

## Fort Road Hotel

Cabinet	<b>03 October 2017</b>
Report Author	<b>Bob Porter, Head of Housing</b>
Portfolio Holder	<b>Councillor Piper, Cabinet Member for Housing and Open Spaces</b>
Status	<b>For Decision</b>
Classification:	<b>Unrestricted</b>
Key Decision	<b>No</b>
Previously Considered by	<b>Cabinet – 02 April 2015</b>
Ward:	<b>Margate Central</b>

### **Executive Summary:**

This report advises Cabinet about options for the Fort Road Hotel now that the compensation has been resolved and recommends the disposal of the building.

The report further recommends that the current budget allocation for Fort Road Hotel, within the Housing revenue Account Capital Programme be reallocated to the Council's new build programme as required.

### **Recommendation(s):**

That Cabinet agree to:

1. The disposal of the Fort Road Hotel;
2. The reallocation of the remaining budget provision to the council's new build programme.

### **CORPORATE IMPLICATIONS**

<b>Financial and Value for Money</b>	<p>The disposal of the site will result in a usable receipt to the Council for funding its current capital programme and will enable the remaining capital budget of £810k allocated against the Fort Road Hotel to be re-allocated to the Council's new build programme.</p> <p>It should be noted that the recent changes by the Government to the HRA's rent setting policy have resulted in a 1% decrease in rents annually for the period 2016/17-2019/20 thereby reducing the overall income available within the HRA Business Plan. The HRA 30 year Business Plan is currently forecast to run into deficit in 2022 and work is underway to review the stock condition and sustainability of the account. In light of this, it has meant that a number of housing developments have had to be re-evaluated for affordability and sustainability of the HRA Business Plan.</p>
<b>Legal</b>	<p>The Council are entitled to deal with their assets in the way they see fit in accordance with the law and Council Procedures for retention or disposal.</p>

<b>Corporate</b>	<p>The consideration of the potential options for the Fort Road Hotel should take into account the council's strategic objectives as set out in the Corporate Plan.</p> <p>Disposal would help to deliver corporate objectives by creating an opportunity for private sector investment in improving the appearance of the site and bringing it back into use. It would offer the opportunity for the council to recoup the costs that it has incurred to date.</p> <p>The council could achieve these outcomes directly, but within the context of the council's affordable housing programme, this option does not provide good value for money. There is a risk that the project would see further delays in delivery.</p> <p>Demolition of the existing building would contribute to the objective of creating a clean and welcoming environment, but is also not considered to offer good value for money and would lead to the loss of a building of heritage significance.</p> <p>The greatest risk to the delivery of the council's objectives would be further delay in progressing the project.</p>								
<b>Equalities Act 2010 &amp; Public Sector Equality Duty</b>	<p>Members are reminded of the requirement, under the Public Sector Equality Duty (section 149 of the Equality Act 2010) to have due regard to the aims of the Duty at the time the decision is taken. The aims of the Duty are: (i) eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act, (ii) advance equality of opportunity between people who share a protected characteristic and people who do not share it, and (iii) foster good relations between people who share a protected characteristic and people who do not share it.</p> <p>Protected characteristics: age, gender, disability, race, sexual orientation, gender reassignment, religion or belief and pregnancy &amp; maternity. Only aim (i) of the Duty applies to Marriage &amp; civil partnership.</p> <table border="1" data-bbox="432 1317 1402 1563"> <tr> <td colspan="2">Please indicate which aim is relevant to the report.</td> </tr> <tr> <td>Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,</td> <td></td> </tr> <tr> <td>Advance equality of opportunity between people who share a protected characteristic and people who do not share it</td> <td></td> </tr> <tr> <td>Foster good relations between people who share a protected characteristic and people who do not share it.</td> <td></td> </tr> </table> <p>The contents of this report are not considered to have any specific implications for the Public Sector Equality Duty. If progressed as a housing project, the constraints of the existing building would mean that the completed homes would not be particularly suited to residents with protected characteristics as set out in the legislation.</p>	Please indicate which aim is relevant to the report.		Eliminate unlawful discrimination, harassment, victimisation and other conduct prohibited by the Act,		Advance equality of opportunity between people who share a protected characteristic and people who do not share it		Foster good relations between people who share a protected characteristic and people who do not share it.	
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<b>CORPORATE PRIORITIES (tick those relevant)✓</b>	
A clean and welcoming Environment	✓
Promoting inward investment and job creation	✓
Supporting neighbourhoods	

<b>CORPORATE VALUES (tick those relevant)✓</b>	
Delivering value for money	✓
Supporting the Workforce	
Promoting open communications	

## **1.0 Introduction and Background**

- 1.1 The Fort Road Hotel, Margate has been empty for at least 22 years. As a result the property was subject to a compulsory purchase order (CPO) that was made on 28 May 2010. A general vesting declaration was made on 15 October 2010 and the property was initially held within the council's general fund.
- 1.2 The council has previously considered a number of options for the property and has invited expressions of interest in the building, the latest being in 2014.
- 1.3 Cabinet last considered the building on 2 April 2015 when it was decided that the building should be transferred into the Housing Revenue Account (HRA) for housing purposes. A budget of £950k was agreed as part of the HRA capital programme for the conversion of the building to housing.
- 1.4 A further budget of £63,750, funded from the housing performance reward grant, was set aside to assist with the costs of statutory compensation following the CPO. In addition, allowance was made, from the General Fund repairs reserve, for the general fund costs of £29,447 incurred prior to April 2015.
- 1.5 Compensation including costs have been agreed and settled on 6 July 2017. Further costs, relating to the building, totalling £77,009 have also been incurred to date. This leaves a remaining uncommitted budget of £810,048.

## **2.0 The Current Situation**

- 2.1 In line with the Cabinet decision made on 2 April 2015, initial feasibility work was completed to assess the likely cost of refurbishing the building for housing purposes. Outline designs were prepared for a number of potential options to provide 4 or 5 flats, with estimated costs ranging between £874k and £1.18m. None of these options are affordable within the current budget. Including the costs to date, the lowest cost option would total £1.1m, averaging £276k for each of the 4 flats. This represents an annual affordable rent yield of 2.2% of the total cost.
- 2.2 In comparison the HRA new build programme projects an average annual yield of 3.1% and individual projects with yields of below 2.3% were rejected on value for money grounds. The programme is costing around £204k per home. This programme provides better value use of the available resource for providing new affordable homes.
- 2.3 It would be likely to take around 12-18 months to fully design the final scheme, obtain necessary consents, complete tendering and start on site.
- 2.4 Now that the CPO compensation has been resolved, it is appropriate to re-evaluate the potential options.

## **3.0 Options and Recommendation**

- 3.1 There are considered to be three potential options as set out below:

### **3.2 Option 1 – Proceed with conversion of the building for housing purposes**

There are significant technical issues with this option including the proximity of neighbouring buildings, the lack of outside amenity space and the condition of the structure of the building. These difficulties have been considered in developing outline

costed proposals. To proceed with this option, an additional budget of between £64k and £370k would need to be allocated to the project.

Residual valuations have not been obtained for the proposed scheme at this stage, but are unlikely to exceed the total development costs.

This option is not recommended as the project would exceed the current budget provision. The budget would provide better value for money if used to support the council's new build programme.

### **3.3 Option 2 – Demolish the building**

Although not listed, the building is within a conservation area and considered to be of heritage significance. Demolition would require planning consent. It would however remove a derelict building, considered by some as an eyesore.

It is estimated that the cost of demolishing the building would be around £100k. Further costs would be incurred to convert the site into a usable public realm space.

The council has further been advised that demolishing the building and clearing the site would devalue the sale price. The reasoning is that it is better to sell a site with an established use (structure) rather than a clear plot particularly in a conservation area.

This option is not recommended due to the cost of demolition, potential reduction in sale value and the loss of a building of heritage significance.

### **3.4 Option 3 – Disposal of the site, in its current condition**

The council has the option to dispose of the building. This option would have a number of potential benefits, as follows:

- It would enable private sector proposals to come forward for the regeneration of this site.
- It would provide a usable receipt to the council.
- It would enable current budget provision to be reallocated to the council's new build programme, providing better value for money in providing new homes. The average cost of providing four new homes in the new build programme is £58,000 lower (excluding land values and costs to date) than the lowest cost option for the refurbishment of the Fort Road Hotel.
- As the property resides with the Margate Intervention Area it would be potentially eligible for the loan scheme that operates within that catchment, depending upon the details of any proposals.

### **3.5 The disposal of the site as set out in option 3 is recommended, for the following reasons:**

- Options for the redevelopment site exceed the currently available budget.
- Disposal will enable the reallocation of remaining budget to the council's new build programme, which offers better value for money in the delivery of new affordable homes.
- Disposal would enable the council to recoup the expenses already incurred.
- The building is considered to be of heritage significance, although not listed and demolition would require specific planning consent.

Receipts from disposal would be pooled along with other capital receipts achieved following council asset disposals and be available for other capital projects.

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Reporting to:	Rob Kenyon, Director of Community Services

**Annex List**

None	N/A
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**Background Papers**

Title	Details of where to access copy
None	N/A

**Corporate Consultation**

<b>Finance</b>	Ramesh Prashar, Head of Financial Services
<b>Legal</b>	Sophia Nartey, Interim Head of Legal Services