

## Queen's Drive, Exmouth – Position as at October 2020

### INTRODUCTION.

The Queen's Drive development site has been a key project for the council for over 8 years now. It was first identified in the Exmouth Seafront and Town Centre masterplan: Exmouth Vision. The site is illustrated on p.2 below.

This Briefing Paper is in two parts. The first part sets out the current position for phase 3 of the site with information on the recent work undertaken by Hemingway Design and Lambert Smith Hampton. It also sets out the position regarding the temporary uses on the phase 3 site. The second part sets out a brief summary of the background to the Watersports centre project - – how and why this was pursued and details of the various activities that were necessary to facilitate its delivery and covers other contextual information that is helpful for members to be aware of.

Accompanying the report is a Chronology of Activities (CoA) which references in date order the different activities that have taken place in relation to the project.

The Chronology of Activities is split into two sides. The left hand side of the document identifies the authority that has been given by cabinet (in red font) over the years, which has in turn driven the actions then taken by officers. Also on the left hand side are details of the various community engagement and consultation activities that have taken place (in green font). On the right hand side are the practical tasks and activities undertaken by officers including planning applications, and delivery tasks (e.g. commissioning studies, securing possession of the site, entering into contracts etc.). As well as providing a highlight of all the activities that have taken place, it demonstrates the relationship between public engagement activities and decisions by cabinet/full council which then gave the direction to the officers to carry out the tasks that they have over the years.

### Part 1 of the report covers:

- Context to the QD Site Opportunity
- Current Position as at October 2020
- Hemingway Design Methodology
- Hemingway Design and LSH Final Study Findings.
- Queen's Drive Delivery Group
- Temporary Uses: Queen's Drive Space
- Moving Forward
- Officer involvement and availability

### Part 2 of the report covers:

- Background to the Watersports Centre project.
- Amusement Arcade

## Part 1.

### Context to the Queen's Drive Site Opportunity The Exmouth Town Centre & Seafront Masterplan

The Exmouth Town Centre and Seafront Masterplan was published in 2011 following 3 years of research and consultation by the professional masterplanning team led by LDA Design. This promoted a number of key redevelopment/regeneration opportunities for sites throughout the town centre and seafront. During this exercise it was identified that by using its existing and prominently positioned land assets, the council could play a major role in kick-starting the regeneration of the seafront, which included the existing Queen's Drive leisure site. Other seafront interventions have been the landscaping works carried out by Devon CC at Orcombe Point, the Premier Inn development and renewal of Mamhead Slipway. Other projects include the Strand redevelopment, investments in the Leisure centre, the Pavilion, the new M&S and railway station improvements, the new Sea Cadet Headquarters and the private investment in the new Ocean indoor leisure offer.

#### The Queen's Drive Site area.

The Queen's Drive site covers the area between the old lifeboat station (next to the Ocean Centre) and the Maer. It is a 9-acre site, which equates to four football pitches in size; owned by East Devon District Council, the Queen's Drive redevelopment is a place that can bring new investment into Exmouth that reflects the changing leisure expectations of residents, visitors and businesses.



#### Planning consent:

Following extensive public engagement and consultation in 2012 and 2013, (CoA ref: 12b & 13a) there is now planning permission to develop the site for leisure uses, including holiday accommodation, retail, leisure, a new watersports centre, a new car park and the rerouting of the road.

For clarification, this is the reserved matters planning permission that was granted in 2017, (CoA ref 17b) with reference to the original outline planning permission (Exmouth Splash project) granted in January 2014 (CoA ref 14a)

#### **Current Position as at October 2020**

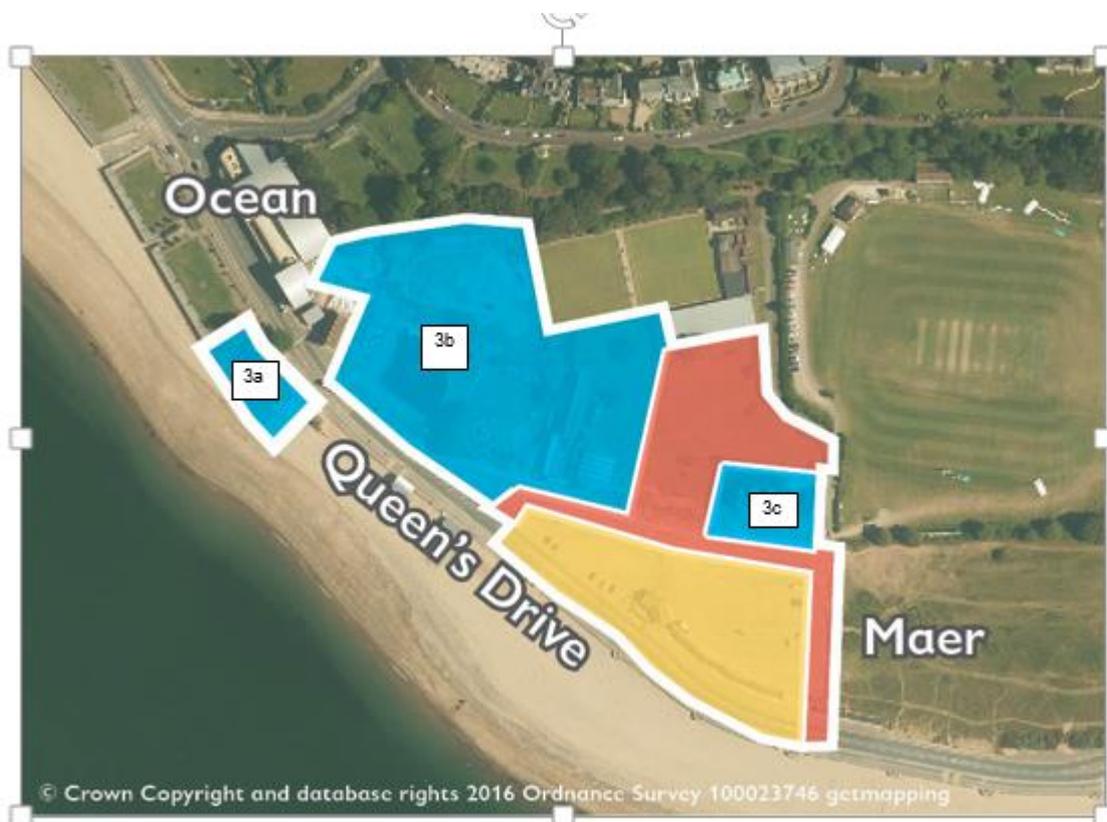
**PHASE 1:** Road and car park works have completed (June 2019).

**PHASE 2:** The legal agreements with Grenadier Estates were completed in July 2019. The Watersports centre is on site and due to be fully open in February 2021.

**PHASE 3:**

The phase 3 site incorporates 3 elements:

- a) The Harbour view café site (referred to as 3a in reports)
- b) The main site where QDS and the temporary car park are currently located (referred to as 3b), and,
- c) The existing Amusements Arcade site (referred to as 3c) which is allocated for future car parking in the existing planning permission (more detail on this later in the report).



Before detailing the recent work undertaken in relation to Phase 3, it is worth reviewing how the decision to revisit the plans for phase 3 came about back in 2016.

**2016 – Decision to review phase 3.**

In November 2016, the council took the decision to revisit the original plans for phase 3 of the site. (ref no. 16d) The original marketing exercise of the whole site, undertaken in 2014, had secured the involvement of Grenadier Estates to deliver the watersports centre (which was then described as phase 2) and had resulted in the council's decision in late 2014 (ref. 14f) to deliver the road and car park itself (phase 1). It was identified at this time that additional budget was also required in order to deliver the road and car park.

This provided the opportunity to revisit the vision for phase 3, which could better reflect the emerging uses on phase 2 and deliver an integrated mixed use leisure development for the whole site and to identify a way in which the council could recoup the investment made to date on the road and car park delivery. It also provided the opportunity for further independent public engagement which had been requested by the Town council following the Town Poll in 2016 and engagement with the Business sector.

The involvement of Hemingway Design came about as a result of a direct approach from Transition Exmouth to Wayne Hemingway. Hemingway Design have a high profile within the regeneration sector, having been involved in a number of coastal regeneration projects and initiatives. This was referred to the then Deputy Chief Executive, Richard Cohen (I recall that there may have been a letter in the local press referring to the Transition Exmouth contact), who then arranged to meet with Hemingway Design to see if there was any scope for their involvement in the project. The council was therefore responding to a direct request from the local community in selecting Hemingway Design to work on the project, where they could provide that Independent lead in managing a public consultation and engagement process.

Recent towns where Hemingway Design have been involved in advising the local authority or other landowners include Bournemouth (the Boscombe Overstrand); Morecambe; Margate (Dreamland); Weston Super-Mare (Tropicana); and Lowestoft.

Subsequently, as detailed below, Hemingway Design were appointed to lead on this new visioning exercise for phase 3.

Hemingway Design's appointment was a direct appointment using the Exemption to Standing Orders procedure whereby a business case was made for this direct appointment rather than going out to tender to identify a professional advisor with coastal regeneration and design experience. (further detail on this is available if required).

The credentials of Hemingway Design and further details of their approach to regeneration and placemaking projects are available on request.

### The Hemingway Design Methodology

In addition to appointing Hemingway Design to refresh the Phase 3 vision, property specialists Lambert Smith Hampton have been appointed to work with them to provide specialist commercial leisure market advice on the development. It was always the intention (as agreed at Cabinet in November 2014) that the development of phase 3 should generate a revenue/capital receipts, and therefore a specific requirement of the project brief was that the council would require any proposals to include a commercial aspect. It is also standard practice to engage the services of commercial property advisors into any masterplanning/visioning exercise for development sites.

Lambert Smith Hampton (LSH) were appointed following a tender exercise. (Further details available on this if required).

The engagement process began with an introductory visioning event and workshop hosted in June 2018 where attendees included local business owners and entrepreneurs, particularly from the local tourism, hospitality, leisure and creative sectors, community organisations and other key stakeholders. At that initial event, the Hemingway Design team presented possible ideas for the

space and asked attendees to put forward their own ideas and evaluate which they thought would be most relevant for the site.

It should be noted that the council had taken the opportunity throughout the Hemingway Design work to ensure that a local campaign group against the development of Queen's Drive, Save Exmouth Seafront, were given the opportunity to fully engage alongside others at the invitation only workshop events run by Hemingway Design. Although this opportunity to engage has never been acknowledged publicly to our knowledge, for example on the SES website, they were a regular and active participant in the process, communicating regularly with the Hemingway Design team with their ideas and commentary on the emerging Hemingway proposals. Thus the Group was given a greater opportunity than most within the town to share their ideas.

The outcome of the workshops then informed the content of an online engagement survey for the wider public to share their thoughts and ideas; the results of which have now been published.

The aim of the online survey was to get to the heart of what the mixed use leisure area (Phase 3) of the Queen's Drive development could become. The survey ran from July to September 2018 and at the time the survey closed, 1289 responses had been received.

A presentation to Exmouth Elected Members followed by a stakeholder visioning workshop took place in Exmouth Town Hall on 11.12.2018 hosted by Hemingway Design and East Devon District Council. Lambert Smith Hampton were also in attendance to contribute with their commercial property expertise where the need arose.

Discussion centred on the quality of Exmouth's current built environment and leisure facilities and what might be missing from these. There was concern with regards to how the Queen's Drive site would interact with and complement the Ocean and the new Watersports Centre. Attendees were in agreement that the Queen's Drive Phase 3 redevelopment has the potential to offer new leisure, tourism and economic opportunities for Exmouth.

Commercial Property advisors, Lambert Smith Hampton are providing advice on the commercial deliverability of any future proposals, ensuring that the council is clear on the financial implications (income/liabilities) of any decision taken regarding the future uses of the site. LSH undertook an exercise to 'soft market test' the current development market against the existing planning consent and emerging ideas in real market conditions. This is industry standard practice and provides an indication of the development/ operator appetite for a particular site/ location/concept and seeks market information about whether those concepts are deliverable/ viable. This was completed over summer 2019.

Following the outcome of this research, a public exhibition event was held in November 2019 to present the findings of the work completed by Hemingway Design and LSH. They issued their final report in January 2020, and a report to cabinet then followed in February 2020 recommending that the site be taken to the market to establish if there was any interest from the hotel sector for part only of the site (approximately a third of the phase 3 area - the remaining being set aside for a mix of free/paid play/leisure uses).

As established by Cabinet in November 2014, (ref. 14f) the inclusion of the commercial element within phase 3 was an important requirement of the project brief from the council to enable recovery of some of the costs incurred in the delivery of phases 1 and 2.

## Hemingway Design and LSH Final Study Findings.

The following is extracted from the February 2020 cabinet report and explains the findings within the Hemingway Design Final report. Reference to "the report" means the Hemingway Design report.

### HemingwayDesign - Final Report

4.1 A copy of the final report can be found at appendix 1 of this report.

4.2 The early part of the report sets out the methodology used by HemingwayDesign, provides a timeline of the activities and a summary of the public survey findings.

It comments:

*"This has been a process that has got under the skin of Exmouth and delivers ideas and opportunities that are genuinely focussed on and rooted in the place, are joined up and progressive".*

Lambert Smith Hampton comment that the Queen's Drive site is a "special location with stunning seafront views...accessibility to visitors and close proximity to Exeter....."  
However it is currently lacking in its offer.

LSH identify the current market conditions (p.17), notably an increase in activity in the independent restaurant sector and an increased focus on regional centres; the hotel sector elsewhere continues to show favourable returns. It reflects on the already positive impact of the Watersports centre to wider investor interest and the scope to extend footfall and increase visitor spend.

For the purposes of analysing the site opportunities, the site has been split into 3 areas (p.16):

- Site 3a is the Harbour View café site
- Site 3b is the main Queen's Drive site (from the access road by the Rowing Club to the new car park;
- Site 3c is the Amusement Arcade.

The report specifies that its findings relate to only 3a and 3b, as Site 3c is earmarked for use a car park, in line with the existing planning permission.

Moving to the specific parts of the site and future opportunities, the report comments:

4.3 **The Harbour View Café site**

*"There can be few better sites in the UK to create an accessible modern "barefoot" beach side café/bar/restaurant with all year round appeal."*

4.4 The site offers scope to be redeveloped to provide a relaxed but good quality "sun and sandals" offering on the ground floor with decking and seating that has direct access from the beach. At first floor there is scope for a large restaurant with terraces providing a more formal dining offer combined with stunning panoramic views. The Coastwatch

service, which offers an important and highly valued public service, could then be situated at 2<sup>nd</sup> floor within a tower area designed specifically to meet their operational needs.

- 4.5 LSH report that when this opportunity was tested with some regional cafe and restaurant investors it was very popular. Operators believe that this location would become a distinct and unique attraction in the south west given the superb beachfront position with estuary views, and will become a food destination in its own right, with a catchment of 1 hour plus travelling time. Aside from the location, the emerging Watersports Centre offer, Sideshore, and potential for creating a new leisure destination in the rest of Phase 3, also make this site an exciting proposition for the food and leisure sector.
- 4.6 The option for refurbishment or remodelling of the existing Harbour View café building has been considered. The current building is extremely tired and dated and is poorly configured (having a gross to net area ratio of only 58%), is inefficient in terms of both operational use by modern food and beverage standards, and is not energy efficient. The building would require significant and comprehensive refurbishment, LSH advice that a refurbishment or remodelling is not a cost effective option and would not result in a financially viable scheme. Furthermore, a refurbishment option would not offer the town the opportunity to secure the economic benefits of having an attractive, contemporary building that raises Exmouth's status and promotes all year, day time and evening activity at this part of the seafront and drawing visitors from across the region.
- 4.7 It should be noted that the Coastwatch Service regards the existing tower as no longer fit for purpose and favour a purpose built new build facility within the architecture of a new development that can serve their operational needs. As previously committed, the council will look to accommodate their requirements within a redevelopment.
- 4.8 The report recommends a redevelopment of the café site to include:
- A café/restaurant/with ancillary takeaway ground floor
  - High quality restaurant on first floor
  - 325 – 371 sq m (3500 – 4000 sq ft) per floor
  - Additional outdoor seating/balconies/terraces
  - Coastwatch Tower on 2<sup>nd</sup> floor (with shared lift serving all floors)
- 4.9 A new restaurant/café offer such as this is likely to create in the region of 25 – 30 full and part time jobs.

#### **Hotel/Holiday Accommodation**

- 4.10 The original proposals for the Queen's Drive site include a hotel and there is planning consent for a hotel at the rear of the site which will be of interest to the major chain operators.
- 4.11 The HemingwayDesign report suggests that new attractions such as Sideshore, the Watersports centre, will bring additional overnight visitors to the area who will need somewhere suitable to stay. The option is for a 60 – 80 bed hotel within the Queen's

- Drive site, and to broaden a holiday accommodation offer to develop a project for overnight holiday beach chalets at Foxholes.
- 4.12 The report highlights the significant regeneration benefits to be gained from good quality hotel bed spaces being available within the town of Exmouth and specifically on the Queen's Drive redevelopment site.
- 4.13 In design terms a hotel would give the site a shape and scale framing the site, providing a degree of height and physical presence to the development. Bearing in mind that there is already the scale of the Ocean Centre bordering to the west, the hotels on the beacon and the Beacon escarpment itself and the Water Sports complex to the east.
- 4.14 It will bring additional overnight visitors and expenditure to the town and offer a more "all year round" presence to help animate and populate the seafront in and out of season. This will boost the town's daytime and evening economy and also provides added security to the seafront.
- 4.15 It will provide employment and training opportunities and could bring financial gain that can be invested in the remainder of the site.
- 4.16 There will be the opportunity to bring a different and new demographic to the site. This does not mean that existing visitors will be displaced, it will be a complementary demographic that will stay and spend in the town. The presence of a hotel will increase and extend the reach of footfall along the whole of the seafront (in both directions).
- 4.17 This potential for visitor accommodation on the site has been discussed and explored through HemingwayDesign's work. A hotel on the site could help fund the desired public amenities and help diversify the current accommodation offer in Exmouth. Lambert Smith Hampton have been soft market testing the proposal for holiday accommodation. It was their view that the site will appeal to a broad range of hotel operators and LSH advise that it is worth pursuing a higher quality 3\* to 4\* operator where there is interest in buying into the long term vision for the phase 3 site with the play and leisure offers that are desired. We expect a formal marketing exercise to seek quality and style that compliments the location and other uses in the area such as water sports. There is firm interest, amongst known and established regional operators and more detailed discussions will be required to understand what they regard as a deliverable and viable proposition on the site. This detail of interest is best secured through a formal marketing exercise.
- 4.18 The interest of the hotel sector is bolstered by the fact that the council has delivered Phase 1 and Grenadier are on site with Phase 2, demonstrating the commitment of the council to pursue delivery of redevelopment on the site and giving confidence to the sector. In that sense this is a window of opportunity. Potential investors recognised the value and opportunity of the café/restaurant site to the south of the main road which would, along with the Watersports centre offer, complement a good quality and contemporary hotel development at this location: one that adds variety rather than unnecessary competition to the holiday accommodation offer that currently exists in Exmouth. A hotel operation only could create between 15 and 20 jobs with more jobs arising from additional facilities such as a gym or spa.

4.19 Some hotel operators have expressed an interest in both the Harbour View café site and the main Queen's Drive site which leads LSH to advise that if a marketing exercise is to be progressed it should be for both sites together.

4.20 The report comments that a hotel could potentially be located at the north western corner of the site, close to the Ocean building. This is the less dominating part of the site in that it is close to the escarpment and leaves a more open frontage to the site. It would also avoid overshadowing of the bowling greens nearby. Issues such as building footprint, height, car parking requirement and abnormal costs will need to be considered and these will be factored into the process during and following a marketing exercise.

### **Play and Leisure Space**

4.21 Over the last 2 years, the council has experimented with the provision of temporary leisure uses on the existing site to see what works and how people like using the space. This has demonstrated that not only do residents and visitors enjoy and value the modern and free to use play area, pop up food and drink offer and a programme of events, there is also an enthusiasm by the community to use the space to create their own community events and gatherings in a manner that was not previously possible. Examples of this include RNLI's 'Maer Rocks', the Deaf Academy Colour Bomb event, Centre Stage Pirates of Penzance, Best of Rum and Reggae Festival, Paws for the Cause, Wild Exmouth Story Telling and welcome events for international students attending Mountlands Language School. This is very much developing into a new Exmouth open space and this will be respected in the future design. There will also be opportunities to use open space alongside and the public realm in front of the Water Sport Centre for events making Queen's Drive into mix of multi-functional spaces.

4.22 This support is further evidenced by a [survey of the users](#) of Queen's Drive Space undertaken in summer 2018 (see link within appendices). For a facility that has been in place for only two summers and has evolved and strengthened in that short space of time, there has grown a strong sense of community ownership and affection for the play space and summer events. The survey identified an overwhelming enthusiasm for this new type of flexible, shared and informal space with contemporary free play and seating, and some free events which offered a day out of activities for all the family. This offering has clearly provided for a hitherto unmet demand from the broad demographic of the public at large to make use of this seafront site and use it flexibly. If such uses are to be incorporated in the future, there needs to be sufficient income generated from other commercial uses within the site in order to manage, deliver and maintain them.

4.23 LSH report that there is demand from a range of operators for a combination of food and beverage with indoor/outdoor leisure concepts for the open area of the site. Such an offering can be explored through the marketing exercise and could sit alongside the free play offering.

## **5 Economic Benefits & Delivery**

5.1 LSH advise that a hotel could create 15 – 20 FTE jobs with more if additional facilities are provided. A new 2 storey café/restaurant offering on the Harbour View site could generate 25 – 30 staff with seasonal variations. It would seat 150 – 200 people per floor

depending on the style of dining offer. A catchment of 1 hours travel time for the café is expected, with higher for the first floor more exclusive offer.

It is estimated that a new café could generate in the region of £50,000 to £60,000pa in business rates. For the hotel, £90,000 - £120,000p.a could be generated.

- 5.2 The report suggests various delivery options that could be considered. These will need to take account of a number of factors such as the costs of development, availability of funding, timing and profit levels, and rate of return. Speculative development is not advised and the soft market testing has demonstrated that there is sufficient interest from developers/operators to be able to secure interested parties to work with on the delivery phase. The council could pursue either a direct delivery, indirect delivery (granting a ground lease to a third party to deliver), or a joint venture. LSH advise that direct delivery should be the preferred option for the council subject to appropriate terms being secured with occupiers. These options would be considered by the Service Lead for Place, Assets & Commercialisation with the chair of the Asset Management Forum and professional advisors at the appropriate time.
- 5.3 Taking account of these findings and recommendations, as a first stage, the council will next consider if the proposed hotel/café uses offer a financially viable development that optimises income (or capital receipt, if preferred) to the council. In order to determine this it is necessary to engage with the development/operator sector through a formal marketing process. Thereafter the mechanism for delivering the play and leisure uses within the site can be explored.

For further information on the report findings please see the February 2020 cabinet report and the HD Final report.

[Cabinet Report](#)

[Hemingway Design/LSH report](#)

Whilst Hemingway Design have completed their contracted input into this work, LSH has not yet concluded their services as the marketing of the site would have been the final element of their brief, in order to identify the firm interest, or otherwise, in the areas of the site with potential for a commercial element.

Notwithstanding the lack of information from a full marketing exercise, as part of their commission LSH have provided an indication of the sort of values that could be obtained for the commercial uses within the site. These were not included in the Hemingway Design final report (or the cabinet report) for commercially sensitive reasons. LSH have provided advice on financial feasibility in relation to the phase 3 site in order to identify the commercial value of a hotel opportunity within site 3a, and a new café for the front of the site (3b).

The Harbour View café site has been assessed for development purposes and has a significant site value. If this site were developed directly by the council and let to an operator, it would have the potential of a significant net annual income (after borrowing costs are repaid). PWLB borrowing paid off over 80 years.

The hotel element could achieve a significant capital premium, or could provide a longer term revenue income stream. Currently, there remains interest in new opportunities for both the hotel sector and the café site for new development.

For Queen's Drive, the most likely delivery route would be a Hotel Franchise with a Third Party Management Agreement (HMA) – this type of deal structure has become increasingly the norm, as the hotel brands have shied away from developing and operating hotels themselves.

The developer could be a third party purchaser or leaseholder or alternatively EDDC undertaking direct development. The construction agreement would be back to back with the HMA with a requirement to develop the hotel to meet the specific brand standards of the chosen brand. Once complete the hotel would then be managed by a Third Party Management Company (TPMC).

In their research, LSH identified that the land required for a hotel use, would take up approximately one third of the phase 3b site.

In summer/autumn 2019, the Regeneration Team were asked to ensure that the HemingwayDesign and LSH work could be concluded by the end of the year and that a public engagement event could take place to share the findings of their studies. This was arranged for November 2019.

### **Queen's Drive Delivery Group**

The Queen's Drive Delivery Group (QDDG) was established in September 2019 specifically to focus on the Queen's Drive project. The Delivery Group comprises a mix of district councillors and town councillors along with officers and the town clerk. Four meetings of the group were held from September 2019 until January 2020. The Terms of Reference of the Group have recently been changed and this meeting will now be held in public.

#### Exmouth Egg presentation to the Queen's Drive Delivery Group.

Whilst the Hemingway Design Study was on-going, the then Leader of the Council also wanted the QDDG to hear from a local Group of residents who had put together their own proposals for the site, calling their project the Exmouth Egg. The proposal was put forward from Cllr Hookway, local ward member for Littleham, and a member of the QDDG.

Officers advised at the time that the Leader should exercise caution in opening up an invitation of this nature to any group/organisation that was expressing ideas and proposals for the redevelopment of the site. Such action could subject the council to a challenge in the future by other developers/interested parties, if one group had been able to have access to the council to present their ideas outside of a normal marketing process when we had not made a public invitation to other groups/individuals to attend and present their ideas.

Cllr Hookway gave a short overview on Exmouth Egg at the QDDG meeting on 23 September and the Exmouth Egg Group were then invited to attend the 28 October meeting to present their proposals.

It should also be noted that LSH, our commercial property advisors have always been very clear with any approaches from developers who have wanted to engage directly with the council, that it is not appropriate to contact council members or officers directly, and that if/when there is a marketing exercise, they will have their opportunity to present their ideas then, following whatever formal

marketing process is adopted. Officers have not had any private meetings with developers or interested parties (other than the meeting with the Exmouth Egg at the QDDG).

### **Temporary Uses: Queen's Drive Space.**

The council has provided temporary play and leisure facilities on the parts of the site that are currently vacant. The reasons for providing these uses were two fold. First to ensure that the site was not boarded up or vacant and at risk of becoming an eyesore on this prominent part of the seafront, but second, as an experiment to see how the space could be used in a different way. The delivery and implementation of this involved multiple teams within the council, led by the existing officers of the Regeneration Team as it was then. This included securing a planning permission, commissioning building and engineering works, site clearance and preparation of grassed areas, identifying for a partner to manage the food and beverage offer, commissioning the new play area; identifying a bar operator; securing the services of a part time events manager to identify and co-ordinate a programme of events; managing the site to ensure all health and safety matters and cleanliness were complied with; and engaging a marketing and promotions service. In 2019, an events consultant was appointed part time to manage the site, and again in 2020 although their services have been reduced this year.

The site opened in spring 2018 and offers free play, a seating area, food and drink, children's entertainments, and outdoor live screenings, cinema nights and live music. The free play and seating area are open throughout the year. The food and drink offer opened again during the spring and summer of 2019 and similar film, outdoor live screenings and music events were held. This year has been slightly different as a result of covid, but the play area, and the food and beverage offers have been able to open for the summer. No events have taken place in 2020 due to the challenges in managing potentially larger crowds in the event space to the rear of the site. A website and social media platforms have been provided to promote Queen's Drive Space.

[www.queensdrivespace.co.uk](http://www.queensdrivespace.co.uk)

In 2018, a survey was carried out by the South West Market Research Company of the users of Queen's Drive Space in order to obtain feedback on people's experience of the new space. Over 1000 people were interviewed.

The report is available on request along with a summary of "Best Bits" which includes over 100 quotes from visitors to QDS.

A separate report is being prepared on the outcomes of QDS to inform members on how the site could be utilised again in summer 2021.

### Temporary Car Park

The council's car parks team submitted a planning application to use the former compound from the Phase 1 development as a temporary overspill car park. This is located on what will be part of the phase 3 site and is therefore not a permanent fixture. The temporary planning permission granted in 2019 has now expired. This temporary car park provides additional spaces for busy holiday

periods and has generated car park income for the council and avoids unsightly hoarding being placed around the perimeter of the site.

### **Moving Forward**

If the council wishes to pursue an offer on phase 3 that will see elements of this development being free to use and incorporating high quality public realm, its development and upkeep has a cost, and, in the absence of alternative finance (capital and revenue), commercial/ value elements of the redevelopment will be needed to provide this.

LSH identify that any investors, developers and operators who are willing and able to be part of the final stages of the redevelopment, need to have 'confidence' that the site will be commercially viable. This takes time particularly, if like the Queen's Drive redevelopment, it is a new and emerging destination. The completion of Phase 1 (Road and Car Park) sends an important signal to developers and investors that the development is proceeding and that the necessary infrastructure is in place. The temporary uses at Queen's Drive Space have demonstrated that this is a destination that can attract a mixed demographic who enjoy a mix of leisure activities and want to spend money at the seafront. The commencement of Phase 2 (the Watersports Centre) and the calibre of tenants that it has attracted, also demonstrates that there is genuine third party developer and operator confidence in the Exmouth property market and leisure offer and this in turn demonstrates that this is an active development with a clear mixed leisure development direction.

### Marketing the Site

The Cabinet decision (February 2020) to take the site to the market was called in for discussion at Scrutiny committee in relation to the inclusion of local ward members on the Selection Panel for the marketing exercise. A lively debate was held at Scrutiny and it was apparent that across the membership there was considerable misunderstandings of both the process undertaken of the years prior and what was being proposed in terms of future marketing. These misunderstandings led to a heated debate driven by misleading comments made regarding the actions of Officers.

The decision by Scrutiny delayed the commencement of the marketing exercise. Officers could not have proceeded with an instruction to market the site as the details of the selection criteria needed to be included within the marketing documentation, and the selection criteria could not be agreed without the involvement of the Selection Panel. Until Full Council had met to discuss this matter, then Cabinet, and then the Queen's Drive Delivery Group, the Selection Panel would not be known.

Subsequently with the uncertainty in the market place created by the covid outbreak, marketing the site would need to be put on hold. At the time of the covid outbreak, LSH suggested that a Spring 2021 marketing campaign would likely be feasible. We have not sought any further guidance from LSH on this matter but they would be available to provide commentary on the current market conditions should the council wish to explore this with them.

At the Full Council meeting on 20 August, this matter was discussed. Council referred the Scrutiny recommendation back to Cabinet as the matter was to be the subject of further consideration by Cabinet.

The council now has a site that is free of the constraints and encumbrances that have delayed the progress of this development over many years (excepting the Amusement Arcade – see Part 2, p. 17 below). It is therefore fully ready for the next stage of development to take place. The findings of the Hemingway Design and LSH report suggest that the site location, the completion of the Watersports centre and the popularity of the temporary uses mean that this site now represents a significant opportunity and is likely to generate optimum interest in the market place (notwithstanding covid issues).

### Planning Permission for Temporary Uses

The current temporary uses planning permission expires in March 2022. Following a conversation with the relevant Planning Officer, it is not usual for a temporary permission to be renewed for a third time unless there are exceptional circumstances regarding why a permanent planning solution cannot be brought forward for the site with a detailed planning application.

If it is not permissible to pursue a further temporary planning application, the council needs to consider what it will do with the site from March 2022 when the site has to close. In practical terms this will mean that the council has to erect heras or other fencing around the site to prevent access to the facilities which may well need to be removed.

Notwithstanding the possibility of an extension to the temporary uses, it remains the view of officers that the council does need to give consideration to how it wants to take forward a more permanent development of the site in the near future (already delayed) so that when any further temporary permission expires, the council and any developers/operators are ready with legal agreements, planning permissions and funding in place to commence work in redeveloping the site very soon after the site closes to the public. In addition, whilst the temporary uses offer has been welcomed by the public, because it was only intended to be used for a minimal amount of time, it was not worth investing in high cost materials to create a quality offer and the site infrastructure is looking tired in places. The site therefore requires further investment before too long. Further, not all of the site is used, and the layout is not ideal with poor integration of the events area to the rear thus not affording optimum use of the site for the enjoyment of the public and the generation of income.

### Approval for Future Actions.

As matters stand currently, there is a cabinet approval to take the site to the market; a subsequent decision by Scrutiny Committee that the issue relating to the composition of the selection panel for the marketing exercise should be discussed at a Full Council meeting; and now a recommendation from Full Council (20 August) that the matter be referred back to Cabinet.

It therefore remains an option that the council could complete the work undertaken by HemingwayDesign and LSH by taking the site to the market to test out the developer interest. Following agreement of a selection panel and a selection criteria, this could be progressed. LSH recommend marketing for a hotel operator and restaurant/café operator in the first instance to identify the interest, and in the case of the hotel operator, the location within the phase 3b site (approximately one third of the 3b site area). The uses for the remainder of phase 3b could be considered thereafter with a further marketing opportunity to identify developer/operator interest depending on the uses.

The reason for marketing in this order is that it gives some certainty to the council on what, if any interest there is for the commercial uses, and therefore, what level of income would be available to then invest in the other parts of the phase 3 site for leisure uses, such as free play and high quality public realm.

In marketing the café site (site 3a), the existing operator would have the opportunity to come forward with a proposal alongside any other interested food and beverage operators.

If members do want to pursue marketing of the site to include the recommended commercial uses, officers would recommend a further review of the leisure/hospitality sector by LSH to reflect the current market conditions during the covid outbreak.

Officers would recommend that once members have discussed how they wish to proceed with the project, a cabinet report comes forward with a recommendation on what the next actions should be. This will ensure that there is a clear direction given to officers on whether the marketing process as approved by Cabinet in February 2020 should proceed, or whether an alternative delivery route is to be pursued.

### **Officer Involvement and Availability**

In the 9 months since the cabinet decision and progress stalling pending appointment of selection panel, then covid, followed by a new Leadership and following the creation of the new team structure for Place and Prosperity within the Place, Assets & Commercialisation Service, officers have become increasingly engaged as you would expect in other or new areas of work that will either lead directly to the delivery of new opportunities or will be laying the groundwork for future consideration of opportunities within our towns.

As and when members have made a decision on how they wish to take forward the Queen's Drive site, it will be necessary to consider how we will resource the project moving forward, either through Officers and / or appointed consultants, skillset dependant partly on the nature of any scheme to be taken forward.

## **Part 2.**

### **THE WATERSPORTS CENTRE PROPOSAL**

#### **Background to Selection of Grenadier Estates.**

Having secured the outline planning permission in January 2014, cabinet authority was granted to market the site (14c) and the site was then marketed in April 2014. In this first round of marketing, the Grenadier Estates proposal came forward for part only of the site (the former EDDC car park where they are now located). At the time there was no certainty of a suitable offer for the rest of the site. The council identified that in order to enable the Watersports centre to be delivered, rather than wait for another developer to be secured to deliver the remainder of the site (including the road and car park), it would need to undertake these enabling works to the site itself. This would involve moving the road and relocating the car park to the rear of the site. The decision to do this

was taken by cabinet in November 2014 where delegated authority was granted for officers to undertake the necessary steps to enable delivery. (no. 14f CoA). A subsequent cabinet report in February 2015 set out further detail of the deal with Grenadier.

In order to free up the site for Grenadier, it would be necessary for the car park and road to be moved first so that the new frontage site could be created (on the old car park site, and the old road) where Grenadier is now located. This would require that vacant possession of the old Golf site was secured (where the new car park is now) along with vacant possession of the former café site within the old car park (DJ café site) where Grenadier is now on site.

### **The Building Design**

In terms of their proposals for their building on the site, these evolved over time and are very different now to the original design in their response to the marketing in 2014. They have worked with a number of different architects over the years and their ambitions and aspirations for the design of the building changed through this process. The scale of the development was reduced once there was a greater understanding of the costs involved and how the building could best be used. A key driver for them has always been that the building and the materials used should have minimal impact on the environment, be locally sourced where possible and be of high aesthetic quality. They have therefore incorporated a number of zero/low carbon measures into the fabric of the building such as the solar panels and the ground source heat pump.

### **The Lease Agreement between the council and Grenadier.**

The Watersports centre will ultimately operate as a Community Interest Company (CIC). The council has granted a 125 year lease to Grenadier Estates who will, on Practical Completion of the development, sub-lease the Watersports centre to the CIC. The CIC will then sub-lease the restaurant element of the building, retail units and the Watersports centre element to the individual businesses, who will operate the centre, as named below. During the early years, the income to the CIC (from the tenants and car park) will be used to pay off the initial capital investment into the project by Grenadier (approximately £3.5m). This will be repaid without interest, but will take into account RPI. This repayment to Grenadier ensures that overtime they recoup this capital investment in order to invest in other development projects which could be of a similar philanthropic nature generating a community benefit. The payback period is likely to be around 15- 20 years. After this is repaid, the surplus revenues will go to the CIC and can be invested in community benefits as determined by the CIC. This amount could be around £150,000 per annum. The council has approved the form of sublease to be entered into between Grenadier and the CIC, so whilst we are not a party to it, it reflects the headlease between the council and Grenadier and we have approved it.

This future income for the CIC is a key component of the deal negotiated with Grenadier. The council could have taken the decision to receive a rent for the site, but chose instead to enable a development that would bring future community benefits specifically to the town of Exmouth. It is fair to say that the communication of this future benefit for Exmouth is something that the council has struggled to get across to some councillors and residents of Exmouth. The benefit of the future income stream is either not understood or not accepted as a benefit. What it demonstrates though is that the council has, through its landholding on this site, and the Grenadier development, created

an opportunity for a financial legacy for Exmouth and forgone the opportunity to secure an investment return for itself on this part of the Queen's Drive site.

Grenadier undertook a public consultation exercise over several days in the autumn of 2017, held at the Ocean in Exmouth. This was well attended and their proposals received a good level of support.

Grenadier announced the names of their tenants for the new centre in 2018. These will be Edge Watersports as operator of the Watersports centre and Michael Caines as restaurant/café operator. In May 2019, Grenadier announced the new name for the centre: Sideshore.

As part of the agreement negotiated with Grenadier, they will be constructing a ramp to enable access to the beach for water sports participants and their equipment.

The council entered into a complex legal agreement delivered through external solicitors, with Grenadier Estates to ensure that both parties were locked into delivery. The first requirement was that the council would secure planning permission for the road and car park, and secure vacant possession of the site thereby ensuring that the council could actually provide the site on which the Watersports centre would be built. In addition, the council had to commit the funding to build out the road and car park. These tasks were completed by spring 2017, when the reserved matters consent for the site was approved. The development agreement with Grenadier was entered into in summer 2017, but the Beach Access Agreement was an outstanding matter to be resolved, and would need to be resolved (along with Grenadier securing the planning permission) before the council could commence work on the road and car park.

The next step was for Grenadier to secure a planning permission for the Watersports centre. Once this was secured, the council were required to deliver the road and new car park and thereby provide the cleared site on which the Watersports centre would be built. It was then a requirement, that on completion of the road and car park, Grenadier would start works on site.

Grenadier did not secure their planning permission until June 2018. The council was then able to make the final preparations for the contractor to commence on site in early autumn 2018. However, the Beach Access Agreement remained unresolved and despite regular chasing of Grenadier Estates, little progress was being made. Towards the end of August, Grenadier were then advised that they would have to make a CIL payment due to the retail element within the centre. They decided to appeal this decision, which meant that they would not complete the final stage of the legal agreement (the Beach Access Agreement) with the council. The council was therefore not able to commence works on the road and car park as the conditionality (Grenadier securing a planning permission) had not been met.

This was problematic for the council. To delay on commencing the road and car park works in the autumn/winter period risked pushing this work to the spring/summer of 2019 with delays due to works being prohibited in the summer months. The council considered the risks of not proceeding, and the risks of Grenadier not proceeding. It identified that even if Grenadier did not proceed, the council could, by moving the road and car park, create a site that would have a market value and generate interest in the market place. Valuation advice on this was sought on the Watersports centre site in autumn 2018. A cabinet report was taken forward in October 2019 and approved for the council to commence work on the road and car park, notwithstanding the fact that the conditionality required in the contract with Grenadier, had not been met.

Subsequently (spring 2019), Grenadier were successful in their appeal against the CIL payment. The final legal agreements were entered into. Work was progressing well on the road and car park, and

on completion of those works, Grenadier would now be tied into the delivery of the Watersports centre.

On completion of the road and car park in June 2019, Grenadier started works on site soon after.

### **The Amusement Arcade – Site 3c.**

This is the only remaining tenant on the site that has a protected lease. The lease terminates in a few years time. This part of the site is designated as car parking within the 2017 reserved matters planning permission and will facilitate more parking spaces. At the appropriate time, the council will be able to take the necessary steps to terminate the lease.