

# Viability and the Need for the Proposed Development

## Relevant Planning Documents

### Environmental Impact Assessment (EIA)

- Non-Technical Summary
- Chapter 2 – Need for the Proposed Development and Alternatives
- Chapter 3 – Description of the Proposed Development
- Chapter 5 – Socio-Economic Impact Assessment

### Koha Architects' Design and Access Statement

### Koha Architects' Schedule of Existing Uses and Accommodation

### Savills' – Viability Assessment dated 7/12/23 with appendices

- Incl. South West Research Company's Demand Report dated October 2023

## Introduction/ Executive Summary

The current proposals for Pendower beach Hotel Regeneration have been developed directly in response to the feedback from Cornwall Council, statutory bodies, stakeholders and the public received during the withdrawn 2020 Planning Application and subsequent 2021 Pre-Application and 2023 consultation with parishes, public and stakeholders including the Friends of Pendower.

Most of this feedback asked for any redevelopment proposals to respect the sensitivity and designations of the setting. Keeping the existing holiday use was also welcomed.

The new proposals have therefore been re-designed to:

- limit the "spread northwards up the valley"
- stay within previously developed areas on the site
- limit the amount of additional development to the minimum necessary
- keep the existing uses on site

As part of the process of the re-appraisal and design of the site different options have been considered including.

- **Scenario 1:** Redevelopment of hotel site with refurbishment, and new-build as an apartment hotel.
- **Scenario 2:** Refurbishment of the existing hotel buildings as an apartment hotel
- **Scenario 3:** Refurbishment of the hotel site within the same envelope being considered in Scenario 1 as a conventional hotel operation.

Savills independently assessed each in turn as part of a Viability Assessment report. This concluded that both the conventional hotel model, and the apart-hotel model limited to the old hotel footprint, would lead to losses/negative land value, making neither option viable.

By comparison, the apart-hotel model put forward, which is 25% smaller in the scale than the original 2020 proposals, has been assessed as delivering 'the minimum quantum of development required to deliver an economically viable scheme' which 'is of an appropriate scale to its location and will provide a well-balanced mix of economic, social and environmental benefits on the existing, previously developed brownfield Pendower Beach Hotel site.'

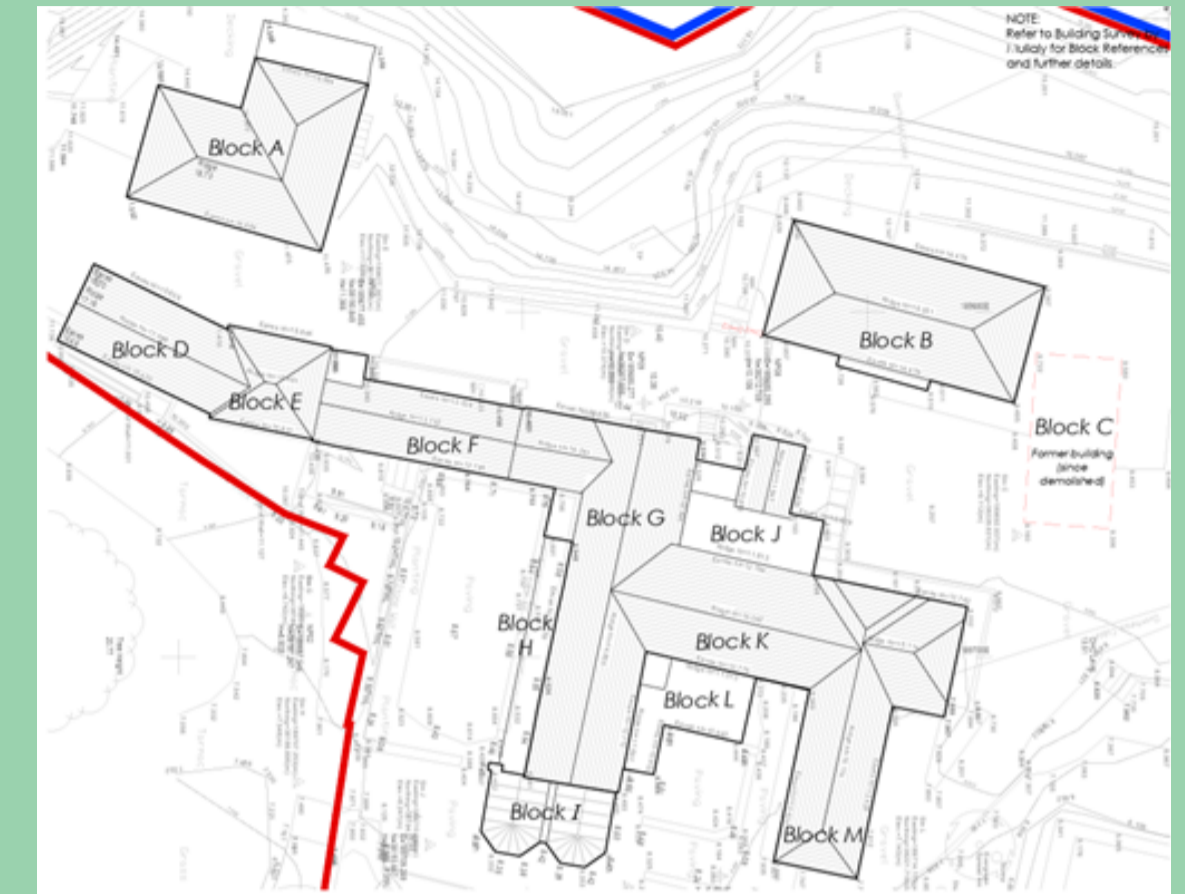
Combined with the proposed restaurant, cafe and beach shop, the plans put forward deliver both to the needs of coast path walkers, and cyclists, as well as visitors staying at the apart-hotel. This will breathe new life into the former hotel and deliver considerable environmental benefits to the site, as well as bringing economic benefit to the local area, which will otherwise be lost.

The apartment hotel model has been considered as it is a way of delivering high development value for the minimum amount of floor area for a hotel use. It has also been considered as there is a need for this type of accommodation in the locality and generally in Cornwall and as a more appropriate development in a post covid/pandemic situation. This is all important in producing a viable scheme not only in terms of delivering the development itself but also as an ongoing concern as a functioning hotel.

The overriding objective is to facilitate the viable and deliverable regeneration of the Pendower Beach Hotel site to provide a high quality apart-hotel appropriate to the outstanding and sensitive AONB location.

## Existing Site

The Pendower Beach Hotel site comprises a site area of some 1.11 Ha and is located on the South Cornwall Coast on the Roseland Peninsula immediately adjacent to Pendower Beach. The Pendower Beach Hotel site is accessed from Rocky Lane which extends from the A3078. Part of the adopted Rocky Lane carriageway below the Rocky Lane car parking area has been subject to coastal erosion and requires a replacement section of highway and associated cliff stabilisation. The application site which relates to the existing hotel is at the end of Rocky Lane on an east facing slope which plateaus to the valley floor.



Koha Architect's Existing Roof Plan Dwg. No.111 – 411 showing the existing block references.

The existing site comprises a:

- 15No. bedroom Hotel with associated spaces including Restaurant, Kitchen, Reception etc.
- Residential dwelling with 4No. bedrooms in (Block A - southern most block) that contains the previous owner's accommodation.
- Residential dwelling with 6No. bedrooms (Block B - southern west part of site) that contains the staff accommodation.
- Residential 3No. bedroom flat (Blocks D & E – southern wing of hotel block).

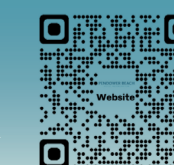
In total there are 28No. bedrooms on the existing site.

The southern most block (Block A) with 4 bedrooms was occupied by the site owner and the other (Block B) with 6 bedrooms was used for staff quarters. There is also an occupied residential flat in part of existing blocks D & E primarily at First Floor which has 3No. bedrooms as per Dwg. Nos: 111/703A and Certificate of Lawfulness PA23/05101

There are existing 37No. unmarked parking vehicle spaces in the gravel hardstanding areas.

The existing building areas are: GEA:1564sq.m. & GIA: 1290sq.m.

The historic farmhouse at the heart of the site is considered a non-designated heritage asset. There are also further areas of hardstanding, made up ground, an old tennis court, and existing landscaping features and an overgrown hotel garden areas. There is existing services infrastructure on site including LPG tanks, septic tanks, overhead power lines etc.



# Viability and the Need for the Proposed Development



## Viability Assessment

A Viability Assessment report has been undertaken by Savills and accompanies the planning application and considers three alternative viability scenarios for the redevelopment/ refurbishment of the hotel as described above.

The assessment of viability has been made on the economic viability of these development scenarios measured against the residual land value. A negative residual land value would establish that the scenario is not economically viable.

Conclusions have been made on the likely viability of the trading business for each scenario based on the level of profitability and the level of profit in the context of cost fluctuations.

The financial viability assessment clearly demonstrates that the scale of the proposed development in Viability Scenario 1 i.e. the apart-hotel the subject of this planning application provides for a viable development.

The value of development sites can be volatile and the residual approach adopted within this report is sensitive to changes in key variables. A sensitivity analysis has been undertaken which shows the effect of increasing the build costs and decreasing the unit sales price by 2.5% increments.

This analysis shows that where the base build costs are increased by 5% and the sales rate is decreased by 5%, the GDV reduces to £20,769,500 and the residual land value reduced to £1,054,068. Where the base build costs are increased by 10% and the sales rate are decreased by 10%, the GDV is reduced to £19,729,000 and the residual land value falls to £140,457.

As evidenced by this sensitivity analysis, whilst the scheme is viable, small changes to the costs and sales values can dramatically affect the viability of the scheme. It should be highlighted that should the scale of development be reduced, this would have a negative impact on the viability of the scheme, potentially rendering it unviable. Therefore, the proposed development being considered under Scenario 1 is the minimum quantum of development necessary to deliver a viable scheme.

The significant negative land values yielded in Scenario 2 and Scenario 3 mean that there is no realistic prospect of value engineering these schemes through cost or scale to deliver schemes which will be economically viable to pursue. In respect of the café/shop Policy 4: Shopping, Services and Community Facilities of the Cornwall Local Plan seeks to maintain the retail hierarchy and wherever possible to support community facilities and shops. The café/shop in the existing hotel building has operated from the site for many years and provides an essential facility for visitors to the beach. The proposed development will seek to enhance the current café/shop facility on the site and therefore the proposed development is fully in accordance with Policy 4 of the Cornwall Local Plan. The proposed development in this context is also in accordance with planning policy guidance set out in paragraph 84 of the NPPF.

Refer to EIA Section 2 for description of other Cornwall Council and Neighbourhood Plan policies that support these proposals. It is considered therefore that in context of need the proposed development is fully policy compliant with economic and planning policy guidance at the national and local level.

As part of the viability assessment and as required by Cornwall Council guidelines on viability assessment:

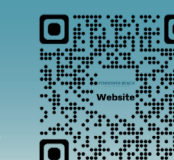
- The Existing Use Value, EUV, is used in the viability. This is not the historic value the site was purchased at.
- Build contingency is also not taken into account with the Viability Assessment
- The level of developer profit should reflect the degree of risk to the developer. The required profit margin is justified and there is a proposed minimum profit on Gross Development Value of 17.5%.

## Conclusions of The Savills Viability Report

"The only viable scheme considered against the residual land value is the development of a new apart-hotel scheme (Scenario 1) whereby the sale of the individual apartments to release their underlying capital value funds the development.

A sensitivity analysis shows that the scale of development of this scheme is viable but small fluctuations in terms of sale values or cost increases will render it unviable. In our view therefore this is the minimum quantum of development necessary to deliver a viable scheme. The assessment of the associated trading entity in Scenario 1 shows that there is a viable, profitable business in letting the apartments on behalf of the owners when they are not in residence and in running the restaurant / café business to both a resident and non-resident audience.

Whilst the schemes considered in Scenario 2 and Scenario 3 are viable in terms of their trading performance, neither is viable when considered against their residual land values which are both negative."



# Viability and the Need for the Proposed Development

## Need for the Development

EIA Chapter 2 identifies and evaluates the need for the proposed development and considers alternatives. This Chapter describes the background and history of the Pendower Beach Hotel, the current position, the need to secure the viable and deliverable regeneration of the application site and the market opportunity for a refurbished apart-hotel.

Given the history of the Pendower Beach Hotel site and the prominent location on Pendower Beach together with its current deteriorating condition and the adverse impact on the character of the local area and the AONB there is also the need to facilitate the cliff stabilisation and reinstatement of Rocky Lane, which provides the access to the hotel site and Pendower Beach.

While the original farmhouse within the hotel complex is not listed it is deemed to be a non-designated heritage asset and has been placed on the historic buildings at risk register. There is fundamentally a compelling and demonstrable need to facilitate a viable and sustainable regeneration of the Pendower Beach Hotel site.

The proposed development provides for the demolition of some of the existing buildings and conversion of existing (former farmhouse) hotel building and the erection of 3 replacement open market dwellings and 20 holiday unit apart-hotel, 2 key worker accommodation units and restaurant/shop together with highway improvements and cliff stabilisation to Rocky Lane. The financial viability assessment demonstrates that this proposal provides for the minimum quantum of development that provides for a viable and deliverable development for the Pendower Beach Hotel site.

Following the withdrawal of the previous application the scale and mix of development proposed for the regeneration of the site has been significantly reduced. It should also be highlighted that the proposed development has been the subject of extensive community consultation which is summarised in the Statement of Community Consultation that accompanies this planning application.

Following the withdrawal of the previous application the viability of alternative options for the site was the subject of rigorous financial viability assessment arising from pre-application advice sought from Cornwall Council. Subsequently Savills have undertaken a financial viability assessment which concludes that the scale of development being proposed for the apart-hotel provides for a viable development.

The proposed development seeks to enhance the apart-hotel tourism product on the Roseland Peninsula which will be achieved without displacing visitors from other similar types of establishments (of which there are relatively few) and will need a proven market demand in the increase in the popularity of this type of accommodation amongst visitors. The apart-hotel/serviced accommodation sector is now one of the fastest growing sectors in the UK.

The aim of the regeneration project is to bring new life and considerable environmental improvements to the site of the former Pendower Beach Hotel. The proposed development provides for the development of the hotel as an apart-hotel tourism product. It is considered this can be achieved without any displacement of visitors from other similar types of development (of which there are relatively few) and will meet a proven demand in the increase in the popularity of this type of accommodation from visitors.

Within the local area on the Roseland Peninsula there are 8 hotels and serviced inns. However, only one of these establishments, The Rosevine, provides a similar apart-hotel style accommodation to that being proposed for the Pendower Beach Hotel. Outside the Roseland Peninsula in the rest of Cornwall there are 6 hotels which offer apart-hotel accommodation which includes the Cornwall Hotel, Harlyn Bay, St Moritz, Polzeath Beach House and The Sands.

In June 2019 the Government announced the Tourism Sector Deal which aims to boost productivity within the tourism sector to develop skills and support tourism destinations in the UK. One of the key sector actions is to create an additional 130,000 of new hotel rooms to be built by 2025. The proposed development will therefore make a contribution to meeting the need for new hotel accommodation.

As a result, the luxury hotel market in Cornwall has matured over the past 10- 15 years which has resulted in significant benefits to tourism and the local economy in Cornwall. The economic benefit has only therefore been achieved as a direct significant capital investment in providing higher quality mixed hotel accommodation and facilities. In order for the refurbished Pendower Beach Hotel to regain and enhance its market position as one of the leading hotels in Cornwall a significant capital investment is required.

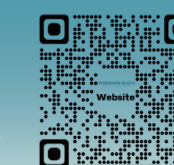
## Socio Economic/Demand

The Pendower Beach Regeneration Demand Report by the South West Research Company Ltd and the Viability Assessment undertaken by Savills both accompany this planning application provides an assessment of the socio economic impact of the proposed development at the Pendower Beach Hotel site. The socio-economic assessment highlights the importance of tourism in respect of the Roseland Peninsula to the local economy. The proposed regeneration of the Pendower Beach Hotel site as a high-quality destination apart-hotel capable of competing in the current and future tourism and visitor accommodation market is considered to be an overriding objective.

The proposed development at the Pendower Beach Hotel site represents a construction capital investment of some £14.25m in sustainable tourism and the visitor economy on the Roseland Peninsula. The "do nothing" scenario in maintaining the Pendower Beach Hotel site as a semi-derelict building is considered not to be a credible or viable alternative.

The proposed development will have positive economic impacts during both the construction and operational stages and will attract new visitors to the area with positive direct and indirect impacts on the local economy. The economic impact of the proposed development for the construction stage has been assessed to have an overall minor to moderate positive impact.

The Pendower Beach Hotel site is located where it is and therefore the overriding aim is to create a successful and highly sustainable business hotel operation for the long term. A demonstrable assessment of the contribution that the proposed development will make to the local economy has been undertaken. The proposed development will contribute to the sustainability of other local businesses in terms of direct and indirect economic impacts together with wider economic, social and environmental sustainability of the Roseland Peninsula and Cornwall. In this context the socio-economic impact arising from the proposed development are considered to be material considerations.



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## Socio Economic/Demand Continued..

In summary the tourism sector in Cornwall and particularly the Roseland Peninsula is the most significant sector within the local economy. The continued growth in tourism in Cornwall particularly in the high-quality visitor accommodation market sector has had a significant economic impact. For the Pendower Beach Hotel to regain its market position it requires a significant capital investment in terms of the quality of the hotel offer and the ability to compete in the challenging global economy.

In this context the proposed development at the Pendower Beach Hotel represents a significant investment in the regeneration of the site resulting in sustainable tourism and benefit to the local economy. The regeneration of the hotel is only viable and deliverable with the complimentary development of the 23 apart-hotel, restaurant and café/shop.

The proposed development will have a positive economic impact during both the construction and operation stages. During construction the proposed development will create 77 FTE jobs with total construction expenditure of £14,251 m of which £10.69 m will be in the Cornish Economy. During the operation stage the proposed development will create some 16 FTE jobs with direct benefits to GDP of £1.45 m per annum.

The overall economic benefit of the proposed development is therefore assessed to be Minor to Moderate Positive and this should be considered a material planning consideration. The South West Research Company, who provide data for Visit Cornwall, were appointed and have provided a Demand Report "to show evidence of the likely demand to support the proposed regeneration of The Pendower Beach Hotel". Their data has also informed the Viability produced by Savills.

"The overwhelming message from all the supporting evidence put forward in this report suggests that the development of an apart-hotel as is proposed at The Pendower Beach Hotel site would be a welcome asset to the tourism product in the former Carrick District, supporting local rural jobs and businesses and providing a quality break in scenic surroundings for visitors to the area. The site has historically already been used for tourism purposes but the new development is more in line with changing consumer requirements which in recent years have started to move away from traditional serviced accommodation types.

There is only one similar type of property available in the locality of the proposed new development, so it has the potential to attract new visitors to the area rather than displace existing ones. Many visitor surveys have underlined how loyal visitors are not only to the county but also to the accommodation type that they use, including many that use the same provider each year, so the new development is likely to attract new visitors looking for serviced apartment accommodation and the variety that it offers them above the more traditional accommodation types.

It should be acknowledged that there are some businesses in the local area which offer similar style 'café' facilities to those proposed at The Pendower Beach Hotel site, but it would also be fair to say that the area is by no means saturated with businesses offering facilities for visitors and residents. Footfall in and through the area due to the coast path, beach and the apart-hotel itself will be substantial so the proposed restaurant/café at the site should not have a significant impact on other nearby local businesses. Indeed, it could be argued that a new addition to the area will enhance the food and drink offering overall, for both visitors and residents, providing more capacity, choice and diversity and as such also attract new visitors. A quick search online soon produces numerous articles highlighting that competition in an area is not only good for consumers but also for businesses as it promotes the need to uphold good levels of customer service, quality products, competitive pricing and innovation."

## Development Costs

Quantity surveyors Currie Brown have provided build and development costings for the proposed development scenarios above.

It is important to note that there are considerable off site and "abnormal" costs associated with any proposed development on this site and the costs of these will have to be borne by the development and factored into its viability. These include securing the access via Rocky Lane with road stabilisation. Rocky Lane is an adopted road, but Cornwall Council have confirmed that repairing this road affected by coastal erosion is not a priority or policy for them and that the proposed development at Pendower Beach Hotel will have to carry the costs of all the design and construction of these works. There are also significant on-site costs associated with the proposed high quality development that the site and the environmental context demand.

## These costs include:

- Road Stabilisation (due to coastal erosion)
- Low energy, low carbon and low environmental impact heating and hot water delivered via a new Ground Source Heat Pump array for the whole site.
- Burying on site Power Cables.
- Removing poor quality existing septic tanks that leach pollutants into the ground.
- High quality local natural materials including local stone walling and natural slate roofing.
- Refurbishment of historic farmhouse building.
- On-going Knotweed removal costs.
- Landscape improvements to increase on site biodiversity and reduce run off.

## Consideration of Alternatives

**Alternative Sites:** In context of the fact that the proposed development involves the refurbishment of an existing hotel site it is not considered any assessment in these circumstances of alternative sites is either relevant or appropriate. The key objective of the proposed development is to facilitate the delivery of a viable apart-hotel development on the existing previously developed brownfield Pendower Beach Hotel site.

**Do Nothing Scenario:** The Pendower Beach Hotel was acquired by the applicants in 2009 with the hotel closing in 2007. While the hotel has remained closed since 2007 there remains limited residential occupation of the hotel together with the trading and operation of the café/shop that provides an important local facility. The main hotel buildings and external areas have been un-managed and the site has become unsightly in appearance and detracts from the character of the area and the AONB in this location. Without long term management and securing a viable use the appearance of the site will continue to deteriorate and in time become derelict. In this context it is not considered therefore that a do nothing scenario is an option for this site. Enabling development through the sympathetic reuse of the site with a viable quantum of development is considered to be essential to ensure the regeneration of the site.

**Alternative Uses** It is considered that no other alternative use would be appropriate to the application site given its sensitive location. The financial viability assessment has considered three viability scenarios which is provided in the Savills Viability Assessment report which accompanies this planning application and is summarised in EIA Chapter 2. It has been clearly demonstrated that the scale of development proposed for the apart-hotel provides for the minimum quantum of development to provide for a viable and deliverable regeneration of the Pendower Beach Hotel site.

