

ADDITIONAL INFORMATION

1. EXECUTIVE SUMMARY

- 1.1 The original Part A and Part B reports provide the detail on the rationale for the purchase and other key considerations. These are provided alongside these papers. This report is intended to give further details in response to this call in. This purchase provides the Council with an immediate new income stream to help fund front line services. It is in a key strategic location and given the valuations it is at a risk level considered acceptable.
- 1.2 The Council already holds a number of properties that are classified as investment assets that are not utilised as operational or community properties such as Enterprise Close and Davis House. These have been managed to secure revenue for the Council and help contribute towards the Council's financial strategy. The existing Asset Strategy that was approved by Cabinet in 2014 has a key objective in relation to looking at opportunities to generate more income for the Council to support our financial challenges. Further work is underway as part of the new financial strategy and is reported elsewhere on this agenda.

2. *Acquisition of Freehold interest in the Croydon Park Hotel as a commercial investment*

- 2.1 The Part A and B papers provide the detail behind the proposed acquisition and the original reports are included as background papers within the Part A and B sections of this paper as appropriate.
- 2.2 The due diligence undertaken as part of the acquisition process has been detailed and thorough and has allowed due consideration to be given to any risks identified. The site was previously owned by the Council and sold off in 1994 together with other assets. Appendix 1 includes a copy of the Transfer document that included this site along with others. More recently the site was acquired by the current owner in 1999 for a recorded figure of £19.9m although some parts of the original site have subsequently been disposed of. Details of the Freehold and Leasehold registers are included in Appendix 2
- 2.3 Financial account details for the tenant, Kasterlee UK Limited have been obtained from companies House and a copy of these are included in Appendix 3. Although the December 2016 figures demonstrate a loss, further investigation in connection with the rent payment history demonstrates that the tenants have not defaulted in respect of their rent payments over the period for which data has been provided which runs from 2014 and details are included within the Part B report
- 2.4 As part of the due diligence the Council has obtained a valuation report from a consultant who specialises in hotel and leisure valuations (Report contained within Part B), a full title report, building survey and measured survey. In addition as part of the title checks the following reports have also been obtained:
- a. Local search
 - b. Drainage & Water search

- c. Chancel check
- d. Highways search
- e. Environmental & Flood Search
- f. Utilities check

2.5 The selling agents dealt with the disposal by way of a bidding process. In order to fully assess the value of the asset to allow the Council to make a competitive bid, valuations were obtained on a number of basis as detailed below and the relevant figures are contained within the Part B report

Existing Use Value

Value with Vacant Possession

Potential Development Value

Existing Rental value

2.6 In respect of the potential development value, planning advice was obtained to assess the likely development options. The summary of the advice is detailed below:

“Given that there is an existing hotel on the site and that hotels are considered a growth sector within the Croydon OA, the LPA is likely to support either the modernisation of the existing hotel, or the re-provision of a modern, fit for purpose hotel that makes more effective use of the site.

In addition to supporting hotel growth, the Opportunity Area is also the focus within Croydon for residential and commercial growth and it is likely that other alternative uses (residential/offices) would be acceptable on site, either as a mixed-use development or as a sole use.”

2.7 In his report the valuer assumed the basis of redevelopment as a hotel but as part of the process, informal advice was also obtained in connection with residential development options and although very high level, this supported the level of value that was subsequently bid.

2.8 In respect of the vacant possession value, the valuer has detailed in his report the evidence relied upon which supports the fact that the current letting is slightly below the current market rent. The Valuer also made enquiries within the hotel industry regarding operators views in respect of Croydon and the response was both positive in respect of the location and operators currently considering Central Croydon as a target location.

2.9 As with any competitive bidding situation, the identity of the other bidders has not been identified but enquiries with the selling agents have identified that the initial round of bids attracted 14 compliant offers and the second and final round of bids included 4 parties.

2.10 The sale of investment assets within the market generally have a very tight timeframe from offer to completion. In this case the timescales were as follows:

Opportunity identified	02/7/18
Site inspection	12/7/18
Valuation received	27/7/18
Initial offer	31/7/18
Best and Final Offer	03/8/18
Successful bid confirmed	06/8/18
Proposed completion	TBC

Appendices

Appendix 1 – Transfer document dated 10 May 1994

Appendix 2 – Current Land Registry entries for the Freehold and Leasehold titles

Appendix 3 – Tenants accounts

Appendix 4 – Marketing brochure for Croydon Park hotel

CONTACT OFFICER: Steve Wingrave Head of Assets and Estate Management

