

Report to: Cabinet
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Subject: Queen's Drive Redevelopment Project

Purpose of report: The purpose of this report is to provide information on the final findings of the work completed by the council's external advisors, along with their recommendations for the next steps, in relation to the Queen's Drive redevelopment project.

It should be noted that Phase 1 (Road and Car Park) works are now complete and Grenadier Estates are on site and well on their way to deliver the new watersports centre (Phase 2). The focus of this report is therefore the future of the Phase 3 site.

Recommendation: That Cabinet:

- 1. Appoint a selection panel comprising the Leader, the Portfolio Holders for Asset Management, Finance and Economy and the Service Lead (Place, Assets and Commercialisation) and Project Manager – Place & Prosperity for the purpose of agreeing the selection criteria for the commercial development (Phase 3a & 3b), which shall be agreed in consultation with the Exmouth Queens Drive Delivery Group, and then carrying out the evaluation of the bids received following the marketing exercise with a view to making a recommendation to Cabinet in relation to the preferred bidder / operator. The Strategic Lead (Finance) be given delegated authority to progress the rest of the actions identified in Section 6 of the report.**
- 2. Notes that where any Phase 3b land is not disposed of under Recommendation 1 above, any further decisions on any disposals or development proposals in relation to delivery of the open leisure spaces/public realm will remain with the Cabinet and a separate report will be brought to Cabinet.**
- 3. Notes that if, following the marketing exercise, there is an opportunity for the council to be involved in direct investment and/or delivery of new development on the site, that this will be assessed through the Commercial Investment Framework process before being reported to cabinet.**
- 4. Gives delegated authority for the Strategic Lead - Finance in consultation with the Leader and Portfolio Holder for Asset**

Management to oversee delivery of further popular temporary attractions on Queens Drive Space during the 2020 season.

5. That the Exmouth Queens Drive Delivery Group continues on the basis that it was established in September 2019.

Reason for recommendation:

To enable the final phase of the Queen's Drive redevelopment project to complete the thorough independent scoping process that has been underway for the last 2 years since the council decided to undertake to refresh the vision for Queen's Drive phase 3 in 2016.

To progress to the next stages of delivery;

To ensure that the popular Queen's Drive Space can continue to offer a range of leisure and free play activities for local residents and visitors to Exmouth throughout 2020.

Officer:

Alison Hayward 01395 571738

Financial implications:

The report highlights there are financial opportunities available to deliver phase 3 of the project; the current cost of providing free play, events and delivering the popular temporary arrangements on site cost in the order of £60k a year, this was seen as a temporary arrangement. As Members will be aware the Council has significant projected budget gaps going forward and it is therefore an imperative that future developments should attract an annual income in order to meet ongoing costs. Detailed financial appraisals will be essential in determining the options for Phase 3 and a consideration will need to be made of potential capital receipts against the possibility of attracting annual revenue income.

Legal implications:

It is appropriate for Cabinet to determine the selection panel and delegate agreeing the selection criteria / evaluating the bids to it. Otherwise there are no legal matters requiring comment.

Equalities impact:

Low Impact

Climate change:

Medium Impact

The impact on climate change of new development can be reduced by using sustainable materials and construction methods that minimise the impact on the environment and reduce landfill waste. The use of renewable energy technologies can minimise carbon emissions of the new development in terms of its energy usage. Such technologies are being used by Grenadier Estates with the new Watersports centre on phase 2 of Queen's Drive. The design of any new buildings and the site layout will take account of flood risk designations and other environmental considerations and be assessed as part of any planning process.

Medium Risk

As a key land asset, owned and within the council's control, there is a risk of not securing the optimal placemaking outcome or best value from

Risk: this site. This is in terms of financial return to the council and economic return for the town (job creation, more money circulating, business benefits, extended visitor season and numbers, competitiveness with other resorts); social benefit and reputation, but also in terms of the best community outcome.

The mitigation for this is in ensuring that we complete a clear and robust process involving a range of professional expertise.

Once a decision has been made on how the project will move forward and appropriate risk assessments have been drawn up, the next phase of the project will be reported to the Capital Strategy Allocations Group on a regular basis.

Links to background information:

- <http://eastdevon.gov.uk/media/1911506/091116combinedcabagenda-sm.pdf>
- [Exmouth Seafront Vision - HemingwayDesign](#)

Link to Council Plan:

Outstanding Economic Growth, Productivity, and Prosperity
Outstanding Place and Environment

Report in full

1. Background

- 1.1 We are moving into the final phase of the Queen's Drive redevelopment. Exmouth is the largest town in East Devon with its population (35,632) representing just over a quarter of the total population within the district. As a coastal resort, the local economy is highly dependent on the spending of visitors to the resort; day visitors as well as 'staycationers'. The visitor economy is fairly traditional and vulnerable to competition by more dynamic centres elsewhere (locally and internationally) and the town lacks a competitive and contemporary seafront leisure offer. Planning permission is in place for a mixed use leisure scheme that includes the construction of new buildings including the watersports centre and a car park (Phases 1 and 2), holiday accommodation, a two storey redevelopment of the Harbour View site, indoor leisure and retail uses as well as public realm and play space.
- 1.2 East Devon District Council, as landowner and development lead, has responded both to the changing circumstances of the redevelopment delivery model and has facilitated the commencement of a refresh of the vision for Phase 3 of Queen's Drive involving the expertise and advice of coastal regeneration design specialists HemingwayDesign supported by Lambert Smith Hampton as commercial development advisors.
- 1.3 We now have the successful delivery and completion of Phase 1 (Road and car park) and Phase 2, the delivery of a Watersports centre, café, public space and small retail units, by Grenadier Estates. The latter is now on site with a scheduled completion date of May 2020. As part of phase 2, Grenadier have successfully attracted the locally based award winning chef, Michael Caines, who will run the new café on the site.
- 1.4 The Exmouth Neighbourhood Plan is an important document to consider in this process. It recognises the contribution that the successful delivery of the Queen's Drive redevelopment can bring to Exmouth. It acknowledges the district council's commitment to open consultation, and specifically references the on-going work of HemingwayDesign.

1.5 Neighbourhood Plan Policy EE6 states:

That in phase three of the regeneration scheme and any subsequent phases for the Queen's Drive development area on the Seafront:

- Buildings and land use should be related to serving the tourism industry as well as local residents and to the provision of visitor facilities for the benefit to the community through job-creation.

It goes on to state the importance of sympathetic design within the context of the site and its integration with surrounding facilities, such as the Maer and the adjacent sports facilities.

1.6 The Exmouth Neighbourhood Plan further states (policy EE1) Tourism. Proposals for tourist facilities and holiday accommodation in the Exmouth Neighbourhood Plan area will be supported in order to boost the local economy and enhance the promotion and development of the area as a suitable holiday destination. Proposals must consider and not adversely affect the character and functioning of the local area.

2. Current Position – Phase 3:

2.1 The development of the Queen's Drive site (phase 3) has the potential to drive positive change for the town making Exmouth the best it can be for the benefit of its residents and visitors, building on, modernising and broadening the town's tourism offer: a key element of Exmouth's economic success and viability. This aspiration can be broken down into a number of specific outcomes:

- Quality of development in terms of both design and the activities/products on offer.
- Integrity/ coherence of space and leisure offer
- Year round offer – extending the seafront attraction and the town's tourism season as well as giving more and different things for residents to enjoy
- All weather options (complementary to and linking into the wider seafront offer)
- Strengthening Exmouth's market position through a new mix of leisure attractions that compliment a continued traditional beach offer
- Achieving a level of permanence to the offer on the site, whilst retaining elements of flexibility to allow for the site to evolve over time and as tastes change
- Extending dwell time, offering opportunities for greater visitor expenditure in the local economy
- Ensuring access for all: wide ranging demographic; all income levels; all abilities; improved disabled access and a mix of free-to-use and pay-to-use leisure and entertainment.

2.2 It should also be noted that the Queen's Drive site is an East Devon District Council asset and there is an opportunity to achieve both increased economic prosperity and place making aims alongside the expectation of a financial return to the council.

2.3 These aspirations and specific outcomes will be aligned with:

- The commercial viability of development proposals and how the commercial investment market is interested in investing;
- Deliverability – including issues around planning and design in an important and high profile location; choice of development delivery models; and the requirements of the main investors;

- Meeting local expectations and ensuring good design around quality public realm, social space and free play;
- Ensuring that we achieve a complementary mix of investments that can meet the specific outcomes;
- The need to make responsible financial decisions to ensure that the mix of investment will deliver good development, local benefits and a return for the council.

- 2.4 As was reported to Cabinet in September 2019, the council had previously resolved to refresh the vision for Queen's Drive Phase 3. To undertake this work the council engaged HemingwayDesign, and Lambert Smith Hampton have since been appointed to work with them to provide specialist leisure market advice on the development. HemingwayDesign are specialists in coastal regeneration, working with other local authorities in towns such as Bognor Regis, Boscombe, Margate, Morecombe, Weston Super Mare and Lowestoft. The same cabinet report set out the early stages completed by HemingwayDesign during 2018 and reported on the soft market testing work being undertaken by LSH.
- 2.5 Members of the HemingwayDesign Team have visited Exmouth and the Queen's Drive site on a number of occasions. The engagement process began with an introductory visioning event and workshop hosted in June 2018 with attendees from a broad range of local interests including business owners, particularly from the local tourism, hospitality, leisure and creative sectors, Exmouth community and non-statutory organisations, and other groups with a particular interest in the seafront such as the Rowing Club, National Coastwatch Institution and Save Exmouth Seafront. At that initial event, the HemingwayDesign 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.
- 2.6 This then informed the content of an online engagement survey for the wider public to share their thoughts and ideas; the on-line survey ran from July to September 2018, to help unpick the thoughts and ideas of respondents as to what they felt would be best for the future of the phase three area.
- 2.7 The [survey](#) had a total of 1289 participants. There was great response from the people who live and work in Exmouth (1085) but a much smaller response rate from visitors' holiday makers/ leisure users (149) which is not unexpected and hence the importance of the findings of the council's earlier [independent survey](#) in 2016 of 1,000 visitors. Following on from this, the HemingwayDesign team drew up a number of design concepts for the Queen's Drive Phase 3 redevelopment site. The HemingwayDesign study succeeded in attracting responses from a broad demographic in terms of age which was something of a breakthrough since, traditionally, the public response to such exercises tends to be dominated by an older demographic which can skew findings.
- 2.8 These ideas were presented and formed the basis for questions and discussion at workshops held in December 2018 and included a presentation to Exmouth Elected Members followed by a stakeholder visioning workshop and Lambert Smith Hampton have continued to advise on the deliverability and viability of the commercial elements of the redevelopment concepts including undertaking a soft market testing exercise.
- 2.9 Throughout the process undertaken by HemingwayDesign, it has become clear that people recognise just how important the final phase of the Queen's Drive site (phase 3)

is and the significant potential it holds to be a driver of positive change for the town and its community. When respondents were asked what they hope its regeneration could do for Exmouth there were two leading responses that stood out: maximise the site's natural assets and provide an attractive place for people- young, old and in between to spend leisure time together. These desirable characteristics need to be balanced so that a new, dynamic space is designed in such a way that it respects its natural context and outstanding location.

2.10 The findings of the Exmouth Visitor Survey are also worth noting in relation to the all visitor spend in Exmouth, excluding any spend by staying visitors on accommodation, was approximately £16 for Exmouth in comparison with £34 for East Devon District and £35 for Devon as a whole respectively. The Visitor survey also highlighted the lack of interest from visitors in visiting the existing Queen's Drive leisure area on the seafront with only 3% of visitors reporting that they planned to visit the site during their visit to Exmouth, in comparison with 94% saying they wanted to visit the beach/seafront.

2.10 Lambert Smith Hampton – Soft Market Testing

Following the HemingwayDesign work described above, LSH undertook a soft market testing with developers and operators in the hotel, holiday accommodation and food and beverage sector. The purpose of a soft market testing exercise is to have informal discussions with several such investors at a high level in order to understand if there is going to be market interest in these locations for such operators. From these discussions, LSH have found that there is significant positive interest in the Queen's Drive site from reputable and well established leisure development investors, of whom a significant number are based in and committed to the region.

3 Engaging with Exmouth Community

- 3.1 With phase 1 complete, phase 2 underway and the positive findings of the soft marketing exercise, HemingwayDesign moved on to a further engagement process with the Exmouth people and organisations.
- 3.2 HemingwayDesign held a public engagement event in November last year to enable the public to provide feedback on the opportunities that have been identified by themselves and Lambert Smith Hampton that were beginning to shape the potential way forward for the site.
- 3.3 The event was held over 2 days and included:
- 13th November - afternoon drop in session open to the general public and managed by the council.
 - 14th November – evening meeting presented by Wayne Hemingway with Lambert Smith Hampton.

A series of Information Boards were presented which covered:

- Details of community engagement events held since the masterplan work in 2009-12;

- Information on the work undertaken by HemingwayDesign and Lambert Smith Hampton, including the outcomes of the survey work undertaken in 2018;
- Exploration of how this site fits into the wider area so that awareness of and access to other facilities can be enhanced and improved (see 3.5.3);
- Information on the successful experience of testing the space for different uses through the temporary uses project over the last two summer seasons at Queen's Drive Space;
- A concept plan with recommendations for the types of uses suitable for the site that include a mix of commercial uses alongside free play, leisure, community and social space.

3.5 Event Content – Information Boards.

3.5.1 Full details of the Information Boards are available on the Council's website and can be found at the [link here](#).

A summary of key points:

3.5.2 On the basis of consultation outcomes and their expertise HemingwayDesign set out their vision of how the site could best benefit the residents and visitors to Exmouth:

“We believe this can be achieved through the creation of a high quality, inclusive, mixed-use, year round leisure offer that links to, and complements the wider seafront offer. The site provides potential to lift the accommodation offer that currently exists in the town and provide greater choice for people to stay in Exmouth, contributing to an increased visitor expenditure in the local economy.”

The suggested uses for the site were presented as:

- New 2 storey café/restaurant on the existing café site to the south of Queen's Drive, with a more informal offer on ground floor and finer dining with terrace/balcony on the first, and incorporating a new tower and facilities for the Coastwatch Service;
- A mix of playspace (including free play) and open public space on the remainder of the site which could be used for various activities and events, building on the success of Queen's Drive Space;
- 60–80 bed 3–4 star hotel of high design quality and appropriate to its location.

It was not intended that HemingwayDesign provide detail at this point in time on the specific type of play or leisure uses for the site (other than emphasising the importance of continued free play as currently exists) as this will come forward in detail through promotion and marketing when we hope to see a range of uses that could include play, community use and leisure proposals to choose from by a mix of commercial and non-commercial organisations that will complement hotel, holiday accommodation and food and drink uses also on the site.

3.5.3 HemingwayDesign understand and have more clearly identified in terms of place-making the wider area that surrounds the Phase 3 site. Their vision is to better link and promote what have previously been a somewhat disparate, and not necessarily fully used or appreciated range of spaces and activities that together make a special place for Exmouth that could be better joined up by councils, townspeople or visitors. Behind the beach sits

the Maer, Madeira Walk, tennis courts, bowling and cricket clubs while alongside the Phase 3 site is the Ocean and the rowing club to one side and, for the future, 'SideShore', a not-for-profit water sports centre, shops, restaurant, café and new public space directly accessible to beach and water and a new focal point for visitors and local people. Further along the seafront to Foxholes there will be a future opportunity for new contemporary holiday chalet development at that location.

3.5.4 Queen's Drive Phase 3 offers a complementary development in a varied and much wider space, continuing to offer play, entertainment and holiday accommodation as well as a new modern food and drink venue on the Harbour View site, one that faces the sea and befits one of the finest seafront locations and vistas in the country.

3.5.5 Lambert Smith Hampton commented on the almost unique aspects of the café site in particular and the opportunity it presents. They summarised the findings of their soft market testing and identified that they have a mix of regional and national investors interested in both a hotel and a café/restaurant venue. They commented:

"Exmouth is currently missing out on some of the opportunities that are available from hotel and restaurant businesses that are keen to find new venues and that can bring exciting new additions to the town. Such facilities can give more choice to local people as well as encourage visitors to stay in the town for longer than just a day trip and spend more money in the local economy.....Commercial investment will help to create a high quality selection of leisure attractions and can help with the capital and running costs of play space, public space and landscaping."

3.6 Event Outcomes

3.6.1 The event was delivered successfully and well attended with over 200 people attending the evening meeting on the 14th November. There were no particular comments made in relation to the Harbour View café site, and people welcomed the different types of play and leisure uses that had already been introduced through Queen's Drive Space and could be provided in a more permanent public open space and free play area. The suggestion for a hotel raised the most debate with some considering it to be unnecessary when there are other hotel options in the town that could be encouraged to improve their offer. Others favoured a new hotel believing that it will raise the level of offer within the town and attract new and different visitors to the town.

3.6.2 Those attending the event, or viewing the information on the council's website were encouraged to email HemingwayDesign with their comments over the next two weeks. Fourteen people made contact with HemingwayDesign during this time.

3.6.3 Following the event and the numerous and diverse feedback received at the event and then via email, HemingwayDesign and Lambert Smith Hampton have finalised their findings and provided a final report with their recommendations.

4 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 2nd 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 advise 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 2nd 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, 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.

6. Next Steps

- 6.1 The next steps recommended in the HemingwayDesign report are for the council to undertake the following:
- a) A formal marketing exercise for Phases 3a and 3b to identify developer/operator partners. This will be managed by LSH who will prepare a detailed marketing brief and promote the opportunity widely to the leisure sector nationally;
 - b) A selection process will be in place to assess bids received from developers/operators;
 - c) With the benefit of the outcomes of the marketing exercise, further financial viability work will be undertaken by officers working with the council's professional advisors, to consider investment opportunities within the site for the council to take forward as direct investment and/or direct delivery;
 - d) If there is an opportunity for the council to take forward a direct investment/delivery option this will be assessed by officers using the Commercial Investment Framework
 - e) Report back to cabinet with the outcomes of the marketing exercise (and CIF process if relevant) with a recommendation for a preferred developer/operator and preferred delivery mechanism (which may involve the council investing/delivering directly)

The table below at 6.10 illustrates the process involved.

- 6.2 In addition, the Place, Assets and Commercialisation Service will consider the opportunity for an overnight beach chalet offer to be created at Foxholes.

6.3 The Marketing Exercise

The marketing exercise will involve the preparation of a Marketing Brief for the site which will set out the details of what type of development the council is seeking to achieve. Lambert Smith Hampton have advised that the marketing exercise should be delivered in two stages:

- Stage 1: to market the new restaurant/café opportunity on site 3a and the hotel offer on part of site 3b.
- Stage 2: Following the outcome of the above, and once there is certainty of what can be delivered in terms of a hotel, the remainder of Site 3b will be marketed for play/leisure uses.

The Stage 1 marketing brief will make clear to prospective bidders that the hotel will only require part of site 3b and the majority of site 3b will be required for a mixed play/leisure offer.

The Brief will give background information on the progress with development of other phases to date, (road and car park, and Sideshore), and will explain any known constraints and issues that interested parties should be aware of. It will provide an overview of Exmouth, its regional context and details of the planning history of the site. The marketing exercise will comply with the council's procurement policy to ensure that a fair process is followed.

- 6.4 The Marketing Brief will also set out the selection criteria for assessment of the offers received. This gives developers and operators an indication of what information they need

to provide in their bid submission and assists with the due diligence process that the council will need to undertake in relation to the bidders/preferred bidder. This is a standard process that landowners/local authorities use in assessing financial/development bids and is likely to include the following for example:

- Financial information on the bidder, including sources of funding to deliver/operate
- Governance, legal status of the bidder and track record of delivering similar developments.
- Evidence that development proposals comply with the brief
- Evidence of deliverability in terms of market offer, planning and financial feasibility as well as timing of proposed delivery
- Professional Team details
- Assessment of Risks
- Quality and Robustness of Business Plan
- Environmental sustainability of the offer both in terms of building design, delivery and operations, ensuring Climate Change agenda is met.
- Reflection of the Vision, ensuring a placemaking approach is adopted with a high quality offer, meeting local and visitor needs
- Enhancement to the Exmouth economy and profile of the town, job creation, improved visitor offer

- 6.5 The selection often involves a 2 part process, dependent on the level of interest received through the marketing exercise. The first part will invite Expressions of Interest and will assess the high level of information from the bids to identify those bidders that have the experience, funding and credibility to be able to deliver development on, or operate from, the site and are addressing the key requirements of the Brief. This will reduce the number of developers/operators who then go through to a second round where their submission is assessed in more detail against a full set of selection criteria, followed by an interview process.
- 6.6 A selection panel has been identified in discussion between the Portfolio Holder for Asset Management and the Leader. This will comprise the Leader, the Portfolio Holders for Asset Management, Finance, Economy and the Service Lead for Place, Assets & Commercialisation, and the Project Manager, Place & Prosperity. They will review the Expressions of Interest, with support from the external professional advisors and identify a shortlist for the second round. A weighted scoring matrix will be drawn up with the assistance of the professional advisors which will give clarity to the members through the selection process. The Selection panel will complete the review of the second round bids and reach its conclusion on who the preferred operator/developer(s) should be.
- 6.7 It should be noted that the information submitted by bidders is commercially sensitive and the council has a responsibility to ensure that this information is dealt with in a confidential manner.
- 6.8 The Queen's Drive Delivery Group will be consulted on the selection criteria and will be kept updated on the marketing process as it goes forward and prior to a separate cabinet report.

6.9 As referred to above, if there is an opportunity for the council to invest/deliver in partnership with an operator, this will then be assessed through the Commercial Investment Framework process before a recommendation is reported to cabinet.

6.10 The table below summarises the process.

TIMESCALE	TASK	WHO'S INVOLVED
February 2020	Preparation of Marketing Brief	Professional advisors (delegated authority as this report)
Feb – May 2020	Marketing Exercise	Professional advisors
May 2020	Bids Received and reviewed	Selection Panel, professional advisors, officers
May 2020	Selection Panel Assessment	Selection Panel with support from professional advisors and officers
June 2020	Commercial Investment Framework Assessment (if required)	Asset Management Forum
July 2020	Report to Cabinet with recommendation on preferred developer/operator	Cabinet

7 Exmouth Queen’s Drive Delivery Group

7.1 The Exmouth Queen’s Drive Delivery Group was set up in September 2019 following the cabinet meeting on 4 September. It was resolved that the Delivery Group would be established until 1 January 2020 initially and would then be reviewed to assess whether any changes are appropriate. It was resolved:

“that the Exmouth Regeneration Board and Exmouth Regeneration Project Executive be dissolved and that an Exmouth Queen’s Drive Delivery Group be established in its place up to 1 January 2020 initially when it will be reviewed on the basis of the terms of reference detailed at Appendix 1,”

7.2 It is officers’ advice that the Group should continue as established.

8 Conclusion

Phase 3 now remains to be completed and this report recommends the process to take this forward in line with established marketing and procurement practice. The project is now poised to enter into a full commercial marketing process and this will complete the full visioning and scoping exercise and generate the final detail required to enable the council to have all the information it needs to make key decisions.

The marketing exercise will therefore be followed by a further report to cabinet, as outlined in section 6 above, which will set out recommendations including the options for delivery of development.

Whilst the process is underway during 2020, the site will remain active as it has done since 2018, with the continuation of the popular temporary uses at Queen's Drive Space.