

 Executive 11 March 2015		Agenda Item No. 16a
Title	Proposed Creative Quarter.	
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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Is the report private and confidential and not for publication by virtue of a paragraph of schedule 12A of the Local Government Act 1972, following the Local Government (Access to Information) (Variation) Order 2006?	No	
Date and meeting when issue was last considered and relevant minute number	Executive 3 December 2015, Minute 88. Executive 12 February 2014, Minute 133. Council 22 January 2014, Minute 87. Executive 11 December 2013, Minute 87.	
Background Papers	EC Harris study, internal asset reviews and costing held in Finance and Housing & Property Services, Assets Review, Executive, 11 December 2013; Assets Review Update Report, Executive, 12 February 2014.	

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. 648
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. Hammon; Gallagher

Consultation & Community Engagement	
n/a	
Final Decision?	No
Suggested next steps (if not final decision please set out below)	
<p>This is not a final decision. A further report will be brought back to Executive before any final decision is sought.</p>	

1. SUMMARY

- 1.1 On 3 December Executive endorsed the outline concept for the creation of a new Creative Quarter, for creative industries and cultural activities, focussed on the Council's assets at the Royal Pump Rooms and in the Spencer Yard area. This to be part of a wider regeneration vision for the northern part of the Old Town area.
- 1.2 Officers are now reporting back on their further work to develop a set of principles and parameters to underpin such a regeneration scheme, and a development brief and procurement process for its delivery.

2. RECOMMENDATIONS

- 2.1 Executive approves the provisional developers' Development Brief set out in **Appendices One and Two.**
- 2.2 Executive approves a pre-procurement developer partner Marketing Day, as detailed in Section 3. Also, that Executive delegates authority to the Deputy Chief Executive (BH), Senior Projects Co-ordinator (DE), in consultation with the Development Services Portfolio Holder, to agree the details and implementation of these Marketing Days.
- 2.3 Executive to note that it is not being asked to commit to this potential project at this early stage; and that further consultations will continue with key stakeholders to inform and refine this outline regeneration vision. Officers will submit a further report back to Executive after concluding the next-stage work set out in this report.

3. REASONS FOR THE RECOMMENDATIONS

- 3.1 At its meeting on 3 December Executive supported proposals for the creation of a Creative Quarter to stimulate the regeneration of the northern part of the Old Town area.
- 3.2 As part of this regeneration package Executive also agreed the principle of including (and re-focussing) the Royal Pump Rooms, and the potential re-use of key areas within it.
- 3.3 The previous report set out an initial set of 'principles and parameters' to guide the drafting of a more comprehensive and formal 'Development Brief' for this potential new regeneration project. It also set out the rationale for the Council requiring the services of a specialist 'niche' commercial developer partner, with experience of successfully delivering similar cultural/creative schemes elsewhere.
- 3.4 Since the last report officers have been working up this Development Brief, and identifying the most suitable procurement route. They have also been having discussions with many of key stakeholders. This work has now produced the Development Brief in **Appendix One**. Officers now recommend that this document should be used for pre-procurement discussions with the market.
- 3.5 The Council's 'offer' would be to input its property holdings in the project area. This would/could comprise: The Royal Pump Rooms, and its Spencer Yard holdings of North Hall; West Wing; Old Dole Office; United Reform Church ('URC') and the main yard areas.

- 3.6 This project will need the direct involvement, commercial flair, investment, and delivery and risk taking skills of the private sector. This development opportunity would have to be formally marketed by way of a competitive process. This would require bidding parties to submit their proposals and formal offers, and for the Council to evaluate such bids based around a formal assessment process.
- 3.7 However, this project will be unusually complex for a variety of fundamental reasons:
- The Council's properties (apart from the URC) are occupied by many parties by way of formal leases.
 - There are many key external stakeholders who will need to be involved. Each will have their own ambitions and views on this high profile project. This will involve many hours of discussions and potential risk for any developer. The high profile nature of the Royal Pump Rooms could compound this.
 - The Royal Pump Rooms and the URC are listed buildings, which will present unique design challenges.
 - Part of the site is within the flood area of the River Leam.
 - Any successful scheme will almost certainly require a cocktail of funding, including possible grant aid from the Lottery and other appropriate agencies.
- 3.8 Consequently, officers believe we should carry out further market testing before any formal competitive developer procurement process. This would be to scrutinise, challenge and inform our current regeneration vision and development brief. Our corporate procurement process encourages such 'pre-procurement engagement' with developers in this situation, provided that none of the private sector participants gain an unfair advantage in the next-stage formal procurement process.
- 3.9 To this end Officers therefore now recommend that the Council holds a Marketing Day where prospective developer partners can meet with Council officers.
- 3.10 The purpose of this day would be to assist the Council and the developer market as a whole by:
- Helping to define the Council's regeneration vision, and what is required.
 - Providing a better understanding of the feasibility of the requirement, the best approach, and the capacity of developers to deliver such a scheme; and to identify the possible risks involved.
 - Helping to understand the following issues:
 - Any key constraints, e.g. the Council's commitment; site assembly; phasing and timing; the Council's assets, and property valuation.
 - Commercial sensitivities.
 - Procurement processes.
- 3.11 From a procurement view-point this process would also ensure that we:
- Engage early and widely with the market.
 - Discuss outcomes to inform our brief.
 - Ensure that the market is aware that any resulting procurement will be conducted competitively.

- Speak to a proportionate number of potential developers in relation to the market size.
- Discuss procurement pipelines with the market and the capabilities needed to deliver them.

3.12 These Market Day meetings should also (i) reduce the Council's procurement timescales by minimising the dialogue needed during the formal procurement process; and (ii) encourage a positive response from potential developers, by providing sufficient notice and time to meet the Council's requirement.

3.13 It should be noted that the Council would not be seeking formal proposals from any developers at this stage.

3.14 The feedback from the Marketing Day would enable officers to then have more informed discussions with local stakeholders (such as the Leamington Society, Friends of the Leamington Art Gallery, Leamington Town Council, Leamington BID, Motionhouse, Loft Theatre, The Assembly, Friends of Pump Room Gardens etc.) and key strategic stakeholders (such as the Arts Council, Crafts Council, Heritage Lottery Fund, cultural and creative agencies and organisations).

3.15 This will then enable officers to bring back a further report to Executive setting out:

- An updated Development Brief (to reflect initial feedback from prospective developers).
- Further feedback from local and key stakeholders on this updated brief and the proposals generally.
- A proposition for formally putting this regeneration and development opportunity to the market, by way of a first stage.

3.16 Members should note that whilst we are considering the concept of a commercial partnership with a private sector developer, we would not be seeking (or have the legal powers) to terminate any of our present buildings tenants' current leases. It is likely that any chosen developer partner might wish to ultimately obtain control of our buildings, that already have creative or cultural businesses operating within them. This would enable them to work (over time) with our tenants to either wait for leases to potentially 'drop-out', or provide alternative premises to maximise the benefits of the creative cluster. Or, they might be very happy for tenants to stay as at present. This would all become apparent after Executive had taken the decision to proceed to the next stage of this project and proposals had been received. This report is not seeking your authority to do this today. This would form part of a future report to Executive.

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. More efficient use of the Council's assets in the Royal Pump Rooms and the Spencer Yard area would enable service delivery, and the town centre offer, to be improved for the benefit of the public, and provide opportunities for new micro-businesses wishing to start-up and locate in this new Cultural and 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 No additional costs will be incurred as part of the recommended next-stage Marketing Day work. This report is therefore not seeking any project funding approvals at this stage.

6. RISKS

- 6.1 This is an initial stage of a potential project. Officers are not seeking Executive's commitment to any financial or contractual arrangements. The potential initial risks are that key stakeholders may not support any regeneration proposals. This is why officers are now recommending further work with interested potential development partners to scope out and further define a vision and Development Brief to provide clarity for further consideration.
- 6.2 In view of the above officers believe that the risks to the Council are very low at this early and initial non-committal stage of this potential project.

7. ALTERNATIVE OPTION(S) CONSIDERED

- 7.1 The Council could opt to do nothing. In this eventuality, its current financial liabilities for the Royal Pump Rooms would remain; and any vision and potential for taking the Spencer Yard area and a creative industries and cultural quarter vision forward not realised.
- 7.2 The Council could decide to exclude the Royal Pump Rooms from any project proposal. By implication this also includes the proposal to relocate the Library. However, the previous 3 December Executive report set out the reasons why this would fundamentally prejudice and weaken any overall transformational approach to a Cultural Quarter, and the attractiveness of the potential project.

CREATIVE QUARTER DEVELOPMENT BRIEF

1. INTRODUCTION:

Warwick District Council has a vision to create a new and transformational Creative Quarter focussed around the Royal Pump Rooms, Spencer Yard and riverside area in Leamington Spa town centre. It sees this project as the first phase of the wider regeneration of the northern part of the Leamington Old Town area, where private sector confidence and investment is now emerging.

The Council is now seeking an innovative, tenacious and experienced development partner to bring forward imaginative regeneration and development proposals to create this new town centre quarter and destination.

2. THE SITE:

- 2.1 The development site is situated in the north Old Town area, adjacent to the town centre's civic gardens River Leam, and central shopping and business areas. It comprises two parts edged red and indicated 'A' (The Royal Pump Rooms) and 'B' (Spencer Yard) on the **Appendix 2** plan. These two parts straddle the River Leam.
- 2.2 The wider (albeit informal) northern Old Town regeneration area is shown edged blue on the **Appendix 2** plan.
- 2.3 The Council is not seeking to stipulate the precise boundaries of the development site. This is specifically to promote flexibility in the invited development proposals. Prospective developer partners are therefore encouraged to consider an expanded site area for comprehensive consideration, to secure the best scheme meeting the Council's overall objectives to create a new Creative Quarter. This could include other privately owned properties to achieve: (i) improved access routes and physical linkages into and around the core area, and (ii) a more attractive and viable development 'footprint' and opportunity generally.
- 2.4 Short listed developers will be invited to specify the site (and properties) which they consider to be necessary to secure the most attractive overall development opportunity for their proposals.

3. THE COUNCIL'S BRIEF:

3.1 The wider regeneration area:

The Council has an ambition to regenerate this wider area. This area includes the Creative Quarter site (below) and includes a range of other sites known to be coming forward in the near future. It would also provide key linkages to the central shopping and business areas to its north; the central Old Town area to

the south; and strategically the Railway Station development area to its south-west.

3.2 The Creative Quarter:

- 3.3 The Council is seeking 'place shaping' proposals that are: transformational; viable; fundable; deliverable; sustainable, and of high quality design.
- 3.4 They should set out how this area could become a bright, vital and distinct 'branded' destination and attraction for the district. Also, how such proposals could fuse together the existing rich historic architecture with a modern twist.
- 3.5 Proposals will be encouraged to provide workspaces for the following creative uses: artistic; educational; digital; computer gaming; performance; training and craft based businesses, along with complementary catering businesses, cafés and restaurants. Health uses (based around the spa history and waters also have possible potential). The environment should be based around refurbished and new building spaces, and active public spaces, with public art throughout, creating an interesting, vibrant and 'intelligent' hub attraction. Proposals should also aim to provide a complementary mix of creative businesses and 'public facing' cultural and catering attractions.

3.6 Such proposals should:

Define the character and new purpose of the area.
Create a deliverable investable vision for this new Quarter.
Develop and deliver new space for creative industries and cultural uses within the area.
Define how they would seek out and secure private and public sector funding for any proposals.
Define any privately owned properties required.
Define how they would open up and improve the public realm, and unite this disjointed area.
Define the partnership arrangements required with the Council to take such proposals forward to delivery.

3.7 They are also encouraged to physically include:

- Opening up and improving the public realm, and uniting this disjointed area. This could include much improved linkages to Jephson Gardens and the Pump Rooms Gardens, and the north and south river banks (to potentially include a new footbridge).
- To unlock the commercial and cultural potential of the riverside, the Royal Pump Rooms, and the riverside and iconic historic buildings here.
- To refurbish, remodel, and re-use the Council's buildings as required.

3.8 The Royal Pump Rooms:

- 3.9 This iconic building did not form part of the previous Cultural Quarter proposals that stalled in 2010. The Council is now considering including this landmark building complex into its new vision, as it believes that this will fundamentally improve the potential and offer of any new Quarter.
- 3.10 Any scheme is encouraged to remodel the building's layout so that it:

Utilises and enhances the river frontage, and relates to new proposals for the greater Spencer Yard area opposite.
 Is more transparent to users, and breaks out onto (and relates to) the Pump Rooms Gardens.
 Protect and better reveals and celebrates the building's architectural heritage.
 Increases its attraction and public usage.

3.11 The Pump Rooms comprise a number of areas, as follows:

The Art Gallery and Museum ('AGM'): This Council has resolved that this facility must remain in the building. However, proposals could include different ways of this facility being physically and operationally integrated with other possible new uses, and the possible re-siting of parts of the facility. However, the overall integrity and offer of the current AGM facility should be maintained.

The Leamington Library: This Warwickshire County Council facility and space offers perhaps the greatest area for transformational change within this complex. This could include combining this area with the adjacent **main entrance concourse, and Café** areas. Consequently, the relocation of the Library (either within any scheme, or elsewhere in the town centre) will be considered.

The Café and Assembly Room areas: A commercial negotiation with the operator Kudos would be required for any alternative use of these areas. Note: This would be strongly encouraged by the Council.

3.12 Warwick District Council Act 1984: Depending on what proposals relating to the Royal Pump Rooms are brought forward the Council will need to carefully consider the provisions within this Act, in so far as the Act deals with the Royal Pump Rooms and Gardens. Section 9 of the Act gives the Council extensive powers to manage the Royal Pump Rooms and Gardens and to lease the same for any purpose for any term. Therefore, were any proposals to be advanced for alternative use of the Library space they would need to be compliant with the provisions of the Act.

4. **PROPERTY INTERESTS:**

4.1 **This Council owns the freehold interests in respect of the following properties:**

Ref.	Property
1	The Royal Pump Rooms
2	North hall.
3	West Wing.
4	the 'Old Dole Office'
5	The United Reform Church ('URC')
6	The main spencer Yard square, parking and vehicular access areas.

4.2 **The input and disposal of the Council's assets:**

The Council will consider committing to dispose to the Developer any or all of its properties, as required and agreed, for any agreed scheme. These disposals

shall have regard to, and be subject to, any or all of the existing tenancies and leases within these buildings. Any such disposals to be at market value, and on other terms and conditions to be agreed by the parties. Alternative disposal, joint venture vehicles, or development structures will be considered by the Council. The Council would expect the Developer to work with its tenants in agreeing individual solutions for any detailed proposals.

4.3 The other buildings in this area are privately owned:

They have the obvious potential for inclusion in any proposed scheme. Of particular note is the **Loft Theatre** (a key building, in a key position) which is privately owned by the Loft Theatre Trust, with whom the Council has established a positive dialogue regarding this Cultural Quarter vision and ambition.

4.4 Additional land assembly:

The selected development partner will be encouraged to acquire key additional land interests for their scheme, within an agreed overall development site, that are outside the Council's ownership. This would be subject to the developer demonstrating that such properties were crucial to delivering any agreed scheme. The Council would then consider using its CPO powers to facilitate such site assembly for an approved planning solution. This would be an enabling role with all costs being underwritten by the developer. In due course the Council would agree a detailed site assembly strategy with its preferred development partner.

5. PLANNING POLICY:

- 5.1 Cultural and employment uses are identified within the National Planning Policy Framework and Local Plan as "main town centre uses" and as such, these are uses are actively encouraged within Leamington Town Centre.
- 5.2 Aside from the buildings that are secondary retail frontage at street level, the area being considered for the potential Cultural Quarter is not specifically zoned. The types of uses being considered are therefore consistent with the emerging Local Plan and the National Planning Policy Framework and have the potential to make a positive contribution to the aims and objectives of the emerging Local Plan.

6. LEGAL ISSUES:

- 6.1 At this early stage it would be difficult to be specific about what the legal arrangements might look like. It will be important to set out clearly the viable options that could work for both the Council and the developer. The preferred option should identify the inputs from both parties including such matters as land, development, funding, indemnities, any dependencies such as future applications for planning permissions and Compulsory Purchase Orders. The necessary level of detail to inform the legal process may not be known until the end of the competitive dialogue process when the final tenders and legal agreements may be submitted.

For example a joint venture vehicle may be appropriate between the Council and the developer partner supported by a development agreement.

Alternatively, there could be a joint working / 'partnership' style agreement supported by a development agreement.

- 6.2 However, if the Market Day findings are decisive in what option and the level of detail that the Council is prepared to finalise at the outset there can be more clarity around what is required to support the option.

7. FUTURE MANAGEMENT:

- 7.1 As part of the formal competitive procurement process the Council would require a proposal that clearly set out how any scheme would be successfully managed. The proposal would set out a sustainable management structure and management plan including details of how the scheme would be promoted and marketed. This is particularly relevant to the Royal Pump Rooms where a more detailed proposition of how any changes to the complex would be arranged, undertaken; and the building let and managed.