

 Executive 4 November 2015		Agenda Item No. 5
Title	Leamington Creative Quarter.	
For further information about this report please contact	<p>Duncan Elliott Senior Projects Co-ordinator 01926 456072 Duncan.elliott@warwickdc.gov.uk</p> <p>Bill Hunt Deputy Chief Executive 01926 456014 bill.hunt@warwickdc.gov.uk</p>	
Wards of the District directly affected	Leamington Milverton	
Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	<p>The report is not private.</p> <p>But Appendices Two, Five, Six and Seven are commercially confidential and therefore private.</p>	
Date and meeting when issue was last considered and relevant minute number	Executive 11 March 2015, Minute No. 88	
Background Papers	<p>Creative and Digital Quarter Expression of Interest 18 September 2015; Executive 3 December 2014, outline endorsement of proposed Cultural Quarter and approval for soft-market testing, Executive 12 February 2014, Assets Review Update report, Executive 11 December 2013, Assets Review report EC Harris study, internal asset reviews and costing held in Finance and Housing & Property Services,</p>	

Contrary to the policy framework:	No
Contrary to the budgetary framework:	No
Key Decision?	No
Included within the Forward Plan? (If yes include reference number)	Yes. Ref. 720
Equality and Sustainability Impact Assessment Undertaken	n/a

Officer/Councillor Approval		
Officer Approval	Date	Name
Deputy Chief Executive		Author
Head of Service		n/a
CMT		Chris Elliott, Bill Hunt, Andrew Jones
Section 151 Officer		Mike Snow
Monitoring Officer		Andrew Jones
Finance		Mike Snow

Portfolio Holder(s)		Cllr. Mobbs; Cllr. Cross; Gallagher
Consultation & Community Engagement		
n/a		
Final Decision?		No
Suggested next steps (if not final decision please set out below)		
<p>The next steps will be that the recommended regeneration partner procurement process will be overseen by way of the delegations sought, and on the outline programme set out, in this report.</p>		

1. SUMMARY

- 1.1 On 11 March 2015 Executive endorsed an outline Developers Brief for a new Creative Quarter in Leamington and the undertaking of a soft-market testing exercise to gauge potential developer interest in, and feedback on, this potential initiative. The purpose of this report is to set out the outcomes of the soft market testing and to recommend the potential next steps for taking this initiative forward.
- 1.2 This report also details Expression of Interests (EOIs) submitted to the Coventry and Warwickshire Local Enterprise Partnership (CWLEP) seeking their approval for potential future transformational levels of investment for a wider regeneration and a highway improvement strategy for this part of the town centre.
- 1.3 The contents of **Appendices Two, Five, Six and Seven** to this report contain commercially confidential information, and should therefore be treated as confidential.

2. RECOMMENDATIONS

- 2.1 That Executive notes the feedback received from the soft market testing exercise as set out in this report, and **Appendix Three**.
- 2.2 That Executive approves the procurement of a regeneration partner to assist the Council to deliver the Creative Quarter initiative, in respect of the area shown in **Appendix One**.
- 2.3 That Executive approves a budget of £4k, to be allocated from the Contingency Fund to fund the formal advertising and marketing of this opportunity, as set out in section 5.1.
- 2.4 That Executive delegates authority to the Deputy Chief Executive (BH) and the Section 151 Officer, in consultation with the Leader, and the 3 Portfolio Holders for: Development, Culture and Finance, to finalise the Development and Marketing Brief, undertake the procurement process to select one preferred regeneration partner, and enter into the necessary legal agreements with that partner.
- 2.5 That Executive notes the Expressions of Interest submitted to the Coventry & Warwickshire Local Enterprise Partnership (CWLEP) as set out in confidential **Appendices Five, Six and Seven**.

3. REASONS FOR THE RECOMMENDATIONS

- 3.1 Executive previously approved further work to test the emerging concept of a new Creative Quarter focussed on the Council's Pump Rooms and Spencer Yard assets, whilst forming part of a wider regeneration vision for the wider area.
- 3.2 **The soft-market testing exercise:**
Officers have now completed a soft-market testing 'Marketing Day' exercise to critically examine our draft Development Brief ('Brief'), and assess the appetite and interest of the private sector in partnering the Council in taking such a project forward.

- 3.3 This exercise was formally advertised, and Council and OJEU procedure compliant. Interested parties were invited to meet with Council officers, on the basis that whilst the meetings were private their responses (whilst being un-attributable) would be shared publically to inform the Council as to how best take such an initiative forward into the market place. Parties were provided with our Brief (as previously endorsed by Executive on 11 March). This process was specifically undertaken so as not to give any participating company an unfair competitive advantage.
- 3.4 Our advertisement set out that the Council's view that this would be very much a niche and specialist development opportunity because of:
- The very specific focus on creative and cultural based industries.
 - The need for a specialist understanding of accessing a complex range of external grant funding opportunities.

The following key questions were asked:

"What are your views on and your assessment of:

- The content, scope, feasibility and viability of the Draft Development Brief.
- The appetite and capacity of the market place to deliver the requirements.
- The capability of the market place to deliver the requirements".

- 3.5 Four companies responded to the formal advertisement (see confidential **Appendix Two**). One of these was a consultant (rather than specialist developer) and did not show further interest. Of the other three, two attended meetings with officers. The third (disappointingly) did not respond to meeting requests.

- 3.6 From follow-up discussions with other companies who did not participate, but whom we had pro-actively initially contacted, it became apparent that many would only put time and effort into formal marketing exercises, and not such initial soft-market testing. Also, that a number of these nationally renowned regeneration companies only focus on city opportunities. However, the information gained from the two interview meetings provided a very valuable commentary on our Brief. The information gained from the meetings is set out in **Appendix Three**, and can be summarised as follows:

- *This is a very niche opportunity. Complex and long-term.*
- *The Council should have a wider more ambitious ambition to regenerate the whole of the identified regeneration area, and not just Spencer Yard.*
- *We should therefore be seeking to procure a regeneration partner for the whole area, with an overall regeneration Brief.*
- *Any partner's first remit should be to set out a clear, cohesive and wider regeneration vision.*
- *There are developers (but not many) with proven CVs, passion and resources to take on and deliver such a challenge.*

- *This would be long-term partnership programme of projects (say 5-7 years).*
- *To provide developer confidence it would be necessary to commit to making the ownerships of our Spencer Yard properties available for the project.*
- *The Pump Rooms themselves are complex. Whilst they do offer a major possible focus and opportunity for any project, "the devil will be in the detail" as to what this might be, and how it might be realised.*
- *We shouldn't ask, or let, developer's cherry-pick properties or sites.*
- *Our Brief should now go for a broader ambition to tie-in the digital & creative industries, (particularly the growing gaming sector), business start-ups, GVA and jobs growth.*
- *Our wider relationship with any regeneration partner chosen in respect of the rest of this area would be one of:*
 - 1) *'Assisting and enabling'. This could take the form of supporting and advancing supporting compulsory purchase orders (if required); and assisting in any private discussions with or between private land owners.*
 - 2) *Being a joint scheme advocate and Sponsor.*
 - 3) *Being a local authority partner for advancing any grant of public funding bids.*

3.7 It is apparent that any detailed regeneration vision will only emerge after a partner's appointment, and then some months of detailed work by both parties. The Council must recognise that there are so many variables in its Brief and ambitions that many in the market will probably not bid for this opportunity. Flexibility, tenacity and long-term commitment (by all parties) will be the three key drivers in successfully taking our initiative forward to delivery.

3.8 The Creative sector embraces a very broad range of industries and uses. It is clear from this process, and discussions with the market, that there is a clear commercial appetite to create space for all of these. The 'Expressions of Interest' (see section 3.16 onward) have pragmatically focussed on the digital sector due to the demand for a Digital Hub in this area and the CWLEP's selection themes. However, members should be reassured that our Brief is very clear that our overall regeneration vision is seeking a much broader requirement to accommodate all sectors of the Creative sector, including: Arts and Culture; Digital Games; Music; TV and Film; Publishing; Design; Craft; Technical; Advertising; Training; Architecture; Food; Live-work etc. Soft-market discussions (and others with the developer industry) indicate a very clear appetite to create a very broad complementary mix of uses in this area.

3.9 The above informed valuable feedback has resulted in two crucial changes to our initial approach:

- (i) The previous draft development brief has now been fundamentally refocused to seek a private sector partner to plan and deliver the regeneration of the whole of this area; rather than for just an initial focus on the Spencer Yard/Pump Rooms area.

(ii) The current market demand from the digital gaming industry, and the residential markets has resulted in more wide ranging albeit still very complementary range of uses to be promoted by us for this area.

3.10 The great majority of the draft development brief, its broad vision, thrust and focus remains broadly unchanged and has now been validated by the soft-market exercise, and is still fit for purpose. It has also now been updated for use as the marketing and tender document for our next-stage regeneration partner procurement. (Note: The previous version was drafted for use in the soft-market testing exercise). The following sections will be completed for this purpose, by way of the delegated powers sought in recommendation 2.4:

- What the Council is seeking bidding parties to submit.
- The criteria upon which the partner selection will be made.
- The precise marketing process and programme.

3.11 The timing of this selection process will now be heavily influenced by the outcome of our Expressions of Interest recently made to the CWLEP (See section 3.16 onwards). We may need to amend the development brief depending on the initial response from CWLEP which we anticipate will be by January next year. It may fully endorse our vision, or it might alter or possibly reject it. Consequently, it will be prudent to make required changes to the brief in say January and commence our procurement exercise at that time (rather than now) to reflect this eventuality. Our outline programme (see section 3.14) now reflects this.

3.12 **Regeneration Partner Procurement:**

It is proposed that a regeneration partner is procured through a competitive process in compliance with the Public Contract Regulations 2015. The specific procurement procedure to be used is likely to be the Competitive Procedure with Negotiation, as this enables the Council to specify its minimum requirements and then to negotiate with bidders on their proposals with a view to refining and improving the proposals, ultimately to arrive at a preferred bidder and a preferred scheme.

3.13 As part of the procurement process the Council will set a number of 'minimum requirements' which it is seeking from any scheme proposal. Bidders will be invited to submit proposals which, amongst other things, address the following requirements:

- Attractive development proposals that are deliverable.
- A phased regeneration masterplan being submitted.
- Proposals that are financially acceptable to the Council.
- Principal Heads of Terms being submitted.
- Any legal structure proposals having regard to the Council's model Development Agreement (that will be supplied by us with our Brief.)
- A financial model to demonstrate viability
- Satisfactory proposals in respect of use of the Council's assets.

3.14 Following a period of negotiations bids will be evaluated against criteria set by the Council to assess which bid represents the best value solution. The evaluation criteria will take account of the deliverability, financial viability and best fit with the requirements of the Council's Development Brief. The Council will reserve the right to award no contract at all, for example if no suitable proposal emerges from the procurement process.

On the basis of above the provisional programme would be as follows:

Activity	Target date
Procurement process commences.	January 2016
Deadline for initial submissions from bidders.	End of March 2016
Negotiations and resubmissions phase	April to June 2016
Contract award	July 2016
Completion of legal agreements.	End of September 2016

3.15 Executive is now requested to delegate authority to finalise the Development and Marketing Brief, undertake the procurement process through to one preferred party, and completion of the necessary legal contract agreements with this party. This delegation is to be to the Deputy Chief Executive (BH) and the Section 151 Officer, in consultation with the Leader, and 3 Portfolio Holders for: Development, Culture and Finance. In the event that a significant risk or change to the proposed project emerges through the procurement process, then a full report will be brought to Executive for consideration before any decision is made.

3.16 **The Expressions of Interests (EoIs) recently submitted to the CWLEP:**
The CWLEP is refreshing its Strategic Economic Plan (SEP) document. This has been used in the past to bid for capital funding from central government, known as the Local Growth Fund (LGF). The government has not made any announcement as yet about further funding beyond that announced so far, up to 2016-17. However the CWLEP is keen to be ready, and are assembling a 'project pipeline' for the five-year period from 2017/18. In July they put out a call for EoIs, with a deadline for submissions of 18 September. Both we and WCC responded with a co-ordinated package of three EoIs for this Creative Quarter initiative.

3.17 The EoIs do have a focus on the digital sector. This is because we know that there is demand for a Digital Hub, and there is the opportunity to create such a hub in this new quarter. Despite this apparent focus on digital, it won't be to the detriment of our existing cultural organisations. Our aim is to create a synergy between the various creative sectors that will be represented in a Cultural Quarter. One of the key advantages of the recommended larger regeneration area is that there is the potential for all these uses to be accommodated and co-habit together and grow.

3.18 The submitted EOIs, which are commercially confidential, are set out in the **confidential Appendices Five, Six and Seven**. They can be summarised as follows:

(i) 'Creative Leamington':

This sets out our overarching 'Town Centre Gateway and Regeneration' programme bringing together the two detailed EoIs that follow. This brings together a range of linked regeneration, transportation and support for the creative sector's growth ambitions. It aims to create up to 300 jobs, and investment of over £31m, with an 'ask' from the CWLEP (LGF) of up to £13m. It includes improving rail, road, pedestrian and cycle access at the southern

gateway to the town. These developments could also unlock further redevelopment of the underperforming Old Town in Leamington and bring significant economic, cultural and environmental benefits across the community.

(ii) The Creative and Digital Quarter: (WDC's EoI)

This 'Creative Quarter' is our ambitious enterprise regeneration initiative designed to unlock the commercial and cultural potential of this important but underdeveloped area (that also represents the town's southern gateway from the rail station and M40). The area is badly in need of investment to re-establish its economic value, character, and functionality. This would be done through careful land assembly, imaginative building remodelling and refurbishment.

It would open up a range of under-utilised or empty buildings for redevelopment, unlocking badly needed employment space in the Old Town area and providing important growth and retention space for the Creative and Digital sector. This would include the upgrading and revival of properties in the greater Bath Street area into collaborative and innovative studio and office space for the creative industries. Also, two key anchor sites - Spencer Yard and Lower Avenue Gateway (that are positioned at both ends of a key southern route into the town centre from the rail-station) would seek Growth Fund intervention for their development.

(iii) The Bath Street Gyratory: (WCC's EoI)

This EOI proposes improved highway, pedestrian and cycle access from the station into the town, creating a more attractive southern gateway. It would form a joined-up route for cyclists between Warwick, Bishop's Tachbrook, Heathcote and Whitnash, through the gyratory and into the town centre. An improved traffic flow through the gyratory would have positive impacts on existing businesses and help to facilitate the regeneration of Old Town. Improved bus access to the station would encourage bus and rail patronage and improve journey time reliability. Overall, it will provide a vastly-improved southern gateway into the town in keeping with the strong visitor economy assets.

In particular the scheme would provide the following:

- A new one-way gyratory system utilising Bath Street, High Street, Lower Avenue, and Spencer Street.
- Carriageway realignments to improve capacity for all road users.
- A new shared foot/cycleway parallel to Lower Avenue that connects to the proposed Station Approach development and the rear of the station.
- Bus stop improvements and improved interchange facilities at the railway station.
- A potential shared foot/cycle bridge across the River Leam that could form part a new cycle and pedestrian link between Lower Avenue/ Spencer Street and the Pump Room Gardens.

3.19 Our initial conclusions are that above linked initiatives sit very well together. But the Creative Quarter regeneration ambition can stand and succeed independently from Creative Leamington (if it does not materialise). The CWLEP expects EOIs to support one or more of the following themes:

- the development and/or integration of infrastructure;
- research, development and innovation
- skills
- business growth

In addition the CWLEP has been clear that it should broaden its SEP refresh into three areas that it has been agreed were underplayed in the original SEP:

- culture and tourism
- digital connectivity
- climate change adaptation/flood defence.

3.20 We are advised that the CWLEP received 66 EOIs by their 18 September deadline. These were reported to the CWLEP's Board on 5 October, as part of their process of refreshing the CWLEP's Strategic Economic Plan (SEP). These EOIs will now go forward into a process of prioritisation; whereby each EOI will be assessed for 'strategic fit' against SEP priorities, and a scoring matrix used to assess a range of outputs including job growth/safeguarding, investment leverage, benefit/cost ratio, increase in GVA. The outcome of this work will be reported back to the CWLEP Board on 23 November.

3.21 Given the level of interest from across the sub-region, clearly not all projects can be funded. However, initial (albeit informal) feedback we have received so far has been positive. We envisage that any next stage will be to further develop the business cases to support these EOIs, if invited to do so. There is no funding available as yet, and this is just a project pipeline prioritisation at this stage. The government is not expected to make an announcement on further LGF monies until the Autumn Statement, due on November 25th, at the earliest.

3.22 Our conclusions from the EOI process are that if the levels of interest to assist the delivery of the EOIs can be secured it will enable a much wider regeneration to be delivered, than we could do alone with just our Spencer Yard based properties. If positive this would transform our vision's attractiveness (and deliverability) to the potential developer partners.

4. POLICY FRAMEWORK:

4.1 The Council's Fit for the Future programme is designed to ensure that the Council meets the challenges of decreasing finances, increasing expectations and changing demand.

4.2 The recommendations in this report are fully consistent with the Fit for the Future programme's principles. This would be by the more efficient use of the Council's assets in this area (including the Royal Pump Rooms and Spencer Yard), improving service delivery and the town centre offer; for the benefit of the public, and providing opportunities for new micro-businesses wishing to start-up and locate in this new Creative Quarter. The proposals would also aim to reduce the Council's future financial exposure.

4.3 The principle of using assets efficiently and seeking regeneration opportunities is also consistent with the Council's vision and Sustainable Community

Strategy's general focus of furthering economic, social and environmental well-being for the district and the specific focus on the town centres of Leamington, Warwick and Kenilworth to underpin and develop economic activity.

5. BUDGETARY FRAMEWORK:

- 5.1 The only funding required to take this initiative forward to the next regeneration partner procurement stage is for the costs of advertising in the commercial press. A budget of £4k is therefore now sought for this. This can be funded from the Contingency Budget.

6. RISKS:

- 6.1 The potential key risks identified at this stage are:

- (a) That key stakeholders may not support any regeneration proposals:
It is for this reason that we want to build on the already established draft Development Brief, go to the market, and receive regeneration proposals that we can then consider. Until we have these, we only have a vision, but without a practical interpretation to comment on.
- (b) That the market does not respond to this opportunity:
This was the reason for carrying out the soft-market testing. We now believe that the revised Brief is in a form that the market will respond positively to. The submitted EoIs also add weight to the attractiveness of this opportunity, and demonstrates the joined up regeneration ambition and approach by both this Council and WCC.
- (c) The appointed Developer will not enter into a Development Agreement on satisfactory terms to the Council at the conclusion of the procurement process:
If and when a Developer is appointed as a result of a procurement exercise there is still a lot of work to be done to ensure that the Developer is fully bound at law to deliver what has been agreed. A formal Development Agreement will need to be completed to ensure the project is actually delivered. There is a risk that the appointed Developer will seek to minimise its exposure to risk under the Development Agreement, either for its own reasons or to respect the requirements of any third party funder. That risk can be minimised by ensuring (i) that the procurement is very specific as to what type of agreement the successful Developer will be required to sign and any issues or areas of concern are addressed during the negotiation phase (ii) that such requirements are adhered to by the successful developer in timely manner following award.
- (d) If a contract is awarded the Developer cannot secure planning permission for all or part of its proposals:
This is a risk inherent in any development project. The Development Agreement will seek to ensure that the Developer carries the risk and cost of planning matters, but there is likely to be an exit provision in the event that planning permission cannot be secured by a longstop date.
- (e) If a Compulsory Purchase Order (CPO) is required and not approved by the Secretary of State:
A CPO may only be made where it can be demonstrated that the public benefit of the scheme proposed outweighs the infringement of the

property rights of landowners who are deprived of their property against their will. This is not an easy burden for the acquiring council to satisfy. The Council believes that the merits of the Cultural Quarter would satisfy that test but the final decision on that would rest with the Secretary of State who has to confirm the CPO, and may take a different view on matters. Again there would be a longstop date for CPO land, but in addition it may be possible to design a scheme such that the failure to get a CPO is not fatal to the whole project.

(f) Having entered into the Development Agreement, the scheme itself falters during the delivery phase for one or more reasons

This risk can be mitigated by seeking to enter into an agreement which is realistic, based on due diligence and proper market intelligence and not over-ambitious in its reach or timetable. In addition any delay or failure is likely to constitute a breach of contract for which the Council can take action.

- 6.2 In view of the above officers believe that the risks to the Council can be managed and should not prevent the Council from proceeding with this project. As noted above, any significant risk will be reported back to Executive for approval.

7. ALTERNATIVE OPTION(S) CONSIDERED:

- 7.1 The Council could opt to do nothing. In this eventuality any vision and potential for taking this wider Creative Quarter regeneration and investment initiative forward not realised.
- 7.2 The Council could decide to exclude the Royal Pump Rooms from this vision. By implication this could also exclude any outline proposal to relocate the Library. However, the previous Executive reports set out the reasons why this could prejudice and weaken any overall transformational approach to a Creative Quarter. The responses from the market will tease out and test this issue.

APPENDICES:

- Appendix One Regeneration Area photo plan.
- Appendix Two **Confidential** - Companies that responded to the soft-market testing
- Appendix Three Summary of feedback from soft-market testing.
- Appendix Four Development Brief.
- Appendix Five **Confidential** – EoI for Creative Leamington Programme.
- Appendix Six **Confidential** – EoI for Creative Quarter.
- Appendix Seven **Confidential** - EoI for Bath Street Gyratory