

**Name of meeting:** Cabinet

**Date:** 11 October 2022

**Title of report:** The refurbishment and redevelopment of the George Hotel site in Huddersfield Town Centre to transform this building into a new hotel as part of the Huddersfield Blueprint Regeneration Programme.

**Purpose of report:** To seek cabinet approval to support the redevelopment of the George Hotel site as a 91 bed hotel with an associated food and beverage offer. To seek approval to enter into a Hotel Management Agreement (HMA) and any other ancillary formal legal documentation with the hotel operator Radisson Hotel Group utilising the Radisson Red brand and to authorise officers to explore options as regards to the commercial structure of the hotel ownership.

In addition, Cabinet is asked to agree to the capital allocation of £20,205,000 and to authorise officers to prepare and submit any necessary planning and listed building consent applications (as well as any other statutory consents that may be required to ensure delivery) for the hotel development outlined in the report and for officers to be authorised to undertake the necessary procurement exercise to appoint a construction contractor to deliver the hotel in accordance with the agreed programme set out at Appendix H.

<b>Key Decision - Is it likely to result in spending or saving £250k or more, or to have a significant effect on two or more electoral wards?</b>	<b>Yes</b>  <b>Expenditure &gt;£250,000</b>
<b>Key Decision - Is it in the <u>Council's Forward Plan (key decisions and private reports)</u>?</b>	<b>Key Decision – Yes</b>  <b>Public Cabinet report with public and private Appendices</b>
<b>The Decision - Is it eligible for call in by Scrutiny?</b>	<b>Yes</b>
<b>Date signed off by <u>Strategic Director</u> &amp; name</b>	<b>David Shepherd – 27.09.22</b>
<b>Is it also signed off by the Service Director for Finance?</b>	<b>Eamonn Croston – 30.09.22</b>
<b>Is it also signed off by the Service Director for Legal Governance and Commissioning?</b>	<b>Julie Muscroft – 30.09.22</b>
<b>Cabinet member <a href="#">portfolio</a></b>	<b>Cllr Graham Turner</b>

**Electoral wards affected:** Newsome

**Ward councillors consulted:** None

**Public or private:** **Public Cabinet report with public and private Appendices**

Appendices to the Cabinet Report are set out below:

Appendix A	George Hotel Brochure – Colliers (Public)
Appendix B	Summary of Final Offers and Letter of Recommendation - Colliers (Private)
Appendix C	Draft Heads of Terms (Private)
Appendix D	RIBA Stage 2 Concept Design Report (Public)
Appendix E	Stage 2 Cost Plan (Private)
Appendix F	Queensberry Report on Viability (Private)

The private Appendices are recommended for consideration in private in accordance with Schedule 12A of the Local Government Act 1972 namely they contain information relating to the financial and business affairs of the council and a third party. It is considered that disclosure of the information would adversely affect the commercial interests of Radisson Hotel Group and therefore the public interest in maintaining the exemption, which would protect the rights of an individual or the council, outweighs the public interest in disclosing the information and providing greater openness in the council's decision making.

## **Has GDPR been considered? Yes**

### **1. Summary**

The Council purchased the George Hotel (the 'George') in August 2020 with the intention to bring it back into use as part of the Huddersfield Blueprint which focuses on regenerating 6 key areas of the town, including the Station Gateway which the George sits within.

The George is in a highly prominent location with frontage on to St George's Square and adjacent to Huddersfield Railway Station. The building also has historic significance as the birthplace of rugby league and is Grade II\* listed. Once a popular hotel it has been closed and vacant since 2013.

The Council would like to restore the building to bring it back into use as a upper upscale hotel with Radisson Hotel Group being the hotel operator utilising the Radisson Red brand and incorporating the following:

- 91 bedrooms, with a broad mix of room types and sizes including suites and family rooms;
- a banqueting / events space for approximately 140 covers (166 sqm) and a gym (40 sqm) at lower ground level;
- bar/restaurant/dining experience for approximately 70 covers on the ground floor;
- a conference room (76 sqm);
- a guest lounge (32 sqm); and
- a multi-purpose conference and private dining room (53 sqm) at first floor level.

Based on the interest rate at the time of writing this report to be 4.34% this report asks Cabinet to allocate £20,205,000 into the capital plan to progress the project to completion and to agree to enter into a Hotel Management Agreement (subject to further consideration of ownership structures such as an SPV) with Radisson Hotel Group representing Radisson Red brand .

### **2. Information required to take a decision**

#### **2.1 Huddersfield Blueprint**

Kirklees Council launched its ambitious Huddersfield Blueprint ("Blueprint") regeneration vision in June 2019. The Blueprint is a ten-year vision to create a thriving, modern-day town centre that will be accessible, busy, inclusive, family-friendly, sustainable and a safe environment that will stay open longer. The significant regeneration and investment planned for the town will transform Huddersfield, helping to stimulate and induce demand for domestic and international tourism.

The Blueprint focuses on regenerating six key areas of Huddersfield Town Centre: Station Gateway, St Peter's, Kingsgate / King Street, New Street, the Civic Quarter and a new Cultural Heart in the Queensgate and Piazza area.

The strategic aim of the Blueprint is to

- Create a busy town centre with thriving economy and a balanced offer
- Increase residential living in the town centre
- Have family and student friendly spaces, attractions, and activities.
- Have an economically vibrant town with improved employment opportunities.
- Refocus the retail core
- Position Kirklees as a destination for tourism.
- Join up disparate areas in the town centre.
- Regenerate iconic architecture, complemented by new, modern buildings.
- Bring back 'civic pride'
- Encourage third party private investment

The George sits within the Station Gateway key area and the reopening of the hotel was included as one of the key regeneration projects of the Blueprint. The George is in a highly prominent location with frontage on to St George's Square and adjacent to Huddersfield Railway Station. The building also has historic significance as the birthplace of rugby league and is Grade II\* listed. Once a popular hotel it has been closed and vacant since 2013.

Also within the Station Gateway area is:

- the Trans-Pennine Route Upgrade which will provide opportunities to enhance the station with good quality waiting areas and a choice of eating, drinking and convenience shopping
- the potential for a new Station Square to provide an arrival space, drop off zone and new entrance to the station.
- St George Warehouse being brought back into use.
- Estates building –remedial works will commence early October 2022 with the intention it will then be refurbished with some commercial use on the ground floor and the majority of the building brought back into use for residential purposes, which will support the concept of attracting and retaining graduates with easy access of public transport.
- Northumberland Street Regeneration Project currently seeking to secure Levelling Up Fund round 2 funding to rejuvenate the market offer in Huddersfield on the site of the Open Market and enhance the adjacent public realm.

## 2.2 The Case for Change

The Council purchased the George at a time when its condition was continuing to deteriorate in private ownership in order to secure and influence the future of this important gateway building. By bringing it back in to use and ensuring it supports the delivery of the blueprint it will kickstart the wider regeneration of St. George's Square and the town as a whole.

The aspiration is to restore the Grade II\* listed George Hotel, and reinstate the George as a thriving, sustainable, hotel and hospitality development.

Following acquisition of the building, the Council undertook an options analysis, exploring how to bring back the George into use using its previous layout of a 60 room hotel. This number of rooms was found to be commercially unviable. Further conclusions of this analysis showed that:

- i. In order to create a viable solution, it was essential that a hotel operator providing at least a mid to upper upscale level offer (equivalent to a 3 to 4 plus star hotel) needed to be attracted to generate sufficient income to ensure the new hotel could be viable long term. This level of quality is also one which reflects the historic importance of the building. In

addition, a widely recognised quality hotel brand will help to draw people to stay over in Huddersfield who are seeking accommodation in the wider area.

- ii. A minimum number of 90 rooms with ancillary hospitality offer would need to be pursued for the building to attract a branded mid to upper upscale hotel operator.
- iii. A hotel of this quality in the town centre will provide appropriate and fitting accommodation for visitors to local businesses and to the university to stay in the town centre.

## **2.3 Investment to date – Council/High Streets Heritage Action Zone (HAZ)/Get Building Fund**

In March 2022 the Council secured £1,365,000 from the Get Building Fund from DLUHC which is managed by WYCA. This funding has been used to support the acquisition of the George as the freehold owner to undertake essential remedial works to make the building safe, watertight and ready for development.

In addition, funding of £851,000 was also secured from Heritage Action Zone via Historic England in September 2020 which has contributed to these remedial works including the restoration of the windows, roof and façade.

As part of developing the project to completion the Council have instructed the following consultants to provide necessary hotel advice and progress the design for the building to bring it back into use as a hotel. Given the Council have not delivered a hotel previously it was essential that we brought in hotel sector experts to advise and assist us.

- Queensberry Real Estate – Development Manager and Project Manager
- Colliers – Hotel Agent
- Bowman Riley leading a multi disciplinary team consisting of:
  - Architect: Bowman & Riley
  - Heritage Consultant: Bowman & Riley
  - Cost Consultant: Turner & Townsend
  - Structural Engineer: Rambolls
  - Mechanical and Electrical Engineer: Rambolls
  - Fire Engineer: Mott MacDonald
  - Acoustic Engineer: Mott MacDonald
  - Sustainability: Mott MacDonald

This expert team is advising and liaising with a range of internal services and disciplines. The intention is to novate both Architect (Bowman Riley) and Structural engineer (Rambolls) contracts to the Building Contractor when appointed with Mechanical and Electrical Engineers (Rambolls) and Cost Consultant (Turner and Townsend) retained as technical advisors to the Council.

## **2.4 Overview of current hotel supply and demand in Huddersfield**

We have sought advice from Colliers in relation to demand for a hotel in Huddersfield. Their report and recommendations can be found in Appendix A and Appendix B. The key elements of their advice is set out below.

They identified that there is a limited supply of upscale full-service branded hotels in Huddersfield which presents a strong market opportunity for an upscale lifestyle hotel concept, particularly in view of the major regeneration schemes either planned and/or underway which will undoubtedly drive interest and visitation to the town. They also identified there was an unmet need for good accommodation for visitors to local businesses and the university.

It must be noted though that the proposed hotel at the George will not be dependent on the delivery of other Blueprint projects to be successful. There is a clear requirement for the hotel which will bring inward investment for years to come into Huddersfield and the surrounding area. There is also an expectation that making a success out the George Hotel may generate further hotel investment into the town centre.

There are currently 22 hotels with 10 or more bedrooms within a 4-mile radius of the George Hotel. Hotels in Huddersfield are predominately situated on the outskirts of Huddersfield and close to the M62.

- The majority (64%) of hotels are independently owned and operated, with just over a third of hotels in the market area being nationally or internationally branded.
- Luxury and upscale properties in Huddersfield represent 36% of the total hotel supply in the area, demonstrating high demand for this type of product.
- There are currently no hotels in Huddersfield town centre positioned within the upper upscale hotel category, highlighting a market gap and potential opportunity for this type of hotel product at the George Hotel.

As shown in Table 2.1 below there are 7 hotels within a 4 mile radius of Huddersfield, providing a total of 596 rooms, all positioned within the upper midscale to upper upscale sectors.

*Table 2.1: Breakdown of existing hotels in 4 mile radius of Huddersfield*

<b>HOTEL CLASS</b>	<b>HOTELS</b>	<b>ROOMS</b>	<b>% OF ROOMS</b>
Luxury	1	11	1.1%
Upscale	7	277	28.0%
Upper Midscale	6	319	32.3%
Midscale	2	62	6.3%
Economy	6	320	32.3%
<b>TOTAL</b>	<b>22</b>	<b>989</b>	<b>100%</b>

Source: George Hotel Brochure – Colliers

## 2.5 Hotel Occupancy levels

Prior to the onset of the global Covid-19 pandemic, occupancy of the hotels identified in Table 2.1 was recorded at around 69% to 73% between 2017 and 2019. However, it is prudent to note that this data set comprised a broad mix in terms of quality and branding. It is Queensberry's and Colliers' opinion that the George will significantly outperform the local market given its high-quality appeal, branding and location.

## 2.6 Room Rates

Within the 4 mile radius of Huddersfield, the average daily rate (ADR) had been displaying positive growth prior to the pandemic, up from £50.98 in 2017 to £55.12 in 2019. Positively, 2021 saw return to ADR growth, recorded at £58.86, surpassing that achieved in the few years prior to the pandemic.

Overall, this resulted in revenue per available room (RevPAR) of £37.90 in 2021, reaching 95% of 2019 levels. The consultants consider the future outlook for 2022 and 2023, in particular, to be highly positive for the local market, and especially moving beyond this as the regeneration of Huddersfield evolves. See Figure 2.1 below.

*Figure 2.1: ADR and RevPAR for hotels in Huddersfield from 2017 to 2021*



Source: George Hotel Brochure – Colliers

As stated in section 2.5 above the data set comprises a broad mix in terms of quality and branding and Colliers would expect a nationally branded upper upscale lifestyle hotel to outperform this.

## 2.7 Hotel Operator Selection

As our representative for the project Colliers engaged initially with a total of 55 operators, all of whom had been pre-screened to ensure they were appropriate for the location, type of building and envisaged market positioning. It was our intention to attract hotel operators above midscale. We received a strong response with 10 expressions of interest from parties keen to brand and/or operate an upper upscale hotel at the George.

The 10 expressions were then scored and evaluated under an agreed criteria and 5 selected for interview with the panel consisting of Queensberry, a range of Council officers including Procurement, Business Development as well as our hotel agent Colliers.

The interviews were held in early June 2022 with each brand presenting their proposals with the following points discussed and additional information requested to enable the overall scoring to be updated:

1. Quality and clarification of brand including the food and beverage (F&B) offer.
2. How the brand would impact the wider town of Huddersfield.
3. Employment structure and implementation of Real Living Wage.
4. Sustainability.
5. Technical and cost viability including fixtures, furniture and equipment (FF&E) / owner-furnished equipment (OFE).
6. Company attitude and incentives in supporting the local community.
7. Design comments.
8. Profit and Loss (P&L)/Financial proposals

Full documentation of this process is included in Appendix B – Summary of Final Offers and Letter of Recommendation.

## 2.8 Preferred Hotel Operator

The preferred hotel operator, resulting from the selection process, is Radisson Hotel Group utilising the Radisson Red brand and we are now agreeing the Heads of Terms with them to form the basis of a Hotel Management Agreement (HMA).

The Heads of Terms currently under negotiation includes:

- Term
- Hotel Operator Fee
- Performance test
- Technical Fees
- Area of Protection

It should be noted that Radisson Hotel Group do not have a car parking policy and as such have not stimulated a need for car parking spaces as part of the HMA. Generally, they will seek to secure an agreement with a local operator within a short walk from the hotel.

The detail of this arrangement can be found in Private Appendix C - Heads of Terms.

#### *Anticipated Concept for the George Hotel*

The George Hotel will be the best hotel in town by far and with an international and well renowned operator. In terms of an average daily rate (ADR) charged to the occupier, this would be circa £80-£90 as an average per night, however Queensberry state that the current data obtained does indicate an average of £100-£110 per night gross rate is achievable in this location based on the proposed brand and quality especially considering the supporting facilities of quality F&B, banqueting and meeting rooms which have been allowed for within the capital costs. For further details see Appendix F.

## **2.9 Hotel Ownership Structure**

The Council will be responsible for meeting the full costs of refurbishment of the external and internal structures of the George Hotel. It is also worth noting that as the George is a listed building, there would be some obligations to do some works, even if the building is not operational.

There are a number of potential ownership structures that could operate between the Council as premises owner and the hotel operator, which might involve a Council wholly owned company (SPV) where the Council grants a long lease to the SPV and the SPV enters into the HMA. Officers are currently exploring the most appropriate structure. It may be that we enter into such a structural arrangement before initial operation, or at some time in the future, subject to the HMA Heads of Terms.

## **2.10 Design Development**

A design team led by Bowman Riley Architects have been appointed to progress the design of the George.

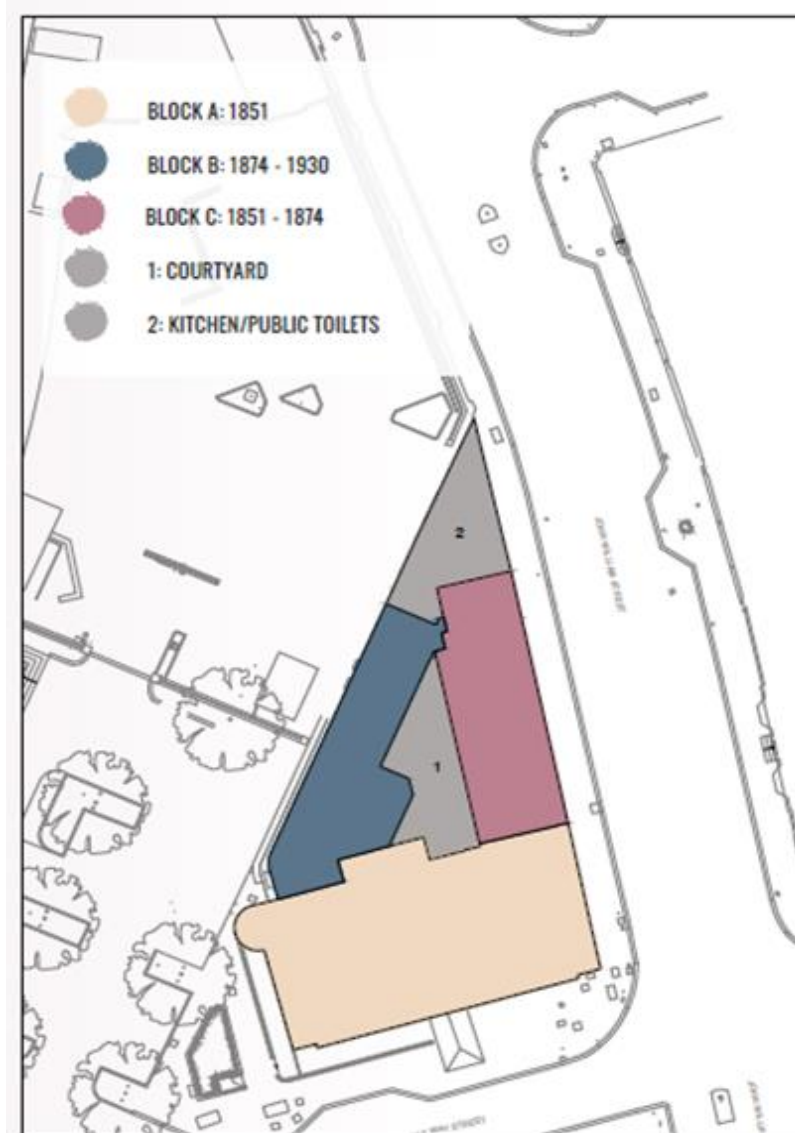
The proposed hotel will comprise of the restoration and renovation of the existing George Hotel building. The total Gross Internal Area (GIA) of the proposed hotel is 5,117 sqm. Based on earlier work with Queensberry and Colliers, the key aims and objectives for the restoration of building is for:

- 91 bedrooms, with a broad mix of room types and sizes including suites and family rooms;
- a banqueting / events space for approximately 140 covers (166 sqm) and a gym (40 sqm) at lower ground level;
- bar/restaurant/dining experience for approximately 70 covers on the ground floor;
- a conference room (76 sqm);
- a guest lounge (32 sqm); and
- a multi-purpose conference and private dining room (53 sqm) at first floor level;

A RIBA Stage 2 Concept Design has been completed and the following solution has been identified as the basis for redeveloping the building, as identified in Figure 2.2 below:

- Retention of Block A (main building at the front) with internal structural alterations to accommodate the proposals.
- Retention of the façade of Block C (John William Street elevation) removal of building behind the façade including internal courtyard, new build structure.
- Demolition of Block B (facing station at rear) and new build structure. The new build upper floors (including block C) will be built up in a stepped back manner on the top floors to not detract from the historic metric of Block A & B

Figure 2.2: Block identification for the George



Source: Bowman Riley - Stage 2 Report

This solution is seen as the most efficient approach to align with the initial design brief whilst de-risking the project as far as possible at this stage in the following areas:

- Overall financial risk and the risks associated with utilising existing structure.
- To overcome levels and access issues to ensure the hotel is Equalities Act compliant.
- Compliant as far as possible with operator requirements and initial furniture, fixtures, fittings and equipment (FFE) budgets.
- Overall height of the extensions so not to exceed current height of the existing main building Block A and thus de-risking planning risk.



Discussions with Historic England have been pursued to ensure that any proposed changes are acceptable for this historic building. A number of meetings have been held with Historic England in 2022 to review the findings of the initial assessment and discuss the scope for removal of Block B in order to achieve a viable future for the building. At the next stage of design development, further structural survey work is to be undertaken to understand whether certain parts of the existing structure within Block C can be retained.

The project team will ensure dialogue will be maintained with Historic England as the design progresses.

A copy of the RIBA Stage 2 design information and report is included within Appendix D of the report.

## **2.11 Overall Project Capital Costs**

The current projected construction costs at RIBA Stage 2 are £16,600,000 as set out in Appendix E. This includes a contingency of 15% to cover potential additional risks. In addition, there will be costs for fixtures and fittings, operational items, fees, and pre-opening costs, that might accumulate to a total cost position of £20,205,000.

## **2.12 Overall operational income**

Based on the modelled projections from Queensberry factoring in reasonably prudent occupancy levels, room rates and operational costs, the estimated annual operational income attributable to the Council (before financing costs) is summarised below (at current prices):

*Table 2.2 Operational Income*

<b>Year of Operation</b>	<b>Modelled Council share of net income</b>
Year 1	£600,000
Year 2	£750,000
Year 3 (& thereafter)	£900,000

## **2.13 Financing charges**

At the time of writing this report, interest rates for Council loans from the Public Works Loan Board (PWLb) are around 4.3%. However, in the last 6 months, they have been as low as 3.0%, and also as high as 5.5%.

In addition to interest rate charges, capital financing cost attributable to the Council would also require an annual minimum revenue provision (MRP) requirement post-construction, to service the overall annual debt requirement for a £20million construction scheme.

This element of the financing charge is based on an assumed post-refurbishment asset life for the hotel of 50 years. It's also based on an annuity rate, in line with current Council treasury management policy. The estimated overall annual financing charges by year 3 of operation are indicated below for the different interest rate scenarios;

Overall annual financing charges

- £788,000 (3% interest)
- £942,000 (4% interest)

- £986,000 (4.4% interest)
- £1,105,000 (5% interest)

The baseline modelled Council operational surplus share (year 3 operation) is £900,000. Illustratively, this indicates that in most scenarios above, the annual financing costs would be mostly covered off. However, the concept of self-financed scheme here also needs to take onto consideration the proposed operating model options for what is primarily a longer term regeneration scheme for the Council. As with many capital projects of this type, the regenerated hotel will have a value when completed. This is estimated to be in the region of £15million. At some stage the hotel may have a market value in excess of its debt outstanding, that would depend on the performance of the hotel, and the hotel market generally. As an example, at 3% interest rates in year 20 the hotel could still have approximately £11million of debt outstanding, which might align with its value at that time.

It may be that, depending on financial performance, and the general hotel market that the opportunity to sell the hotel would arise at some stage where it may be possible to pay off the balance of debt from the proceeds of sale.

#### **2.14 Hotel performance and the effect of inflation.**

The net income figures included in the baseline business model (which are considered prudent by Queensberry) are also calculated on the basis of expectations about room rates, occupancy and costs of operating the hotel. If the occupancy rates are higher than predicted, or the room rates achievable are higher, or costs of operating are lower, the surplus to meet annual financing cost requirements will be higher. Conversely, a lack of demand, a need to discount charges to achieve occupancy, or rising operating costs (such as wages), will potentially make the financial performance worse than predicted above.

Officers consider that the current projected surplus is relatively cautiously estimated, acknowledging that this is the first of this type of in Huddersfield for benchmarking purposes. After a long period of stability in inflation, prices are currently rising quickly. This will affect the costs of construction but may also impact in the longer term. The baseline business model is based on both expenditure and income at current price base. If inflation occurs equally on prices that are accepted in the market place, and costs, then inflation will also increase the amount of surplus that arises on the project.

If inflation was running at 2%, then after 5 years the net income would rise from £900,000 to £994,000, and after 10 years £1.1million, this would help to redeem debt more quickly. Higher rates of inflation would mean that net income relative to the fixed debt would rise more quickly.

#### **2.15 Financial Implications to the Council**

Over the medium to longer term, the baseline modelled business case (Appendix F) and sensitivities around financing costs as set out in this report indicates that the Council's annual financing costs should largely be covered, and that there is scope for enhanced performance over time around the baseline model. This also acknowledges that costs and demand may also fluctuate the other way.

It is also worth noting that in the earlier years as the business builds up, the surplus generated by the project will, regardless of interest rate scenarios, not likely cover the minimum revenue provision that the Council will be required to set aside annually in respect of the capital borrowing.

The Council will need to make some allowance for this, and that could involve targeted use of earmarked reserves; the quantum to be determined as the business model continues to evolve through to post-operational delivery. Depending on subsequent operational performance, there may be an opportunity to build back up earmarked reserves initially drawn down, in later years.

The Council's 2023/24 Medium Term Financial Strategy (MTFS) update report to Council on 7 September included a high level provision for 'Station Gateway next phase' development, at £18m, and which was indicated to be self-financing in terms of funding. The updated estimated capital costs included in this report are £20,205,000 but the overall scheme is still considered to be self-financing, acknowledging that this report also includes a range of sensitivities and also puts the self-financing aspect in the context of potential longer term realisable value.

Subject to Cabinet approval at this stage the principles of this project, it is intended that officers continue due diligence as the business model subsequently develops and build it onto the Council's updated annual budget plans as appropriate.

## **2.16 Role of the public sector (Council)**

This is a regeneration project and it is crucial that the public sector are involved in order to bring this building back into use. As can be seen over the last 9 years, in private ownership it had not been possible to create a commercially viable scheme and the building had been left to deteriorate further.

The public sector such as the Council have the ability to source funding from central government for regeneration projects and bringing historic buildings back in to use. The public sector are also able to access cheaper borrowing than the private sector through the Public Works Loan Board and given Councils have the ability to claim back VAT on refurbishment projects it can help to reduce outgoings and create a more viable project than if the scheme was led by the private sector.

Furthermore, the Council have the ability to accept long term investments given the additional benefits a regeneration scheme can help to support.

## **2.17 Risks**

Included in Appendix G is the risk register produced by the design team which highlights the main risks at this stage as highlighted below:

- Market conditions and inflation - these will be monitored as the design progresses and approach will be reflective of the conditions at the time.
- Ground risk including contamination as a reduced level dig is required to accommodate the function suite's floor to ceiling height. Specialist contractors will be consulted at the next stage to better understand how to navigate the findings of the, yet to be undertaken, ground investigations. The current solution's floor space does take account of the contiguous piled solution.
- Party wall with adjoining wall of the station wall right to access is yet to be confirmed
- Ground anchors are proposed within Network Rail's land which may require significant access and approvals.
- There are potential timing risks related to the Network Rail controlled adjoining car park, and access. This may impact on costs or timings for the project.
- The planning and heritage risk is significant given the nature of the building and its historic merit. We will continue to liaise with Historic England as the design develops and further justification such as structural surveys are undertaken.
- 90 room minimum: The current design shows 91 rooms however 6 of these are slightly below the required 20m<sup>2</sup> with numerous design issues affecting this. The m<sup>2</sup> will be continually reviewed to make the most efficient use of the space as new information is gleaned.
- In addition to construction risks, there will be some operator operational risks as we move through the next stages of design with these being reviewed with the operator once appointed. The main risk is operational occupancy levels and general revenue and ensuring the feasibility is not over estimated. In preparing the appraisals to date

Queensberry have taken a cautious view of the occupancy levels that could be achieved to mitigate this.

- The Council is taking the risk on all matters of occupancy rates, price per room and operating costs. An inability to let rooms, or to let them at the prices anticipated in the analysis, or a rise in costs of operations that cannot be reflected in prices charged will adversely impact on the net surplus that can be generated through hotel operations affecting the funds available to pay interest and redeem debt.
- The project has the prospect of being financially viable at low interest rates. However, it is not financially viable at higher interest rates. In the event of sustained inflation, this can make the value of historic debt relatively lower, improving viability.
- There may be a need for the Council as landlord to inject additional capital in the project to address the need for further refurbishment and renewals at circa year 15 to 20, acknowledging that this is longer term and by then there will be a mature operating model assuming successful, alongside considerations of timing of potential realisable market value.

## 2.18 Indicative Timescale

The key milestones for the project have been provided below. The intention is to be able to open the new hotel prior to Christmas 2024.

• Initial Concept Design	Dec 2021 -Feb 2022
• Initial Procurement of Hotel operator	Mar 2022- Jun 2022
• RIBA Stage 2 Concept Design	Jun 2022 - Aug 2022
• Commence Stage 3 Detailed Design	Oct 2022 – Jan 2023
• Commence negotiations in relation to the HMA	Oct 2022
• Submit planning application & listed building consent	Nov 2022
• Contractor Procurement	Feb 2023- April 2023
• Contractor appointment	May 2023
• Construction/Refurbishment	Jun 2023 – Nov 2024
• Hotel Opening	November 2024

Please see Appendix H for the Programme

## 2.19 Additionality

Huddersfield has an established reputation for manufacturing and engineering and is a university town. The town will benefit from having an upper upscale hotel in the centre of the town as visitors to many of the business and the university will be able to obtain good quality accommodation.

The hotel will provide between 20-30 full time equivalent jobs plus third party providers such as preparing foods offsite. During construction it is anticipated that the development could create in the region of 250 jobs.

## 2.20 Social Value

Social Value (SV) is about using every means to get the best possible outcomes for local people. The Council's SV objectives are:

- Promoting employment in Kirklees and supporting youth employment.
- Supporting the Kirklees economy – maximising the impact of the Kirklees Pound.
- Investing in ways that benefit our local communities the most.
- Growing our relationship with the voluntary and community sector and local business.

In addition, social responsibility is at the core of what Radisson Hotel Group do as a company. They recognise their hotels have an important responsibility and undertake this responsibility by

contributing to fundraising and organising community actions. Radisson Hotel Group features regularly on the world's most ethical companies list; companies on the list have met rigorous criteria across five categories covering the quality of their ethics and compliance program, organisational culture, corporate citizenship and responsibility, governance, and leadership and reputation. Every year, Radisson Hotel Group introduces new sustainability features and programmes, some company-wide requirements, some regional, some optional.

Council officers and the Council's consultants are working with the Radisson Hotel Group to understand the social value benefits that can be obtained directly through the hotel such as:

- Real national living wage;
- career development – such as linkages to local colleges, student placements, scholarships, internships and apprentices in Radisson Hotel Group locally and globally
- linkages with local suppliers.

## **2.21 Sustainability**

Further to the Climate Emergency declared in Kirklees, consideration is being given as to how this project can help support the movement towards a zero-carbon future and as far as reasonably possible reduce the carbon footprint of the George building. The Council and its design team are aiming on achieving a BREEAM Very Good Rating for the George.

BREEAM good to very good can generally be achieved by ensuring early adoption of BREEAM focused management methodologies, and stringently adhering to the current building regulations whilst having due regard to the opportunities identified below which the design team are currently analysing as the design progresses. Examples of opportunities that may be incorporated include:

- Air source heat pumps for heat recovery
- Utilising MVHR systems (Mechanical Ventilation with Heat Recovery)
- Installation of Photovoltaics if deemed meaningful.
- Replacement of existing single glazing within Block A with Insulated glass units (IGUs) Vacuum Glass
- Investigation of use of sustainable materials for the new structural frame
- Consideration of the building fixtures, fittings, material choices and finishes specifications
- Consideration of all mechanical and electrical systems'

## **3. Implications for the Council**

The George remains one of the key Blueprint projects. Its renovation and re-use as a quality hotel will be a mark of the progress being made to change the town centre and will be a significant confidence boost for other potential investors in the town.

### **3.1 Working with People**

This report deals with the delivery of one part of the Blueprint. The Blueprint was subject to a number of engagement exercises commencing in 2018 as part of the Blueprint development and then again late in 2019 after the Blueprint launch the council undertook a Place Standard exercise to benchmark public reaction to the approach and projects. The results from this exercise show there is a great desire to bring the George into active use. The key report for this can be found by accessing the following link:

<https://howgoodisourplace.org.uk/huddersfield-town-centre/>

Moving forward the detailed designs will be subject to formal consultation through the planning stage where all parties, including members of the public will have access to detailed plans and will be able to make comment on the proposals.

### **3.2 Working with Partners**

Collaboration and working together with partners are the key to ensuring the Council get the best outcomes for citizens, communities and Kirklees as a whole. Early contact with experts working in the hotel field, stakeholders such as potential end users and technical advisors such as Historic England has been undertaken to help shape options for the hotel. This practice will continue throughout the life cycle of the project.

As set out in the report earlier the George Hotel is already receiving funding from other external partners – primarily Historic England and DLUHC. The former is a rich source of partnership working as Huddersfield is part of the High Street Heritage Action Zone Programme concentrating on the George Hotel and Estates Building. As part of this a cultural programme led by a consortium, which includes: The Civic Society, The History Society, Kirklees Heritage Open Days and a number of local businesses; is being rolled out to raise awareness of Heritage and also explain the programme of work.

In addition to this the Council are part of the Historic England Schools Heritage programme and are engaging with 8 schools in Huddersfield to raise the profile of heritage (including the George) in the town.

There will be a third-party operator involved in the hotel. The preferred operator is recommended to Members as part of this report. This relationship will be an important one for the town. Officers will be giving consideration to additional resources which enable this relationship, along with other commercial operators, such as within the Cultural Heart, to be managed proactively and bring about the best interest for the Council and the town centre as a whole.

### **3.3 Place Based Working**

The development of the Blueprint and the associated Place Standard exercise has already engaged town centre stakeholders, businesses, and users to help shape the overall approach to redeveloping Huddersfield Town Centre.

### **3.4 Climate Change and Air Quality**

The reduction of carbon emissions and the minimization of air quality problems is a key objective for the blueprint. As set out in Section 2.21 of this report this project will be aiming for a BREAAAM rating of very good to help contribute to that objective.

Both Climate Change and Air Quality are key parts of the project design. This in turn will inform the planning application and the future detailed design work.

In addition, climate change initiatives are associated with the delivery and promotion of other projects and programmes across the town. For example the promotion of active travel facilities and better connectivity by public transport. Both help to reduce adverse transport derived impacts on communities and public health.

### **3.5 Improving outcomes for children**

The Blueprint includes within it a key objective of providing a family friendly town centre. This means that uses, streets and places will favor all age groups including children. Part of the strategy to renew the town is to bring in new uses that attract families and young people in a way the town does not at present. This means that the introduction of cultural activities and associated food and beverage offers need to be managed in a way that appeals to all age groups.

Additionally, streets and spaces will be designed with all generations in mind making them both safe and inclusive at the same time.

### **3.6 Cost of Living Crisis**

When the Hotel is operational it will create a variety of new job opportunities that are accessible by bus and train. This aspect is detailed in section 2.19 of this report. Increased activity in the town centre as a result of this development will increase footfall which in turn helps support the services and businesses that already exist. It is anticipated there will be increased spend in the town.

### **3.7 Other (e.g. Integrated Impact Assessment/Legal/Financial or Human Resources)**

#### **3.7.1 Integrated Impact Assessment**

Officers are in the process of progressing an Integrated Impact Assessment (IIA) in conjunction with the design team and hotel operator.

#### **3.7.2 Financial**

The financial implications arising from the George Hotel project is significant. This report sets out the overarching rationale for the resource implications moving forward. This is set out in section 2.11 of this report. Cabinet are being requested at this stage to formally commit to the outlined Capital Project costs of £20,205,000 and make this available in the Council's capital programme. Given the current volatile market of increasing prices and inflation we are currently seeing tender price increases officers are therefore also seeking to ensure that any costs increases of up to 10% can be authorised.

#### **3.7.3 Legal**

Legal Services, Finance Services and an external framework firm, will be involved in the finalisation of the Hotel Management Agreement; and other ancillary contractual arrangements with Radisson Hotel Group; and exploration of ownership structures and exit strategy.

The Council must have regard to its Public Sector Equality Duty under the Equality Act 2010. The Council has legal powers to enter into the HMA and other ancillary agreements under Section 1 of the Localism Act 2011. This is a general power of competence to do anything an individual may do subject to any limitations or restrictions in other legislation; The Council has a general duty to make arrangements which secure best value under section 3 of the Local Government Act 1999. This means it must consider how to secure continuous improvement in the way its functions are exercised having regard to a combination of economy, efficiency, and effectiveness. The Council must exercise its powers reasonably in public law terms; and comply with the Council's Contract Procedure Rules when procuring supplies, works and services. CPR 12 would require Cabinet approval for the formation of an SPV and supporting business case.

### **4. Consultees and their opinions**

Officers presented an update in private session to Ad-Hoc Scrutiny panel, chaired by Cllr Liz Smaje on 22nd September 2022. No specific requirements were requested at that meeting.

Officers briefed Portfolio holders for Town Centres and Corporate. Cllr. Graham Turner, the Cabinet Portfolio Holder for Regeneration, supports the recommendations and was briefed on the 6th and 21st September 2022, and Cllr Paul Davies, the Cabinet Portfolio Holder for Corporate, was briefed on the 6th September 2022 and supports the officer recommendations.

### **5. Next steps and timelines**

The key milestones for the project have been provided below. The intention is to be able to open the new hotel prior to Christmas 2024.

• Initial Concept Design	Dec 2021 -Feb 2022
• Initial Procurement of Hotel operator	Mar 2022- Jun 2022
• RIBA Stage 2 Concept Design	Jun 2022 - Aug 2022
• Commence Stage 3 Detailed Design	Oct 2022 – Jan 2023
• Commence negotiations in relation to the HMA	Oct 2022
• Submit planning application & listed building consent	Nov 2022
• Contractor Procurement	Feb 2023- April 2023
• Contractor appointment	May 2023
• Construction/Refurbishment	Jun 2023 – Nov 2024
• Hotel Opening`	November 2024

Please see Appendix H for the Programme

## 6. **Officer recommendations and reasons**

### **General**

- 6.1 That Members of Cabinet note the report and agree to support the redevelopment of the George Hotel site as a hotel with an associated food and beverage offer.

### **Hotel Operator**

- 6.2 That Members agree that the preferred hotel operator – Radisson Hotel Group utilising the Radisson Red brand – be appointed to operate the hotel once all the necessary agreements are in place.
- 6.3 That the Strategic Director for Growth and Regeneration and Service Director for Finance be authorised to progress and conclude detailed negotiations with the recommended preferred hotel operator at recommendation 6.2 above and authorise Service Director Legal Governance and Commissioning to enter into the Hotel Management Agreement (HMA) and any other ancillary formal legal documentation on behalf of the Council.
- 6.4 That Service Director for Growth and Regeneration, Service Director for Finance, and Service Director for Legal, Governance and Commissioning explore and agree the preferred option relating to the potential commercial structure of the hotel ownership which could include a Special Purpose Vehicle (SPV) as described in section 2.9. This would be an alternative to the Council entering into the HMA directly with the preferred hotel operator.

### **Cost, Design and Construction**

- 6.5 That Members agree to the capital allocation of up to £20,205,000 set out in section 2.11 of the Cabinet Report and make this available in the Capital Plan to deliver the project to completion as outlined in this report.
- 6.6 Members agree to delegate to the Strategic Director of Growth and Regeneration in conjunction with the Service Director for Finance to apportion further funds if required of up to 10% over the pre tender estimate.
- 6.7 That the Service Director for Development be authorised, in consultation with the Portfolio Holder for Regeneration, to agree the final design of the Hotel.
- 6.8 That Service Director for Development be authorised to prepare and submit any necessary planning and listed building consent applications (as well as any other statutory consents that may be required to ensure delivery) for the Hotel development outlined in the report.



- 6.9 That Service Director for Development be authorised to undertake the necessary procurement exercise to award the building contract to deliver the hotel project subject to planning, HMA and other necessary consents are being in place.

### **Reasons**

- 6.10 The reason for the following recommendations is to progress the refurbishment and redevelopment of the George Hotel site in Huddersfield Town Centre to completion to transform this building into a new hotel as part of the Huddersfield Blueprint and to enter into a Hotel Management Agreement with Radisson Hotel Group utilising the Radisson Red brand.

## **7. Cabinet Portfolio Holder's recommendations**

The Cabinet Portfolio Holder for Regeneration recommends that Cabinet accepts / endorses the officer recommendations – paragraph 6 of this report.

## **8. Contact officer**

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## **9. Background Papers and History of Decisions**

See list of Appendices

## **10. Service Director responsible**

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