

# **Place and Corporate Overview and Scrutiny Committee Quality Hotel Site Project Update**



## **Background**

The Quality Hotel site is prominently located on The Hoe with far reaching views across the Sound and over Millbay. The 111 bedroom hotel opened in 1970, as the Mayflower Post House, an example of 1970s brutalist architecture. The building went through different owners including the Holiday Inn and then as the Quality until it closed in 2014.

The property was marketed for sale but became the subject of arson attacks with the windows broken from vandalism resulting in it becoming a public hazard and a visible eyesore which was prominent from both land and sea.

The Quality Hotel site was also attracting developer interest which did not fully accord with the Council's aspiration for the site. There was a risk that the site would be redeveloped for housing without the inclusion of a hotel or with limited control on the quality of hotel offer. Inappropriate development was discouraged by the Council and it became clear that if the site was to realise its potential direct intervention was required.

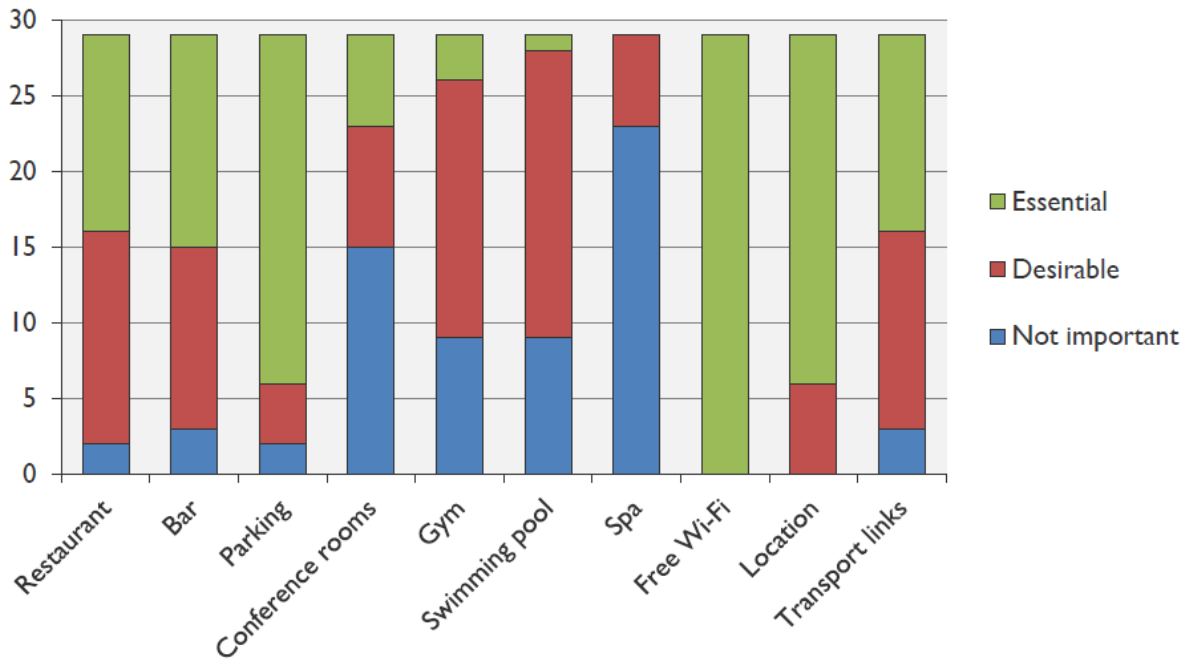
## **Hotel Need**

In 2014 the Council commissioned hotel specialists to undertake a study of the Plymouth Hotel Market which concluded that there was a market opportunity to provide higher quality accommodation at the 4\* service level. There are currently 24 hotels with 1,746 bedrooms, with around 86% of the rooms being budget, 2\* or 3\*.

This arose from a combination of increasing visitor numbers (34% increase between 2008 and 2012) which can be anticipated to further increase with economic growth and impact of Mayflower 2020 and other initiatives. Occupancy levels have also increased year on year (with the exception of 2012) from 70.7% in 2010 to 80.1% in 2015.

The Council carried out a hotel business survey in January 2016 to analyse demand for 4/5\* hotel offering in Plymouth. The survey was completed by 35 local companies and 53% expressed difficulties in securing hotel accommodation when required, particularly in summer months and during events such as University graduation.

Facility preference is presented in the following graph:



Comments from respondents include:

“For Plymouth to achieve its ambitions for Economic development, a 4/5 star hotel is desperately needed in order to retain and attract inward investors. Today's International business travellers expect a certain standard which is currently not available in the City.”

*Steve Cardew, MD Kawasaki Precision Machinery (UK) Ltd*

“Plymouth has needed a flagship, luxury hotel in a great location for a very long time and the move by Plymouth City Council to market a site is to be applauded.”

*Lesley Shorrocks, Sigma Marketing & Advertising Ltd*

Plymouth’s existing hotel supply lacks a high quality, four\* hotel and the above indicates a market need and opportunity for a new product positioned at this level.

A new hotel in a prime location will be well received in the market, particularly with high levels of unsatisfied demand experienced in the summer months and other peak periods. A new premium hotel will also benefit Plymouth in terms of economic development, retaining and attracting inward investment.

## **PCC Options**

The options available to the Council were to:

1. Rely on Planning Control

Planning control had successfully seen off some inappropriate uses; however it was unlikely to deliver a quality hotel in the timescale required. The property had been on the market for some time, it had become an eye-sore and public hazard and had stalled.

2. Acquire the site and promote a quality hotel with appropriate enabling development

Acquisition of the site would give the Council control over the delivery and quality of the development. It would allow the Council to proactively address urban blight and bring forward one of the city's key sites for redevelopment and regeneration. It would proactively "drive" the delivery of a 4/5\* hotel in support of Mayflower 400.

## **Site Acquisition**

An Executive Decision was made by the Leader of the Council on 11 January 2016 to acquire this City Strategic Site and allocate resources for the project within the 2015-18 Capital Programme to cover acquisition and holding costs, demolition and marketing.

A purchase price was negotiated with the vendors' agents, supported by an independent valuation.

The Council acquired the freehold interest in the Quality Hotel Site in January 2016.

## **Demolition**

A negotiated single tender contract was awarded to Gilpin Demolition in January 2016 to demolish the buildings, remove the footings, re grade the site and clear surplus material.

An exempt contracts procedure was approved due to the commercially sensitive nature of the acquisition which meant that a competitive tender process was not possible until such time that the acquisition had been completed. On acquisition, a demolition contract needed to be quickly instigated due to the vulnerable nature of the site, with a history of recent break-ins and arson attacks. The Council mitigated these risks by the appointment of a specialist contractor to take possession of the site and commence the demolition process immediately upon completion of the acquisition.

Gilpin were approached having just successfully completed the demolition of the former high rise YMCA building in the city centre and a series of high asbestos content housing demolitions in Devonport. Gilpin had also recently surveyed the building and provided a demolition quotation for the previous owners of the hotel.

The Councils' Officers have held regular meetings with Gilpin to check valuations and respond to issues raised.

The site was made secure, Highways consent for road and footpath closure was achieved on 16 May 2016 and demolition consent on 19 May 2016. The asbestos was removed from the building prior to demolition and the main tower was demolished before the MTV Crashes event (28-29 July).

Local residents have been kept informed on the progress of demolition and potential impacts through a series of letter drops. In addition there has been statutory consultation with the public regarding the road closure and demolition consent applications.

A time lapse camera has recorded the demolition of the buildings. There was a press event to mark the commencement of demolition of the tower on 11 July 2016.

On 6 September a small incendiary device was found in the rubble. All necessary safety procedures were followed and the device was removed by the RN bomb disposal unit. Additional safety briefings of on-site staff have taken place to alert staff of the risk of further incendiary devices being found.

### **Selection of a Developer/Hotel**

Based on independent advice received, it was decided to take an open market disposal route relying on compliance with the Site Planning Statement prepared by the Council rather than an EU procurement route which is more time consuming.

Following a procurement exercise, independent hotel property specialists JLL were appointed as agents and marketing commenced in April 2016. Particulars were prepared and mailed out to targeted developers, hotel operators, agents and advertisements were placed in the national property and hotel press. A number of meetings were held with interested parties in Plymouth and London.

Nine expressions of interest were received on 18 May which were evaluated based on quality and financial criteria including deliverability. Following evaluation by the Project Team, and confirmation by the Project Board, eight parties were invited to submit more detailed proposals.

Six proposals were received on 29 July and following evaluation, three were shortlisted and invited to submit a presentation to the Project Board and our advisors JLL on 21 September 2016.

The members of the Project Board are Cllr Ian Bowyer; Cllr Mark Lowry; Anthony Payne, Director of Place; David Draffan, Assistant Director for Economic Development; Paul Barnard, Assistant Director for Strategic Planning & Infrastructure; Mark Brunson, Head of Strategic Project Development & Trevor Goff, Principal Surveyor.

Further clarification is being sought on financing and the robustness of the delivery plan following which a selection of a preferred bidder will be made.

Following selection, heads of terms will be agreed and our Legal Services team will be instructed to prepare legal documentation to include a conditional transfer contract.

Regular progress meetings will be held between the Project Team and the selected Developer Team to ensure delivery in line with the programme.

### **Programme**

A programme is attached which will be firmed upon selection of a preferred bidder.

It is currently envisaged that legals will be completed this year and a planning application submitted in Q2 2017.

### **Key Risks & Mitigation**

- 1) The demolition and remediation costs will exceed the allocated budget.  
*Works are being closely monitored with independent external support and are now nearing completion.*
- 2) The market will not deliver a 4\* hotel.  
*Market interest has been strong with a number of proposals being submitted. Shortlisted parties have been interviewed and a selection will shortly be made.*
- 3) The new hotel delivery will become stalled.  
*Officers will work closely with the selected developer and make resources available to meet the necessary milestones including legals, planning and commencement of construction.*
- 4) The construction costs are in excess of budget due to capacity pressure from competing projects.  
*We will encourage the selected developer to engage with contractors and cost consultants an early stage to mitigate this risk and encourage early value engineering where appropriate.*

### **Next steps**

Following selection of a preferred Developer and agreement of Heads of Terms The Quality Site Hotel Project is due to be presented to the Leader for an Executive Decision by 30 November 2016.

### **Recommendation**

It is recommended that:

The content of this report is noted and Scrutiny recommends to the Leader that the arrangements for the re-development of the Quality Hotel Site are progressing well and that the risks are carefully considered.