Share	CEC £	Share	Mountgrange £
First Tranche	Day one site price	2,500,000.00	100.00%	2,500,000.00	0.00%	-
Second Tranche	Payment on receipt of planning	2,000,000.00	100.00%	2,000,000.00	0.00%	-
Third Tranche	Profit split of balance 15%/85%	33,000,000.00	15.00%	4,950,000.00	85.00%	28,050,000.00
Fourth Tranche	Balance at until Mountgrange have 10% return on cost	-	0.00%	-	0.00%	-
Final Tranche	Balance	-	0.00%	-	0.00%	-
<b>Total profit</b>		<b>35,000,000.00</b>		<b>9,450,000.00</b>		<b>28,050,000.00</b>

Profit		20,000,000.00		Cost	£ 186,662,049.00	Check Total
				Profit	£ 20,000,000.00	
				Return on cost at	10.00%	18,666,204.90
Profit Tranches		Total £	Share	CEC £	Share	Mountgrange £
First Tranche	Day one site price	2,500,000.00	100.00%	2,500,000.00	0.00%	-
Second Tranche	Payment on receipt of planning	2,000,000.00	100.00%	2,000,000.00	0.00%	-
Third Tranche	Profit split of balance 15%/85%	18,000,000.00	15.00%	2,700,000.00	85.00%	15,300,000.00
Fourth Tranche	Balance at until Mountgrange have 10% return on cost	-	0.00%	-	0.00%	-
Final Tranche	Balance	-	0.00%	-	0.00%	-
<b>Total profit</b>		<b>20,000,000.00</b>		<b>7,200,000.00</b>		<b>15,300,000.00</b>

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Project Gullane - Option 3

Profit Sensivity Matrix

First Profit tranche	20.00%
2nd Profit tranche	10.00%

20%/80% split up to £3 million for CEC followed by 10%/90% profit split

Ref : DAD 27/08/05

<b>Profit</b>		<b>28,000,382.00</b>			Cost	£ 186,662,049.00	Check total
					Profit	28,000,382.00	
			Return on cost at		10.00%	18,666,204.90	
<b>Profit Tranches</b>		<b>Total £</b>	<b>Share</b>	<b>CEC £</b>	<b>Share</b>	<b>Mountgrange £</b>	
First Tranche	Day one site price	2,500,000.00	100.00%	2,500,000.00	0.00%	-	
Second Tranche	Payment on receipt of planning	2,000,000.00	100.00%	2,000,000.00	0.00%	-	
Third Tranche	Profit split of balance 20%/80%	10,000,000.00	20.00%	2,000,000.00	80.00%	8,000,000.00	
Fourth Tranche	Balance at 10%/90%	16,006,382.00	10.00%	1,600,638.20	90.00%	14,405,743.80	
Final Tranche		-	0.00%	-	0.00%	-	
<b>Total profit</b>		<b>28,000,382.00</b>		<b>8,100,638.20</b>		<b>22,405,743.80</b>	

<b>Profit</b>		<b>35,000,000.00</b>			Cost	£ 186,662,049.00	Check Total
					Profit	35,000,000.00	
			Return on cost at		10.00%	18,666,204.90	
<b>Profit Tranches</b>		<b>Total £</b>	<b>Share</b>	<b>CEC £</b>	<b>Share</b>	<b>Mountgrange £</b>	
First Tranche	Day one site price	2,500,000.00	100.00%	2,500,000.00	0.00%	-	
Second Tranche	Payment on receipt of planning	2,000,000.00	100.00%	2,000,000.00	0.00%	-	
Third Tranche	Profit split of balance 20%/80%	10,000,000.00	20.00%	2,000,000.00	80.00%	8,000,000.00	
Fourth Tranche	Balance at 10%/90%	23,000,000.00	10.00%	2,300,000.00	90.00%	20,700,000.00	
Final Tranche		-	0.00%	-	0.00%	-	
<b>Total profit</b>		<b>35,000,000.00</b>		<b>8,800,000.00</b>		<b>28,700,000.00</b>	

<b>Profit</b>		<b>20,000,000.00</b>			Cost	£ 186,662,049.00	Check Total
					Profit	20,000,000.00	
			Return on cost at		10.00%	18,666,204.90	
<b>Profit Tranches</b>		<b>Total £</b>	<b>Share</b>	<b>CEC £</b>	<b>Share</b>	<b>Mountgrange £</b>	
First Tranche	Day one site price	2,500,000.00	100.00%	2,500,000.00	0.00%	-	
Second Tranche	Payment on receipt of planning	2,000,000.00	100.00%	2,000,000.00	0.00%	-	
Third Tranche	Profit split of balance 20%/80%	10,000,000.00	20.00%	2,000,000.00	80.00%	8,000,000.00	
Fourth Tranche	Balance at 10%/90%	8,000,000.00	10.00%	800,000.00	90.00%	7,200,000.00	
Final Tranche		-	0.00%	-	0.00%	-	
<b>Total profit</b>		<b>20,000,000.00</b>		<b>7,300,000.00</b>		<b>15,200,000.00</b>	

**Project Gullane**

Ref: TJS0104D

Last updated: 22 June 2005

Total Development Costs	£186,662,049
Net Development Value	£214,662,049
Profit	£28,000,000

Callon Gate Offices - Rent Variable	Global Rent	Profit	Difference	Net Development Value	Difference	Profit/Sale	Profit/Costs
£27.00	£4,094,820	£23,582,628	£4,423,854	£210,115,615	£4,546,034	11.22%	12.69%
£27.50	£4,170,650	£24,688,491	£3,917,691	£211,293,619	£3,408,230	11.89%	13.23%
£28.00	£4,246,480	£5,794,455	£2,211,927	£212,392,023	£2,270,028	12.14%	13.82%
£28.50	£4,322,310	£6,796,990	£1,105,984	£213,530,227	£1,131,622	12.60%	14.41%
£29.00	£4,398,140	£7,800,416	£0	£214,662,049	£0	13.05%	15.00%
£29.50	£4,473,970	£8,912,345	£1,105,983	£215,800,635	£1,144,588	13.48%	15.60%
£30.00	£4,549,800	£9,918,309	£2,211,927	£216,944,839	£2,282,780	13.93%	16.19%
£30.50	£4,625,630	£10,924,272	£3,317,890	£218,089,643	£3,321,584	14.32%	16.78%
£31.00	£4,701,460	£11,930,236	£4,423,854	£219,221,247	£4,458,198	14.79%	17.37%

Market Street Offices - Rent Variable	Global Rent	Profit	Difference	Net Development Value	Difference	Profit/Sale	Profit/Costs
£25.00	£1,399,590	£26,424,299	£1,582,083	£213,039,626	£1,622,423	12.40%	14.16%
£25.50	£1,427,490	£26,819,920	£1,186,582	£213,446,927	£1,215,222	12.37%	14.97%
£26.00	£1,455,480	£27,215,341	£791,041	£213,854,029	£808,020	12.73%	14.58%
£26.50	£1,483,470	£27,610,861	£395,521	£214,261,230	£400,819	12.88%	14.79%
£27.00	£1,511,460	£28,006,382	£0	£214,662,049	£0	13.05%	15.00%
£27.50	£1,539,450	£28,401,902	£395,520	£215,075,632	£413,583	13.21%	15.22%
£28.00	£1,567,440	£28,797,423	£791,041	£215,482,834	£820,785	13.38%	15.43%
£28.50	£1,595,430	£29,129,944	£1,123,562	£215,890,035	£1,227,986	13.48%	15.61%
£29.00	£1,623,420	£29,568,464	£1,562,082	£216,297,236	£1,655,187	13.68%	16.85%

Total Development Costs	£186,662,049
Net Development Value	£214,662,049
Profit	£28,000,000
Total Net Value	£101,615,631

Callon Gate Offices - Yield Variable	Annual Rent	Net Value	Total Net Value	Difference	Net Development Value	Difference	Profit	Profit/Sale	Profit/Costs
5.50%	£4,473,140	£70,907,929	£11,391,979	£9,786,048	£224,434,179	£9,772,450	£37,606,407	16.76%	20.15%
5.75%	£4,473,140	£73,563,890	£108,037,987	£6,422,236	£221,090,669	£9,428,620	£34,319,442	15.52%	18.39%
6.00%	£4,473,140	£70,498,660	£104,972,710	£3,357,079	£218,025,510	£3,383,461	£31,308,391	14.36%	16.77%
6.25%	£4,473,140	£67,678,714	£102,192,764	£97,133	£215,205,584	£643,615	£28,534,383	13.28%	15.23%
6.50%	£4,473,140	£64,141,551	£101,615,631	£0	£214,662,049	£0	£28,000,000	13.05%	15.00%
6.75%	£4,473,140	£65,075,686	£99,549,736	£2,085,895	£212,602,536	£2,059,513	£25,975,607	12.22%	13.92%
7.00%	£4,473,140	£62,665,476	£97,139,526	£4,476,105	£210,192,958	£4,469,093	£23,608,370	11.23%	12.65%
7.25%	£4,473,140	£60,427,423	£94,901,473	£6,714,158	£207,654,273	£6,707,776	£21,408,364	10.29%	11.47%
7.50%	£4,473,140	£58,343,719	£92,817,769	£8,787,862	£205,670,569	£8,781,460	£19,358,083	9.40%	10.37%

Market Street Offices - Yield Variable	Annual Rent	Net Value	Total Net Value	Difference	Net Development Value	Difference	Profit	Profit/Sale	Profit/Costs
5.50%	£1,539,460	£26,468,257	£105,887,671	£4,072,040	£218,740,274	£4,078,225	£32,000,197	14.63%	17.15%
5.75%	£1,539,460	£25,317,463	£104,638,877	£2,921,246	£217,589,677	£2,927,628	£30,877,966	14.18%	16.54%
6.00%	£1,539,460	£24,282,569	£103,481,983	£1,866,952	£216,534,783	£1,872,734	£29,841,005	13.78%	15.99%
6.25%	£1,539,460	£23,292,068	£102,511,480	£895,649	£215,564,280	£902,231	£28,882,001	13.40%	15.48%
6.50%	£1,539,460	£22,366,217	£101,615,631	£0	£214,662,049	£0	£28,000,382	13.05%	15.00%
6.75%	£1,539,460	£21,566,728	£100,786,142	£829,489	£213,838,942	£823,107	£27,190,984	12.72%	14.57%
7.00%	£1,539,460	£20,796,488	£100,015,901	£1,599,730	£213,068,701	£1,593,349	£26,433,847	12.41%	14.18%
7.25%	£1,539,460	£20,070,397	£99,298,781	£2,316,850	£212,351,581	£2,310,488	£25,728,918	12.12%	13.78%
7.50%	£1,539,460	£19,410,655	£98,623,469	£2,986,162	£211,682,269	£2,976,760	£25,070,984	11.84%	13.43%