

Meeting: Cabinet

Date: 23rd March 2021

Wards Affected: Churston with Galmpton

Report Title: Leasehold Re-gear, Waterside Caravan Park, Three Beaches, Dartmouth Road, Paignton TQ4 6NS

When does the decision need to be implemented? As soon as possible.

Cabinet Member Contact Details: Councillor Swithin Long, Cabinet Member for Economic Regeneration, Tourism & Housing, 07419 111618, Swithin.Long@torbay.gov.uk

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Supporting Director Contact Details: Liam Montgomery, Director of Asset Management, Investment & Housing, 01803 208720, Liam.montgomery@tda.uk.net

1. Purpose of Report

- 1.1 **To seek authorisation for** Torbay Council to commit up to £2,500,000 to enhance facilities at Waterside Caravan Park as part of a reverse premium and to authorise a re-gear of the existing lease to extend the term, modernise and institutionalise the lease.

2. Reason for Proposal and its benefits

- 2.1 We want Torbay and its residents to thrive.

We want Torbay to be the premier resort in the UK, with a vibrant arts and cultural offer for our residents and visitors to enjoy; where our built and natural environment is celebrated and where we play our part in addressing the climate change emergency.

We want Torbay to be a place where we have turned the tide on poverty and tackled inequalities; where our children and older people will have high aspirations and where there are quality jobs, good pay and affordable housing for our residents.

- 2.2 The proposals in this report help us to deliver this ambition by investing in the asset that will see improved facilities and the implementation of a longer, institutional lease which in time will provide an increased revenue stream from the asset. The asset on completion of the redevelopment will help sustain existing jobs and potentially secure new jobs, enhancing the site as a visitor attraction.

2.2 The loan required to allow this investment will be serviced and repair through the rental stream which is enhanced as part of this proposal.

3. Recommendation(s) / Proposed Decision

That subject to further due diligence on the covenant strength of the tenant, the Chief Executive in consultation with the Portfolio Holder for Economic Regeneration, Tourism and Housing be authorised to:

- i) Agree the terms and enter into a new reversionary lease of 100 years.
- i) That Cabinet note that the terms of the lease require the Council to make a reverse premium to the tenant of up to £2.5m at the start of the lease term with the tenant making an increased value of rent payments over the duration of the revised lease term. This reverse premium will be used by the tenant for the enhancement of facilities at Waterside Caravan Park. These improvements will include the upgrade and conversion of the existing clubhouse to house an indoor pool and conversion of the existing outdoor pool to 6 new lodges and will be specified within the lease.
- ii) The Chief Executive in consultation with the S151 Officer be authorised to agree and finalise the detailed lease structure and terms based on accountancy and legal advice.

Appendices

Appendix A – Heads of Terms and financial information – Confidential item - Part 2

Supporting Information

1. Introduction

- 1.1 Waterside Caravan Park is occupied by Park Holidays UK Ltd. under a 99 year lease from Torbay Council dated 1st July 2002, which has an unexpired term of circa 80 years. The passing rent is £147,700 p.a. and the rent is reviewed 5 yearly to RPI, the next rent review is in 2021.
- 1.2 The tenant, Park Holidays UK Ltd., has contact Torbay Council requesting a lease re-gear and associated potential investment into the site, which would realise benefits for Torbay both in economic development terms but also adding value to a key revenue producing asset for the Council.
- 1.3 Park Holidays UK Ltd. recognise that the facilities within the caravan park have become dated, with visitors seeking modern leisure facilities. The tenant is seeking a capital contribution by way of a reverse premium of circa £2,410,000 from Torbay Council to unlock redevelopment of part of the site which will be repaid in full by way of “additional rent” of £120,000 p.a., with the additional rent index linked after year 10. The additional rent will be received for the duration of the lease and beyond the term of the loan.
- 1.4 The commercial terms of the new long lease or reversionary lease are to be agreed based on accounting and legal advice, with details of the lease structure and terms to be agreed by the Chief Executive in consultation with the S151 Officer.
- 1.5 The benefits associated include demonstrating investment locally in return for a long term, index linked income stream under an institutional investment lease. Equally the Council’s asset will benefit from needed investment, providing improved facilities for visitors to the area which will improve the visitor experience.

2. Options under consideration

- 2.1 The Council’s Corporate Asset Management Plan 2015 to 2019 (2018/19 Revision) makes reference to the Council ‘always seeking to maximise the full market receipt for their assets whether by way of freehold disposal or leasehold interest’. The disposal of this asset by way of the long leasehold will meet that requirement and will facilitate rental growth and improved investment yield.
- 2.2 As an alternative to a capital contribution and lease re-gear the tenant Park Holidays UK Ltd. will continue under the existing lease terms. The dated facilities will not receive investment and the associated benefits detailed in 1.5 above will not be realised. In this scenario Park Holidays UK Ltd. may ultimately look to dispose of its interest in the business which may have a negative impact on the investment value of the asset.

3. Financial Opportunities and Implications

- 3.1 Terms are being negotiated for a new long term lease which builds in rental growth and incorporates repayment of the Council's capital contribution through an 'additional rent'.
- 3.2 The accounting for this lease will be applied in line with the relevant lease accounting standards. The terms of the lease with the initial reverse premium payable by the Council as Landlord will have a cash flow implication which will be recovered over the life of the lease and funded for the higher rent.

4. Legal Implications

- 4.1 The proposed redevelopment will be formalised and documented by Torbay Council Legal Services through the granting of a lease.
- 4.2 This document will place obligations on the tenant to use this money for the purposes agreed and detail the arrangements for the 'additional rent' which will be use to service the loan.
- 4.3 The details terms of the lease will be reviewed and considered by the Council's Chief Executive and S151 officer based on accounting and legal advice obtained prior to being finalised.

5. Engagement and Consultation

- 5.1 Other than briefings with the Ward Councillors and Portfolio Holder, no engagement or consultation is planned on the principle of the Council providing a Capital Contribution towards these works.
- 5.2 The tenant, Park Holidays UK Ltd. will need to obtain planning consent in the event a decision is made to proceed and therefore the normal engagement associated with planning applications will take place as part of this process.

6. Purchasing or Hiring of Goods and/or Services

- 6.1 There are no procurement issues as Park Holidays UK Ltd. are the existing tenant under the lease dated 1st July 2002.

7. Tackling Climate Change

- 7.1 The tenant will need to obtain planning consent and building control approval for the works, which will involve meeting environmental standards required under policy.

8. Associated Risks

- 8.1 Whilst there are no significant risks if the proposal is not implemented there would however likely be a lost opportunity in realising the improvement works to the site and general modernising of the site as a visitor attraction.
- 8.2 The main risks associated with this proposal are linked to the tenant's ability to pay the 'additional rent' which is required to service the Councils loan.
- 8.3 This risk is mitigated in part in that the money will be used to improve and invest in a property where the Council is the freeholder.

If the current were to default on the lease terms then possession could be obtained and the Council will still have the asset with the improved facilities which can ultimately be leased to another party.

- 8.4 The works undertaken will be inspected and reviewed by the Councils own surveyor to ensure that they are in accordance with what has been agreed and that the standard is satisfactory.

Equality Impacts

9.	Identify the potential positive and negative impacts on specific groups		
	Positive Impact	Negative Impact & Mitigating Actions	Neutral Impact
Older or younger people			There is no differential impact
People with caring Responsibilities			There is no differential impact
People with a disability			There is no differential impact
Women or men			There is no differential impact
People who are black or from a minority ethnic background (BME) <i>(Please note Gypsies / Roma are within this community)</i>			There is no differential impact
Religion or belief (including lack of belief)			There is no differential impact
People who are lesbian, gay or bisexual			There is no differential impact
People who are transgendered			There is no differential impact
People who are in a marriage or civil partnership			There is no differential impact

	Women who are pregnant / on maternity leave			There is no differential impact
	Socio-economic impacts (Including impact on child poverty issues and deprivation)	The improvement of facilities and lease re-gear is likely to have a positive impact on locality.		
	Public Health impacts (How will your proposal impact on the general health of the population of Torbay)			There is no differential impact
10..	Cumulative Council Impact (proposed changes elsewhere which might worsen the impacts identified above)	N/A		
11.	Cumulative Community Impacts (proposed changes within the wider community (inc the public sector) which might worsen the impacts identified above)	N/A		