

POLICY & FINANCE COMMITTEE

4 APRIL 2019

THE FORMER ROBIN HOOD HOTEL – JOINT VENTURE SCHEME WITH MF STRAWSON LIMITED

1.0 Purpose of Report

- 1.1 To inform Members of the joint venture agreement with MF Strawson Ltd for the redevelopment of the former Robin Hood Hotel.
- 1.2 To include £3.3m in the Council's capital programme, being one-half of the estimated development cost as agreed by Policy & Finance Committee at their meeting held on 29 November 2018.

2.0 Background Information

- 2.1 Members will recall that at the Policy & Finance Committee meeting on 20 September 2018 it was agreed in principle that the Council enter into a joint venture arrangement with MF Strawson Ltd. through the establishment of a special purpose vehicle for the redevelopment of the former Robin Hood Hotel.
- 2.2 At the Policy & Finance Committee meeting held on 29 November 2018, Members considered further detailed information on the proposed joint venture agreement with MF Strawson Limited, and resolved that:
 - (a) the Deputy Chief Executive & Director – Resources, in consultation with the Chief Executive and Leader of the Council, be given delegated authority on behalf of the Council to negotiate detailed terms and to enter into joint venture arrangements with MF Strawson Ltd for the re-development of the former Robin Hood Hotel subject to planning permission having been issued and subject to the conditionality elements in the Agreement for Lease with Travelodge Hotels Ltd. first being satisfied or, if the joint venture company is set up in advance of this, that it will not be allowed to be active until these conditions are met ,and with the building costs in respect of the project being clarified as far as possible before a building contract is let by the joint venture company;
 - (b) the overall capital contribution by the Council towards the project be capped at £3.3million;
 - (c) the Deputy Chief Executive & Director - Resources be appointed as Director of the joint venture company; and
 - (d) the Deputy Chief Executive & Director – Resources, in consultation with the Chief Executive and Leader of the Council, be given delegated authority to deal with all ancillary and associated matters relating to the joint venture arrangements including the naming of the joint venture company.
- 2.3 In accordance with the delegation, the Deputy Chief Executive & Director - Resources, after seeking legal advice from the Council's Monitoring Officer and external firm of solicitors, and after consulting with the Chief Executive and Leader of the Council has:

- a) Formed the joint venture company, RHH Newark Limited, with Newark & Sherwood District Council and MF Strawson Limited being equal shareholders, with each holding 500 Ordinary Shares of £1 each.
- b) Agreed the Articles of Association (Appendix A).
- c) Received the Letter of Commitment from MF Strawson (Appendix B).
- d) Agreed the Shareholders Agreement (Appendix C which is an exempt document at Item 16 on the agenda).

2.4 The terms agreed are in accordance with those agreed by Members of the Policy & Finance Committee at the meeting of 29 November 2018. These terms, in summary, being:

1. Maximum Capital Contribution

The Council and MF Strawson Ltd will enter into the redevelopment project with the capital commitment and risk being shared on an equal basis. The Council's contribution will, however, be fixed at 50% of the total development cost which is, as stated above, estimated at £6.6m. The Council's maximum capital commitment to the development costs will therefore be capped at £3.3m. The parties will need to consider whether the 50:50 arrangements will be changed in the event that costs exceed £6.6m and the Council is not willing to increase its overall contribution to the project.

2. Onward Sale

The joint venture will secure a commitment to invest in the Travelodge development with a city financial institution and, on practical completion of the development, the Travelodge element of the scheme will be sold to this financier. At present, based on the draft lease terms between MF Strawson Ltd and Travelodge, the minimum price for the Travelodge element will return around two-thirds of the Council's initial investment.

3. Retail/Leisure Units

The risk of the Council being "stuck with" the three retail units has been addressed by including provisions in the Shareholders Agreement, that neither the Council or MF Strawson Ltd would be permitted, under the terms of the joint venture arrangements, to sell their shares in the joint venture company until the scheme had been completed and all three of the retail units had been let on commercial terms. The Council would, at this stage, have an option to purchase MF Strawson Ltd.'s shares in the joint venture company. If the Council resolved not to exercise its option then the leasehold interest belonging to the joint venture company would be sold on the open market.

3.0 Proposals

3.1 The proposal is for Members to note the Articles of Association and the Shareholders Agreement and to approve the inclusion of £3.3m cost into the Council's capital programme.

4.0 Equalities Implications

4.1 There are no equalities implications.

5.0 Financial Implications (FIN18-19/4588)

5.1 The financial appraisal has not changed from that approved by Policy & Finance Committee on 29 November 2018. The capital cost to the Council is capped at £3.3m and the anticipated rental income from the letting of the three retail/leisure units will be around 6.2%

5.2 The Council's capital contribution of £3.3m is to be funded from the Change Management Reserve. This amount has been set aside and was approved by Policy & Finance Committee on 21 February 2019 as part of the General Fund Budget for 2019/20. The Council's share of the development cost of £3.3m now needs to be established in the capital programme, profiled for 2019/20 and 2020/21.

6.0 Community Plan – Alignment to Objectives

6.1 This proposal supports the Council Objectives for 2019 -2023 'Enhance and Sustain Town Centres'. The Council is committed to regenerating key sites in the Conservation Area Management Plan including facilitating the delivery of the former Robin Hood Hotel site.

7.0 RECOMMENDATIONS that:

- (a) the Articles of Association (Appendix A) be noted;**
- (b) the Shareholders Agreement (Exempt Appendix C) be noted; and**
- (c) the inclusion of £3.3m to the Council's Capital Programme, profiled over 2019/20 and 2020/21 be approved.**

Reason for Recommendations

To keep Members informed of the progress of the redevelopment of the former Robin Hood Hotel and to establish the budget of £3.3m in the Council's Capital Programme.

Background Papers

Policy & Finance Committee meeting on 20 September 2018

Policy & Finance Committee meeting on 29 November 2018

For further information please contact Sanjiv Kohli on Ext 5303.

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