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Ward (s) affected	All	Key Decision	Yes
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Subject	Transform Leatherhead – Masterplan and Implementation
RECOMMENDATIONS	
That the Executive:	
<ol style="list-style-type: none"> (1) Notes the Stage 3 Consultation Report, at Appendix 1; (2) Approves the final Transform Leatherhead Masterplan, at Appendix 2, (Option A, paras 2.1 to 2.4); (3) Agrees that the Transform Leatherhead Masterplan be taken into account and given significant weight in the preparation of the new Mole Valley Local Plan. (Option A, paras 2.1 to 2.4); (4) Approves the Development Partner approach to the delivery of MVDC property assets that form part of the Transform Leatherhead Masterplan (Option C, para 2.5 to 2.9); (5) Notes the creation of a £1m 'Transform Leatherhead Development Reserve', (considered by Council at its meeting on 12 July 2016), in order to enable the delivery of MVDC property assets that form part of the Transform Leatherhead Masterplan (Option C, para 2.5 to 2.9); (6) Allocate £100,000 of the Transform Leatherhead Development Reserve for the procurement of a Property Advisor, to develop, and subsequently market, a Development Brief for Claire and James House (Option C, para 2.5 to 2.9). <p>(NB The Executive will be requested to sign off the Development Brief and the procurement strategy, prior to marketing the Brief for the purposes of obtaining a Development Partner).</p>	

CORPORATE PRIORITIES

ENVIRONMENT

A highly attractive area with housing that meets local need.

The Transform Leatherhead project represents a 'once-in-a-lifetime' opportunity to achieve a step change in the vitality, vibrancy, attractiveness and functionality of Leatherhead town centre, while maintaining its heritage and market town character.

This will not only enhance the work, leisure and shopping experience of all residents, workers and visitors to the town but will also include significant additional housing provision, particularly aimed at providing local accommodation for those that work in and around northern Mole Valley.

This is evidenced by the hugely successful engagement and consultation process that has been undertaken as part of developing the masterplan. This has shown unprecedented levels of public support for the proposals in the final Masterplan (as reported by MVDC's masterplanning consultants, Broadway Malyan/Nexus).

PROSPERITY

A vibrant local economy with thriving towns and villages.

The project will attract major new investment and development, attracting new companies into the town, and supporting those major national, international, and global companies already based in and around Leatherhead, in their wish to remain. It will provide new jobs and additional commercial floorspace.

Due to Leatherhead's significant economic advantages (location relative to M25 and Gatwick/Heathrow airports; rail links to London; home to a number of major global companies; the presence of a highly skilled and educated workforce), promotion of a more economically vibrant Leatherhead will contribute to the economic health of East Surrey, the SE region and the national economy.

As such, the project has received public support from many of the major employers in the town, as well as the Coast to Capital Local Enterprise Partnership, and Surrey County Council, who between them have already contributed nearly £2m towards developments arising from Transform Leatherhead.

COMMUNITY WELLBEING

Active communities and support for those who need it.

The Transform Leatherhead project has engaged with all parts of the community. This includes people of all ages, races and ethnic groups, people with disabilities, and people from a variety of faith groups. Implementation of the Masterplan will consider the needs of all these groups.

The final Masterplan includes proposals relating to improved local shopping; parking;

food and beverage; leisure and the night-time economy, including consideration of a cinema; an enhanced riverside area, and the development of a riverside park; and sustainable transport.

All communities will continue to be actively engaged as the project enters its implementation phase.

The Executive has the authority to determine the Recommendations

1.0 BACKGROUND

- 1.1 At its meeting of 22nd March 2016 the Executive noted the results of the second stage of Transform Leatherhead consultation and approved the process for the third and final stage of consultation. The second stage of consultation had sought views on a range of ideas and options, aimed at addressing the key issues and objective for the town, which had been identified through the first stage of consultation. The purpose of the third stage was to check that the proposals that emerged from the responses to stages 1 and 2, reflected what stakeholders and consultees had told MVDC.
- 1.2 This final stage therefore built on the principles, proposals and direction of travel, identified in the previous stages of consultation. From the outset MVDC has been determined that the views of residents, businesses and other stakeholders should be paramount in driving the direction of the Masterplan. These views have remained consistent and supportive of the proposals as they emerged, such that the final Masterplan, recommended for approval at this meeting, has very strong public support. In total across the three consultations, MVDC has received more than 5,500 individual responses.
- 1.3 This third stage of consultation was also notable in reaching people, for the first time, who had not previously engaged in the other stages of consultation. Of particular note has been the younger profile of people engaging in this third stage of consultation. This has been achieved through intensive use of the internet and social media, and more than twenty one-to-one meetings have been held with local groups including schools, residents' associations and community associations. The broad spectrum of engagement mechanisms was completed by a series of focus groups, three public exhibitions, and a series of meetings with many of the major businesses in and around the town.
- 1.4 The Stage Three Consultation report is shown at Appendix 1.
- 1.5 Some of the key statistics from this stage of consultation include:
- An estimate 1200- 1500 residents visited the three public exhibitions;
 - There were over 3,400 visits to www.transformleatherhead.com through the course of the consultation;
 - 60% of website visitors were under 44;

- 1.6 While some issues remain regarding the one way system and parking, (which will be resolved as the project goes forward), overall there was extremely strong support for the 15 principles identified in the Masterplan. MVDC's Masterplanning consultants have referred to the support ratings for these proposals as unprecedented in their experience. For example, the principle of a significant mixed-use development on the Bull Hill site (currently an area of open space), has 75% public support.
- 1.7 As well as testing the 'acceptability' of the final Masterplan proposals with residents and other stakeholders, the stage three consultation also sought to establish a 'vision statement' for the project going forward. Consultees were asked to choose from four options on a website poll.
- 1.8 One of the four options received almost 60% of the votes cast, and this has been included in the Masterplan as the vision for the project going forward:
- "Friendly, vibrant and lively, Leatherhead is a modern market town where people of all ages can shop, eat, relax, and have fun by the riverside."*
- 1.9 During the third stage of consultation MVDC and the project team received many compliments for how MVDC has extensively engaged with local residents and stakeholders. The positive responses to the development suggestions have, in the views of the masterplanners, been achieved through the transparent and comprehensive approach to consultation.

Final Masterplan

- 1.10 The final Masterplan, recommended for approval by the Executive, is shown at Appendix 2. The aim of the document is to deliver an agenda, supported by residents, businesses and other stakeholders, for revitalising Leatherhead town centre, which also provides an attractive commercial proposition for investors.
- 1.11 This is achieved through the identification of 15 'principles' for transformation of the town, (shown visually on pages 36/37 of Appendix 2). These are, in no particular order:
- A revitalised town square, with opportunities for events, including the market;
 - Significant improvements to radically change the Swan Centre;
 - An improved 'gateway' from the east;
 - Improvements to building frontages along High Street;
 - Public realm improvements to High Street;
 - Public realm improvements to Church Street;
 - A new pedestrian link to the Leatherhead Leisure Centre ;
 - A new riverside park;
 - Mixed use development opportunity at Claire and James House;
 - Long term opportunities for residential development at Telereal and Royal Mail sites;

- New mixed use development at Bull Hill;
- An improved pedestrian/cycle link from the station to the town centre;
- Simplify the road system;
- Creation of a new public plaza;
- Opportunity for new high quality housing.

The Way Forward - Planning

- 1.12 A new Mole Valley Local Plan is being prepared and provides the opportunity to establish a set of new planning policies and proposals for Leatherhead Town Centre. These will be informed by the contents of the Masterplan. In the meantime, MVDC's current planning policies for Leatherhead Town Centre are set out in the Mole Valley Local Plan (2000) and the Core Strategy (2009). Any planning applications for development triggered by the Masterplan which come forward in advance of the adoption of the new Mole Valley Local Plan will be considered in the light of the policies in the Mole Valley Local Plan (2000), the Core Strategy, national planning guidance and any material considerations, including the provisions of the Masterplan. The weight to be given to the existing planning policies and the contents of the Masterplan will be a matter of judgement taking into account the age of the current Local Plans and the extensive public consultation and support for the principles contained in the Masterplan.

The Way forward - Landowner

- 1.13 Many of the sites identified for development within the Masterplan are owned by MVDC. The model recommended to progress these sites is a balance between: maximising financial return; retaining control of outcomes; mitigating very significant financial risks and development costs. The following paragraphs summarise four possible models for developing MVDC's sites. Broadly, in moving from model 1 to 4, MVDC's control over the development outcomes increases, but so too do the financial risks and 'up-front' costs.

1. Sale of Assets to Developers

The most risk-free and cost-free way to enable development of MVDC's assets would be to simply sell the sites to developers. The developer would carry all the costs of promoting the sites, and the risks of not achieving a successful planning outcome, but MVDC would have little or no direct control of the development outcome, other than through the planning process. This option would lead to the value that MVDC could achieve for its sites being very much at the low end of what is possible, as the purchaser would carry all the risks/costs. This could be mitigated by entering a sale agreement 'subject to planning'.

2. Appointment of a Joint Venture Partner

Under this model, MVDC would initially seek to join with a private sector partner to jointly promote all MVDC's Leatherhead sites. The Council would make its sites available and the partner would fund many of the up-

front costs, take many of the commercial risks, and identify sources of development funding. Of course, in return they would require a significant share of any financial return, as well as a significant say in the nature of the development that is proposed.

3. Appointment of a Development Partner

In this model, MVDC would do the initial 'options appraisal', 'commercial viability' and 'outline design' work, necessary to determine the development outcome in broad terms, (i.e. what will be built), on each individual site. This defined outcome would then be taken to the market to attract a 'Development Partner' who would identify funding for the development, and take the commercial delivery risks in return for a share of the financial return. MVDC would have slightly greater control of the outcome than under the Joint Venture option, but would have to fund the initial commercial appraisal of what will be built. The majority of the funding and financial risks, associated with delivery, would be met by the Development Partner.

4. Direct Development

MVDC funds and delivers all Transform Leatherhead projects itself. Under this model, the Council retains total control of development outcomes, and potentially maximises the financial return. However, it would also carry all commercial risks and development costs.

1.14 In practice, models 1 and 4 present greater risks. Model 1 (sell the sites), gives MVDC virtually no control over the development outcomes, and hence, whether, and how, the Transform Leatherhead objectives are achieved. Model 4 would require MVDC to fund development costs, (professional fees and build costs), of perhaps £20m. MVDC is not in a position to fund all the developments without significant borrowing. Further, MVDC does not possess the development management expertise or experience, necessary to undertake the role of developer.

1.15 Therefore, unless the Property Advisor is able to suggest further options the choice is essentially between models 2, (Joint Venture Partner), and 3, (Development Partner). Both options provide for the majority of the development costs 'at risk' to be covered by a partner, (for a share of the financial returns), and both models enable MVDC to keep material control over the outcomes. However, the Development Partner route gives MVDC slightly greater control for a relatively small additional cost, and it is for this reason that model 3, the Development Partner approach is recommended.

Resources and a Development Reserve

1.16 It should be recognised that even under this relatively risk and cost free approach, realisation of the planning and financial benefits arising from development of MVDC's assets in Leatherhead will involve both significant internal resources and external consultants. Consequently, at its budget setting

meeting in February, MVDC allocated £150,000 pa of funding, (from the additional rent arising from the purchase of the Swan Centre), to support the implementation of Transform Leatherhead. This will enable the development of a dedicated Transform Leatherhead/property investment team, and will focus on additional development surveyor/legal/project management capacity. This is aimed at managing the 'client side' of a significant number of relationships and contracts that will need to be created and maintained during the implementation of Transform Leatherhead.

- 1.17 However, implementation of a programme of this size will inevitably require significant use of specialist external advisors. These will tend to arise in a fairly 'uneven' fashion, depending on the stage of development of individual projects. As such, these costs would be difficult to fund from the annual revenue budget, particularly one which is likely to reduce in real terms. Consequently, at its meeting on 12 July 2016, The Council considered the creation of a £1m Development Reserve. The Section 151 Officer has confirmed the availability of this sum, from current revenue reserves, for this purpose.
- 1.18 Although this is a significant sum of money, it is unlikely to be sufficient to facilitate successful promotion of all of MVDC's sites, identified in the Masterplan. However, the nature of MVDC's property holdings is such that development of those sites is feasible on a phased basis. This in turn leads to the opportunity for part of the financial return from the earlier stages of development to be used to fund the latter stages. This also provides the opportunity for the Development Partner model to be used on a relatively small part at the start of the programme, then reviewed, and if necessary refined, prior to its possible application on by far the biggest single development site, Bull Hill.

Claire and James House

- 1.19 It is suggested that the Development Partner route should initially be applied to Claire and James House.
- 1.20 From the initiation of the masterplanning project it became immediately clear that the town's river frontage was a key asset, and that creation of a vibrant riverside location would be integral to the final Masterplan. It was equally clear that Claire and James House was the single most significant site in any potential revitalisation of the river area.
- 1.21 Consequently, when the property 'came to market', MVDC purchased it in anticipation of the Masterplan, in order to safeguard the opportunity the site presents to contributing to the future delivery of Transform Leatherhead. The property was being sold on the basis that it could be converted to a residential use without the need for planning permission. Such a possibility would have done little to improve the character of the buildings, their contribution to the appearance of the area or its vitality and contribution to the town. Allowing the site to be developed under Permitted Development Rights, could have led to the building being 'transformed from a fairly dreary 1970s office block into a fairly dreary 1970s residential block. MVDC's purchase of the site opened up opportunities for fundamental redevelopment of it, creating a vibrant riverside park, and implementing a mixed use development that could include a café

and/or restaurant, commercial 'floorspace'; such as business start-up units, a hotel, and some residential development.

1.22 Support for this more productive mixed use form of development has come from the Coast to Capital Local Enterprise Partnership, (LEP), which has recognised the site's potential to deliver on its objectives of creating jobs, homes and commercial floorspace, and ultimately contributing to the vitality of the East Surrey economy, which represents 25% of Gross Value Added, (GVA), of the LEP region. The LEP has consequently granted MVDC £1.625m towards the redevelopment of Claire and James House. MVDC is delighted to have the Coast to Capital LEP as a partner in this project.

1.23 In order to now take Claire and James House forward, the following process is suggested:

- MVDC needs to decide, (along with the LEP in accordance with the terms of the grant agreement), how it wishes to see the site redeveloped. It is proposed to prepare a Development Brief which would establish the preferred uses to be accommodated on the site and the planning and related development requirements. In this way, MVDC's control over the site's redevelopment is retained, while producing a development that is attractive to potential Development Partners and achieves the grant award outcomes.
- This is not a straightforward process, and is not one that MVDC has the skills in-house to undertake. It involves a detailed analysis of the options and combinations of uses available, taking into account the commercial aspects of the different options. It will require detailed knowledge and understanding of the markets for the different uses that could be included, even possibly identifying potential 'end users', (tenants), for some uses.
- A commercial Property Advisor would therefore be engaged, via a formal procurement process, to support MVDC in creating this Development Brief, and using it to attract a Development Partner. This contract is estimated to cost in the order of £100,000.
- As part of the specification the Property Advisor would be required to provide sufficient supporting analysis to enable MVDC to understand the options open to it, together with their estimated financial returns. This work would take approximately 6 months after letting the contract.
- MVDC would subsequently confirm the Development Brief for Claire and James House, setting out MVDC's required use for the site, along with the required financial return.
- The Development Brief would then be 'taken to the market', with the Property Advisor's support, (via a second procurement process), to obtain a Development Partner who would be responsible for taking the development through the planning process and subsequently building it.

- 1.24 This process is likely to take two years, to the point where construction could begin. In the meantime, short term tenants, (two years), are being actively sought for the properties.

Summary

- 1.25 In summary, as well as asking the Executive to: note the Stage Three Consultation report, (Appendix 1), it is asked to endorse the final Transform Leatherhead Masterplan, (Appendix 2) and its role in informing the preparation of the new Local Plan. It is also recommended that the Executive approves a package of measures intended to promote development of MVDC owned sites.
- 1.26 This includes endorsement of the Development Partner model as the appropriate approach to promote the Council's property assets. This is supported by the creation of a £1m Transform Leatherhead Development Reserve, (recommended for approval by Council at its meeting on 12 July 2016), and immediate allocation of £100,000 of that Reserve to procure the appointment of a Property Advisor to create a Development Brief for the purposes of choosing a Development Partner for Claire and James House.

Financial Implications

- 1.24 The financial implications are addressed in the main body of the report.

Legal Implications

- 1.25 The grant of £1.625m from Coast to Capital LEP Local Growth Funding requires MVDC to secure a number of project outcomes in accordance with the Transform Leatherhead objectives.
- 1.26 Given the estimated contract value, the appointment of a Property Advisor will need to be procured through the e-procurement portal, Intend.
- 1.27 As is set out in the main body of the report, the eventual appointment of a Development Partner and any land-related transactions will have legal implications which will be addressed at the time that detailed terms and structures are known.

2.0 OPTIONS

Transform Leatherhead Masterplan

- 2.1 Option A - To approve the final Masterplan, (Appendix 2), and agree that it be taken into account and given significant weight as a material consideration in the preparation of the new Mole Valley Local Plan.
- 2.2 Option B - To ask for further work to be undertaken before adopting the

Masterplan.

- 2.3 MVDC's retained consultants, Broadway Malyan/Nexus, have done an excellent job of producing the Masterplan. This has been supported by an extremely comprehensive, largely in-house driven, engagement and consultation process. This has demonstrated overwhelming support for the principles set out in the Masterplan, from residents, businesses and other stakeholders. The Masterplan as presented has also received public and financial support from the LEP and Surrey County Council.
- 2.4 It is therefore strongly recommended that the Masterplan as presented, be approved, and given significant weight in the preparation of the new Mole Valley Local Plan., (Option A).

Delivery Options

- 2.5 Option C - Endorse the Development Partner approach;
- Note the associated £1m Development Reserve, considered by Council at its meeting on 12 July;
 - Endorse the Claire and James House site as the first site to go through the Development Partner approach, and to commission the procurement of the production and marketing of the associated Development Brief, (at an estimated cost of £100,000 to be funded from the Development Reserve).
- 2.6 Option D - Adopt one of the other development models for developing the MVDC's sites, (necessitating review of the proposed Development Reserve, and the approach to be taken to promote Claire and James House).
- 2.7 Option E - Don't promote the Council's sites.
- 2.8 Option D, using either the Direct Development or Sale of Sites approaches would almost certainly lead to costs that MVDC could not afford and would have to be funded through borrowing, or to the loss of control that is judged to be unacceptable and risk threatening delivery of the Transform Leatherhead objectives. Equally, option E, deciding not to promote MVDC's sites, would inevitably lead to the non-achievement of the objectives of Transform Leatherhead, as MVDC owns the majority of the key sites. This would also threaten MVDC's long term financial sustainability, as MVDC's Medium term Financial Strategy is based on realising the value of the Council's property assets.
- 2.9. It is therefore strongly recommended that Option C is approved.

3.0 CORPORATE IMPLICATIONS

- 3.1 **Monitoring Officer Commentary** – The Monitoring Officer is satisfied that all relevant legal implications have been considered.
- 3.2 **S151 Officer commentary** – The financial implications are as set out in the body of the report
- 3.3 **Risk Implications** – Setting out a clear vision and planning approach reduces the risk that the masterplan is not delivered. Properly resourcing the delivery team or bringing in external expertise sets out an intention to deliver to a timetable and reduces the risk that expectations raised during the consultation phase cannot be met.
- 3.4 **Equalities Implications** – There is a need to continue engaging with local representatives of community groups and formalise this as part of the delivery plan.
- 3.5 **Employment Issues** – There are no employment issues arising from this report.
- 3.6 **Sustainability Issues** – A bid has been made to the Coast to Capital LEP for funds to support a collection of schemes to improve pedestrian and cycle access to Leatherhead town centre.
- 3.7 **Consultation** – Please refer to the consultation report
- 3.8 **Communications** – The masterplan has been produced in close consultation with the communications team and appropriate Executive Members.

BACKGROUND PAPERS

None