

<b>DECISION-MAKER:</b>	CABINET
<b>SUBJECT:</b>	<b>PROPOSED LEASE RESTRUCTURE, HOLIDAY INN HOTEL, WEST QUAY ROAD</b>
<b>DATE OF DECISION:</b>	27 JANUARY 2026
<b>REPORT OF:</b>	<b>COUNCILLOR BOGLE CABINET MEMBER FOR ECONOMIC DEVELOPMENT, GROWTH AND SKILLS</b>

<b><u>CONTACT DETAILS</u></b>			
<b>Executive Director</b>	<b>Title</b>	Executive Director of Growth & Prosperity	
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### **STATEMENT OF CONFIDENTIALITY**

Appendices 2 and 3 of this report contains information deemed to be exempt from general publication based on Category 3 of Paragraph 10.4 of the Council's Access to Information Procedure Rules. This includes details of commercial terms which have not yet been finalised between parties and which if disclosed, could put the Council or other parties at a commercial disadvantage.

### **BRIEF SUMMARY**

This paper seeks approval for the proposal to restructure the lease arrangements of the Holiday Inn Hotel on West Quay Road, to support the refurbishment and rebranding of the hotel by the tenant Holiday Inn (Southampton) Ltd. A Site Plan is included at Appendix 1.

It is proposed that the Council accepts a surrender of Holiday Inn's existing lease which has an unexpired term of 39 years and simultaneously grant a new 125 year lease at an increased rental and receipt of a capital payment. Further details are provided in Confidential Appendix 2.

### **RECOMMENDATIONS:**

	(i)	To approve the arrangements reached with Holiday Inn for a new lease and the receipt of the lease premium which will be treated as a capital receipt.
	(ii)	To delegate authority to the Executive Director of Growth & Prosperity to settle the detailed terms of the lease following consultation with the Cabinet Member for Economic Development, Growth and Skills

<b>REASONS FOR REPORT RECOMMENDATIONS</b>	
1.	The proposal offers certainty of increased revenue and a significant capital receipt in the current year (2025/26).
2.	The new revenue stream is protected from erosion by inflation over the life of the 125 year rental stream as it is index linked.
3.	The refurbishment provides an upgrade of the existing buildings, in line with the Council's aspirations for the area, as promoted in the City's Renaissance Plans, in which the site falls, within a proposed Innovation District. The hotel is popular with Cruise passengers and will provide an improved passenger experience in the City.
4.	The proposal demonstrates a significant investment into the City by the private sector, which is a welcome boost for the city.
5.	The proposals involve the refurbishment of the existing buildings as opposed to total redevelopment which is beneficial in terms of sustainability and carbon emissions.
6.	A valuation report from specialist hotel valuation experts confirms that the proposals satisfy the Requirements of Section 123 of the Local Government Act 1973 concerning Best Value.
<b>ALTERNATIVE OPTIONS CONSIDERED AND REJECTED</b>	
7.	<u>Do Nothing</u> This option passes by the opportunity for the Council to receive an immediate and significant capital payment and would maintain an income stream with no protection against inflation, thus reducing the value of the Councils revenue stream over time.
<b>DETAIL (Including consultation carried out)</b>	
8.	The location of the site is shown in Appendix 1.
9.	The hotel appears to trade well. It is particularly popular with cruise passengers and the upgrade will enhance the experience of those using the facility. The new brand trades at the "higher end" of the spectrum of offer within the City. It also suggests a vote of confidence in the City as a destination.
10.	No external consultation was deemed necessary as this is purely a commercial transaction. Internal consultation has been undertaken with colleagues within the Council's legal and finance teams as well as with the Cabinet Member for Economic Development, Growth and Skills
<b>RESOURCE IMPLICATIONS</b>	

<b><u>Capital/Revenue</u></b>	
11.	On agreement of the new lease, the Council will receive a significant lease premium. The lease premium will be treated as a capital receipt and will be available to the Council to fund the capital programme. The receipt is not currently included within the Council's capital financing plans.
12.	In addition, the future annual revenue stream is an increase on the existing annual rental and will be indexed linked to provide protection against inflation. All the Council's professional fees associated with the transaction will be covered by Holiday Inn.
<b><u>Property/Other</u></b>	
13.	The responsibility is with Holiday Inn for ensuring any permissions required for the refurbishment are sought.
<b>LEGAL IMPLICATIONS</b>	
<b><u>Statutory power to undertake proposals in the report:</u></b>	
14.	The Council powers to promote this development are Section 123 Local Government Act 1972.
<b><u>Other Legal Implications:</u></b>	
15.	None
<b>RISK MANAGEMENT IMPLICATIONS</b>	
16.	It is not considered that the proposal offers any risk to the Council by virtue of the fact that all repairing and insurance liability for the building falls on the tenant under the terms of the new lease
<b>POLICY FRAMEWORK IMPLICATIONS</b>	
17.	In terms of policy, the proposals have no impact as the use of the property as a hotel already exists. Additionally, the continued use of the property as a hotel is in line with Renaissance Vision for the area, which promote a mixed use Innovation District.

<b>KEY DECISION?</b>	<b>Yes</b>
<b>WARDS/COMMUNITIES AFFECTED:</b>	
<b><u>SUPPORTING DOCUMENTATION</u></b>	
<b>Appendices</b>	

1.	Site Plan of the Hotel
2.	CONFIDENTIAL Summary of the Commercial arrangements and terms
3.	CONFIDENTIAL S.123 Valuation Report

**Documents In Members' Rooms**

1.	None
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**Equality Impact Assessment**

<b>Do the implications/subject of the report require an Equality and Safety Impact Assessment (ESIA) to be carried out.</b>	<b>No</b>
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**Data Protection Impact Assessment**

<b>Do the implications/subject of the report require a Data Protection Impact Assessment (DPIA) to be carried out.</b>	<b>No</b>
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**Other Background Documents: None**

<b>Title of Background Paper(s)</b>	<b>Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)</b>
1.	