

# **PUBLIC SECTOR FUNDING OF HOTEL DEVELOPMENT SCHEMES IN THE UK**

## **1. Introduction**

Public sector funding in one form or other is increasingly being used to support hotel development schemes across the UK in terms of:

- Local authority borrowing at preferential rates;
- National and regional government grants;
- Local authority equity funding/direct investment;
- Local authority loans;
- Heritage grants for the conversion of historic buildings to hotels;
- Local authority freehold purchase of a building for hotel conversion;
- The contribution of local authority owned land or properties for hotel development;
- Public sector pension funding of hotel schemes;
- Local authority taking an income strip lease to secure forward funding;
- Local authority development companies investing in and leasing hotels.

Such public sector investment in hotel schemes is being justified in terms of:

- Finding a new use for a redundant building;
- Enabling a strategically important hotel that cannot secure commercial finance to proceed;
- Place-making - kick starting and enabling key regeneration schemes that include a hotel as a component;
- Generating an income stream for a local authority at no cost to the tax payer;
- Helping to boost tourism growth;
- Job creation.

Examples of these types of public sector funding of hotel projects are given in the following paragraphs.

## **2. Local Authority Borrowing at Preferential Interest Rates**

A number of local authorities across England have used their prudential borrowing powers to take out preferential rate loans to help fund hotel schemes, typically entering into a lease arrangement with a hotel operating company to generate a rental income to repay the loan and in some cases generate a surplus profit for the authority. This has enabled hotel schemes that have been unable to secure commercial funding to go ahead, at no cost to Council tax payers and in some cases giving an investment return to the council. Councils can borrow money from the Government's Public Works Loan Board at a much cheaper rate than available to private sector borrowers from commercial lenders, typically 2.5%, with schemes typically providing a return of up to 8%. They can also keep the business rates generated by the investment. Examples are as follows:

### **Pullman Hotel, Liverpool**

Liverpool City Council funded the £66m Exhibition Centre Liverpool and Pullman Hotel adjacent to the Liverpool Arena and Convention Centre (ACC Liverpool) on Liverpool's waterfront, through borrowing that is being supported directly from the revenue generated by the expanded ACC Liverpool campus. The scheme was funded at no cost to tax payers. The hotel opened in 2016, following the opening of the exhibition centre in September 2015. It has 216 bedrooms and is an upscale 4-star standard. It acts as the headquarters hotel for conferences and exhibitions taking place at the convention and exhibition centres. Exhibition Centre Liverpool was one of Mayor Anderson's priority projects. Having an on-site 4-star hotel was seen as critical to its success. After initial investigations to find a private sector partner to fund and develop the hotel failed the City Council decided to fund the hotel directly itself alongside its funding of the exhibition centre. The hotel is wholly owned by the City Council and operated under management contract by Branded Hotel Management through a franchise agreement with Accor Hotels.

### **Crowne Plaza Newcastle**

Newcastle City Council borrowed £30m to help fund the development of the 250-bedroom, 4-star Crowne Plaza hotel as part of the first phase of the Stephenson Quarter business district scheme in Newcastle city centre. This is a key regeneration project that the City Council sees as being of vital importance to the future development of Newcastle. The developers, Silverlink Holdings (now renamed as the Coulston Group) had secured commercial backing for other elements of the scheme but were unable to secure a loan for the hotel as the banks were reluctant to fund this type of use. With the hotel being a key element of the scheme, the City Council stepped in to borrow the money to help progress the hotel. It has lent a large slice of

the money that it has borrowed to the developer to fund the construction of the hotel. The Council will use the rest of the money to buy plots of land near the hotel and kick-start work on buildings that will be sold on at commercial rates. The hotel opened in September 2015. It is being operated under management contract by the InterContinental Hotels Group (IHG). The hotel has added a major new business conferencing and banqueting facility to the city. Its main conferencing suite seats and caters for around 400 people. The hotel also offers eight adaptable meeting rooms that can accommodate small seminars of 12 people up to large private meetings of 32 and delegate meetings of 100. Combining the large conference suites and meeting rooms, the hotel can provide more space to become an ideal venue for exhibitions.

### **Hilton Ageas Bowl, Hampshire**

Eastleigh Borough Council purchased the completed 175-bedroom, 4-star Hilton hotel at the Ageas Bowl cricket ground near Southampton, home of Hampshire County Cricket Club. In a deal signed in 2012, the Council agreed to pay £27.5m for the completed hotel to enable it to go ahead. Its construction was funded by Omni Capital. The investment has required the Council to take out a loan, which will be repaid with the revenue from the hotel. The Leader of the Borough Council, Cllr Keith House, has consistently said that the surplus income, particularly in the longer-term once the loan has been cleared, will be used to keep Council Tax down.

### **Lancashire County Cricket Club 4 Star Hotel**

The Greater Manchester Combined Authority and Trafford Metropolitan Borough Council stepped in to help bridge the funding gap for a 150-bedroom 4-star Hilton hotel at Lancashire County Cricket Club's Emirates Old Trafford ground after the club failed to secure a bank loan for the project. A meeting of the Combined Authority in February 2015 agreed a loan of £5m towards the £12m hotel from the Greater Manchester Growth and Growing Places Funds, while Trafford Metropolitan Borough Council agreed to a loan of £4m. The Cricket Club turned to these public sector bodies after being turned down for funding by its bank. The Club had also rejected an offer of a loan from the Greater Manchester Pension Fund because the level of fees and proposed interest rate of 9% could not be supported by the hotel scheme. Trafford Council borrowed the £4m from the Public Works Loan Board resulting in an annual interest cost of £106,000. The Cricket Club will pay the Council £221,000 over the loan period, leading to a net profit for the Council of £115,000. The hotel opened in 2017, and has been part of a £60m investment to position the ground as a major events venue.

## **Stockport Exchange**

Stockport Council used its prudential borrowing powers to access an £18.5m preferential rate loan to forward fund the construction of a 115-bedroom hotel and 50,000 sq ft office building as the second phase of the Stockport Exchange mixed-use development scheme in Stockport town centre in conjunction with its development partner Muse Developments. The Council bought the 10.4-acre site in January 2011. The first phase of the development, which included highways improvements and a 1,000-space multi-storey car park was completed in 2014. The Council saw the scheme as being crucial to the success of Stockport town centre. It took the decision to use its preferential rates of borrowing to kick start phase 2 and attract further investment at a time when commercial funding has proved difficult to secure. The income generated will cover the cost of the loan. The Council did extensive research and financial modelling to ensure its financing of the hotel and office development will be at no extra cost to the Council Tax payer.

## **Hampton by Hilton Hotel, Stockton**

Stockton Borough Council is borrowing £17m to fund the development of a 125 bed Hampton by Hilton hotel on Stockton Riverside. The site is an important part of the town's North Shore regeneration scheme, and the hotel is seen as helping expedite its delivery and provides an opportunity for the Council to use it as leverage to bring external finance into the borough. The investment will also generate revenue for the authority, with projections forecasting that the Council will receive net operating profits of £1.2m per year, more than covering the estimated £830,000 per year needed to pay back the borrowing over 35 years. A hotel of this quality was also seen as a benefit in terms of attracting visitors to stay in the area.

## **Holiday Inn Express, Middlesbrough**

Middlesbrough Council provided £6m of senior debt funding at commercial interest rates (under low prudential borrowing rates) for the development of the Holiday Inn Express in the town centre. The total project cost was £12.4m. A traditional lender couldn't be secured because the debt servicing ratio was considered too risky by mainstream banks. The justifications were that the hotel supported the on-going regeneration of the town centre, particularly as situated in a gateway location, and brought back into use vacant commercial property.

### **Hilton Hotel, Victoria Square, Woking**

Woking Council has borrowed £400m of low interest public funds from the Public Works Loans Board to invest in its Victoria Square regeneration scheme. The scheme is being delivered by Bandstand Square Developments, a joint venture between Moyallen, Woking Council and Surrey County Council. Key objectives have been to secure the long-term future of the town, alongside generating an income and devolved business rates. The development includes a 196-bedroom 4-star Hilton hotel in a 21-storey tower, 120,000 sq ft of shops anchored by Marks & Spencer, 392 build to rent flats, public plazas, and relocation of the fire station. The hotel is due to open in 2021.

### **Hilton Garden Inn, Hanley**

A Hilton Garden Inn 3-star hotel is currently under construction by developer Genr8 in the Smithfield area of Hanley, the emerging city centre for Stoke-on-Trent. £7m of public funding has been committed to the scheme, a combination of a £4.55m loan from Stoke-on-Trent City Council, and a £2.95m grant from the Stoke-on-Trent and Staffordshire Local Enterprise Partnership. The 140-room hotel is projected to generate £150,000 a year in business rates and add £4m to the local economy through visitor spending. Other reasons behind the investment were job creation, the additional footfall it would create to the city centre, the confidence it will create to other investors, and the new markets it can help attract.

### **Travelodge Partnerships with Local Authorities**

Travelodge has been working in partnership with local authorities to develop new hotels with funding from low interest government loans from the Treasury through the Public Works Loans Board. The hotels are built on local authority land and leased to Travelodge on a 25-year term, with the councils repaying the debt using the rental income from Travelodge and any other tenants. Travelodges have so far been developed using this mechanism in Eastleigh, Aylesbury, Bicester, Thetford and Redhill. When complete the local authority can choose whether to retain ownership of the hotel or to sell it with Travelodge as the operator.

Lincoln City Council entered into a similar arrangement with Travelodge, selling the site to developers Harrisons for £1.025m and buying the completed hotel development back at a cost of £13m with a lease in place for 25 years to Travelodge. The loan is secured by the value of the asset and the return will not only cover the cost of the loan but make a surplus to contribute to Council services. The 127-bedroom hotel opened at the end of 2018, and features a number of Superrooms which are classed as 'premium economy' with additional services and features. 40 jobs have been created. The development also contributes to the regeneration of the city centre, sitting in close proximity to the recently opened transport hub, Cornhill Quarter and new East-West relief road.

Leicester City Council is also investing in a regeneration scheme in Leicester city centre that includes a 67-bedroom Travelodge hotel. The Council is investing £10m to secure a 125-year lease on a prominent vacant commercial property, Haymarket House, above the Haymarket shopping centre, which will be refurbished and let to Travelodge on an initial 25-year lease. The funding package includes £8.4m from funds set aside to repay the Council's long-term debt and £1.6m of capital and revenue resources. The scheme will also fund improvements to the Haymarket car park and pay for new lifts to serve the hotel, car park and recently refurbished Haymarket Theatre. The increased revenue from the car park combined with rental payments from the hotel will generate over £200,000 of revenue a year, giving a better return than banks as well as helping boost Leicester's economy through attracting more visitors and encouraging more investment in the city centre.

Telford & Wrekin Council have funded the development of a 68-bedroom Travelodge as part of Phase 2 of the Southwater development, which is a key element of the Council's wider plans to create a modern and vibrant town centre. The Council has used its Growth Fund to build the hotel of which it is now landlord, generating extra income to protect frontline services as well as attracting business and leisure visitors and helping develop the evening economy. The Council estimates the new hotel will boost the local economy by £2m from overnight visitor spend.

Denbighshire County Council and its development partner Neptune Developments are progressing a £25m scheme to regenerate Rhyl Seafront, which includes a 73-bedroom Travelodge hotel alongside a Marston's pub restaurant; the refurbishment of the Pavilion Theatre; the redevelopment of the redundant Sky Tower ride as a static light beacon; the development of an indoor waterpark; new restaurants; and commercial outdoor activity operations. Construction of the Travelodge started in January 2018, and the hotel opened in February 2019. Denbighshire County Council has been instrumental in securing the Travelodge as part of the waterfront regeneration scheme. The Council disposed of the site to Neptune Developments on the condition that a hotel was built. It has then taken a 25-year head lease on the site, which it is sub-letting to Travelodge. At the end of the lease the Council will drop out and the developer and Travelodge will deal direct. This arrangement has allowed the hotel to go ahead at a commercially viable rental level for Travelodge, and will generate an income stream for the Council

### **3. Grants for Hotel Projects**

Grants from the European Regional Development Fund (ERDF), UK Government Growing Places Fund and Regional Growth Fund, Welsh Government, Scottish enterprise agencies and individual local authorities have helped to fund a number of hotel schemes across the UK. Heritage Lottery Fund grants have also been secured to support the conversion of a number of historic buildings into hotels. Examples of grant schemes and grant assisted hotel projects are as follows

#### **Welsh Government Micro and Small Business Fund**

The Welsh Government's Micro and Small Business Fund (MSBF) is an investment fund targeting eligible capital investment projects in the tourism sector in Wales. It is supported through the Welsh Government Rural Communities Rural Development Programme 2014-2020, which is funded by the European Agricultural Fund for Rural Development (EFRD) and the Welsh Government. The Fund provides capital support to both upgrade existing and create new high-quality product. Support of between £25,000 and £500,000 will be considered, in order to:

- Create and safeguard jobs;
- Realise economic benefit and growth;
- Deliver quality, innovation and a sense of place.

Following the award of additional Welsh Government capital funding the scheme will continue until 2021. Funding priorities are:

- High quality, innovative, reputation changing tourism products;
- Luxury hotels (existing expansions, upgrades and new hotels);
- All weather, all year, attractions;
- Flagship attractions;
- Innovative activity experiences;
- Distinctively Welsh visitor focussed food experiences;
- Top end and innovative glamping and camping experiences;
- Spa and high-quality leisure facilities;
- Innovative cultural or heritage related projects;
- Distinctive and high-quality inns, B&B's, guest accommodation products;
- Unusual places to stay.

## **Wales Tourism Investment Fund**

The Welsh Government, in partnership with the Development Bank of Wales, launched a new £50m fund, the Wales Tourism Investment Fund (WTIF), in January 2020 as a key part of its 5-year plan to grow the Welsh visitor economy – Welcome to Wales: Priorities for the Visitor Economy 2020-2025. The Fund brings together both commercial and grant funding into one combined package of financial support to provide capital investment for the sector. The key objective of the Fund is to help finance capital investment in tourism projects which have the opportunity to create positive impact on growing the sector and the Welsh economy. Key purposes are to:

- Provide continued access to finance for tourism projects in Wales
- Support the transition of the tourism sector from grant reliance to commercial loan serviceability
- Allow public funding to be mobilised in an area that can create significant impact on the economy
- Support potentially substantial strategic investments as required.

The Fund will provide capital to tourism businesses of between £100,000 and £5,000,000 for qualifying projects. Repayment terms are between 10-15 years, and can include seasonality payment breaks. Funding will be made available from the outset of a project and staged through the development phase. Commercial loan and qualifying grant payments will be blended in order to reduce the overall cost of the finance.

## **Welsh Government Tourism Investment Support Scheme (TISS)**

The Welsh Government previously operated a discretionary capital grant scheme between 2011 and 2018, which was available to both existing and new tourism businesses of all sizes (SMEs and large companies) that wanted to undertake capital investment. Support was available for the purpose of upgrading the quality of existing tourism business premises and increasing capacity where there are clear gaps in the market. The scheme had two elements offering grants of up to £75,000 and £500,000. Grants were non-repayable up to £25k, but could be repayable over £25k, subject to appraisal. The guideline intervention rate was 25% but up to 50% could be considered. A wide range of hotel projects was supported, including a grant of £500k to support the upgrading of the Ruthin Castle Hotel to 4 stars and a £1.1m investment in the St Brides Hotel at Saundersfoot.



## **Highlands & Islands Enterprise**

Highlands & Islands Enterprise offers a range of financial assistance to support capital investment projects, including grants, loans and direct equity investment, and works with Scottish Development International to develop investment propositions to take to market. The agency has funded a number of hotel projects including investments in 2015 of £217,500 to support a £1.4million expansion of the Isle of Eriska Hotel near Oban, and a £200,000 investment to support the expansion of the Kylesku Hotel in the Highlands.

## **Titanic Hotel, Liverpool**

Liverpool City Council provided a £5.5m grant from the Regional Growth Fund to enable developers Harcourt to progress the conversion of the North Warehouse at Stanley Dock in north Liverpool into a 150-suite 4-star hotel at a cost of £30m. The project is part of the first phase of a £130m plan to regenerate the entire Stanley Dock site. The regeneration of north Liverpool is a key priority for the city's Mayor. The City Council decided that investment in the hotel was justified as a statement of confidence in the area, a means of finding a new use for a building that had been derelict for many years, and in terms of the new jobs that it has created. The hotel has also benefitted from BPPRA (Business Premises Renewal Allowances) tax allowances. It opened in June 2014.

## **Premier Inn Blackburn**

A 60-bedroom Premier Inn budget hotel has been built as part of the £25 million Blackburn Cathedral Quarter development in Blackburn town centre, Lancashire. The scheme also includes an office block, restaurants, shops, a new bus interchange and housing for Cathedral staff. It was funded by the Homes and Communities Agency (£4.75m), European Regional Development Fund (£3.6m), Blackburn with Darwen Council (£3.8m), Blackburn Cathedral (£1.7m), Lancashire LEP's Growing Places Fund (£3.9m) and commercial developer Maple Grove (£7.8m). The hotel has been let to Premier Inn, and opened at the end of 2015. The hotel and restaurant have been bought for £4.8m by Lancashire County Pension Fund from Maple Grove Developers, representing a net yield of 5.8%.

### **Hampton by Hilton Humberside Airport**

North Lincolnshire Council has part funded the development of a £7m, 103-bedroom Hampton by Hilton hotel at Humberside Airport through a Regional Growth Fund grant. The hotel has been developed by regional hotel operator Nightel, who operate it under a franchise agreement with Hilton Worldwide. It opened in July 2017. The Council has supported the development of the hotel on the basis of the contribution it will make to the development of the airport, the continuing expansion of the offshore oil, gas and renewable energy sectors and the new jobs that it will create.

### **Buxton Crescent Hotel**

The £46m redevelopment of the former St Ann's Hotel in Buxton's Grade I listed Georgian Crescent into a 79-bedroom, 5 star hotel incorporating the neighbouring natural baths into a state-of-the-art thermal natural mineral water spa, is currently being progressed with funding support from a variety of public sector sources, including the Heritage Lottery Fund (£23.8m), English Heritage (£0.5m), Derbyshire County Council (£2.7m), High Peak Borough Council (£2m) and D2N2 LEP (£2m). The developers, the Trevor Osborne Property Group, are contributing £15m. The project first commenced 10 years ago, but stalled after £5m of funding from the East Midlands Development Agency (EMDA) was withdrawn with the demise of the agency in 2011. The delay caused by losing the EMDA funding meant that because of the financial climate at the time the developers were unable to borrow the amount that they needed from the banks. Given the importance of the project to Buxton and the rest of Derbyshire the County Council stepped in with a loan to help bridge the funding gap. Further funding was also secured from the D2N2 LEP and HLF awarded an additional £11.3 m for the completion of the project in November 2014. Construction restarted with the hotel due to open in 2019. It is projected to generate an additional annual contribution of £4m into Buxton's visitor economy.

### **The Gresham, Leicester**

The Leicester and Leicestershire Local Enterprise Partnership has agreed an investment loan of up to £4m from its Growing Places Fund to support Aimrok Holdings' £17m redevelopment of Leicester's former Fenwick building into a 121-bedroom aparthotel, with a bar, restaurant and gym to be known as The Gresham. The development will also include four ground floor and basement commercial units and 12,000 sq ft of flexible business workspace, for which Leicester City Council is investing £450,000 to cover the fit-out costs.

### **Cruise Terminal Hotel, Liverpool**

Liverpool City Council is developing a cruise liner terminal as part of its vision to create a world class experience for cruise companies and passengers, and see the delivery of an upscale 200-bedroom hotel as a vital ingredient to the overall offer. The hotel will be funded, developed and managed by the Council with a 25-year operator agreement in place to run the hotel on a franchise basis. The facilities have been supported by a £20m grant from the Local Growth Fund, awarded to the Liverpool City Region LEP and invested through the Liverpool City Region Combined Authority's Strategic Investment Fund. The site at Princes Jetty where the terminal and hotel will be built has been gifted to the City Council by Peel Land & Property. The project is seen as a core part of the transformation of Liverpool's waterfront which will represent a step-change in the city's tourism industry as well as positively impacting its economy.

### **Travelodge, Gainsborough**

West Lindsey District Council are working in partnership with developer Dransfield properties to regenerate Gainsborough town centre, involving a series of initiatives to improve public realm, refurbish shopfronts, up-grade car parking, create a new Independent Quarter in the town, and attract new businesses. As part of this regeneration scheme, which focuses on the Market Street/Market Place/Church Street/North street gateway to the town, the Council has supported the development of the former Sun Inn site to deliver a 56-bedroom Travelodge hotel with a grant of £1.4m. The hotel opened in November 2018.

### **Belfast Titanic Hotel**

The derelict office building in which RMS Titanic was designed has been developed into an 84-bedroom 4-star hotel as a result of a £4.9m grant from the Heritage Lottery Fund. The Titanic Foundation used the grant to restore the B+ listed Harland and Wolff headquarters building on Queen's Island, Belfast, which has been vacant since 1989. The grant was awarded through HLF's Heritage Enterprise programme. It is designed to help when the cost of repairing an historic building is so high that restoration is not commercially viable. Grants of £100k to £5million bridge the financial gap, funding the vital repairs and conservation work needed to convert derelict, vacant buildings into new, usable commercial spaces that can have a positive impact on local economies. The hotel opened in 2017.

## **4. Local Authority Direct Investment in Hotel Projects**

### **Holiday Inn Blackpool**

Blackpool Council is currently fully funding the development of a £17m, 144-bedroom, 4-star Holiday Inn hotel on the site of the town's former Wilko store, as a key part of the £100m Talbot Gateway regeneration project, alongside a new tramway interchange at Blackpool North Station, a new underpass, and new retail and leisure facilities. The Council has entered into a franchise agreement with International Hotel Group (IHG) for the hotel, which will include a bar, restaurant, conference facilities and retail units on the lower ground floor. Construction started in June 2020, with the hotel scheduled to open in April 2022. It will create 50 full-time jobs. The scheme marks Phase Two of the Talbot Gateway project in Blackpool's Central Business District. The first phase saw the opening of a Sainsbury's supermarket and the development of offices which now accommodate more than 1,000 public and private sector employees. Future phases will include further offices and residential apartments. Blackpool Council and its development partner Muse Developments have been working in partnership to develop the Central Business District since entering into a Development Agreement in March 2009.

## **5. Local Authority Loans to Hotel Projects**

### **Hampton by Hilton Blackpool**

Blackpool Council provided a £4.5m loan to Create Developments to plug a shortfall in its funding for a £20m 130-bedroom Hampton by Hilton on the site of the former Palm Beach Hotel. The hotel opened in May 2018. Other finance came from Create Construction and a PLC pension fund. Create Developments secured planning permission in September 2020 for a 74-bedroom extension to the hotel, which will open in 2022.

## **6. Local Authority Freehold Purchase of Hotel Sites & Properties**

### **Aloft Liverpool**

Liverpool City Council facilitated the conversion of the historic Royal Insurance building in Liverpool city centre into a 116-bedroom Aloft budget boutique hotel by purchasing the freehold of the building for £1.95 million. This unlocked £18million of private sector investment in the project, which has been progressed by Runcorn-based developer Ashall Property. The City Council was keen to bring this landmark building back into use. It had been unoccupied for 20 years and was on the National Buildings at Risk Register. English Heritage also supported the scheme with a grant of £297,500. The hotel opened in November 2014. It is operated by BDL Management under a franchise agreement with Starwood Hotels & Resorts Worldwide.

### **Coombe Abbey Hotel, Warwickshire**

Coventry City Council has bought the leasehold of the Coombe Abbey Hotel, a Grade 1 listed property and estate Binley in Warwickshire. The Council already owned the freehold of the 119-bedroom hotel. The leasehold was owned by Coombe Abbey Park and No Ordinary Hotels. The Council is to set up a company to run the hotel on its behalf.

### **Croydon Park Hotel, Croydon**

Croydon Council has bought the freehold of the Croydon Park Hotel from private equity company Evans Randall for £25m. The 4-star 211-bedroom hotel is to continue to be operated by Kasterlee Ltd.

## **7. Local Authority Property Contributions to Hotel Development**

### **Park Hotel/East Cliff, Preston**

Lancashire County Council is bringing forward a mixed-use scheme to include a 4-star hotel in the centre of Preston in association with Lancashire County Pension Fund. The Pension Fund will finance the development following a deal with the County Council to transfer the asset, which was formerly council offices, and part of it previously the Park Hotel. The hotel will have a total of 154 bedrooms, a mix of converted buildings and new build, together with a spa, meeting and conference facilities. A pavilion will be built to the east of the Park Hotel building to be used as a banqueting suite for up to 500 guests. The rationale for the development was to bring a vacant heritage asset back into use securing its long-term viability, alongside the opportunity to expand the city's hospitality offer and build an ambitious, forward-looking city.

### **Premier Inn, Rhyl**

Premier Inn opened a 70-bedroom hotel and Brewers Fayre restaurant on the site of the former Honey Club nightclub on Rhyl's promenade in January 2018. Denbighshire County Council played a key role in bringing this hotel forward. It owned the site and sold it directly to Whitbread for the Premier Inn and Brewers Fayre development.

## **8. Public Sector Pension Funding of Hotel Development**

### **Radisson Red, Liverpool**

The Grade II listed North Western Hall next to Lime Street station in Liverpool is to be converted by developer Marcus Worthington into a 202 bedroom up-scale hotel. Originally a hotel it has been used as office space and student accommodation and was sold by John Moore's University to the developer in 2018. A £20m loan has been secured from the Merseyside Pension Fund under its Catalyst Fund, which is the Local Government Pension Scheme for the Liverpool City Region. Whilst securing a commercial return from the deal, other benefits were identified as stimulating economic growth in the Liverpool City region and regenerating an iconic building in Liverpool. The hotel is due to open at the end of 2022.

## **9. Local Authority Underwriting Hotel Development**

### **Hilton Hotel, The Event Complex Aberdeen (TECA)**

The strength of a local authority covenant means that there is a role that Councils can play that doesn't involve them in any capital outlay or borrowing. The hotel developer can secure forward funding if the hotel is operated by a third party under an income strip lease to the local authority. By committing to the lease, the Council underwrites the development and operational risk, with the right to purchase the development for £1 at the end of the lease. In this scenario cashflows generated by the business should exceed the rent payable. In Aberdeen, the City Council entered into a 35-year income strip lease agreement for TECA which includes the Hilton hotel with Henry Boot Developments who successfully forward funded it. This scheme was seen by the Council as critical to the economy of the region in its ability to attract major conferences and events. Whilst there is an anticipated shortfall between annual income and rent, this is less than the subsidy the Council would have had to pay to operate the conference centre alone.

## **10. Local Authority Development Companies Funding Hotel Development**

### **Arch, Northumberland**

Arch Corporate Holdings, the development company of Northumberland County Council, has developed a new-build 40-bedroom hotel in Blyth as part of its Commissioners Quay mixed-use development on Blyth waterfront. The £4.5m Commissioners Quay Inn opened in August 2016, and is being operated by expanding North East pub company The Inn Collection Group on a 30-year lease. It has created 35 jobs. The investment by Arch is in line with the County Council's investment programme for Blyth to boost the town's economy and tourism potential.

Following on from the success of the Commissioners Quay Inn, Arch has subsequently developed a 30-bedroom new-build hotel and 150 seat restaurant and pub on the Coquet Enterprise Park in the Northumberland seaside town of Amble. The Amble Inn, which opened in January 2019, is also being operated by the Inn Collection Group under a 30-year lease. Arch see this hotel as the catalyst for the wider regeneration of the enterprise park, and a key element in its strategy to increase tourism and employment in Amble, and its role as the southern gateway to the Northumberland Coast Area of Outstanding Natural Beauty.