

**THE HIGHLAND COUNCIL**

**CAITHNESS, SUTHERLAND & EASTER ROSS PLANNING APPLICATIONS COMMITTEE – 28 September 2010**

Agenda Item	
Report No	

**10/02658/FUL : Mr Paul Hart  
Caledonian Hotel, Main Street, Portmahomack**

**Report by Area Planning and Building Standards Manager**

**SUMMARY**

**Description :** Change of use of Caledonian Hotel into a domestic dwelling

**Recommendation - GRANT**

**Ward :** 08 - Tain And Easter Ross

**Development category :** Local

**Pre-determination hearing :** None

**Reason referred to Committee :** Number of representations (over 50)

**1. PROPOSED DEVELOPMENT**

- 1.1 The proposal is to change the use of the now disused Caledonian Hotel on Main Street in the village into a single private house.
- 1.2 Brief informal discussions were undertaken with the applicant to discuss the planning application process.
- 1.3 There is existing vehicle access to the site. Public water and sewers are present.
- 1.4 Supporting letter received on 26 August from the owner of the hotel. This detailed letter sets out the current viability of the business and is attached to the rear of this report for reference.
- 1.5 No variations to the application since lodging.

**2. SITE DESCRIPTION**

- 2.1 The hotel is set on the middle of Main Street overlooking the beach to the north-west. The surrounding properties are residential. Directly in front of the hotel is a grassed area with picnic benches. At the rear of the hotel there is a car park. The large rear extension to the hotel (to the south-east of the building) is currently being demolished (see section 3.1 below).

### 3. PLANNING HISTORY

- 3.1
- 10/00005/FULSU Demolition of function suite and bedroom wing. Erection of new rear wall to remaining building. Granted 03.03.2010.
  - 00/00236/FULRC Erection of pitched roof over function suite. Granted 20.04.2000.

### 4. PUBLIC PARTICIPATION

4.1 Advertised : Neighbours. Expiry 13 August 2010.

Representation deadline : 15 August 2010

Timeous representations : 55 representations - 52 objectors; 3 support/neutral (as of 14 September).

Also petition entitled "Save the Caledonian Hotel!!" containing 124 signatures.

Late representations : 1

4.2 Material considerations raised are summarised as follows:

- The hotel is an asset to the village
- Employment potential
- Choice of hotels is limited
- Landmark facility in village
- Re-marketing the hotel for further sale
- Alternative owners to buy and run the hotel

4.3 All letters of representation can be viewed online, at the Area Planning Office in Golspie and for Councillors, will be available for inspection immediately prior to the Committee Meeting.

### 5. CONSULTATIONS

5.1 **Archaeology** : No objections. The Caledonian Hotel is first depicted on the 1<sup>st</sup> edition OS map c.1874, and although extended and altered over the years, still retains the original historic core of the building. It is of historic interest. The hotel should not be changed in use, altered or otherwise impacted without a visual record first being made. An archaeological condition is recommended:

*Prior to the commencement of development, a photographic record shall be made of the remains of old buildings and / or other features affected by the proposed development, in accordance with the attached specification, and shall thereafter be submitted to the Planning Authority. No site clearance work shall take place until confirmation in writing has been received from the Planning Authority that the record made has been lodged and is satisfactory.*

*Reason: To protect the historic interest of the site.*

5.2 **Tarbat Community Council:** Opposed to the change. There is a shortage of accommodation of this type in our village and the proposed change can only have adverse effects on our community in economic and social terms.

## 6. **DEVELOPMENT PLAN POLICY**

The following policies are relevant to the assessment of the application

### 6.1 **Highland Structure Plan 2001**

G2                      Design for Sustainability

### 6.2 **Ross and Cromarty East Local Plan**

Housing - 1

## 7. **OTHER MATERIAL CONSIDERATIONS**

### 7.1 **Draft Development Plan**

Not applicable

### 7.2 **Highland Council Supplementary Planning Policy Guidance**

Not applicable

### 7.3 **Scottish Government Planning Policy and Guidance**

Not applicable

## 8. **PLANNING APPRAISAL**

8.1 Section 25 of the Town and Country Planning (Scotland) Act 1997 requires planning applications to be determined in accordance with the development plan unless material considerations indicate otherwise.

8.2 This means that the application requires to be assessed against all policies of the Development Plan relevant to the application, all national and local policy guidance and all other material considerations relevant to the application.

### 8.3 **Development Plan Policy Assessment**

Members will note that there are no specific development plan policies protecting existing commercial premises in the village from conversion to non-commercial uses such as the change to residential use proposed in this instance. Whilst this is the main street in Portmahomack, it is predominantly residential in character at this point, with the surrounding land uses being residential. Accordingly, I would advise Members that the use of the building as a single private house is consistent with policy.

#### 8.4 **Material Considerations**

Members will note that there are a considerable number of representations against the proposal. There are no substantial representations relating to the planning merits of the change from hotel (following the current demolition works referred to at sections 2.1 and 3.1) to private house. The main representations are highlighted at section 8.5 below.

#### 8.5 **Other Considerations – not material**

The representations mainly relate to the loss of the hotel facility and the asset value of it to the village. The main issues which have been raised can be summarised as:

- Asset to village; Landmark facility in village – The main asset of the hotel is its prime seafront position on the main street through the village leading along the beach towards the harbour. It has been closed as an hotel for approximately 2 years following the previous owners ceasing to trade.
- Employment potential – The hotel does have the potential to offer employment to people in the community.
- Choice of hotels is limited – The main venues in the village are the Castle Hotel, Carnegie Hall, Oystercatcher Restaurant and Caledonian Hotel.
- Re-marketing the hotel for further sale; Alternative owners to buy and run the hotel – The applicant has indicated that “If anyone assesses that the business is a viable entity I would be happy to sell it to them for my purchase price and the cost of the capital improvements to date.”

Members will be aware that matters relating to commercial viability, commercial competition and availability of choice are not material planning considerations and can be given no weight in the assessment of a planning application.

#### 8.6 **Matters to be secured by Section 75 Agreement**

None

### 9. **CONCLUSION**

- 9.1 The proposal is to convert the remaining part of the hotel - the larger two storey rear (south-eastern) extension to the hotel is being demolished - into a single private house. Whilst the loss of the hotel is regrettable, the applicant has indicated that his income projections and capital expenditure suggest that these would be insufficient to sustain the business and property which require considerable outlay to bring many of the facilities and building fabric up to the expectations of modern accommodation and hospitality standards.

9.2 The proposal accords with development plan policies insofar as the surrounding land uses are residential and the much reduced building footprint (following demolition of the rear extension) is considered to fit well with the existing pattern and scale of development found on Main Street. Whilst the loss of a commercial and tourist facility is unfortunate, there are no planning policies to prevent such a loss. The use of the remaining building is considered to be acceptable and accords with policy.

## 10. RECOMMENDATION

### Action required before decision issued n

Notification to Scottish Ministers n

Notification to Historic Scotland n

Conclusion of Section 75 Agreement n

Revocation of previous permission n

**Subject to the above**, it is recommended the application be **Granted** subject to the following conditions and reasons:

(1.) The development to which this planning permission relates must commence within THREE YEARS of the date of this decision notice.

Reason: In order to accord with the statutory requirements of the Town and Country Planning (Scotland) Acts.

(2.) No development shall start on site until the completed Notice of Initiation of Development (NID) form attached to this planning permission/approval of matters has been submitted to and acknowledged by the Planning Authority.

Reason: In order to accord with the statutory requirements of the Town and Country Planning (Scotland) Acts.

(3.) Upon completion of the development the completed Notice of Completion form attached to this decision notice shall be submitted to the Planning Authority.

Reason: In order to accord with the statutory requirements of the Town and Country Planning (Scotland) Acts.

(4.) Except as otherwise provided by the terms of this permission, the developer shall construct and operate the development in accordance with the plans and supporting information submitted with the application and docquetted as relative hereto with no deviation therefrom unless otherwise approved in writing by the Planning Authority.

Reason: In order to clarify the terms of the permission hereby granted and to ensure that the development is implemented as approved.

(5.) Prior to the commencement of development, a photographic record shall be made of the remains of old buildings and / or other features affected by the proposed development, in accordance with the attached specification, and shall thereafter be submitted to the Planning Authority. No site clearance work shall take place until confirmation in writing has been received from the Planning Authority that the record made has been lodged and is satisfactory.

Reason: The remains of buildings and other features affected are of historic interest and are of value to future research, and as such they should not be destroyed without being recorded.

#### FOOTNOTE TO APPLICANT RELATIVE TO APPLICATION10/02658/FUL

Scottish Water: You are advised that a supply and connection to Scottish Water infrastructure is dependent on sufficient spare capacity at the time of the application for connection to Scottish Water. The granting of planning permission does not guarantee a connection. Any enquiries with regards to sewerage connection and/or water supply should be directed to Scottish Water on 0845 601 8855.

Signature: Allan J Todd  
Designation: Area Planning & Building Standards Manager  
Caithness Sutherland and Easter Ross  
Author: Bob Robertson  
Background Papers: Documents referred to in report and in case file.  
Relevant Plans: Plan 1 – Location Plan



10/02658/FUL  
 Change of use of Caledonian Hotel into a domestic dwelling at  
 The Caledonian Hotel, Main Street, Portmahomack, Tain IV20 1YS

Mr P Hart  
 Caledonian Hotel  
 Main Street  
 Portmahomack  
 IV20 1YS

## CALEDONIAN HOTEL – ECONOMIC ARGUMENT FOR JUSTIFICATION FOR THE CHANGE OF USE

1. **Introduction.** This document discusses the economic argument in support of the change of use of the Caledonian Hotel, Portmahomack from its current classification as a hotel to that of residential property.
  
2. **Operational Viability - Previous Operational Performance.** The Hotels recent trading history has been one of failure, poor provision and neglect. Previous owners have failed to make a success of the business but this trend is reflected across the area with a number of hotels failing, indicating a generic geographical failure within the business sector. Specific examples of this are:
  - a. The Fearn Hotel was sold as a failing business and today despite significant investment barely manages to breakeven with a reducing turnover.
  - b. The Balintore Hotel was not operating when purchased by the current owner and again despite inward investment struggles to remain viable; the current operators have de-registered for VAT which indicates their level of operation.
  
3. The business was purchased after a period of closure due to enforced liquidation. It also understood that a previous sale was conducted under similar circumstances. The Hotel was busy during the halcyon days of the Nigg Yard being in full operation. However since Niggs closure the business has been a failing operation; neither supported by the local population nor the broader community. The present economic climate does not encourage the re-introduction of an operating facility within the Hotel, key to this assumption are the following points:
  - a. The VAT increase in January 2011 will add a further 2.5% to the operating overhead.
  - b. The economic slowdown as it presently stands and the fear of a further ‘double-dip’ recession.
  - c. The loss of public sector funding and the loss of public sector employment (This region is a high percentage public sector employer).
  - d. The general antipathy towards drinking/eating out due to the pressures of family finance: turnover for many businesses within the region has slumped.
  
4. Environmental factors that would mitigate against reopening the Hotel are:
  - a. **Immediate Competition.** A key reason for the Caledonian Hotels failure has been over provision of hospitality services in the area. Portmahomack’s population is c600, yet in the village there is the Castle Hotel, The Oystercatcher Restaurant and the Carnegie Hall all present direct competition; this population cannot sustain all 4 businesses. In the summer there may be an influx of customers but a business cannot sustain itself with 4 months of trade. During August 2010 I visited the Castle Hotel Portmahomack and was only one of 6 customers on one occasion and one of eight on the next. It is my professional opinion that if the Caledonian Hotel was to re-open the level of trade for both businesses would be unsustainable and would result in one or both heading into financial difficulty (again).
  
  - b. **Broader Competition.** There are a number of hospitality businesses within 7 miles radius (Fearn Hotel, Balintore Hotel, Commercial Bar (Balintore), Inver Bar) and 9 miles away in Tain. Many of the aforementioned establishments struggle to fill their



restaurants/rooms even in summer and are bordering on empty during the winter. Re-opening Caledonian Hotel would adversely impact on these businesses.

c. **Market trends.** Many businesses are closing due to the social, economic and business pressures. There are many facets that have negatively impacted on the Hotel / pub trade such as the disposition to take alcohol at home which is sourced from supermarkets at low cost. The imposition of the smoking ban has also impacted upon the attitude of customers to the operation of bars as the social centre of villages. Within rural areas many people now refrain from 'going to the pub' because of their responsible and correct attitude not to drink and drive. Stresses such as the new Licensing Act, Food Hygiene Regulations, the rising cost of licensed products (Keg Beers and spirits) compared to those on sale within supermarket chains and rising standards required by regulation (fire, food hygiene, health and safety and trading standards) increase bureaucracy involved with running a small business, general reflecting upon the atmosphere within the establishments.

## 5. **Cost of Reinstatement.**

a. **Current State of the Subjects.** The quality of decor and, fixtures and fittings within the Caledonian Hotel are unusable in their current state. The building has suffered water damage requiring the whole roof to be repaired. This damage has caused; dry rot, warping floor boards, ceiling and internal plastering erosion and ruined carpets. In addition, this ingress of water has resulted in the need to replace a number of electrical appliances and furnishings. Throughout the premises the level of decor needs upgrading, coupled with the kitchen and bar being inoperable due to their physical attributes and the lack of appropriate equipment. The FSA would not permit food production and room provision is of sub 2-star standard at this time. All letting rooms need new furniture and bathroom upgrades to bring them up to an acceptable modern standard. The external aspects of the property require full refurbishment; windows need replacing, sills require painting, all walls need to be painted due to weathering and vandalism. All doors to the building need to be replaced as a consequence of forced entry / vandalism. All signage needs to be replaced.

b. **Estimated Cost of refurbishment.** The cost of re-developing the hotel is prohibitive as the level of projected income and future value of the building would not provide a financial return. The business plan for the residential development shows a clear return on investment. The Caledonian Hotel would have potentially good facilities after a full refurbished, however the low level of customer uptake would result in two financial outcomes; over time the capital investment would not be realised (depreciation would outstrip income) and the cost maintaining the level of service (utilities, cleaning and maintenance) would be prohibitive. My business plan concluded that the Hotel would make insufficient profit to facilitate for long term sustainability.

c. **Cost of Re-marketing / Re-branding.** Due to the poor standing of the business within the locality it has lost all goodwill with no existing clientele, the Hotel needs rebranding. Significant cost will be incurred in re-launching the operation and the marketing strategy will have a significant lead in time. During this operational development phase, there would be insufficient locally generated business to maintain income levels until the establishment of a sustainable level of business. Even when the level of trade rises to some extent, it will still not provide a sufficient return on investment.

d. **Compliance with Legislation.** The liquor license has lapsed and the cost of obtaining a new one would be extensive taking some many months to effect. With no current staff the business the training cost required by the new act would be significant. However, of greater concern would be the need to meet the full and exacting regulatory standards (Fire/H&S/ Food Hygiene/Building Standards) as the premises has lost its grandfather rights.

## A Summary Business Plan

### 6. Capital Expenditure.

#### CALEDONIAN HOTEL HOTEL - CAPITAL PHASE

<u>CAPITAL REQUIRED</u>		<u>GET YOU IN COSTS</u>	
COST OF HOTEL	£235,000	LEGAL & LICENCING	£2,300
WORKING CAPITAL	£15,000	LOAN ARR FEE	£750
GET YOU IN COSTS	£23,550	INITIAL STOCK	£10,000
STAMP DUTY	£2,350	SURVEY COSTS	£1,000
CAPITAL IMPROVEMENTS	£202,500	SET UP MARKETING COSTS & TRAINING	£9,500
	£478,400		£23,550
	£478,400		£23,550

### 7. Trading Profit and Loss.

<b>INCOME</b>	
ACCOMMODATION	£19,710
FOOD	£109,500
BAR	£60,000
<b>TOTALS</b>	<b>£189,210</b>
<b>COST OF GOODS</b>	
PURCHASES HOUSE	£4,928
PURCHASES FOOD	£38,325
PURCHASES BAR	£30,000
<b>GROSS PROFIT</b>	<b>£115,958</b>
<b>EXPENDITURE</b>	
LOAN REPAYMENT Est.	£12,000
WAGES	£55,000
RATES & WATER	£5,000
INSURANCE	£2,500
UTILITIES	£12,000
LICENSING/GAMING FEES	£5,500

<b>REPAIRS/RENEWALS</b>	£5,000
<b>TRANSPORT</b>	£3,000
<b>COMMUNICATIONS</b>	£2,500
<b>STATIONERY</b>	£1,000
<b>MARKETING</b>	£1,000
<b>ACCOUNT/LEGAL FEES</b>	£1,500
<b>BANK &amp; CC CHARGES</b>	£1,800
<b>CLEANING SUNDRIES</b>	£1,000
<b>TOTAL EXPENDITURE</b>	<b>£108,800</b>
<b><u>NET PROFIT</u></b>	<b><u>£7,158</u></b>

8. It is evident that the income projections and the capital expenditure would be insufficient to sustain the business and the property. The Hotel would not even generate sufficient income and profitability to pay the owners a decent wage; notwithstanding the fact that they will probably work 60 – 80 hours per week. If anyone assesses that the business is a viable entity I would be happy to sell it to them for my purchase price and the cost of the capital improvements to date.