

DECISION TITLE: AMENDMENT TO HOTEL LOAN FACILITY
COUNCILLOR ANDY COLES – CABINET MEMBER FOR FINANCE
APRIL 2022
Deadline date: 30 April 2022

Cabinet portfolio holder: Responsible Director:	Councillor Andy Coles – Cabinet Member for Finance Cecilie Booth – Director of Resources
Is this a Key Decision?	YES If yes has it been included on the Forward Plan: YES Unique Key decision Reference from Forward Plan: KEY/ 17/JAN2022/02
Is this decision eligible for call-in?	YES
Does this Public report have any annex that contains exempt information?	NO
Is this a project and if so has it been registered on Verto?	NO

RECOMMENDATIONS

The Cabinet Member is recommended to:

1. Approve the amendment of the term of the £15m facility with Propiteer Hotels Ltd and its subsidiary Fletton Quays Hotels Ltd from 24 months from the date of the first drawdown to 31 March 2023.
2. Authorise the Director of Law and Governance and Interim Director of Resources to exercise delegated authority to finalise and agree all necessary legal agreements with Propiteer Hotels Ltd for the purposes of facilitating this arrangement.

1. PURPOSE OF THIS REPORT

- 1.1 This report is for the Cabinet Member for Finance to consider exercising delegated authority under paragraph 3.4.3 and 3.4.6 of Part 3 of the constitution in accordance with the terms of their portfolio at paragraph (a) and (e).

2. **TIMESCALES**

Is this a Major Policy Item/Statutory Plan?	NO	If yes, date for Cabinet meeting	N/A
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3. **BACKGROUND AND KEY ISSUES**

3.1 **Fletton Quays Hotel Project**

On 25 September 2017 Cabinet approved the Report SEP17/CAB/41 requesting that it approve a facility of £15m for 24 months to provide funding for the construction of a Hotel on the Fletton Quays site by Norlin Hotels Holdings Limited and its subsidiary Fletton Quays Hotel Limited

A subsequent decision OCT18/CMDN/47 approved the change of ownership of the Fletton Quays hotel from Norlin Holdings Ltd to Propiteer Hotels Ltd

3.2 **Progress to Date**

A meeting was held on 1 December with the Director of Resources to discuss the construction progress of the hotel. While the construction is now progressing well there have been several COVID related pressures that have affected the original construction plan.

At the beginning of the site works, the Government imposed lockdown and at this point all work stopped. Work did re-start on site as soon as possible, however with the social distancing requirements at the time, this meant that the number of people able to be on site was restricted.

The construction firm are currently experiencing slight problems with sourcing suitable workforce, but more importantly are suffering from the shortages of construction materials. These are being worked through but have led to delays.

The Council's quantity surveyor continues to have monthly meetings on site and has corroborated the above and has also reported that the site and construction are managed well, and progress is good despite the industry wide shortages of materials.

3.3 **Original Loan Facility**

The original loan facility was for 2 years, from date of the first drawdown in May 2020. This was to accommodate an 18 to 21 month build out and 3-month trading period during which refinancing of the loan would take place.

The construction is not anticipated to be completed until October/November 2022, after the expiry of the original facility. The Council has received a request from Propiteer to extend the facility to March 2023, remaining in the same financial year as the original expiry, just 10 months later than originally agreed in the loan documentation. Interest will continue to be chargeable by the Council until the loan is refinanced.

4. **CONSULTATION**

- 4.1 No consultation is required with the public for this particular decision. Appropriate consultation on the provision of a hotel on the Fletton Quays site was taken when planning permission was granted.
- 4.2 The Council receives monthly reports from its Quantity Surveyor on the progress of the hotel construction and confirmation of loan drawdown value. Consultation on the proposed extension has been undertaken with the Quantity Surveyor.

5. ANTICIPATED OUTCOMES OR IMPACT

- 5.1 The decision will enable the loan facility to be extended past the expected completion date of the hotel and will enable the refinancing to conclude in accordance with the timelines of standard market practice.

6. REASON FOR THE RECOMMENDATION

- 6.1 The Hotel will not be fully constructed by the expiration of the original loan facility. By approving the recommendation, the Council will ensure its loan can be refinanced in an orderly manner once the hotel construction has completed and begun trading.

7. ALTERNATIVE OPTIONS CONSIDERED

- 7.1 The Council could refuse to extend the loan facility, however this would require Propiteer to refinance in the middle of construction, which although not impossible, gives rise to a risk that the refinance is not achieved.
- 7.2 If refinance was not achieved for the uncompleted hotel the Council would need to exercise its security and take over the hotel building. The Council would then need to market the hotel on the open market in its uncompleted state or assume the responsibility for its construction and fit out in order to market for sale or operate itself once completed. The Hilton brand hotel franchise agreement is with Propiteer and any transfer of the brand to the Council would need to be separately negotiated, again leading to the risk of the city losing a prestigious Hilton Garden Inn hotel on the Fletton Quays site.

8. IMPLICATIONS

8.1 Financial Implications

- 8.1.1 The financial implications of providing a loan facility to Fletton Quays Hotel Ltd remain as set out in paragraph 9.1 of SEPT17/CAB/41. The extension to the loan facility will continue at the current market rate and the margin the Council receives on the loan will be fed into the MTFP.
- 8.1.2 The refinance process for Propiteer will be much more straightforward and less risky once the construction has completed and the hotel operational. This has been confirmed by the Council's QS who has also raised no concerns about Propiteer's ability to refinance once the hotel is operational.
- 8.1.3 The Council will continue to receive interest on the loan until the refinance is completed and the loan repaid. The amended repayment date will fall in the same financial year 2022/23 as that of the original repayment date.

8.2 **Legal Implications**

- 8.2.1 The legal implications and the Council's ability to provide a loan facility to Fletton Quays Hotel Ltd remain as set out in paragraph 9.2 of SEPT17/CAB/41.

Equalities Implications

- 8.3 There are no equalities implications related to this decision.

Carbon Impact Assessment

- 8.4 This decision relates only to the financing of the loan facility not to the construction of the hotel and so will have no carbon impact.

9. DECLARATIONS / CONFLICTS OF INTEREST & DISPENSATIONS GRANTED

- 9.1 None

10. BACKGROUND DOCUMENTS

Used to prepare this report, in accordance with the Local Government (Access to Information) Act 1985) and The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

- 10.1 Cabinet Report SEPT17/CAB/41
Cabinet Member Decision Notice OCT18/CMDN/47

11. APPENDICES

- 11.1 Appendix 1 – Letter from Propiteer