

ITEM No ...7.....

REPORT TO: CITY DEVELOPMENT COMMITTEE – 26 FEBRUARY 2018
REPORT ON: PROPOSED HOTEL DEVELOPMENT, SITE 6, DUNDEE WATERFRONT
REPORT BY: EXECUTIVE DIRECTOR OF CITY DEVELOPMENT
REPORT NO: 2-2018

1 PURPOSE OF REPORT

1.1 To seek approval for the Council to progress the development of an upscale hotel on Site 6 at Dundee Central Waterfront on the basis of an operating contract with Marriott Hotels International Ltd.

2 RECOMMENDATION

2.1 It is recommended that the Committee remit the Executive Director of City Development and Executive Director of Corporate Services to;

- a agree a Letter of Intent with Marriott Hotels International Ltd to operate an hotel on Site 6 (south) of Dundee Central Waterfront;
- b enter into a Technical Services Agreement with Marriott Hotels International Ltd to provide advisory services for the design of the hotel to their brand standards; and
- c report back to the Committee on final proposals and costs for the development of the hotel and on the proposed contract for its operation.

3 FINANCIAL IMPLICATIONS

3.1 Through a SCAPE contract, the Council has already incurred design team fees for the submission and receipt of planning permission for the whole of Site 6; the proportion of these fees which are allocated to the hotel development component is £240,000.

3.2 The estimated cost of Marriott providing the necessary design review and advisory services covered by the Technical Services Agreement is US\$180,000 (£135,000). The further professional fees required to take the hotel design to a pre-tender estimate will be £450,000.

3.3 The Executive Director of Corporate Services confirms that these total costs of £585,000 can be met from additional provision being included in the 2017-23 Capital Plan.

4 BACKGROUND

4.1 The development of Site 6 at Dundee Central Waterfront includes proposals to provide a high quality new hotel directly opposite the V&A Museum of Design; this is a uniquely prestigious site within the city which offers a prime opportunity to add to the city's 'upscale' hotel facilities. The term 'upscale' equates to a 4+ star operation and such a facility is considered to be essential if the city is to maximise the tourism potential of the V&A both from leisure and business visitors.

4.2 The City Development Committee agreed on 22 August 2016 (Article XVI refers) to enter into a SCAPE Stage 1 agreement with the Robertson Group to prepare design proposals for the development of Site 6 and to submit these for detailed planning consent. A design team led by Cooper Cromar were appointed by Robertsons to develop the scheme and planning permission for a mixed use development including erection of new offices, residential units, hotel and retail units was granted on 19 June 2017.

- 4.3 With the assistance of Scottish Development International and their property advisors, GVA, alongside the Council's retained property advisors, Ryden, a targeted marketing exercise was undertaken to identify a suitable full-service, upscale hotel operator/brand for the Site 6 (south) site. Three written Expressions of Interest were received and the advice from GVA and Ryden was that the most favourable to the Council, in financial and quality terms, was that from Marriott Hotels International.
- 4.4 The Marriott proposal is for 72,968 sq.ft of accommodation consisting of a 150 bedroom upscale, full service hotel via their 'AC' brand. The hotel facilities would include a full restaurant and bar plus meeting/conference facilities and gym. Marriott are proposing to run the hotel under a Hotel Operating Contract from the Council whereby they are responsible for the full operation of the hotel and its commercial performance based on agreed targets. The Council would retain full ownership of the asset and all commercial profits (net of Marriott's management fees, etc).
- 4.5 The financial estimates for the operation of the hotel from Marriott and GVA show an annual turnover which generates a potential return to the Council. Further negotiations are necessary with Marriott to determine the full income potential for the Council. Only once these have been concluded will the Council be able to fully assess the viability of the project and its associated risks.
- 4.6 The estimated job numbers resulting from the proposed hotel development are circa 120 FTEs plus a further 260 construction jobs during the period of the building works. Marriott have agreed to pay the Living Wage to all employees and this will be reflected in the final contract arrangements.
- 4.7 In conclusion, the Council's desire to secure a quality, upscale hotel at an early date on Site 6 can be achieved through direct development. Detailed contractual terms need to be finalised with Marriott and more work undertaken to ensure cost certainty; this work will require the full and active participation of Marriott and this can be secured via a Technical Services Agreement. Officers can then report back subsequently to Committee with finalised terms and costs for consideration and final approval to proceed.

5 POLICY IMPLICATIONS

- 5.1 This Report has been screened for any policy implications in respect of Sustainability, Strategic Environmental Assessment, Anti-Poverty, Equality Impact Assessment and Risk Management. There are no major issues.

6 CONSULTATIONS

- 6.1 All members of the Council Management Team have been consulted and are in agreement with the contents of this report.

7 BACKGROUND PAPERS

- 7.1 There are no background papers of relevance to this report.

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