

Report to:	EXECUTIVE
Relevant Officer:	Alan Cavill, Director of Communications and Regeneration
Relevant Cabinet Member:	Councillor Simon Blackburn, Leader of the Council
Date of Meeting:	23 March 2020

CENTRAL BUSINESS DISTRICT - DEVELOPMENT OF A FOUR STAR HOTEL AND INTERCONNECTION OF TRANSPORTATION INFRASTRUCTURE

1.0 Purpose of the report:

1.1 The development of a site within Central Business District as a four star hotel and the provision of interconnecting Infrastructure between Blackpool North Station, the new Tram Stop, the new Hotel and Banks Street Car Park. This report updates decision EX59/2016.

2.0 Recommendation(s):

2.1 To agree the additional forward funding required for the development of the hotel and infrastructure, on the basis of the Hotel earnings covering the Prudential Borrowing costs, including the acquisition and demolition cost detailed in EX24/2016 and EX59/2016.

2.2 To delegate authority to the Chief Executive to vary the forward funding agreements with Muse for the construction of the Holiday Inn Hotel and underpass to reflect the additional cost and scope of the work.

2.3 To agree that the two decisions above update EX59/2016.

3.0 Reasons for recommendation(s):

3.1 To enable the Talbot Gateway contract to proceed and ensure the Demolition of the Wilkinson's Building, the Completion of the Tramway Extension and the construction of a Hotel (branded as a Holiday Inn) and the improved underpass that provides connectivity to Blackpool North Station from the Tramway extension.

3.2a Is the recommendation contrary to a plan or strategy adopted or approved by the Council? No

3.2b Is the recommendation in accordance with the Council's approved budget? Yes

3.3 Other alternative options to be considered:

Not to proceed, but this would mean that the Tramway extension couldn't be completed and the hotel and underpass link to the train station not constructed

4.0 Council Priority:

4.1 The relevant Council Priority is: "The economy: maximising growth and opportunity across Blackpool".

5.0 Background Information

5.1 The Council and Muse Developments Ltd have been working in partnership to develop the Central Business District since entering into a Development Agreement that was signed on 12 March 2009. The Masterplan contained in the Development Agreement was varied following Executive approval on 18th September 2009.

5.2 The Development Agreement was not varied to reflect the new Masterplan as it was considered that as development progressed, supplement deeds would record the variations that were needed at that time. In this respect the First Supplemental Deed was signed on the 23rd December 2010 for the delivery of a supermarket, Council office, Banks Street Car Park and refurbished Talbot Multi-Storey Car Park (EX73/2010 refers). The Second Supplemental Deed was signed on 19 September 2017 following Executive approval EX59/2016 on 15th December 2016 to enable the development of the eastern side of the area currently occupied by the Wilko's Store and Car Park as a Holiday Inn (four star equivalent) 144-room hotel (including restaurant) with retail units on the lower ground floor and the provision of a wide interconnecting underpass under the Hotel and High Street between the new tramway terminus and Blackpool North Station.

5.3 In 2016 the Council purchased the Wilko's building to enable this project and as part of the Phase 2 Development it was agreed with Muse Development's that the majority of the Development Trust Account (DTA), that is jointly operated by Muse and Blackpool Council (£5.5m), would be utilised to assist with the viability of this second phase.

5.4 The interconnecting infrastructure will provide an improved, wider underpass under High Street between the new Tram Stop and the Train Station ensuring that people arriving at Blackpool North Station have direct access to the tramway link and other modes of public transport.

- 5.5 A temporary car park will be constructed on the areas earmarked for future development. This will provide a short term income until there are viable alternative proposals for these sites.
- 5.6 The Executive approved the purchase of Wilko's and the works described above in 2016 (EX24/2016 and EX59/2016).
- 5.7 The Tower Street car park was transferred to Coolsilk when the Council purchased the Wilko's building on the basis that new premises would be provided by them to enable the Wilko's store to move by September 2018. However, in case this wasn't achieved there was an end date of 14 April 2020 agreed in the lease for the existing Dickson Road premises prior to the Council's acquisition. Shortly after this, the Houndshill owners indicated that they would prefer an integrated development and the Council, the Houndshill owners and Coolsilk started working with each other to try and achieve this.
- 5.8 Subsequently, the Houndshill owners were unable to proceed and these timescales were not met. Consequently, the Council had to rely on the 14 April 2020 end of lease date to gain possession of the Phase 2 site.
- 5.9 Based on the current date for vacant possession the demolition and construction work has been tendered with an anticipated start date of 20 April 2020.
- 5.11 The Tender process complies with European procurement rules and was managed by Muse (the Council's Development Partner).
- 5.12 In addition to the inflation increases there are three additional elements that have increased costs:
- 4 additional Rooms (funded through increased income projections)
 - Toilets operated by DANFO (£140k)
 - Tramway Platform Terminus (£155k)
- 5.13 Following the Tender process and allowing for the net income from the Wilko building over the last 4 years the new budget requirement is £34.6m an increase of £3.8m.
- 5.14 It is proposed that the Council vary the forward funding agreement with Muse for the construction of the Holiday Inn Hotel and underpass to reflect the additional scope and cost of the work under the terms of the Development Agreement.
- 5.15 It is also proposed to extend the IHG (Holiday Inn) long-stop date prior to entering into contract in case there are any delays to the end January 2022 opening date.
- 5.16 Does the information submitted include any exempt information? No

5.17 List of Appendices:

- Appendix 4a - Talbot Gateway Masterplan
- Appendix 4b - Phase 2 : Hotel and Temporary Surface Parking
- Appendix 4c - Lower Ground Floor with 8m Wide Underpass
- Appendix 4d - Bickerstaffe Square CGI
- Appendix 4e - CGI From Blackpool North Station
- Appendix 4f- CGI From New Tram Terminus
- Appendix 4g - Schedule of Risk Considerations

6.0 Legal considerations:

- 6.1 The maximum commitment in the Forward Funding Contract of the Hotel and Underpass Contract will require amending.
- 6.2 The Forward Funding Contract for the Banks Street Car Park access may require amending at a future date

7.0 Human Resources considerations:

- 7.1 None.

8.0 Equalities considerations:

- 8.1 None.

9.0 Financial considerations:

- 9.1 The cost of the proposed work is estimated at £34.6m which is an increase of £3.8m from the original estimate. As detailed in the previous approval, £5.5m is being funded from the Development Trust Account and it is intended that the remaining £29.1m is funded by Prudential Borrowing. The borrowing costs are to be met from the income derived from the development. Any shortfall will in the first instance be met from the Growth and Prosperity budget.
- 9.2 The Council has used the services of one of the UK's largest hotel operators (RBH Hospitality Management) to advise on the likely income and expenditure it will incur in operating a hotel of this standard.

10.0 Risk management considerations:

- 10.1 These are outlined in detail in Appendix 4g – Risk Schedule.

11.0 Ethical considerations:

11.1 None.

12.0 Internal/ External Consultation undertaken:

12.1 Market appraisal carried out by ES Group.

13.0 Background papers:

13.1 EX23/2008 re Development Agreement-
EX44/2009 re Variation to Masterplan
EX73/2010 re First Supplemental Deed
EX50/2014 re Central Business District - Four Star Hotel Development (Superseded by Executive Decision EX59/2016)
EX24/2016 re Acquisition of Wilkinson's Building, Talbot Road- [link](#)
EX59/2016 re Central Business District - Development of a Four Star Hotel and Interconnection of Transportation Infrastructure- [link](#)

ONLY APPLICABLE FOR REPORTS WHICH WILL EVENTUALLY BE CONSIDERED BY THE EXECUTIVE/ CABINET MEMBER

14.0 Key decision information:

14.1 Is this a key decision? Yes

14.2 If so, Forward Plan reference number: 1/2018

14.3 If a key decision, is the decision required in less than five days? N/A

14.4 If **yes**, please describe the reason for urgency:

15.0 Call-in information:

15.1 Are there any grounds for urgency, which would cause this decision to be exempt from the call-in process? NO

15.2 If **yes**, please give reason:

TO BE COMPLETED BY THE HEAD OF DEMOCRATIC SERVICES

16.0 Scrutiny Committee Chairman (where appropriate):

Date informed: 13 March 2020 Date approved: N/A

17.0 Declarations of interest (if applicable):

17.1

18.0 Executive decision:

18.1

18.2 Date of Decision:

19.0 Reason(s) for decision:

19.1 Date Decision published:

20.0 Executive Members in attendance:

20.1

21.0 Call-in:

21.1

22.0 Notes:

22.1