
Cabinet Member for Jobs, Regeneration and Climate Change - 29 September 2021

Name of Cabinet Member

Cabinet Member for Jobs Regeneration and Climate Change - Councillor J O'Boyle

Director Approving Submission of the report:

Director of Property Services and Development

Ward(s) affected:

Sherbourne

Title:

Surrender and regrant of a new 250 year Lease for Butts Park Arena, Butts Road, Coventry CV1 3GE

Is this key decision – No

Executive Summary:

Coventry Rugby Football Club has a long affiliation with the City having been established in 1874. The club moved from its historic Coundon Road ground to the Butts Park Arena in 2004 and currently plays in the Championship league of national rugby.

Since 2014 the club has invested circa £2.5M in the current facility including an artificial playing surface turning the Butts Park Arena into a multi sports facility. So in addition to Coventry Rugby Club its is also currently the home of Coventry Bears Rugby League Club, Coventry United Football Club and Coventry United Ladies Football club. It also hosts games of American Football, Gaelic Football, local schools sports, University and junior rugby clubs as well as community outreach programmes.

Butts Park Arena Ltd, who lease the site from Coventry City Council, are looking to significantly improve their facilities by developing two new spectator stands with hospitality facilities along with associated food / beverage. In addition a hotel with conferencing rooms and 140 private rented residential apartments.

The key objective of the Rugby Club is securing their long term financial stability, achieved by maximising the financial income from the site. As a more self sustaining organisation it also provides the opportunity for the club to continue its role in the local community and to support the promotion of health and wellbeing through sports and activity.

To facilitate the proposed development, the Council is being asked to consider accepting a surrender of the current lease and the granting a new 250 year lease with a wider user clause.

The Council's independent external valuation, having assessed the changes to the lease terms required, and concluded the value for allowing the changes is £1.8M ("the Premium").

It is proposed that in lieu of paying the Premium up front on the grant of the new lease that alternatively the lessee commits to deliver, by way of a legally binding Community Sports Agreement, community activities and use of the sporting facilities to individuals or groups up to a minimum value of £180,000 per annum over the next ten years.

Recommendations:

The Cabinet Member for Jobs, Regeneration and Climate Change is recommended to:

1. Agree to accept the surrender of the existing leasehold interest and authorise the simultaneous grant of a new 250 year lease to Butts Park Arena Limited of the premises on Butts Road for a premium of £1.8M and peppercorn ground rent.
2. Approve that the premium be payable by way of a ten year Community Sports Agreement setting out a minimum provision of community activity which equates to a financial contribution of £180,000 per annum.
3. Approve the entry into the Agreement for Lease, Lease and Community Sport Agreement with Butts Park Arena Limited
4. Delegate authority to the Director of Property Services & Development following consultation with the Director of Finance and the Director of Law and Governance to undertake the necessary due diligence and complete all necessary legal documentation to facilitate the completion of the transaction.
5. Delegate authority to the Director of Property Services & Development following consultation with the Cabinet Member for Jobs, Regeneration and Climate Change and the Cabinet Member for Strategic Finance and Resources for any subsequent variation in terms.

List of Appendices included:

- Annex 1: Site plan identifying the site
- Annex 2. Indicative development massing plan

Other useful background papers:

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: Surrender and regrant of a new 250 year Lease for Butts Park Arena, Butts Road, Coventry CV1 3GE

1. Context (or background)

- 1.1 Coventry Rugby Club, a historic club forming part of the fabric of the City since its inception in 1874, moved to its new home of the Butts Park Arena in 2004 following the sale of its home of 88 years at Coundon Road. Currently the club plays its first team rugby in the Championship league of English Rugby.
- 1.2 Butts Park Arena is located close to the city centre and sits within an area identified for wider regeneration. Over the last 10 years significant development of the adjoining former City College site has seen the creation of a new business and leisure area including a hotel, affordable and extra care residential homes and Albany Theatre. In addition there has been new student housing built in the Butts area as well as current plans being developed to improve the existing social housing estate opposite in Spn End.
- 1.3 Coventry Rugby Club has recognised that their rugby income alone is insufficient to sustain the club. Therefore in order to ensure that this historic club continues to contribute to the City, a greater focus on commercial activity in its current location is essential to make the club financially self sustaining in the long term. This financial stability will support the aspiration of a sustained top 3 league position as well as providing leadership in the local community through the promotion of health and well being through sport.
- 1.4 Since 2018 the club has invested circa £2.5m enhancing the site and operations which included laying down an artificial playing surface enabling all year playing of multiple sports. As a result, the Butts Park Arena is not only the home of Coventry Rugby Club but also Coventry Bears Rugby League Club, Coventry United F.C and Coventry United Ladies F.C. The Arena has also hosted American Football as well as Gaelic Football and its facilities have been made available to local schools, universities and junior rugby clubs.
- 1.5 In addition the 'engineered' layer below the artificial pitch facilitates the hosting of concerts and outdoor events.
- 1.6 The lease of the Butts Park Arena is currently held by Butts Park Arena Limited on a 125 years long leasehold from the Council dated 21st Jan 2003, with an annual peppercorn ground rent.
- 1.7 Butts Park Arena Limited is a company which is majority owned and controlled by Coventry Rugby Club Ltd.
- 1.8 The Club now proposes to develop the facilities further but this requires support from the Council to extend their lease term and widen their user clause to enable this new development to happen.

Proposed Development

- 1.9 The key components of the development proposal are:-
 - 150 bed hotel development
 - New 1200 spectator covered standing terrace including with ground floor club shop, food and beverage outlets and fanzone
 - 140 apartments of private rented residential accommodation.
 - Drive through café.
 - Hospitality suite and seating area will be developed in the wider site development plan

- 1.10 Each block of development to both the north and east of the pitch are proposed to be five storeys in height.

2. Options and recommended proposal

Option 1 – Proceed with the grant of a new lease

- 2.1 Butts Park Arena are seeking a new 250 year lease over the whole property with a wider user clause to facilitate the redevelopment. The extension of the term is to assist with the development of the residential element of the scheme and long term security. The longer term also assists with securing funding from investors.
- 2.2 A “user clause” in a lease sets out what types of development, activities can take place on a property. It is only intended to widen the user clause on the areas of the site where development is proposed and not across the whole site. In addition the provision of the multi sports playing surface for the primary use as a Rugby Football pitch will be protected for the duration of the lease by the user clause.
- 2.3 The new hotel, conferencing and food and beverage facilities allowed will enable the maximisation of income from these parts of the site. It will attract customers to the arena throughout the week and not just at weekends. This will support the clubs aspirations both on and off the pitch by helping to secure its financial position.
- 2.4 In return for the lease extension the club have agreed to continue to make the Butts Park Arena facilities available for other sports including Coventry United mens and womens football teams, Coventry Bears Rugby League Football Club, Disability sport including Wheelchair Rugby, American football, local Gaelic football, Coventry School’s, University and junior rugby clubs.
- 2.5 In addition, Coventry Rugby Club are committing to provide community outreach programmes promoting health and wellbeing to young people across the City. The Club will provide community services to a value of £180,000 per annum over the next 10 years to achieve this.
- 2.6 This investment will be secured by way of a legally binding Community Sport Agreement which obligates the Club to provide the community focused programmes to the required value. This will be monitored by officers from the Sports area of the Council to ensure it is being delivered. Failure to deliver would result in the Club paying the Premium in cash.
- 2.7 The community sports programmes delivered will be used to offset the Premium created in the extension and widening of the lease terms, which equates to £1.8m (as assessed by external property consultants Lambert Smith Hampton). This
- 2.8 This proposal will support Coventry Rugby Club to become more financially sustainable but also the provision of the community outreach programmes will support the Council’s ambition to ensure high quality sporting facilities are available for use by the residents within the city.

Option - 2 Not to proceed with the new long lease

- 2.9 Without the new 250 year lease and widening of the user clause, the long term financial stability of the Rugby Club would be at risk, relying on income at weekends only.

- 2.10 In addition the current community outreach projects which the club provides would be at risk. These activities include 'Reading & Rugby', after school extra curriculum sports club, 'Rugby and Health' programme and social inclusion projects for children from disadvantaged backgrounds (which include multi sport camps where children share food and friendship as well a season ticket for them and a parent or guardian so they can come to the weekend games throughout the season).
- 2.11 Not proceeding with this proposal will also significantly reduce the likelihood of attracting external finance to invest in the future development of the site and, therefore, to achieve the benefits outlined in this report.

3. Results of consultation undertaken

No public consultation has been undertaken, however, there will be an opportunity for the public to comment on the development proposals when a planning application is submitted.

4. Timetable for implementing this decision

- 4.1 Subject to the approval of the recommendations contained in this report, it is advised that the agreement for lease and lease could be ready for completion within 6 weeks. This would then enable Butts Park Arena Ltd to enter into agreement with their development partner and funder, triggering the planning application process.

5. Comments from the Director of Finance and the Director of Law and Governance

5.1 Financial implications

- 5.1.1 The current lease of the Butts Park Arena does not produce any revenue income for the Council having been granted on a peppercorn rent. The new proposal maintains this position and does not change the financial income of the Council.
- 5.1.2 Independent valuers, Lambert Smith Hampton, have however considered the capital value for the granting of a new 250 year lease under the proposed terms and advise that the Council are entitled to receive a premium payment valued at £1.8m.
- 5.1.3 The £1.8m value of the lease extension will be paid by Coventry Rugby Club by way of a legally binding Community Sports Agreement, which will obligate the club to invest a minimum of £180,000 per annum for a period of 10 years. Any under provision against the obligations would result in a requirement for the club to pay that value in cash to the City Council.
- 5.1.4 Facilitating the development of 140 private residential flats for rent would generate additional Council tax income for the authority.

5.2 Legal Implications Property

- 5.2.1 The Council has the power under section 19 of the Local Government (Miscellaneous Provisions) Act 1976 to provide and equip recreational facilities for use of clubs having athletic, social or education objectives. The proposal within this report around the Premium being used towards the provision of Community Sports Activities at the site fall within the remit of this power.
- 5.2.2 There are no s123 implications as the Council receives the monetary value of the Premium to be paid under the lease extension by way of the provision of Community Sports Activities under a legal binding Community Sport agreement, where the club commits to invest a

minimum value over a 10 year period, failure of which will require some or all of the Premium to be repaid to the Council.

- 5.2.3 The Agreement for Lease will be conditional on the tenant securing planning consent, funding and a signed building contract for the delivery of the development prior to granting the new lease.
- 5.2.4 Legal Services will support officers in ensuring that the due diligence undertaken in relation to the proposals set out in this report are robust and any risks identified will be adequately mitigated.

6. Other implications

6.1 How will this contribute to achievement of the Council Plan?

Facilitating the redevelopment of the Butts Park Arena will provide additional and improved sporting facilities for the benefit of the club and the wider community. In addition, there will be a commitment to provide a minimum annual investment in wider community outreach projects across the city which aim to improve health and wellbeing linked to sporting activities.

6.2 How is risk being managed?

The risks around the delivery of the development is mitigated by the positive lease obligations relating to the development and the community benefits as well as conditions which are required to be met by the tenant before the new lease is granted. These obligations provide a level of certainty around delivery of the development and community activities.

6.3 What is the impact on the organisation?

There is no direct impact on the organisation.

6.4 Equality Impact Assessment (EIA)

- 6.4.1 An Equality Impact Assessment has not been undertaken as the proposal concerns the granting of new long lease and no Council service or group will be impacted.
- 6.4.2 An equality impact assessment is a process designed to ensure that a policy project or service does not discriminate against any disadvantaged or vulnerable people. Section 149 of the Equality Act 2010 imposes an obligation on Local Authorities to carry out an equality impact assessment when the local authority is exercising a public function.

6.5 Implications for (or impact on) climate change and the environment

The Council's facilitation of the development of the Arena property will be undertaken under current building regulations providing energy efficient buildings and specifically provide 140 new warm and energy efficient residential flats.

6.6 Implications for partner organisations?

- 6.6.1 There are no implications to partner organisations.

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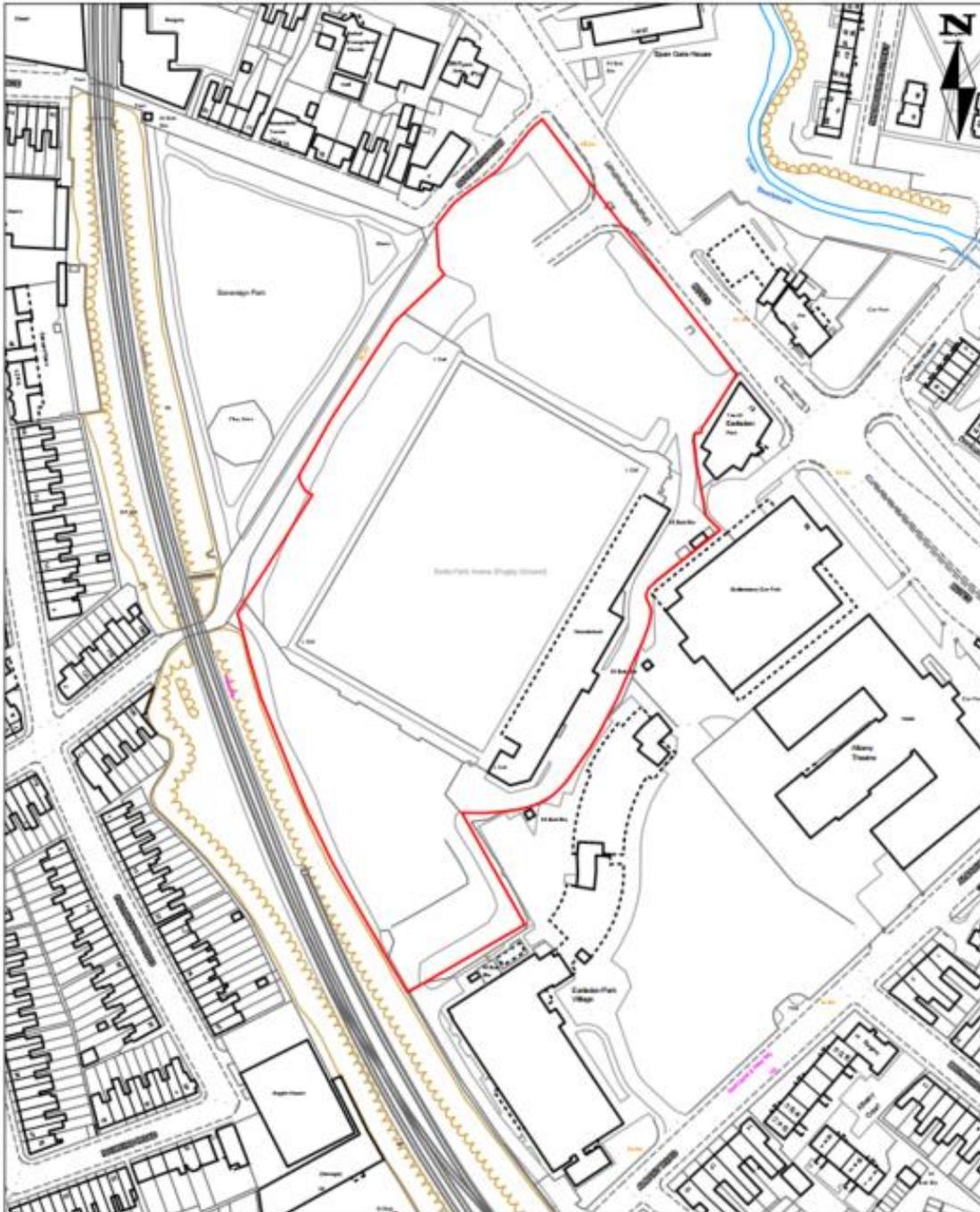
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This report is published on the council's website:

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Appendix 1 Butts Park Arena, Butts Road, Coventry CV1 3GE
 Site Plan



PLACE DIRECTORATE PROPERTY ONE FRIARGATE COVENTRY CV1 2GN Tel: 024 76972105	 Coventry City Council	Title: Leased Land Butts Rugby Club Drawn By: LB Scale : NTS Date: 20/01/21
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Richard Moon - Director, Project Management & Property Services

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Appendix 2 Butts Park Arena, Butts Road, Coventry CV1 3GE
Indicative Development Massing Plan

