

Appendix 1

Subject: Economic Impact Assessment of loss of Ivy House Hotel in Marlborough
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Economic Impact Assessment of loss of the Ivy House Hotel as a hotel in Marlborough - Planning Application Ref: E/10/1632/Ful – change of use from C1 to C2

1. On Thursday 17th February Wiltshire Councillors considered the above planning application. The owners seek permission to change the use from a hotel to a boarding house for Marlborough college students; Councillors deferred a decision so that an assessment of the economic impact could be prepared by Wiltshire Council's Economic Regeneration team.

Purpose of this report

2. This report will focus primarily on the economic impact as a result of the loss of this amenity and address the issues highlighted in the planning assessment. Due to time and resource constraints the evidence provided is largely anecdotal. However, it is specifically relevant to Marlborough whereas published figures relate to regional and national markets that do not accurately reflect Marlborough's USP and position within the tourism and retail economy.

Background

3. The Ivy Hotel is a Grade II listed building in a prominent position on the High Street in Marlborough. The building has been established as a hotel since 1923. The 28 room hotel provides accommodation on a bed and breakfast only basis. Although the hotel does not currently have a restaurant it has had a fully operational restaurant in the past. It also has useful meeting/conference facilities.
4. Marlborough College has also undertaken analysis of the economic benefits that they consider the expansion of the College would generate for the town. The College has estimated that the change of use to boarding house would generate significant benefits to the local economy in the form of additional employment (estimated to be in the region of £600,000), extra maintenance and capital expenditure estimated to be in the region of £150,000) and increased food purchases and other supplies (estimated to be in the region of £40,000). It is claimed that the boarding house would also generate additional spend on the High Street from the increased number of pupils and their parents.
5. The calculations have been based on the assumption that student numbers at the Marlborough College would increase by 50 pupils if the Ivy House were to become a boarding house. It is assumed for the purposes of these calculations that the College's ratios of expenditure, maintenance and capital would remain constant. (*DTZ letter 16th March*).

Economic Impact

Impact on the vitality and viability of Marlborough Town Centre

6. *Impact of the loss of the hotel and conferencing facility on the vitality and viability of Marlborough Town centre: (para 7.1 DTZ Ivy House Planning Assessment Nov 2010).*
7. *'The boarding house will not provide full catering facilities as boarders would eat all their meals on the central college site'. (para 4.7 DTZ Ivy House Planning Assessment Nov 2010).*
8. The hotel currently operates on a bed and breakfast only basis. Therefore visitors make use of the wide variety of restaurants and pubs in the town centre bringing considerable revenue to those establishments.
9. *'There is no saved planning policy in the Kennet Local Plan which protects existing hotel uses. Under Policy ED18 proposed development should not reduce the vitality and viability of the town centre. For a number of reason it is considered that the proposed change of use would not result in any harm to the vitality and viability of the town centre' (Para 7.3 DTZ Ivy House Planning Assessment Nov 2010).*
10. A lack of available land and premises designated for Employment Use within the existing Local Plan and emerging Local Development Framework is a serious issue for Marlborough. Evidence indicating the severe shortage of available new land designated for Employment Uses is contained in the Wiltshire Council commissioned report by DTZ Consultants – the Wiltshire Workspace Strategy 2009. The implications of this are that the opportunity to replace the hotel with new facilities is severely constrained.
11. The whole of the Marlborough area lies within the North Wessex Downs Area of Outstanding Natural Beauty (AONB). The town has a rich built environment with an attractive and thriving retail centre. The town and its wider rural hinterland are highly constrained due to their landscape quality and topographic features. The community area includes the Avebury element of the Stonehenge and Avebury World Heritage Site. Full advantage has not yet been taken of the area's tourism potential. Marlborough is a small market town, where it is anticipated that future development will help meet local housing need and to promote the town's role as a service and tourist centre. (WLDF 3.9 Marlborough Community Area, para 3.9.1)
12. Permission for change of use for this building will result in the loss of an employment/investment opportunity. Lack of suitable buildings or available land prevents new investors from entering the market.
13. Access to the building will be restricted to students and staff of Marlborough College and thus there will be no access for the general public.
14. The car park currently provides 28 of parking spaces for use by hotel guests taking some pressure off the limited parking availability in the town. This is to be reduced to 6 spaces to be used exclusively by the college representing a loss of 22 car parking spaces.

15. The table below illustrates the existing employment levels at the Ivy House Hotel.

Employment	Full-time	Part-time	F/T Equivalent
Existing	6	13	12.5
Proposed	4	5	6.5

16. The change of use would result in a net loss of 6 full time jobs. It is estimated that the hotel operating at capacity would create employment opportunities for approximately 25 full time local jobs generating approximately £500,000 in employment income. This is based on employment levels at establishments with similar capacity. The indirect impact of this employment income has not been assessed.

17. The table above excludes the economic and employment benefits of the construction phase of any refurbishment, which are not sustained in the long term but would contribute significantly to the economy in the short term.

Viability of hotel use

18. The Planning Assessment examined the viability of the existing establishment.

19. 7.8 *Table 1: Provincial Hotels – Rooms Revenue, Total Revenue and GOP Performance (DTZ Ivy House Planning Assessment Nov 2010).*

Table 1: Provincial Hotels – Rooms Revenue, Total Revenue and GOP Performance

Year	Occupancy	ARR	RevPAR	TrevPAR	GOPPAR	GOP Conversion
2007	72.2%	£74.36	£53.71	£105.62	£36.45	34.5%
2008	70.4%	£74.78	£52.62	£102.56	£33.77	32.9%
2009	67.9%	£68.86	£47.76	£92.09	£28.57	31.0%
2010f	69.6%	£67.80	£47.22	£91.41	£27.82	30.4%
2011f	69.6%	£67.80	£47.22	£91.41	£27.82	30.4%

Source: TRI

20. Years 2010 and 2011 are forecasts, and although 2010 turned out to be remarkably accurate, these are the whole of UK Provincial statistics and Marlborough is clearly high up the list in terms of affluence, and nearer to Bath (that had a 10.3% growth in TrevPAR 2010 and 6% growth in GOPPAR 2010), rather than Manchester, which is included, (and had a 9.9% drop in TrevPAR and 32% drop in GOPPAR). Sources also TRI. Taking Marlborough as a mean is somewhat disingenuous and does not accurately reflect its unique offer.

21. *'In addition the proliferation of the budget hotel sector has meant that consumers are being provided with cheaper alternative hotel options'. (Para 7.9 DTZ Ivy House Planning Assessment Nov 2010).*

22. There is no 'budget' hotel provision in Marlborough and currently no sites available for this type of development. If there was quality accommodation available in the town; it would have little or no competition.

23. *'Historically the net profit before tax, depreciation, interest and amortisation (EBITDA) has only been 5% of total sales'. (Para 7.11 DTZ Ivy House Planning Assessment Nov 2010).*

24. An EBITDA of 35% would be a % that would only be required should the purchase price of the property be, unrealistically high. An investor would view this as a long term investment, and a 28-30% figure (a more realistic number) could be achieved after a period of approximately 5 years.
25. The Ivy House could be brought up to the standard of a quality establishment with a commercially realistic sum of capital investment. The following forecast demonstrates the income that could be generated.

HOTEL P&L	Yr 1	Yr 2	Yr 3	Yr 4	Yr 5
Sales	1,504,003	1,579,203	1,673,955	1,774,392	1,898,600
Expenditure	1,212,330	1,248,700	1,286,161	1,324,746	1,364,488
EBITDA	291,672	330,503	387,794	449,646	534,111
EBITDA %	19.4%	20.9%	23.2%	25.3%	28.1%

26. The table above excludes the economic and employment benefits of the construction phase of the refurbishment which are estimated to be in the region of £280, 000 (figures prepared by independent UK hotel consultant).
27. *'Limited capability to expand to incorporate additional USPs' (Para 7.15 DTZ Ivy House Planning Assessment Nov 2010).*
28. The USP is the building and its location. A relatively modest investment in the hotel and its management would create a 'destination' hotel in its own right (see Addendum).

Economic Climate

29. *'In August 2006 the vendor received a direct approach from Warrant Estates to purchase the Ivy House for the conversion of the front of the hotel to restaurant and redevelopment of the rear of the building and car park to residential'. (Para 7.16 DTZ Ivy House Planning Assessment Nov 2010).*
30. This offer reflects a value based on achieving that planning permission which was refused. This does not properly reflect the asset's value as a hotel or the downturn in the property market since 2007.
31. Subsequent offers have been made for the property:
32. These more accurately reflect the economic downturn and inability to secure finance as a result of the credit crunch and tighter lending conditions rather than the hotel's viability.
33. Marlborough is renowned for its quality retail offer, literary, jazz and food festivals which attract many visitors to the town; the loss of this hotel further exacerbates the problem of a lack of quality accommodation.

Alternative accommodation provision

34. *'There is a range of accommodation within the town centre which is all well suited to meet the demands of the market for town centre hotel accommodation in Marlborough'. (Para 7.21 DTZ Ivy House Planning Assessment Nov 2010).*
35. There is demand for over 359,000 serviced room nights from within the area (north Wiltshire 2008). There are currently only 91 available serviced rooms in the town centre. The Ivy House provides 28 of those representing almost 30% of the towns' accommodation offer and this loss would have a detrimental effect on visitors to the town.
36. The Castle & Ball is the only fully operational truly comparable hotel in Marlborough with a turnover of £1.3million with a 60/40 leisure/corporate split. The hotel has recently come under new management and is due to undergo a £500,000 refurbishment. The hotel currently employs 30 members of staff.
37. Finally notwithstanding the economic contribution that the College makes to the local economy, they are significant landowners in the area and as already suggested by Peter Bryant, Business Development Manager, additional accommodation requirements could with the necessary planning consent be satisfied on existing college grounds. Additionally alternative accommodation for boarders could be found elsewhere without the loss of this important local amenity.

Venue	Location	No of bedrooms	Room Rate	Occupancy
Castle & Ball	High St	36	£80 -£120	85%+

Peter Wheelhouse
Head of Economic Regeneration
7 April 2011

Addendum.

The following endorsement regarding the hotel's viability was received from Gerard and Nina Basset, co-founders and co-owners of the successful Hotel du Vin group. They have also set up and run the Hotel TerraVina in the New Forest and Gerard is currently the official World's Best Sommelier.

Nina Basset – "I used to inspect the property regularly during my nearly 5 years as an AA Hotel and Restaurant Inspector (1990-1995) and at that time it was a very successful and thriving business, which was privately owned, much loved by regularly returning guests and very well supported by the local community. The building is a fine example of a lovely Grade II listed building and enjoys a very prominent position on the High Street and benefits from parking, which is a premium in a town like Marlborough.

With Marlborough being much in the news due to its "new" Royal connection it will undoubtedly become an even more attractive tourist destination, especially with overseas visitors. The purchase price of the property fairly reflects the down turn in the market and also the sad demise of the property in recent years and would be, in my view, a very viable proposition as a worthy, smart, mid market hotel, positioned to attract both locals, leisure and business guests alike. It would be a suitable overnight venue for visiting parents whose children are at the college and ensures that there remains valuable bed space in an affluent town, which, whilst the town has been affected by the economic downturn in recent years, remains a very attractive option for a new business investment, in a historic and much loved building.

I am sure that with the proper management and operators, the hotel would be a most attractive and very feasible asset to the town, offering considerable employment, an exciting and buzzing food and wine operation and quality accommodation at sensible prices. Any business can fail with the wrong concept and lack lustre management, even if the location is prime and the site hugely attractive, but if there is an experienced operator and one who is conscious of the business and clientele's needs, it is a very exciting project for the town of Marlborough and one that should be embraced wholeheartedly.

If such an establishment had been on the market when we were owners of the Hotel du Vin group, Marlborough would certainly have been a town that we would have been very keen to have expanded into as the mid market; smart hotel concept with a "sexy", successful restaurant would work brilliantly in such a town.

Gerard and Nina Basset Owner Hotel
TerraVina

APPENDIX 2 – COMMENTS ON THE ECONOMIC IMPACT ASSESSMENT SUBMITTED BY THE AGENTS

Thank you for forwarding the Council's Economic Impact Assessment. We are very disappointed that the report fails to provide an impartial and balanced assessment to Members. We are particularly concerned that much of the evidence provided in this report is stated to be anecdotal and therefore we question the extent to which it can be relied upon to accurately advise Members. The factual evidence which has been provided by the applicant in relation to the non-viability of Ivy House Hotel appears to have been given little (if any) regard in the report. The non-viability of Ivy House Hotel is a key consideration in the determination of this planning application. We therefore request that you take the following points into account when preparing your report to Planning Committee:

1. DTZ submitted additional information to the Council on 16th March 2011. This comprised the following:
 - a. Extracts from the Property Management System of the Ivy House Hotel illustrating the daily occupancy of the hotel over the past 5 years and the Annual Management Accounts for the hotel since ownership by Hunts Foodservice were provided. The final point of the letter accompanying this information states that *"In the current climate, it is unlikely that any bank would be willing to fund this capital expenditure off the back of such trading history and therefore the market for investors is significantly restricted. As a result, Hunts Foodservice was unable to secure a disposal of the property over a 22 month period between April 2008 and February 2010 due to the limitation on available bank funding for such a project"*.
 - b. A letter from Christie & Co confirming the marketing of the hotel and offers received between April 2008 and March 2009. Christie & Co state in their letter (dated 14th March 2011) that although they received considerable interest in the hotel, due to stricter bank lending requirements, falling levels of trade at the hotel and capital expenditure requirements on the property, buyers had been unable to secure bank funding to purchase at that time.
2. The planning application has previously been recommended for approval by the case officer.
3. There are no specific policies set out in the development plan which protect hotel uses within the town. It is therefore impossible for the Council to sustain resistance to the application on the basis of no compliance with the development plan. The report to committee agrees that the proposed boarding house would contribute towards the vitality and viability of Marlborough town centre and the application therefore accords with Policy ED18 of the local plan. It would also secure the long term maintenance of a listed building.

Specific comments on the Economic Impact Assessment:

- Paragraph 2 maintains that Marlborough maintains a special position in terms of tourism and USP but this assertion appears to be anecdotal as no factual justification is given for adopting this position in the report.
- The College's cost associated with increased employment is estimated to be £600,000, whereas Ivy House Hotel's current employment cost are only in the region of £180,000. The proposed boarding house would therefore generate an extra contribution of over £400,000 to the local economy, if the present offering of the hotel was to remain the same.

- The report estimates that the hotel would generate £500,000 in employment income if it was operating at capacity. Capacity is not defined in the report, but presumably this means that it would be offering a full service, i.e. guests would not be using the facilities on the High Street for lunch and dinner. Even if such a situation was ever to be reached the extra employment does not equal that provided by the College's expansion. We therefore question how the conclusion made at paragraph 12 (planning permission for change of use will result in a loss of employment/investment opportunity) is reached.
- Paragraph 13 ignores the fact that Ivy House would be available for use out of term.
- Paragraph 15 – Marlborough College have advised that based on their existing teacher ration of 1:6.75 (staff: students) the conversion of Ivy House to a boarding house would result in at least an additional eight full time staff (not four as previously advised and stated in the report). This would include teachers, a dame, and a houseman. Additional employment would also be generated through extra support staff, housekeeping, maintenance, administration, technical and catering staff.
- Paragraph 25 – Ivy House Hotel's turnover for 2011 is predicted to be lower than 2010 turnover, but the report proposes that in Year 1 after coming up to 'the standard of a quality establishment' the turnover would be £1.5million. There is no real justification for a near fourfold increase in revenue, particularly in the current economic climate. The report also suggests that by Year 4 the hotel's EBITDA would actually surpasses its current annual turnover. If this turnaround was even remotely possible then we would expect there to be a line of potential purchases – something which is not the case.
- Paragraph 26 appears to suggest that only £280,000 needs to be invested in the hotel to make it a 'quality establishment'. The Landlord has advised that an investment of approximately £1million is required to improve the quality of the asset.
- Paragraph 37 – It is noted that the College does not employ a Peter Bryant and neither does the College have a Business Development Manager.
- The statement that Peter Bryan (Director of Corporate Resources and Deputy Master) has previously stated that the College's additional requirements could be satisfied on the existing college grounds is unfounded and misleading. Marlborough College is working on a development plan for the whole of the College, taking into account all of its needs.

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DTZ