

**ANGUS COUNCIL****POLICY AND RESOURCES COMMITTEE****10 FEBRUARY 1998****SUBJECT: CARNOUSTIE HOTEL DEVELOPMENT****REPORT BY DIRECTOR OF PLANNING, TRANSPORT & ECONOMIC DEVELOPMENT**

**Abstract: This Report updates Members on the finalisation of the various Agreements associated with the Carnoustie Hotel.**

**1 RECOMMENDATION**

It is recommended that the Committee -

- a notes the successful conclusion of the legal Agreements associated with the Carnoustie Hotel development.
- b notes that construction of the Hotel has commenced and that the Developer proposes to construct timeshare units on the Dalhousie site.
- c homologates the expenditure on hospitality associated with the 'sod cutting' ceremony for the Carnoustie Hotel.

**2 INTRODUCTION**

- 2.1 Reference is made to the Policy and Resources Committee meeting on 9 December 1997 when it was agreed to delegate to the Convener of the Policy and Resources Committee and the Convener of the Economic Development Committee the authority to conclude the legal agreements associated with the Carnoustie Hotel development. Following the meeting, detailed negotiations and discussions took place with the developer to finalise the agreements. This culminated in the formal signing of the documents on 16 January 1998 and was followed by an official 'sod cutting' ceremony on 26 January 1998.

**3 THE AGREEMENTS**

- 3.1 The contractual agreements are :

- a Development Agreement which has been entered into between the Developer, Angus Council, Scottish Enterprise Tayside and the Carnoustie Golf Links Management Committee

- a Ground Lease in favour of the Developer for a period of 125 years on a commercial basis
- a sub-lease by the Developer in favour of the Links Management Committee (in respect of their facilities within the Development)
- a Logo Licensing Agreement and a Pro-Shop Merchandising Agreement between the Links Management Committee, the Council and the Developer
- a Course Access Agreement between the Developer, the Links Management Committee and the Council
- the terms for the sale of the Dalhousie site to the developer at market value.

#### **4 DISCUSSION**

- 4.1 Members will recall that several attempts have been made over a period of some 10 years to secure a hotel development at Carnoustie. The return of the Open Golf Championship to Carnoustie provided a further stimulus to these efforts and in Spring 1996, Angus Council agreed to carry out its own attempt to attract an hotel. The Council, along with its Partners in the project, the Carnoustie Golf Links Management Committee (CGLMC) and Scottish Enterprise Tayside (SET) undertook the project against the short timescale dictated by the return of the Open Championship. In this context it is relevant to note that assurances had been given that if an hotel could not be provided by the time of the Open Championship that a new clubhouse would be constructed.
- 4.2 The availability of a large quality hotel associated with the golf course will provide a number of important benefits for Carnoustie and Angus. It will facilitate the hosting of major golf events, the benefits of which extend beyond the Championships themselves as they help to attract visiting golfers in prior and subsequent years. The additional spending injected into the local economy will also be beneficial and over a period should lead to a strengthening of local retailing. In this context the intention to develop the Dalhousie site for timeshare units will provide further economic benefits.
- 4.3 The Council and the CGLMC have each agreed to contribute £300,000 to principally support the replacement of facilities necessary for administering golf including changing facilities which will be available within the hotel for the use of both the residents of Angus and visitors alike. SET has also agreed to make a substantial financial contribution. Such contributions are considered to be necessary to secure the hotel development and in any event, as mentioned earlier, it was necessary to redevelop the existing Starters Box and this would have entailed significant costs, but without generating the same level of direct jobs or economic benefits as the hotel. It is also relevant to note that the Council will receive a market rental for the hotel development which is linked to the profitability of the enterprise. The estimated cost (based on a pro-rata formula) of providing the facilities required by the CGLMC within the hotel is in excess of their £300,000 contribution. The associated sale of the Dalhousie site has been agreed at a market value and is substantially in excess of the cost of acquisition. Taking all of these factors into account, it is considered that the financial support given to the hotel represents good value particularly bearing in mind the estimated 80 direct jobs which will be generated and the wider economic benefits.

- 4.4 Members should also note that the CGLMC has also agreed to make an annual contribution of £75,000 to the hotel company. This payment is in return for the provision of services by the hotel for golfers and the CGLMC. For example, the hotel is required to provide a secure locker, bag area and showers, heat, light and maintenance for golfers. The status of the Championship Golf Course means that it attracts international visitors and it is entirely appropriate that the standard of facilities and service provided at Carnoustie should be commensurate with those found at other similar courses. It is also relevant to note that such costs will not fall to be met by Council tax payers or businesses but will be met by the income derived for golfers and in particular from visiting golfers. At present visiting golfers (ie. those who do not hold a season ticket) account for 30% of the rounds played but generate 72 % of the income. Therefore, visiting golfers will in effect substantially pay for the facilities which will be available to Angus residents and visitors alike.
- 4.5 The Logo Agreement assigns to the Developer all proprietary rights to exploit the Carnoustie Golf Links Logo which is currently undergoing registration as a Trade Mark. The CGLMC will receive a percentage of the net profit generated from this. A similar arrangement also exists in relation to the Pro Shop Agreement which permits the sale of items bearing the Logo from the Pro Shop within the Hotel and CGLC receive a percentage of the gross profit subject to an agreed minimum payment each year. It is to be expected that the Logo and Pro Shop Agreements will generate additional income for the CGLMC and again it is likely that the majority of this income will be derived from visitors.
- 4.6 The Course Access Agreement is a key factor in attracting the hotel development. While the CGLMC has been an active Partner in securing the development, its representatives have also been firm in their defence of their members access to the golf courses. At present, there are times reserved for season ticket holders and the balance is available for visitors. The Course Access Agreement continues this practice and the time available to Season Ticket holders are as follows :
- a on weekdays on each of the Golf Courses, before 9.00 am, between 12.30 pm and 1.30 am and after 4.00 pm;
  - b on Saturdays :-
    - (i) on the Championship and Burnside courses, before 2.00 pm;
    - (ii) on the Buddon Links course before 11.30 am; and
  - c on Sundays on each of the Golf Courses, before 11.30 am.
- 4.7 The Course Access Agreement gives the Developer and its successors as tenant and operator of the Hotel the following rights in respect of Visitor Tee Times (i.e. tee times which are not Season Ticket Holder Tee Times) :-
- First the right to book not later than 9 weeks in advance tee times within the following periods :-
- (i) a one hour period on Saturdays from 2.00 pm and a one hour period on Sundays from 11.30 am from the first tee of the Championship course;
  - (ii) a one hour period on Saturdays from 2.00 pm and a one hour period on Sundays from 11.30 from the first tee of the Burnside course; and

- (iii) a one hour period on Saturdays from 1.00 pm and a one hour period on Sundays from 11.30 am from the first tee of the Buddon Links course.
- (iv) two one hour periods on each day between Monday and Friday (both days inclusive) from 9.00 am and 1.30 pm respectively from the first tee of the Championship course.
- (v) two 30 minute periods on each day between Monday and Friday (both days inclusive) from 9.30 am and 2.00 pm respectively from the first tee of the Burnside course; and
- (vi) two 30 minute periods on each day between Monday to Friday (both days inclusive) from 9.30 am and 2.00 pm respectively from the first tee of the Buddon Links course, and

Second the right in priority to any other party on the first booking day of any year to book the remaining Visitor Tee Times subject to at least 6 Visitor Tee Times being left unbooked each weekday for booking by parties staying in local hotels, guest houses or boarding houses.

Third included in the conditions which apply to the Course Access Agreement are the following :-

- (i) A deposit (currently 50% of the green fees) must be paid within 14 days of the booking being made or the booking can be cancelled by the Committee.
- (ii) The Hotel company's right to book tee times is restricted to overnight residents in the Hotel (or where the Hotel is not able to accommodate visitors it can make arrangements with other hotels in the area) or overnight residents in the timeshare units which are built on the former Dalhousie Golf Club site. The right to book for timeshare residents, however, applies only for so long as all the timeshare units are owned or managed by the Hotel company.

- 4.8 As mentioned earlier, the Course Access Agreement is an essential part of the overall package of support for the development and without it, the development would not proceed. However, it should be noted that the rights of Season Ticket holders have been protected and provision has been made for visiting golfers who are not staying in the hotel or timeshare development. The extent to which the hotel company exercises its rights under the Agreement will be dependent upon the success of their marketing activities, particularly during the off-peak periods. However, the result is likely to be that a much higher number of visiting golfers who play the Carnoustie courses will also stay in the area. In this way the economic benefit of the golf courses which is presently under-utilised will be increased. In effect the arrangement will encourage 'play and stay' whereas at present many golf visitors to Carnoustie stay elsewhere in Scotland.
- 4.9 Some comments have been made regarding the title to the Carnoustie golf courses and the arrangement whereby the CGLMC manage the courses on behalf of the Council. The title deeds have been examined and it is clear that Angus Council are the relevant successor body. There is nothing in the title deeds which would prevent the construction of the hotel or the granting of access for visiting golfers. Similarly, legislation which was enacted following Local Government re-organisation in 1975

makes it clear that the Council is permitted to enter into a management agreement with the CGLMC.

- 4.10 There has been some comment on the present situation whereby Carnoustie residents cannot obtain a Season Ticket which would allow them to play golf during the times reserved for Season Ticket holders or at the relatively attractive rates which are levied. This is essentially a matter for CGLMC and it is understood that arrangements have been made to consider this situation. Members may wish to express encouragement for the CGLMC to give this matter serious consideration.

## **5 FINANCIAL IMPLICATIONS**

- 5.1 The Council has previously agreed to make a financial contribution of £300,000 to the construction of the hotel. It is likely that this expenditure will require to be rephased in accordance with the revised construction timetable. In addition, the costs of demolishing the Starter's Box which are not expected to exceed £25,000 will be met. The Council will receive rental income from the hotel and will receive a capital receipt from the sale of the Dalhousie site. It should also be noted that the Council's contribution will attract European grant support.

## **6 CONSULTATION**

- 6.1 The Chief Executive, Director of Finance, Director of Law & Administration and the Director of Property Services have been consulted and are in agreement with the terms of this Report.

## **7 CONCLUSIONS**

- 7.1 Negotiations between the Council and its partners and the developer have been successfully concluded and construction of a major hotel at Carnoustie has commenced. The hotel with its 80 bedrooms, incorporating prestigious suites, conference and leisure facilities as well as quality facilities for golfers is expected to have significant economic benefits. The proposed development of associated timeshare units offers the prospect of additional economic benefits. This has been achieved by offering a reasonable level of financial support and by protecting the Season Ticket holders' tee-times.

## **NOTE**

No background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973, (other than any containing confidential or exempt information) were relied on to any material extent in preparing the above Report.

AA/AMF  
5 February 1998

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