

**Leamington Creative Quarter
Collaboration Agreement
Phase One Report
October 2019**

1.0 Introduction

1.1 Background

As set out in the Executive Report on 6th March 2019, the sign-off of Phase One of the Collaboration Agreement requires a high-level technical appraisal of the potential use of Council owned assets. This report is therefore submitted to Warwick District Council (WDC) for approval to form the basis of the Masterplan required under the Collaboration Agreement.

This report includes a number of technical appraisals to fulfil the requirements of the Executive Report and the intention is for it to provide both partners (WDC and CDP) with the basis on which future projects involving Council assets would be developed.

This report does not prohibit either the Council or CDP from deciding not to progress with the development of any of the sites listed below. Instead it represents the agreements in principle for the potential developments to be undertaken by CDP, and the partnership working between WDC and CDP moving forwards within Phase Two. It will also form the baseline for members' consideration of the individual business cases that would subsequently be developed in more detail during Phase Two of the project.

For each asset, we have identified at least one development option which we consider would best deliver the ambitions of the Creative Quarter and The Big Picture. Where a range of options have been identified we have set out our recommendations, and are seeking approval (or otherwise) from WDC in order to identify the key priorities moving forwards.

In addition this report sets out the potential ownership structures for each of the individual assets, however overall we would strongly recommend that flagship, heritage assets such as the Town Hall and the Pump Rooms (as a minimum) are retained freehold either by WDC, or are transferred into a charitable trust to ensure the long term protection of the buildings.

This report also highlights that regardless of the chosen ownership structure, there may be opportunities to work with WDC's Enterprise Service in the future management of the commercial-led schemes, in particular Spencer Yard.

1.2 Council Owned Assets

As required in the Executive Report, below is a list of Council owned assets which we consider may be required to support the regeneration principles set out in The Big Picture (as attached at Appendix 1).

- Spencer Yard;
- United Reform Church;
- The Royal Pump Rooms;
- Town Hall;
- Court Street (including Stoneleigh Arms and the Arches); and
- Bath Place Car Park.

The Pump Rooms is one of the most important historic buildings in Leamington Spa in a key strategic position. It sits directly to the north of Spencer Yard, across the river. It is a key focal point for

Leamington and signifies the start of the Georgian Spa Town. The Grade II Listed building currently has various uses – the public library, art gallery, and associated administrative spaces occupy the rear of the building facing the river, with function rooms and a café facing the Parade. Whilst we consider that a re-purposing of The Royal Pump Rooms could contribute towards the ambitions of the Creative Quarter, extensive consultation is required with a number of different stakeholders meaning that at this time it has been excluded from this Phase One Report. WDC will progress discussions with a number of parties in order that any proposal is in collaboration with the existing occupants of The Royal Pump Rooms, to ensure the community and historic focus of the building is maintained in the long term. In accordance with the Collaboration Agreement, WDC may seek input from CDP in the future if it is decided that the regeneration of The Royal Pump Rooms is in the best interests of the heritage asset and the community.

Having reviewed a map of all of the Council's assets (attached at Appendix 2), we do not consider that Packington Place Car Park would contribute towards the ambitions of the Creative Quarter at this time, given its limited size and surrounding third party land interests. As such we have not set out any proposals for this asset within this report.

The following sites in particular have also been identified as having potential for development which are outside of WDC's ownership:

- Bath Street Arches;
- Althorpe Street Area; and
- Old Post Office.

This report only gives consideration to Council owned assets as required in the Executive Report, albeit with the approval of WDC, we are also seeking to work with third parties in respect of the above sites outside of their ownership, to ensure a holistic approach to the regeneration of the Creative Quarter in line with the Big Picture. To maximise the opportunities within the Creative Quarter, it is vital that the regeneration of Council owned assets is supplemented by wider wayfinding and public art initiatives, as well as street frontage improvements. It is envisaged that CDP will lead on these wider initiatives, including putting together a comprehensive strategy for grant funding applications, with resource, including financial and personnel support from WDC where required. Any works will be instructed on a case by case basis by WDC, on terms to be agreed.

1.3 High Level Business Cases

For the WDC owned sites identified above, the Executive Report requires that an initial, high level business case and risk analysis is carried out including:

- Potential alternative uses;
- Potential funding arrangements to deliver these alternative uses;
- Any potential requirement for changes to ownership or tenure (i.e. would a future freehold disposal be required for any asset on the list, which might require revised leasehold arrangements and at what indicative rent e.g. market or peppercorn etc.); and
- Potential returns on investment and how these would be distributed.

The amount of information available on each site varies, and as such we have responded to the unique and complex challenges of each case to the best of our abilities at this stage, in accordance with the Collaboration Agreement.

1.4 Consultation

The Big Picture document and the high level business cases set out within this Phase One report have been informed by extensive consultation. Summarised below are the events, presentations, and engagement activities that have been put on by CDP between 3rd December 2018 and 21st January 2019 to ensure that our proposals are delivering a wider vision for the benefit of local residents, businesses, and the Council.

Event	Date (2019)
Local business & community organisations Forum	8th January
Drop in session at LOTT Bazaar, 37 Clemens Street	9th & 10th January
Leamington Business Forum	11th January
Creative & Digital Businesses Forum	11th January
Drop in session: Royal Priors Shopping Centre	11th January
Business & Community Forum	15th January

Furthermore, there was a static (unmanned) display in the Royal Pump Rooms from 7th December 2018 – 21st January 2019 and in the Royal Spa Centre from 7th - 30th December 2018. Responding to invitations, CDP held separate meetings with local landowners and agents, Leamington Town Council, the Ahmadiyya Muslim Association and Action 21.

Prior to this, there was an extensive period of informal consultation and stakeholder engagement.

2.0 Delivery of Projects and Phasing Strategy

The Collaboration Agreement is for a minimum period of ten years, and as such it is important to prioritise the redevelopment of the sites listed in this report to maximise the deliverability of the proposals set out in The Big Picture. With the Commonwealth Games coming to Leamington Spa in 2022, it is essential that some 'quick wins' are delivered.

Each site provides unique opportunities and challenges, and we have sought to prioritise the sites based on those where the most information is available at this current time, and where there is more certainty around gaining vacant possession for speed of delivery, particularly by 2022.

We have also given consideration to the high level financials of each scheme, in order that where a capital or rental receipt may be payable to WDC, these sites are developed first in order that WDC then has the opportunity to cross-subsidise less viable schemes in the Creative Quarter.

Based on this process, we consider Spencer Yard (including the URC, Old Dole Office, and Nursery) and Bath Street to be the two priority sites. As set out in more detail in Section 3 of this report, both sites are on key pedestrian routes from the train station to the town centre, and creating vibrancy and interest in these areas is critical, to create a sense of place and improve wayfinding for 2022.

As set out in the following sections of this report we are therefore recommending that specific Development Agreements are put in place to ensure that both parties have the required certainty to be able to move forwards and realise the ambitions set out in this report as part of Phase Two.

Whilst we have engaged in extensive public consultation to date, we consider that more engagement with existing stakeholders needs to be undertaken, particularly on The Town Hall for more detailed proposals to be worked up. The consultation would be led by WDC with support from CDP if required.

In addition there are some sites which are linked to wider WDC strategies. For example there are a number of options for the Court Street car park site, but the redevelopment of this site is linked to WDC's car parking displacement strategy, and as such is likely to be a medium term project.

Based on the above, we set out the following indicative phasing strategy, subject to WDC's approval of the recommendations set out in the following sections of this report.

1) Spencer Yard

- URC – to be prioritised as it is a listed building in need of repair, is currently vacant, and is the most prominent building in Spencer Yard;
- Nursery – there is potential for the occupants of the URC and the former nursery building to be linked, and given they both front the square, should follow in short succession to maximise activity; and
- Old Dole Office – could be undertaken at the same time, or following the redevelopment of the URC and Nursery, subject to existing tenancies.

2) Bath Place

- Potential in the short term for pop-up events, improved way finding, and graphics to improve character; and
Potential for a residential / live work scheme combined with unique commercial space within the arches, connected through a central pop-up events and market area.

3) Court Street

- Clarity from WDC is required on the uses that would be appropriate for this site, and the timelines for delivery in recognition of the wider car parking displacement strategy.

4) Town Hall

- The redevelopment of this asset would be collaborative following extensive consultation and dialogue with existing tenants, to ensure satisfactory new locations were found in order that their public duties could continue to be fulfilled;
- In the first instance WDC would progress discussions with the existing tenants on the building, and work up initial concepts collaboratively with the Town Council; and
- CDP may provide support to WDC if required in the future. For example should WDC determine that a re-purposing of the building is the most effective way of securing the long term future of the building, CDP could continue to act as their partner under a Development Agreement. This will be determined after WDC have carried out their initial assessment of the building, only after a proposal has been agreed between WDC and the Town Council.

Where possible, for some sites we have provided detailed site assessments incorporating a high level appraisal. For the other sites, as discussed and agreed with WDC, the limited information available has meant that our appraisals have been restricted to include technical site assessments, high level business cases, and SWOT analysis (as set out in Section 4 of this report), in line with the requirements of the Executive Report.

Section 3 of this report provides the high level business cases for the short term projects, which subject to WDC approval could be delivered as initial phases of the Creative Quarter in time for the Commonwealth Games. Section 4 sets out options on the other sites that all still form an important part of the overall masterplan, but for a number of different reasons may be delivered in the medium to long term, following further engagement with a number of key stakeholders.

3.0 Initial Projects - Short Term Delivery

3.1 Spencer Yard

Spencer Yard is located to the north of Leamington Spa Railway station, on the south bank of the River Leam, and directly south (across the river) of the Royal Pump Rooms. It consists of a newly created external events space (the yard) bordered by a number of building of various ages and uses. The new yard area is linked to two former industrial brick buildings (the North Hall) which have recently been refurbished to the east of the site, providing creative workspace for various industries including Heartbreak productions, a theatre company, Purple Monster, a business consultancy, and Motionhouse Dance Company. This building would remain in its current use and does not form part of any proposals.

The other buildings surrounding the yard area (as detailed below) are considered to offer significant potential to enhance the engagement with the current creative tenants, and use of the yard.

i) United Reformed Church (URC)

The URC is the most prominent building in Spencer Yard; with the façade being on to Spencer Street. One of the accesses to the yard area is via a side passage to the church, and as such visibility into the wider site is currently poor.

The URC comprises a derelict former church building that is Grade II Listed. The building has been vacant for a number of years and as such has fallen into a state of disrepair.

ii) Former Benefits Office

The Former Dole Office is situated in the north eastern corner of the wider site, and is currently let on short term bases to the Loft Theatre and Heartbreak Productions for use as storage. We understand that both tenants are paying a peppercorn rent, and there is no definitive end date on their occupancy, but that WDC would help source alternative accommodation in the case of the Loft Theatre.

iii) 'The Nursery' (5A Spencer Yard)

There is a small building to the south of the former Dole Office, and to the east of the URC which is also currently vacant. There is a small green courtyard in between this building and the URC which has recently been fenced off by WDC to prevent further break-ins and anti-social behaviour.

iv) Parking Area and Yard

There is a parking area in between Sites 2 and 3 which we understand is used by local businesses within Spencer Yard. As above there is also a yard area in between the URC and the recently refurbished brick buildings to the north.

3.1.1 SWOT Analysis

Each building within Spencer Yard has its own strengths, weaknesses, opportunities and threats, but the table below provides a holistic overview of the assets as a whole, and the combined redevelopment opportunity.

Strengths	Weaknesses
<ul style="list-style-type: none"> • Proximity to city centre; • Proximity to station; • Existing creative businesses; and • Existing pedestrianised square for events. 	<ul style="list-style-type: none"> • Very poor visibility with the exception of the URC; • Existing leases mean that some of the site does not have the benefit of vacant possession; and • Current links to town centre are poor, with no wayfinding or direct public access from the Pump Rooms.
Opportunities	Threats
<ul style="list-style-type: none"> • Rejuvenate and repurpose a deteriorating Listed building; • Create a vibrant new business community surrounding an active public square; • Improve accessibility and wayfinding; and • Provide a range of different facilities to meet occupier demand, to fully cater for the ambitions of the Creative Quarter. 	<ul style="list-style-type: none"> • Separate development at the Colonnade limits ability for through links to Spencer Yard and limits control on quality and occupiers; and • The URC scheme is dependent on achieving Listed building consent.

3.1.2 Preferred Options

Ongoing engagement with the Digital Creative sector by CDP has demonstrated a lack of suitable business space, restricting the ability of businesses to grow and therefore encouraging businesses to relocate outside of the Town Centre. This is a significant and ongoing risk to Leamington Spa and the ambitions set out in the Big Picture.

Engagement with the sector has also highlighted the lack of creative public space that can facilitate innovative cultural programming and networking opportunities for the sector. Our agents have also confirmed the severe shortage in supply and type of accommodation for digital creatives.

Based on this market information, set out below are the preferred development options for each site within Spencer Yard.

We have given high level consideration to other uses before arriving at the proposals set out below, however in each case we consider the options put forward best achieve the ambitions of the Creative Quarter, particularly when viewed as part of the Big Picture.

For example, we consider that a creative market space is an important aspect of the Creative Quarter, and at one stage we did contemplate housing this use within the URC. However following consultation, should it be decided that the Pump Rooms is to be re-purposed, this would be the best location for this use to maximise public engagement, footfall, and flexibility particularly with its location next to the park. On balance we therefore concluded that holding such events in the URC, particularly as its core use, wouldn't be the best long term use for the asset, and would most likely lead to viability problems in the medium term.

We therefore consider that the optimal use for Spencer Yard in its entirety, both in terms of best satisfying the objectives of the Creative Quarter, and optimising value, is to repurpose the existing buildings to provide flexible workspace for creative industries. This then helps satisfy some of the identified demand for creative offices. The ambition is to provide a range of spaces, catering to a range of operators, which will complement the existing tenants within the North Hall.

Aside from the redevelopment of each of the properties within Spencer Yard, the enhanced footfall in the area is likely to lead to more demand for pop-up events within the yard area. It is hoped that this could be self-funding at least in part. If any events needed to be subsidised it is envisaged that this would be done through grant funding. As a minimum, the events would need to cover a basic service charge even if a rent weren't payable. It is envisaged that the events would be managed by the owner of the site. If WDC were to retain ownership of the yard area, CDP and/or other entities could take a licence from WDC at terms to be agreed.

The level of detail we have been able to go into on each site varies dependant on the level of information available. For example we have not been able to gain access to 5A Spencer Street and no floorplans are available. The appraisals have therefore been based on a series of working assumptions, in some cases including the areas of the buildings, and therefore are subject to change once detailed survey work has been undertaken.

i) URC – Flexible, Creative Business Space

At present the space has been designed to be open plan, to maximise flexibility for future occupiers. For example the space could either be taken by one large occupier, or used for co-working. As an alternative, the space may be sub-divided to allow smaller operators to have privacy as required, or increase the proportion of meeting space. The design of the space internally in terms of break up options will vary according to tenant demand.

We have had promising early discussions with potential occupiers.

ii) Former Benefits Office – Creative Business Space

It is proposed that the building would largely remain in its current form, with a new roof, windows and doors externally. Internally, the building will have an industrial feel, but will be refurbished and fitted out with new kitchens and toilets etc. for use as offices. There will be two access points so the building lends itself well to being multi-let, but could cater for one occupier dependent on demand.

There is a unique opportunity to showcase the buildings heritage as part of the Civil Defence Camouflage establishment, by painting the exterior of the building, or creating a unique mural.

Illustrative plans have not been drawn up, given the lack of a survey/access and that the proposal is largely to refurbish and restore the existing building.

iii) Former Nursery – Creative Business Space

Floorplans have not been available for this site, nor has access, so this financial summary is based on very high level assumptions, including areas, and the condition of the existing space. This site currently has its own courtyard area, so we consider that there is an opportunity to create quite a unique office space, with a village feel. There is also potential for the courtyard area to be opened up more for public access, however this hasn't been included within the costs at this stage.

iv) Parking and Yard – Pop Up Events Space

The yard and parking areas are currently under-utilised. With bold graphics, street art, and creative business space encouraging use of this yard area and improving footfall, there are greater opportunities to use the yard area for pop-up events and markets for community use.

3.1.3 High Level Financial Summary

We have undertaken individual site appraisals, and the following section is a synopsis of the financials of the Spencer Yard proposal as a whole (i.e. the four sites that have been identified in the previous section of this report). If the individual assets were to be transferred as part of one agreement, it could allow maximum flexibility in terms of timescales for delivery, and also site access and construction works, enhancing deliverability. However, existing tenancies and wider financial implications would need to be considered.

Summarised below is the technical site appraisal for the preferred development options listed in the previous section of this report.

i) Is grant funding required?

At this stage we have made assumptions on the amendments to the URC that may be deemed appropriate by the Conservation Officer and those that would be required for the Old Benefits Office and Nursery given that access has been restricted.

Based on our current assessment, we do not think grant funding would be required, however this will very much be dependent on the works required to the Listed building, and the actual areas and survey work undertaken on the other buildings. Should more work be required, should there be less rentable space than our estimations or different solutions be required in order to achieve Listed building consent, the cost/value dynamic of the scheme may change.

ii) Is there a requirement for change of ownership?

There are a number of options for the ownership structure as summarised below, with the two key options being as follows:

- WDC transfer the freehold or long leasehold interest of the properties to CDP, both individually or combined, at a purchase price to be agreed; or
- WDC transfer the assets at nil value to CDP and then take a share of the developer's profit.

iii) What are the potential returns, and how would they be distributed?

Based on the ownership structure set out above, CDP could pay a land receipt to WDC for the benefit of the grant of a long lease, or freehold interest, and CDP would then take a developers profit. Alternatively the developers profit would be shared at splits to be determined, with nil land value or a rent at a peppercorn.

3.1.4 Site Specific Recommendations

Set out below are our recommendations, for which we are seeking approval in principle as part of the Phase One sign off.

- The schemes are progressed on the basis that creative workspace/office use is accepted in principle;
- Survey work is undertaken on the assets, in order that detailed cost and design work can take place;
- In accordance with the Collaboration Agreement, a Development Agreement is entered into between WDC and CDP in respect of these assets, which will give CDP exclusivity to develop the assets, and will set out the terms of any cost and revenue shares between the parties;
- WDC and CDP explore the opportunities to work with WDC's Enterprise Service, and
- WDC grants licenses to CDP and/or events companies as required, on terms to be agreed, for use of the yard and parking areas for pop-up events and markets.

3.1.5 Timeline for Delivery

Subject to the recommendations in Section 3.1.4 being agreed by WDC, set out below is a high-level, indicative timeframe for delivery. This will be subject to change as detailed survey work etc. is carried out, and is dependent on getting the required planning and Listed building consents.

Date	Activity
Survey work on all buildings in Spencer Yard	November 2019
Develop designs for all buildings in Spencer Yard (to RIBA Stage 3). Note a pre-application feedback meeting will be sought over this period with WDC's planning team, including the Conservation Officer.	November 2019 – February 2020
Pre-application public consultation event on the proposals.	February 2020
Final tweaks to scheme based on feedback received.	February – March 2020
Submit planning application	March 2020
Planning permission	June 2020
Complete construction	May 2021

In conjunction with the activities listed above, CDP will seek WDC approval on the Heads of Terms for the Development Agreement. The Development Agreement will be entered into between WDC and CDP prior to the commencement of works.

3.2 Bath Place Car Park

3.2.1 SWOT Analysis

Bath Place Car Park is located close to the train station, bound to the south by a series of railway arches, to the west by Lower Avenue, to the east by Bath Place, and to the north by a residential scheme. It is in a strategic location in the Creative Quarter being in close proximity to High Street which was the original centre of town, so represents a key opportunity for linking the north and south together.

Whilst the arches are not within WDC's ownership and therefore do not form part of the technical site appraisal, we have had initial discussions with Arch Co. (with WDC's permission) about the opportunities within the arches. We consider the arches provide an exciting opportunity to create bespoke, innovative space for a range of occupiers, potentially including distilleries, start-up businesses, food stalls and markets. The intention would be to improve way finding through the installation of bold graphics, art installations and murals to enhance the existing industrial character of the buildings. The set of arches that immediately abuts the site are the original railway arches from the first rail link through the town. We therefore consider they are an important part of Leamington's history, and should be preserved and enhanced.

We have carried out technical analysis of the site, and the potential options for redevelopment, which is set out below.

Strengths	Weaknesses
<ul style="list-style-type: none"> • Located in close proximity of the station; • Adjacent to new and original arches adding industrial character to the area; and • Strategic location in the middle of the Creative Quarter, next to the historic High Street. 	<ul style="list-style-type: none"> • Links and wayfinding to other Creative Quarter sites such as Court Street and Spencer Yard are currently poor; and • Site currently used for car parking.
Opportunities	Threats
<ul style="list-style-type: none"> • Wider development opportunity to link with the arches; • Improve way finding from the station to the town centre through use of bold graphics along arches; and • Develop a residential or live/work scheme on the car park to cross subsidise improvements to wayfinding and creative pop-ups in the arches. 	<ul style="list-style-type: none"> • Proposals for potential alternative uses such as student accommodation within the Creative Quarter; and • Privatising surrounding areas to prohibit effective way finding from the station.

Based on the above we consider there is potential for a residential and/or live work development (including affordable housing) on part or on this entire site, with active ground floor uses that could compliment the arches. The arches and potentially part of the car park site could be a new hub for food, markets, and creative retail businesses. It would also improve the permeability of this part of the town, and provide a new and interesting route from the station in time for 2022.

3.2.2 High Level Financial Summary

i) Is grant funding required?

Depending on the use, a redevelopment of the car park site may be financially viable and therefore may not require grant funding. We understand that WDC has funding to deliver housing, so there is potential for a fully affordable housing scheme to be developed, but would be subject to using WDC's funding or alternative grant pots for delivery. Dependant on the nature of the residential scheme, there is potential for it to cross subsidise other elements of the scheme, for example way finding and public art, otherwise grant funding would likely be required.

ii) Is there a requirement for change of ownership?

The ownership structure would depend on the type of housing developed. If WDC decided to use their funding for an affordable housing scheme, CDP could work as WDC's development partner to deliver the scheme, and the Council would most likely then retain the completed block as rented accommodation, unless an alternate tenure was provided (such as shared ownership). Alternatively the Council could transfer a long leasehold or freehold interest of the site to CDP if it were to include private housing. CDP would then develop the scheme and sell the individual units, selling any affordable element either to the Council for them to own and manage, or another Housing Association.

iii) What are the potential returns and how would they be distributed?

The returns will depend on the type of scheme that is proposed. If an affordable housing scheme is delivered using WDC's funding, CDP and WDC would most likely enter into a Development Agreement determining the cost and revenue share between the parties, and CDP would develop the scheme taking a developers profit. If the scheme is to be a mix of private and affordable units, CDP could buy the land off WDC, and would then sell the private units to the market and the affordable units to either the Council or a Housing Association. Complimentary wayfinding and place making initiatives would add to the success of the proposals, but likely funded from a central grant initiative or council funds.

3.2.3 Site Specific Recommendations

Set out below are our recommendations, for which we are seeking approval in principle as part of the Phase One sign off.

- CDP lead on applications for grant funding if required, and stakeholder engagement, subject to receiving instructions from WDC, and on terms to be agreed;
- CDP continue discussions with Arch Co. on the potential for pop-up space, markets, and longer term tenancies in the arches;
- WDC seeks to protect the original arches through submitting an application to List, to maintain the character and history of the area, and add to public interest in the route from the station to the town centre;

- CDP and WDC explore the potential for weekend markets on the car park site, subject to receiving instructions from WDC;
- WDC confirm their funding allocations for housing, and whether they would seek to use such funds to deliver affordable housing, and/or an affordable live/work scheme;
- WDC and CDP enter into a Development Agreement to determine how the costs and revenues will be shared in accordance with the Collaboration Agreement; and
- CDP to work up residential and or live/work proposals on the car park site for review by WDC.

4.0 Other Projects – Medium / Long Term Delivery

4.1 Town Hall

The Town Hall occupies a key strategic location in the Creative Quarter, and is one of the main opportunities to link the north and south of the town. As set out in the Big Picture, having reflected on the feedback received, no specific proposals will be developed for the building until the two local Councils, who currently occupy the building, have determined their future priorities for continued civic use at this location. WDC will therefore bring forward initial concept ideas in the first instance in collaboration with other stakeholders, and dependent on the outcome, WDC may then seek input from CDP.

4.1.1 SWOT Analysis

The analysis below gives consideration to a range of uses that may be appropriate for the building; however any proposals would be worked up in the first instance by WDC in close collaboration with the Town Council.

Strengths	Weaknesses
<ul style="list-style-type: none"> • Key strategic location; • Civic history; • Landmark building with visibility walking from the train station; and • Impressive period features, including grand staircase. 	<ul style="list-style-type: none"> • Long term costs of building maintenance are likely to be high; • Limited usable space due to low gross to net ratio; and • Existing tenancies mean any redevelopment proposal would be in the medium to long term.
Opportunities	Threats
<ul style="list-style-type: none"> • Maintain and improve community use, encouraging increased public footfall through alternative uses; • Dramatise the space through highlighting statement period features such as the staircase; • Create an art-house cinema that is adaptable for other community use; • Open up part of the ground floor for restaurant use along the Regent Court frontage, to 	<ul style="list-style-type: none"> • Long term running costs of the asset; • Not being able to find suitable alternatives for the existing tenants, or not being able to find a new use that accommodates these tenancies; • Sourcing sufficient funding for alternative uses such as a cinema; and • Generating enough revenue to cover building running and maintenance costs.

<p>maximise links with the existing tenants and activity; and</p> <ul style="list-style-type: none"> • Create flexible space to house a number of different uses at different times, to ensure the public benefit of the building is maximised. 	
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Based on the above, we consider that the best use of the Town Hall in terms of maximising its contribution to the Creative Quarter would be to repurpose the space for leisure and community use. Any redevelopment option would be carried out in close consultation with the existing tenants, however given the building's history, we think it's important to maximise footfall and accessibility in this landmark asset. The preferred option would therefore include restaurant space which would be let to a third party, potentially a cinema on the upper floors, and could also potentially accommodate some of the existing meetings through flexible use of the space.

Alternatively, a meeting place for creative businesses combined with some shared business space is an option instead of the cinema, but it doesn't maximise the use of the building for the general public. This use could be appropriately accommodated elsewhere in the Creative Quarter.

As another alternative, the existing uses could remain, and a basic refurbishment could be carried out. WDC will carry out an analysis of these options to begin with.

4.1.2 High Level Financial Summary

i) Is grant funding required?

It is highly likely that grant funding would be required in any redevelopment / repurposing of the Town Hall given that it is Listed, and that there is limited usable space that could be rentalised. The cinema use will be challenging as period features will need to be retained, so alternative sound proofing and lighting solutions would need to be developed. The cinema, if viable, is unlikely to be able to contribute significantly to the restoration of the structure.

ii) Is there a requirement for change of ownership?

We would recommend that, given the strategic and community importance, the freehold of the building should remain in council or charitable ownership. We consider that there are benefits in introducing a charity to the partnership mix as this would enable more funding sources to be accessed and also provide a route for community buy in and involvement. It is likely that there would need to be continued council involvement in underwriting or continuing to pay for revenue costs at least for an initial period if a full transfer were to take place. We consider the best solution to be a partnership that involves all three sectors and feel that an innovative approach to structuring would find considerable favour with funders. At this stage, it is envisaged that WDC will retain ownership at least in the short term, and that other options will be considered once concepts have been developed by the two local Councils.

iii) What are the potential returns and how would they be distributed?

There are a number of ways that the returns could be distributed, dependant on the outcome of WDC's initial feasibility work. If after this, it is decided to progress with a rejuvenation of the town hall, the two key delivery options are set out below.

Option 1 – Council/Charity/CDP Development Agreement

Under this scenario, WDC and/or the charity would maintain control of the asset.

Option 2 – Council/CDP Long Lease

Under this scenario, WDC would grant a long lease to CDP at a peppercorn rent who would then undertake the redevelopment of the site, subject to achieving grant funding (at an amount to be determined).

At this stage the returns are unknown, given the uncertainty set out in paragraphs ii and iii above. However under this scenario, CDP would factor in a developers return dependant on the availability of grant funding and therefore land receipt.

4.1.3 Site Specific Recommendations

- In the first instance, WDC will undertake a scoping of options and designs, will liaise with existing tenants, and carry out further consultation with the public as well as prospective occupiers;
- WDC undertake survey work on the property in order that potential future occupiers are able to better assess the suitability of the space, in order to provide more definitive options and proposals for appraising;
- WDC will then decide on whether the asset stays in Council or charity ownership; and
- Should a decision be made to progress with a regeneration of the Town Hall, an agreement could be put in place with CDP based on WDC's chosen delivery route (as set out in point iii).

4.2 Court Street

The site is located towards the southern end of the Creative Quarter, between Clemens Street and Court Street. The whole site is owned by WDC.

To the north of the site are a series of nine arches which are owned by Network Rail with a headlease to Arch Co. and a sub-lease to WDC. The arches are predominantly occupied by SMEs in the creative and gaming industries. The ambition is to develop a new creative and digital hub, with active frontages on the ground floor of the development on Court Street, to increase the vibrancy of the area.

A series of cafes and retail units are currently located along Clemens Street to the west of the site. There is potential to include flexible use classes in a new scheme to enhance the provision within the Creative Quarter, and enhance the vitality and activity along the arches to provide a link to the station and town centre.

The site is bound to the south by Milverton House where a planning application has been submitted for redevelopment to provide 90 residential units (20% of which will be allocated to student) across this building and Drummond House on the opposite side of Court Street. Whilst this development limits the potential future expansion of the Court Street area as an SME hub to the south, the importance of attractive and safe connections through the site is amplified. There are also wider opportunities to expand the Court Street plans to the east around Althorpe Street. We have been actively engaging with a series of landowners to ensure a joined up approach to the implementation of the Big Picture.

i) Phase 1



The Phase 1 site currently comprises a surface level car park, which has recently been extended to include part of the Phase 2 site. According to WDC's website it provides a total of 65 car parking spaces, albeit this does not take account of the recent expansion. The charges are between 30p and £4.50 per day, dependant on the time of stay.

ii) Phase 2



The Phase 2 site currently comprises a derelict public house, the Stoneleigh Arms. The former garden area to the rear has recently been converted to provide an extension to the Court St car park (on the Phase 1 site). Towards the eastern boundary lies a Victorian building which is also derelict.

4.2.1 SWOT Analysis

We have carried out an analysis of the strengths, weaknesses, opportunities and threats of the site and potential redevelopment, which is set out below.

Strengths	Weaknesses
<ul style="list-style-type: none"> • Proximity to train station; • Proximity to WDC arches which are fully let; and • Identified significant demand for grow-on space, creative space, and space for digitals, where there is currently a shortage of supply. 	<ul style="list-style-type: none"> • WDC has recently invested in extending the existing car park as part of the Covent Garden displacement strategy; and • Currently poor links to and from the station and town centre.
Opportunities	Threats
<ul style="list-style-type: none"> • Create a vibrant hub for creative and digital industries in the Creative Quarter; • Create active frontages to improve the interaction with the existing tenants in the arches; • Improve permeability through the site by creating of a new access off Clemens Street; • Regenerate and repurpose the Stoneleigh Arms which is currently a building at risk within the Conservation Area; • Potential repurposing of the Victorian building, adding character and maintaining an industrial feel; and • Densify the use of the site to maximise the outputs in relation to the Big Picture's objectives. 	<ul style="list-style-type: none"> • Potential WDC office move requiring more parking as part of displacement strategy; • Other neighbouring student and residential schemes potentially detracting from the wider ambitions of the Creative Quarter if not managed; and • Digital and creative companies move outside of Leamington if schemes cannot be delivered within required timescales.

4.2.2 Site Options

We understand that WDC is conscious of the pressures on town centre parking related to the planned displacement strategy linked to the Council's potential new headquarters. The recent extension to the car park into the Phase 2 site is part of this strategy, however we understand from WDC that this is considered a temporary solution, and in the medium to long term the spaces will no longer be required. We therefore understand that the starting position should be that the original car parking provision is replicated in any scheme, plus any additional parking required as part of the new development. However, given that the site is allocated for residential use, there is potential for car parking to be provided elsewhere to free up this site and improve viability for a residential or live/work

scheme. Dependant on the nature and quantum of residential development, there is potential for it to cross-subsidise other uses on-site or other less viable schemes elsewhere in the Creative Quarter.

Based on our analysis and research to date, we set out below a number of high level options for the site, summarising the potential broad principles of development. We consider each to be deliverable, but will require different levels of grant funding, and will result in different receipts to and investment from WDC. Please note that the appraisals have been undertaken based on high level working assumptions, and may be subject to change once detailed survey, design, and cost work has been undertaken.

i) Option 1 – Surface Car Park Only

Phase 1 and 2 - This would be the 'do nothing' option, leaving the surface level car park as it stands, with no repairs to the Stoneleigh Arms and no additional creative space. Whilst the car park has been recently extended, there is no attractive link through the Creative Quarter, and the derelict pub will continue to deteriorate which is a blight on the Clemens Street frontage, within the Conservation Area.

The Council has recently invested in extending the car park.

ii) Option 2 – New Car Park with Office Space and Village Units

Phase 1 - This option provides much needed office space, whilst still providing the village focus that is required for place making. It maximises the provision of car parking through a decked structure, to assist with WDCs car parking displacement strategy. Creative office space and retail is provided at ground floor level, with the remainder of the site providing 150 decked car parking spaces, with an additional 15-20 surface level spaces.

Phase 2 - The Stoneleigh Arms would be refurbished and repurposed to provide a ground floor café and a new 3 bedroom apartment on the first floor with a private stair access off a new pedestrian link. Behind there is an open courtyard for café use and a new two storey building with two commercial units facing on to the courtyard, and one apartment above.

We are giving consideration to retaining the Victorian building that is located in the south eastern corner of the site, however to demonstrate the alternative, the attached plans show this building being replaced by a 4 storey building to provide additional floor area, and also a more varied mix of uses. Should this mix of uses be approved in principle, we consider that the current plans could be made more efficient to improve scheme viability.

iii) Option 3 – Increased Provision of Creative Workspace and Event Space

Phase 1 - The overall massing of the Phase 1 site has been largely maintained as per Option 2 above as it is considered to be contextually appropriate. The ground floor retains the creative workspace and active frontages as set out in Option 2. The first floor has been retained as parking, providing 45 spaces in addition to 15 external spaces. The second and third floors have then been turned into creative office space, to improve the viability of the scheme, and enhance the relationship with the Creative Quarter ambitions.

As an alternative, additional parking or events space could be provided on either or both of the first and second floors, however the viability of the scheme may be compromised.

Phase 2 - This remains as per Option 2 above, however as set out further consideration can be given to maintaining the existing structure to the rear, and potentially changing the uses within the ground floor space.

iv) Option 4 – Residential / Live-Work

As an alternative to the balanced car parking and office/village schemes in Options 2 and 3, a greater provision of residential and live/work units could be considered, as we understand this is a focus for some Councillors. There would still be potential to incorporate some office and retail uses, but the massing and layout of the site would be amended to suit a residential led scheme.

This option is unlikely to work with a decked car parking structure, and as such any parking provision (except for that required for the development itself) would need to be accommodated elsewhere. A scheme has not been drawn up for this option as yet given the uncertainty around parking requirements, but is something that could be reviewed in more detail if WDC confirm agreement in principle.

4.2.3 High Level Financial Summary

Summarised below are the appraisal results for each option, including an indication of the extent of funding required, and whether investment would be required from WDC.

iv) *Is grant funding required?*

Option 1 (Do Nothing) - No. WDC have already invested in extending the car park.

Option 2 (Maximise Car Parking) - Our initial high level appraisal, in line with the appraisal submitted for LEP funding, demonstrates the need for significant grant funding for this option in excess of £2m. This is primarily due to the high cost and low revenue associated with decked parking structures. An application for LEP funding was submitted in August 2018, however unfortunately it was unsuccessful. Alternative sources of gap funding would therefore need to be explored, or resubmitted to the LEP in order for this option to be deliverable.

Option 3 (Increased Creative Space) – Whilst typically we would expect the provision of increased office space to improve viability, a cheaper, light weight car parking structure cannot be provided in a mixed use building, meaning the decked car parking is still limiting the viability of the scheme. It is therefore still likely that gap funding will be required in this case, unless alternative massing options can be considered.

Option 4 (Residential / Live-Work) – Subject to the massing and balance of uses, whilst this option has not been drawn up or appraised at this time, it is unlikely that grant funding would be required. We would envisage this scheme being the most profitable/viable, so would have the most potential to deliver receipts to WDC that could cross-subsidise other schemes within the Creative Quarter.

v) *Is there a requirement for change of ownership?*

Option 1 - No. CDP would not have any involvement in the existing car park. It would continue to be owned and operated by WDC.

Options 2, 3 and 4 - One structure would be for WDC to sell the site to CDP at book value. Alternatively WDC could retain the freehold interest of the property, and grant a long lease to CDP. In either scenario under Option 2 and 3, WDC would buy back the car parking at market value, or the potential of selling it to a third party operator could be explored.

vi) *What are the potential returns and how would these be distributed?*

Option 1 - We have assumed that the car park is cost and revenue neutral, but the extent to which this is the case depends on how long WDC intend to run the car park. As the spaces are in theory

temporary as part of the displacement strategy, there is a possibility that the car park could run at a loss in the short to medium term. There would be no distribution of costs or revenues to CDP.

Options 2, 3 and 4 – WDC could either take a land receipt or a profit share, which in Options 2 and 3 would be subject to receiving the required gap funding.

4.2.4 Options Summary

We consider that Court Street has significant potential to deliver an exciting new hub for creative and digital industries, to enhance the offer that is already provided within WDC's arches to the north of the site.

Option 1 is cost and revenue neutral to the Council but does not contribute towards the ambitions set out in the Big Picture document, and does not accord with the ethos of the Creative Quarter.

Options 2 and 3 both contribute towards providing the much needed office space to varying degrees, and both proposals will repurpose and restore the Stoneleigh Arms. Depending on the Council's objectives, there are then opportunities to deliver additional parking on site as part of the displacement strategy (which is costly and would require grant funding), additional workspace, or a combination of the two.

In the long term it is possible that a decked car park could be repurposed to provide additional office space, however there is a risk that it would be too late to accommodate the current levels of demand that we are experiencing. Dependant on the level of car parking that would be required; there are opportunities for a wider mix of uses, and greater receipts to the Council.

Option 4 could be considered if WDC's priority was to maximise the viability of the site, and provide residential rather than commercial uses. A balance could still be struck with the ambitions of the Creative Quarter by providing live/work units, in a village style atmosphere.

The current phasing proposal means that under Options 1 and 2 the maximum provision of surface level car parking can be maintained on the Phase 2 site whilst the Phase 1 site is being developed. We therefore consider this to be the most appropriate solution that best aligns with the current displacement strategy.

We have undertaken high level appraisals for a series of feasible design solutions and it may be that once detailed survey work and design work commences, a hybrid solution, or variation is proposed. The aim of the work carried out to date is to set out indicative development ideas and a business case to WDC, in order provide a broad guide on the range of financial results that could be delivered.

4.2.5 Site Specific Recommendations / Next Steps

We recommend the following next steps are undertaken as soon as possible within Phase Two:

- WDC to confirm their parking requirements in order that the development options can be narrowed down and progressed. This is particularly in light of the new green agenda;
- WDC and CDP to enter into a development agreement which will set out more detail in respect of the cost and revenue shares at the appropriate time, once WDC has provided more definitive guidance on the acceptable use of the site; and
- If Option 2 or 3 is preferred, WDC and/or CDP would need to continue to apply for grant funding.

5.0 Recommendations

Within this report, we have set out our recommendations for each site based on the individual high level site appraisals that have been undertaken in accordance with the Collaboration Agreement. For ease of reference, we have combined and tabulated the site specific recommendations at Appendix 3.

We set out below the overarching recommendations that will draw the potential development of WDCs sites together (including the site specific recommendations), to maximise the potential opportunities within the Creative Quarter as set out below.

- 1) As per Schedule 2 of the Collaboration Agreement, enter into Development Agreements with CDP to confirm the cost and revenue shares between the parties moving forwards. The Agreements would make allowances for different structures on each site as required, and as per the site specific recommendations, and will be undertaken on a site by site basis, starting with Spencer Yard;
- 2) WDC instruct CDP to carry out wider public realm works as required, including the coordination of grant funding applications, wayfinding initiatives etc. which will be subject to a separate scope of services on terms to be agreed; and
- 3) In some cases, we consider it would be in the best interests of Leamington Spa for assets to remain in community (council or charity) ownership. We would recommend that the potential for these assets to be transferred into a charitable trust (similar to the Historic Coventry Trust) is explored, which would unlock more potential for grant and ensure that there is sufficient long term revenue to secure the upkeep of these important assets. Advice on this can be provided by CDP to WDC subject to receiving instructions from WDC on terms to be agreed.

Please note that any transfer of freehold or leasehold land from WDC to CDP is subject to both parties agreeing the market value of the asset in accordance with the Collaboration Agreement.

6.0 Conclusion

This report sets out the high level business cases for each of the council owned assets that have been considered as part of Phase One of the Collaboration Agreement. They have been based on high level working assumptions given the extent of information available, but form the basis of a mutual understanding between WDC and CDP on the principles of development for each site, should the recommendations in each scenario be accepted.

This report together with the attached Appendices, is considered to fulfil the requirements of the Collaboration Agreement and Executive Report, and therefore upon approval by WDC would constitute sign off of Phase One of the Collaboration Agreement.

The proposals and recommendations set out in this report are based on a holistic strategy, and as such we have attempted to allocate best uses accordingly. The overall aim has been to ensure a balanced Masterplan is capable of being delivered to fulfil the ambitions set out in The Big Picture. As an example, the URC could be used as a market and events space, however we consider those uses would be best housed in the Pump Rooms (if that scheme is brought back into the Creative Quarter in Phase Two), which has far more prominence and chance of success. The logical solution is therefore to propose a more economically viable use within the URC that still contributes to the Creative Quarter aspirations. This has been the principle of our phasing strategy and site prioritisation.

We understand from our discussions with WDC that potential grant funding pots to improve place-making and wayfinding within the Creative Quarter have been explored previously. We consider this to be vital to the success of the Big Picture, and so work on this as well as wider initiatives to create a comprehensive regeneration should be continued.

Assuming WDC sign off the recommendations within this report, CDP and WDC will proceed with the identified next steps as part of Phase Two of the Collaboration Agreement.

Appendix 1

The Big Picture

Appendix 2

Map of Council Assets

Appendix 3

Site Specific Recommendations