

Cabinet

17th July 2018

**Name of Cabinet Member:**

Cabinet Member Jobs and Regeneration – Councillor J O’Boyle

**Director Approving Submission of the report:**

Deputy Chief Executive (Place)

**Ward(s) affected:**

Holbrooks / Longford

**Title:**

Grant of Lease of Car Park C, Ricoh Arena.

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**Is this a key decision?**

Yes – Geographically the site sits within Holbrooks Ward but affects the Ricoh Arena development located in the adjacent Longford Ward. The success of the Arena has the ability to affect the whole of the City.

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**Executive Summary:**

The development of a new hotel on Car Park C at the Ricoh Arena has been a long term ambition of the Council. It is recognised that additional hotel accommodation will support events and conferencing at the Ricoh Arena but more importantly across the city as a whole.

Car park C remains in Council ownership. It is located opposite the Ricoh Arena and Arena Park developments on the western side of the A444. The site extends to approximately 3.5 ha (8.6 acres) and is mainly used for events parking for cars and coaches associated with the Ricoh Arena and is accessed directly from the A444.

Wasps Holdings Ltd (WHL) has recently approached the Council to request the grant of a new long lease over Car Park C in order to facilitate the development of an up to 150 bed hotel. This report sets out the proposed terms of such a lease, and the protections to be put in place to secure the Council’s position.

**Recommendations:**

Cabinet is requested to:-

1. Approve the grant of an initial licence over Car Park C (shown edged red on Plan 1 at Appendix 1) to WHL, on income sharing terms to expire no later than 30<sup>th</sup> November 2019.

2. Approve the grant of a long lease of the area shown edged red on Plan 1 at Appendix 1 to WHL, which shall be co-terminus with the lease on the remainder of Ricoh Arena, to facilitate the development of the new hotel subject to planning consent for the development of a hotel being granted.
3. Approve the grant of a car parking licence to WHL over the Leisure Land (shown edged red on Plan 2 at Appendix 1 ) in order to provide additional car parking to support the Ricoh Arena and to provide replacement car parking during the construction of the hotel
4. Delegate authority to the Director of Project Management & Property Services following consultation with the Cabinet Member for Jobs & Regeneration, to finalise the terms of the licence and lease subject to this report and for any subsequent variation in terms.
5. Delegate authority to the Head of Legal Services to execute all the necessary documentation for the initial licence, option and lease referred to in this report.

**List of Appendices included:**

Appendix - Plans 1 and 2

**Background papers:**

None

**Other useful documents**

None

**Has it been or will it be considered by Scrutiny?**

No

**Has it been or will it be considered by any other Council Committee, Advisory Panel or other body?**

No

**Will this report go to Council?**

No

**Report title:** Grant of Lease Car Park C, Ricoh Arena

**1. Context (or background)**

- 1.1 Car Park C was acquired by the Council in 2003 to assist with the development of the Arena and currently forms a surface car park for approximately 750 cars and some additional coach parking, to support concerts, conferences, sports and other events.
- 1.2 Presently, there are only a limited number of hotel bedrooms (circa 120) within the Ricoh Arena itself. This constrains the conferencing/exhibition business at the Ricoh. Further local hotel rooms are required to support the future projected growth of the Arena and the wider city events programme leading up to and during Coventry's City of Culture 2021.
- 1.3 A number of proposals for the development of a hotel on Car Park C have been made over a number of years but none has ever been delivered.
- 1.4 Accordingly and in order to obtain an objective view on the feasibility of the WHL proposal independent hotel/hospitality industry consultants and independent valuers were instructed to carry out a viability appraisal and valuation of the site based on the proposals. These reports informed the commercial arrangements proposed in this report.
- 1.5 As the proposal for a hotel has been subject to a number of false starts in the past it is proposed that the Council secures a buy back provision in the lease requiring the surrender of the lease back to the Council in the event that the hotel is not delivered.
- 1.6 The delivery of a hotel on Car Park C is likely to sterilise this car park for up to 2 years during construction. Accordingly, it is proposed that the Leisure Land is utilised as a temporary car park until such time as the hotel is completed. It is therefore proposed that the Council enters into a licence with WHL to allow the use of the Leisure Land as a temporary car park on a revenue share basis.

**2. Options considered and recommended proposal**

**Option 1**

The proposal is for WHL to enter into a licence to expire on 30 November 2019 during which time they will be obligated to apply for planning consent for an up to 150 bed hotel. During this period they will operate the car park, paying the Council a proportion of the net car parking receipts. WHL will simultaneously enter into an option to take a long lease of Car Park C at a capital premium, co-terminus with the lease on the remainder of Ricoh Arena. WHL will only be able to enter into this lease if planning consent has been granted

In the event that the development has not commenced within 2 years or achieved practical completion by the fourth anniversary, then the Council can require the surrender back to the Council of the long lease, repaying the premium paid less 5%.

The proposal is conditional upon there being no areas of contamination requiring remediation.

This is the preferred option which delivers the Council market value, supports the future growth of the regionally important Ricoh Arena, seeks to deliver an additional hotel prior to City of Culture 2021 and limits the risk associated with achieving this, to the Council.

## **Option 2**

The Council negotiate a lease with WHL to operate the car park. This option does not deliver the hotel.

## **Option 3**

The Council operates the car park itself. This option could deliver income but will bring with it car park security and management issues and will compete against the Arena as a car park provider. It will not support the development of the Arena and will not deliver an hotel.

## **Option 4**

The Council tries to sell the site for hotel development. Without synergy with the Arena, demand from hotel operators is not expected to be strong and even if an operator could be found, it is unlikely to deliver a hotel by 2021.

### **3. Results of consultation undertaken**

- 3.1** Extensive consultation has taken place previously in respect of the earlier hotel development proposals with the local community, where various concerns were raised including the height of the buildings and parking issues. It is intended that the hotel operator / developer will, working through the local ward councillors engage with the community via a public display and meeting to discuss the new proposed scheme ahead of any planning application. This will be in addition to any statutory public consultation relating to any planning application.

### **4. Timetable for implementing this decision**

Complete the licence and option within 3 months and have executed the long lease within 12 months.

### **5. Comments from Director of Finance and Corporate Resources**

#### **5.1 Financial implications**

Should the initial licence be completed, the Council will receive a share of the net car park income. This will cease at the earlier of November 2019 upon the expiration of the licence or when WHL enter into the long lease and pays the capital premium.

The proposed rental and capital premium will help support the ongoing provision of Council services.

#### **5.2 Legal implications**

The Council is under an obligation to obtain the best price reasonably obtainable in accordance with section 123 of the Local Government Act in respect of disposals of interests in land and property. In this respect, the Council and WHL jointly commissioned GVA to assess market value of the proposed long leasehold interest for the purposes of S.123 of the Local Government Act 1972 and accordingly, the capital premium represents best consideration.

The City Council's has a duty not to grant State aid without first notifying the EU Commission. It is not considered that within these proposals that State Aid has been granted so no notification to the EU Commission is required. The independent hotel/hospitality industry consultants and independent valuers were instructed to carry out a viability appraisal and

valuation of the site based on the proposals. The EU Commission's Notice on State aid states that: "an independent expert evaluation prior to the sale negotiations to establish the market value on the basis of generally accepted market indicators and valuation standards is in principle satisfactory."

Officers within Legal Services will prepare, negotiate and complete the necessary legal agreement to achieve the approach set out in this report.

## **6. Other implications**

None

### **6.1 How will this contribute to the Council Plan ([www.coventry.gov.uk/councilplan/](http://www.coventry.gov.uk/councilplan/))?**

The delivery of the hotel as part of the expansion of the Arena development will help achieve a number of the priority themes of the 'Globally connected' and 'Delivering our priorities' within the Council Plan. These include: -

**Supporting businesses to grow** – WHL offer a range of sports and conference events, together with major concerts and leisure facilities. The provision of additional hotel accommodation will increase the appeal and hence demand for the offer, increasing revenue and supporting the business. It also provides local business with new opportunities to provide goods and services to the new hotel operations.

**Raising the profile of Coventry and Arts, sports & cultural opportunities** – Ricoh Arena is already a regionally important facility as the home of Wasps and Coventry City Football Club and as a venue for major conferences and concerts, such as the Rolling Stones and Bruce Springsteen. The additional hotel accommodation will improve the offer of the venue and help raise its profile, Ricoh Arena will play a key role in City of Culture 2021.

### **6.2 How is risk being managed?**

The risks have been identified earlier in the report.

### **6.3 What is the impact on the organisation?**

Officer time in the Place Directorate will be allocated to deal with the preparation and completion of the legal documentation.

### **6.4 Equalities / EIA**

An equality impact assessment was undertaken for the Local Plan however an EIA has not been undertaken by officers for the proposal set out in this report as it relates to the granting of or the creation of a legal interest in the land and does not constitute a change in service delivery policy or the exercise of a public function.

### **6.5 Implications for (or impact on) the environment**

The subsequent impact on the environment through the redevelopment of the site for a hotel will be in accordance with the Council's planning policies for sustainable development.

### **6.6 Implications for partner organisations**

There is no impact on partner organisations.

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