

## **Appendix 1: Proposal for delivery of a hotel on part of Harbour View (Terrace Car Park), Torquay**

### **1. Proposal and Introduction**

- 1.1 On April 6 2017 the Council agreed a Transformation Strategy for Torbay's Town Centres, as an appendix to the 2013 – 2018 Economic Strategy, and the principles for delivery of that strategy. One element of that strategy included the delivery of hotel accommodation and / or residential development at Harbour View (part of Terrace Car Park), subject to approval by Council of a business case. This appendix presents an outline business case to the Council and seeks support for delivery of a hotel to the western end of the site and, as an option, residential development at the eastern end of the site.
- 1.2 The English Riviera is a leading UK seaside destination and has been included in the England's Top 10 destinations for the past three years. The tourism sector in Torbay has performed extremely well since 2010, witnessing a 12% increase in UK visitors, an 8% increase in UK spend, a 1% increase in overseas visitors, but a 3% decrease in visitor spend. The English Riviera attracts affluent visitors, with 54% of ABC1's recorded in the 2016 visitor survey (49% in 12/13). It is acknowledged that there is short supply of high-end accommodation. If Torbay is to attract more visitors and more spend, it needs to meet the demand for better accommodation.
- 1.3 The emerging Destination Management Plan includes the following overarching objectives:
  - a) Increase year round growth in numbers for both UK Domestic and International visitors
  - b) Extend the current season beyond the school holidays
  - c) Attract new International and UK visitors
  - d) Increase visitor spend
  - e) Attract investment and reinvestment into Torbay
- 1.4 As an illustration of the importance of achieving these objectives, a 5% increase in visitors during the three shoulder months could result in 40,000 additional visitors, (average 13,330 extra visitors per month), £2.7m additional spend, (average £895,944 per month) and 74 additional jobs created/supported (mix of direct/indirect/induced).
- 1.5 Similarly, there is pressure in Torbay to provide more housing to meet increasing demand. This is recognised in the new Local Plan, which identifies sites and mechanisms to deliver new homes to meet Torbay's needs. The Local Plan identifies the development potential of this site, to deliver new homes, and this is mirrored in the emerging Torquay Neighbourhood Plan.
- 1.6 The proposal is for the delivery by the Council of a turnkey 97 bed hotel at the western end of the car park, predominantly over the area currently used for accessing the multi-storey car park. The hotel would be provided to meet the

specific requirements of a specific operator, ensuring additional good quality accommodation in Torbay. The proposal includes revised access arrangements to the multi-storey car park. It ensures the retention of around 450 parking spaces (of the existing 533), some of which would be 'block booked' for use by local hotels, to help maintain parking capacity in this part of Torquay and increase car parking revenue. An illustrative sketch scheme is included as Appendix 1a to this report.

- 1.7 The headlines of the proposal are that the Council would prudentially borrow up to £10m to design and construct the hotel, with the operator entering into a minimum 21 year full repairing and insuring lease and paying annual rent to the Council. Further options for construction and lease terms are being discussed with the operator and will be included in a full business case. Further work is needed, over the next two months, to produce more detailed designs and refine the costs of the proposed building. That work will ensure costs and income streams can be better defined, but design and appraisal work to date is based on a reasonable knowledge of the site and is considered to be as robust as it can be at this stage.
- 1.8 The figures within the outline business case in themselves provide a good case for delivery of a hotel at Harbour View.
- 1.9 Various options for development of this site have been explored, utilising just the eastern end of the site. However, the costs associated with large scale development at the eastern end of the site, coupled with a significant reduction in parking spaces, results in marginal viability for those options.

## **2. Reasons for Proposal**

- 2.1 The proposal is in accordance with the Council's Policy Framework including the Corporate Plan, Local Plan, Economic Strategy, the Transformation Strategy for Torbay's Town Centres and the emerging Destination Management Plan. The proposal will help transform Torquay's town centre, as part of a wider place making agenda, which includes change and growth in Torbay.
- 2.2 The proposal will generate additional footfall and spend in Torquay Town Centre, with the knock on benefit of attracting further investment in the town centre.
- 2.3 The proposal will help meet the needs of a key sector in Torbay and will promote Torbay nationally and internationally.
- 2.4 The proposal will generate significant revenue income to the Council, to help support town centre regeneration.
- 2.5 The proposal will not result in a significant loss of income from car parking and will support the delivery / successful operation of businesses in and around Torquay Town Centre.

## Appendices

Appendix 1a: Illustrative sketch drawings for hotel development, at the western end of the site

<b>Section 1: Background Information</b>	
<b>1.</b>	<p><b>What is the proposal / issue?</b></p> <p>1.1 There is an evidenced need and demand for additional high quality hotel space in Torbay. There is an operator in place to occupy and operate the hotel. The hotel would be purpose built to meet the requirements of that operator.</p> <p>1.2 Various options have been considered for the location and design of the hotel at Harbour View, with the western end of the car park proving to be the most preferable option. The headlines of that proposal are that the Council would prudentially borrow up to £10m to design and construct hotel accommodation building, and to deliver other town centre regeneration projects, with the hotel operator entering into a minimum 21 year lease and paying an annual rent to the Council.</p> <p>1.3 Further work is needed to refresh previous site investigation work, to produce detailed building designs and to refine the costs of delivering hotel accommodation. This will then allow further discussion and agreement with the hotel operator, refinement of costs and the submission of a planning application.</p> <p>1.4 Pace is critically important in the delivery of town centre regeneration. The Council has agreed (in April 2017) a strategy for transformation of Torbay's town centres, including a package of proposals for each town centre, to help deliver growth and change in accordance with the Economic Strategy, Culture Strategy, Destination Management Plan and Local Plan. This proposal is in accordance with those strategies. It is important to move forward with pace on the delivery of this project.</p> <p>1.5 This report includes financial information and an impact assessment which shows the proposal is:</p> <ul style="list-style-type: none"><li>• A commercially attractive proposition for the Council, in terms of income generation</li><li>• An important project to support town centre regeneration, with no overall adverse impact on parking capacity</li><li>• An important project that helps to deliver Council policy relating to the economy, planning and tourism.</li></ul>

**2.**

**What is the current situation?**

- 2.1 The Council has approved (April 2017) a strategy for transformation of Torbay's town centres. The development of Harbour View, for hotel and/or residential development, forms part of that strategy.
- 2.2 The site has been the subject of soft market testing, since October 2016, with significant investor / developer interest but also some concerns about the location of a hotel operation at the eastern end of the site.
- 2.3 The site has previously been considered for comprehensive residential development. The Local Plan and emerging Torquay Neighbourhood Plan recognise that the site has some potential for residential development.
- 2.4 The site is currently used for car parking (533 spaces), generating income of £155,000 per annum at present. The car park is used by visitors and commuters. The mean occupancy is 124 spaces, but the car park is busier during July / August and for some events. Assuming an ambitious 20% growth in parking demand, the mean occupancy would rise to 148 spaces and it would be 90% full on 8 days per annum. It is 90% full on just 7 days a year. In locational terms, it is one of a few Council owned car parks around the Harbour area.
- 2.5 A small number of development scenarios have been tested, to assess impact on car parking capacity and income. The loss of 125 or 150 spaces would result in the car park being 90% full on 12 days per annum and 100% full on 9 days per annum. Given the significant capacity of the car park, and the number of underused / unused spaces, the impact of loss of parking spaces has very little impact on parking income. Even loss of around 25% of spaces would only result in loss of around 1% car parking income. The proposal the Council is being asked to consider will result in the loss of around 50 spaces, which will not have a significant impact on parking capacity or income.
- 2.6 Shearings currently 'block book' 40 spaces within the car park. THAT Group is looking to secure 60 'block booked' spaces, to serve the hotel proposed for Torwood Street. The hotel operator for the hotel proposed in this report would seek to secure around 80 spaces in the car park. Consequently, around 180 – 200 spaces within the car park would be very regularly used by local hoteliers, providing the Council with a guaranteed income, estimated at £127,000 per annum. The remaining spaces would be available to the public. The net income from these revised parking arrangements is estimated at £22,000 more per annum than at present.

	<p>2.7 The Town Centres Regeneration Programme Board has sought to ensure that development at Harbour View, given its out-of-town-centre location, is capable of contributing at least £250,000 to deliver other town centre projects. That option is still desirable, but the first objective is to secure a viable development and agreement with the operator. Revenue from this project towards other town centre regeneration projects would be administered in accordance with recommendations 3.3 and 3.4 of the main covering report.</p>
<p>3.</p>	<p><b>What options have been considered?</b></p> <p>3.1 A number of options have been considered for this site, as part of the work of the Town Centre Regeneration Programme Board. These include:</p> <ul style="list-style-type: none"> <li>• Do nothing – continued use of the land as a car park. The Board is keen to ensure there is sufficient parking capacity to serve town centres, to support growth and regeneration. The Board recognises the importance of perception, by visitors and businesses, of a sufficient number of parking spaces. The Board is aware of the income generated from car parking, in this instance that income is £155,000 per annum. However, the Board is also aware of significant capacity in a number of Council owned car parks serving town centres and then need to ‘sweat’ Council owned assets to achieve the objectives set out in paragraph 1.2 of the main report. Consequently the Council’s strategy for town centre transformation includes development on some Council owned car parks, including Harbour View.</li> <li>• Residential development – This option, at the eastern end of the site, has been the subject of soft market testing. It secured a good deal of market interest. However, the scale of development (35 – 40 units) required to achieve viability and a £250,000 contribution to other town centre regeneration projects resulted in significant demolition and construction costs, as well as some loss of parking (153 spaces). A smaller scale residential scheme, in tandem with delivery of a hotel at the western end of the site, on just the surface level car park (33 spaces) is a more appropriate option.</li> <li>• Hotel development – This option has been explored following interest from a hotel operator. A hotel at the eastern end of the site would result in significant demolition and construction costs, as well as some loss of car parking (208 spaces). There are also issues of access to the site, especially servicing, as the existing car park is not capable (for structural reasons) of accommodating service vehicles. This resulted in a development that was of</li> </ul>

	<p>marginal viability. Consequently the option of a hotel at the western end of the site has been explored and is now proposed.</p> <p>3.2 The Town Centre Regeneration Programme Board has explored a number of delivery mechanisms for the site, including sale, a joint venture partnership for packages of sites and development partnerships for individual sites. In April 2017 the Council agreed that, as a first principle, the Council should seek to direct deliver development on its own sites. Direct delivery, by the Council, is much more attractive when there is a single, defined end user. The TDA, acting on the Council's behalf, will continue to explore delivery and financing options for this development, which will inform a full business case for consideration by the TCR Programme Board.</p>
<p><b>4.</b></p>	<p><b>How does this proposal support the ambitions, principles and delivery of the Corporate Plan 2015-19?</b></p> <p>4.1 Town Centre Regeneration supports the ambition of creating a Prosperous and Healthy Torbay with the creation of vibrant and attractive town centres identified as a specific action in the Delivery Plan for "Working towards a more prosperous Torbay".</p> <p>4.2 The proposed delivery of hotel development on this site accords with the Council's Strategy for Transformation of Town Centres.</p>
<p><b>5.</b></p>	<p><b>Who will be affected by this proposal and who do you need to consult with?</b></p> <p>5.1 The proposals for this site will have a direct impact on adjoining land owners / residents. Those people will be consulted as part of the formal planning process.</p> <p>5.2 The proposals for this site will have an indirect and positive impact on property owners, tenants and investors in Torquay Town Centre. There has already been widespread engagement with residents, businesses and other organisations – resulting in significant support for town centre regeneration, as expressed through the previous masterplanning processes and now being expressed in emerging Neighbourhood Plans.</p> <p>5.3 The proposal will have a direct impact on businesses in the area that 'block book' car parking spaces in the car park. There are ongoing discussion with those businesses.</p>

<b>6.</b>	<p><b>How will you propose to consult?</b></p> <p>6.1 The proposal for this site is included within the Council's Strategy for Transformation of Town Centres. The Strategy flows from the adopted Town Centre Masterplans for Torquay and Paignton, and the concept plan produced by the community for Brixham Town Centre. There has been a huge amount of community and business engagement on all those plans.</p> <p>6.2 There will be informal engagement, with a range of council services and partners, on more detailed design work as it progresses over the next few months, subject to Council support.</p> <p>6.3 As firm proposals emerge for the site these will be subject to further engagement and consultation, specifically in the build up to and as part of the formal planning process.</p>
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<b>Section 2: Implications and Impact Assessment</b>	
<b>7.</b>	<p><b>What are the financial and legal implications?</b></p> <p><u>Financial Implications</u></p> <p style="padding-left: 40px;"><u>Car Park Income</u></p> <p>7.1 In addition to the implications set out in Section 2 of this appendix, there will be some loss of car parking income during the construction period, which is estimated at two years. The loss of income has been estimated at £50,000 per annum (i.e. about 1/3rd of existing income). This is a 'worst case' estimate and, in reality, it is likely that the car park will remain open during the construction period and the vast majority of parking spaces will be kept available.</p> <p style="padding-left: 40px;"><u>Hotel Development</u></p> <p>7.2 Negotiations with the hotel operator are continuing, so the precise terms of a lease cannot be reported. However, the Council's tax position in relation to construction costs means that a lease of less than 21 years will not be acceptable to the Council, unless the rental income also covers the tax risk (which is unlikely). The TDA, acting on the Council's behalf, is looking to achieve a lease period of 25 years.</p>

- 7.3 Rental income would rise every 5 years, in line with inflation. As yet, the starting point for that rental income has not been confirmed but it is known that rental levels under discussion are capable of covering borrowing costs, subject to further work on construction costs.
- 7.4 The Council should note that the construction cost has been estimated at £9.792m and that further work on design and costs will refine that figure. The prudential borrowing amount also includes project contingency, project management costs and professional fees.
- 7.5 The hotel will attract business rates. The precise amount cannot be calculated until the detailed design stage. However, the rates from comparable developments have been used. Given the uncertainties about business rate retention over the longer term, the business case does not include retention of non-domestic rates. This is evidently a cautious position and it is likely that the development will deliver an increase in business rates being retained by the Council.
- 7.6 The business case has assumed all construction spend is over two years.
- 7.7 The Council will retain an asset of significant value at the end of the lease period. This has not been factored into the business case. There is also the option of the Council converting the hotel into residential or other use, at the end of the lease period.
- 7.8 The hotel will also provide wider economic benefits. It will generate footfall and spend in the town centre; it will generate construction and permanent jobs; it will generate more confidence in the economy and encourage further investment in Torbay. These impacts will be assessed and presented in a future planning application.
- Legal Implications
- 7.9 The TDA, acting on the Council's behalf, will ensure all proper procurement and legal requirements are followed in appointing consultants and contractors, including local labour supply, apprenticeships etc, and in securing a lease with the hotel operator.



<p><b>8.</b></p>	<p><b>What are the risks?</b></p> <p>8.1 A full risk register will be produced as part of the project management process, if the Council supports the recommendations in this report.</p> <p>8.2 There are risks associated with seeking planning permission. It is a reasonably sensitive site and adjacent to listed buildings. An inclusive design process will be followed, to reduce risks.</p> <p>8.3 There are risks of cost overruns in the construction process. The construction costs are being re-assessed at the end of October. It is suggested that a design and build contract is used, with responsibility for cost overruns assigned to the contractor.</p> <p>8.4 There are risks in relation to the future value of the building. It is proposed to use a construction technique that will allow relatively easy conversion of the building to residential use, if necessary.</p> <p>8.5 The tenant will be required to sign an agreement to lease before the construction contract is awarded or further significant cost is incurred by the Council. This agreement will commit the tenant to signing a lease for the accommodation on completion.</p>
<p><b>9.</b></p>	<p><b>Public Services Value (Social Value) Act 2012</b></p> <p>Not applicable.</p>

## Equality Impacts

10	Identify the potential positive and negative impacts on specific groups			
	Positive Impact	Negative Impact & Mitigating Actions	Neutral Impact	
Older or younger people	The economic and social benefits of town centre regeneration are significant and well evidenced such that it is envisaged that there will be a positive benefit for all residents and all those with protected characteristics.			
People with caring Responsibilities	As above			
People with a disability	As above			
Women or men	As above			
People who are black or from a minority ethnic background (BME) <i>(Please note Gypsies / Roma are within this community)</i>	As above			
Religion or belief (including lack of belief)	As above			
People who are lesbian, gay or bisexual	As above			
People who are transgendered	As above			

	People who are in a marriage or civil partnership	As above	
	Women who are pregnant / on maternity leave	As above	
	Socio-economic impacts (Including impact on child poverty issues and deprivation)	As above	
	Public Health impacts (How will your proposal impact on the general health of the population of Torbay)	Town centre regeneration will improve the economy of Torbay. Economic prosperity helps create healthier communities and by supporting regeneration projects we will be able to improve health inequalities which currently exist across Torbay.	
<b>14</b>	<b>Cumulative Impacts – Council wide</b> (proposed changes elsewhere which might worsen the impacts identified above)	Town centre regeneration will take account of proposals which are being put forward in relation to integrated transport and other regeneration projects and capital investments to ensure that a coherent approach is taken to creating a prosperous and healthy Torbay. This project will encourage and support investment in Torbay.	
<b>15</b>	<b>Cumulative Impacts – Other public services</b> (proposed changes elsewhere which might worsen the impacts identified above)	Town centre regeneration will take account of issues which positively impact of reducing the amount of crime and disorder therefore making our town centres safer and more attractive places for residents, workers and businesses.	

**Appendix 1a: Concept / sketch drawings for hotel development, at the western end of the site**

