

Record of Decisions

Leasehold Re-gear, Waterside Caravan Park, Three Beaches, Dartmouth Road, Paignton

Decision Taker

Cabinet on 23 March 2021.

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 for the Waterside Caravan Park;
- ii) 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; and
- iii) That the Chief Executive in consultation with the Section 151 Officer be authorised to agree and finalise the detailed lease structure and terms based on accountancy and legal advice.

Reason for the Decision

The proposals result in an investment in an asset that would see improved facilities and the implementation of a longer, institutional lease which in time would provide an increased revenue stream from the asset. The asset on completion of the redevelopment would help sustain existing jobs and potentially secure new jobs, enhancing the site as a visitor attraction.

Implementation

This decision will come into force and may be implemented on 7 April 2021 unless the call-in procedure is triggered (as set out in the Standing Orders in relation to Overview and Scrutiny).

Information

Waterside Caravan Park was occupied by Park Holidays UK Ltd. under a 99 year lease from Torbay Council dated 1st July 2002, which had an unexpired term of circa 80 years. The passing rent was £147,700 p.a. and the rent was reviewed 5 yearly to Retail Price Index (RPI), the next rent review was in 2021.

Park Holidays UK Ltd. recognise that the facilities within the caravan park had become dated, with visitors seeking modern leisure facilities. The tenant was 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 would 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 would be received for the duration of the lease and beyond the term of the loan.

Councillor Long proposed and Councillor Cowell seconded a motion which was agreed unanimously by the Cabinet, as set out above.

Alternative Options considered and rejected at the time of the decision

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 would meet that requirement and would facilitate rental growth and improved investment yield.

As an alternative option to a capital contribution and lease re-gear the tenant Park Holidays UK Ltd. would continue under the existing lease terms. The dated facilities would not receive investment and the associated benefits would 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.

Is this a Key Decision?

No

Does the call-in procedure apply?

Yes

Declarations of interest (including details of any relevant dispensations issued by the Standards Committee)

None.

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26 March 2021

Signed: _____ Date: _____
Leader of Torbay Council on behalf of the Cabinet