

# Report

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Report to:	<b>Housing and Technical Resources Committee</b>
Date of Meeting:	<b>7 March 2018</b>
Report by:	<b>Executive Director (Housing and Technical Resources)</b>

Subject:	<b>Variations to the Ground Lease at Hamilton Racecourse and Partial Assignment to Permit Hotel Development – Hamilton Park Racecourse Company Ltd</b>
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## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ request approval for partial assignment and change of use to grant a lease to Hamilton Park Racecourse Hotel Company Ltd to permit the development of a hotel

## 2. Recommendation(s)

2.1. The Committee is asked to approve the following recommendation(s):-

- (1) that the terms of the existing ground lease for Hamilton Park Racecourse be varied to facilitate the development of a hotel within the grounds of the Racecourse;
- (2) that the lease be partially assigned to Hamilton Park Racecourse Hotel Company Ltd on the principal terms and conditions set out in Section 4 of this report; and
- (3) that the Executive Director (Housing and Technical Resources) in consultation with the Head of Administration and Legal Services be authorised to enter into the necessary legal agreements on terms which are in the best interests of the Council.

## 3. Background/Options

- 3.1. Hamilton Park Racecourse is currently held under a long ground lease from the Council to Hamilton Park Racecourse Company Ltd with a remaining term of approximately 106 years expiring in September 2124. The ground rent is the greater of either £15,000 per annum or 2.5% of the annual turnover and is paid to the Hamilton Common Good Account.
- 3.2. In October 2017 Hamilton Park Racecourse Company Ltd approached the Council advising that they wished to investigate a proposal for a hotel development within the Racecourse site to complement and enhance the racing facilities.
- 3.3. Feasibility studies were undertaken by the Company supported by Visit Lanarkshire.
- 3.4. Hamilton Park Racecourse Company Ltd have now brought forward the proposal for £10m capital investment to create a 118 bedroom hotel which would be branded "Hamptons by Hilton". The proposal would be the first hotel of this brand outwith major Scottish cities and the sixth such hotel within Scotland.

- 3.5. Hamilton Park Racecourse Company Ltd have obtained the necessary planning consent (HM/17/051) for a 118 bedroom hotel and associated parking.
- 3.6. The proposed timescale for the commencement of works is spring 2018 with a proposed completion in April 2019 and official opening in May 2019.

#### **4. Current Position**

- 4.1. The terms and conditions of the current lease agreement do not permit the proposed development and therefore the Council has been asked to agree to the variation of the current arrangements.
- 4.2. To deliver the proposal a new company is being created by Hamilton Park Racecourse Ltd, namely Hamilton Park Racecourse Hotel Company Ltd. This will therefore require an assignation of part of the lease area to the new company on terms which reflect the increased commercial value arising from the development.
- 4.3. Negotiations have been undertaken and provisional agreement reached on the principal terms and conditions for the variation of the existing lease, assignation and new lease which will see an increase in the income to the Common Good Account of approximately £55,000 per annum.
- 4.4. In addition the rental income due under the current lease agreement for the Racecourse site will continue at the greater of either £15,000 per annum or 2.5% of annual turnover.
- 4.5. The principal terms and conditions for the variation of the existing lease, assignation and new lease for the hotel site are:-
  - ◆ the date of assignation/entry to be agreed between the parties
  - ◆ the lease length to run to coincide with the existing lease which terminates on 9 September 2124
  - ◆ rental £55,000 per annum or 2.5% of the gross income greater than £2.5m pa
  - ◆ the rent to be reviewed on a 5 yearly basis with the base rent increased in accordance with the RPI
  - ◆ the tenant will meet all fees and charges arising as a result of this transaction including the costs associated with Council's legal, estates and external professional fees
  - ◆ the site will extend to 7403m<sup>2</sup>
  - ◆ the use will be for construction and development of a hotel together with service car parking and ancillary facilities
  - ◆ the tenant is responsible for all necessary insurances required for the occupation and use of the site
  - ◆ assignation will be permitted subject to proposed tenants holding sufficient financial standing and skills and experience to fulfil the terms of the lease
  - ◆ the transaction be conditional on all necessary planning and other statutory consents being granted and approved

#### **5. Employee Implications**

- 5.1. There are no employee implications in this proposal.

#### **6. Financial Implications**

- 6.1. The proposed agreement will result in increased revenue of a minimum of £55,000 per annum which is subject to regular reviews. Further, the development enhances and retains the commercial viability of the Racecourse.

## **7. Other Implications**

- 7.1. Not proceeding could affect the long term viability of the Racecourse and put at risk the revenue income from the lease. The Council would forego the opportunity to increase the income to the Common Good Account.
- 7.2. The proposal is estimated to create 20 full time jobs and it is anticipated that it will enhance Hamilton and South Lanarkshire as a leisure and tourist destination contributing to economic development.

## **8. Equality Impact Assessment and Consultation Arrangements**

- 8.1. Consultation has taken place with Planning and Economic Development, Legal and Finance Services.
- 8.2. Given the specialist nature of the proposals, consultation was undertaken with external valuation experts specialising in hotel and licence trade management to ensure that the terms and conditions of the lease reflect Best Value.
- 8.3. This report does not introduce a new policy, function or strategy or recommend a change to an existing policy, function or strategy and, therefore, no impact assessment is required.

**Daniel Lowe**

**Executive Director (Housing and Technical Resources)**

1 February 2018

### **Link(s) to Council Values/Ambitions/Objectives**

- ◆ Accountable, effective, efficient and transparent

### **Previous References**

- ◆ None

### **List of Background Papers**

- ◆ None

### **Contact for Further Information**

If you would like to inspect the background papers or want further information, please contact:-

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