

Transform Leatherhead

Mole Valley District Council

Full Business Case

Claire & James House, Bridge Street, Leatherhead, Surrey

Purpose

"Successful project delivery starts with a good business case"

- the issue or problem being addressed
- the rationale for public funded intervention
- the objectives to be achieved
- the fit with Coast to Capital Strategic Economic Plan
- a long-list of possible options for intervention
- a short list of least 3 options for meeting the stated objectives with, for each, a cost-benefit analysis; an analysis of risks; the proposed delivery route; and their affordability
- the preferred way forward, with the optimum balance of costs, benefits, affordability, deliverability and risk
- delivery plan including a project timetable with key milestones, project and programme Management arrangements to ensure successful delivery.
- Risks and mitigation
- The ongoing viability and success of the project will be monitored against the Business Case.
- All spending decisions need to be backed by a robust Business Case. However, the amount of work and detail put in to a Business Case should be proportionate to the scale of the project or programme, and the expenditure involved.

1. Executive Summary

○ *the issue or problem being addressed*

Development of the Leatherhead Riverside Quarter is one of the three key priorities that underpins the masterplan to transform Leatherhead.

There is an opportunity to transform a key strategic 'gateway' site from a poor-quality, dated, non-compliant underutilised office block to a vibrant, viable mixed-use location, creating economic impact and underpinning the wider Riverside Quarter development.

In order to secure this key site MVDC needed to pay a price that reflected the Permitted Development Rights (PDR) that allowed conversion from office to residential use without planning permission. In order to cover the purchase costs the advice MVDC has received indicates that a predominantly residential development is required to ensure financial viability, this however would not provide the breadth of uses, or commercial activities, that would significantly improve the economic performance of the Leatherhead Riverside Quarter.

○ *the rationale for intervention and public funding*

Without public funded intervention the current site is only financially viable as a low-level permitted development to residential use. With public funded intervention this key high-visibility riverside site can be transformed into a high-quality, aspirational vibrant mixed-use scheme.

○ *the objectives to be achieved*

The core project objectives are to underpin the Transform Leatherhead Masterplan by leading on the Riverside Quarter regeneration. This project aims to create a new vibrant mixed-use scheme that creates jobs, new floorspace and homes.

○ *The outputs in terms of jobs, homes, employment space and other outputs*

The key outputs are:

- demolition of an unsightly and uneconomic office building
- creation of a 3,700-3,900m² new high-spec building
- creation of 2 x A3 catering units each at circa 250-300m²
- creation of circa 600m² flexible office space
- creation of circa 2,400m² mid-range hotel
- creation of circa 300m² of residential units
- creation of circa 110-130 new FTE jobs
- re-provision of circa 30-40 parking spaces
- circa £1.0m investment in public realm & flood mitigation

○ *the fit with the SEP*

This project fits with the spatial priorities of the SEP in terms of; Leatherhead's location within the East Surrey M25 growth corridor: its status as home to many key national and international businesses; and most importantly in providing new jobs, new commercial floorspace and the provision of new homes.

○ *a long-list of possible options for intervention*

- Development of the existing building for housing including affordable housing
- Development of the existing building for a hotel/conference centre
- Redevelopment of the site for a café and residential **not** including affordable housing
- Redevelopment of the site for a café and residential **including** affordable housing

- Redevelopment of the site for a café and residential **including** starter homes
- A mixed use redevelopment of the site including a riverside café, an office hub, a hotel and a roof top restaurant.
 - o a short list of least 3 options for meeting the stated objectives with, for each, a cost-benefit analysis; an analysis of risks; the proposed delivery route; and their affordability

1. Development of the existing building for 25 units not including affordable housing

Total cost estimate: £6.65m

Estimated Gross Development Value: £7.5m

Benefits: Quick turnaround, viable scheme with limited economic impact

2. Development of the existing building for an 80+ bed hotel

Total Cost Estimate: £9.3m

Estimated Gross Development Value: £6.6m

Benefits: Quick turnaround, creates an income, fulfils a local need for hotel space.

3. Redevelopment of the site for a café and residential including affordable housing (this assumes either a high building or building above the adjoining car park)

Total Cost Estimate: £10.6m

Estimated Gross Development value £9.8m

Benefits: Transformation in the appearance of the riverside area, the creation of 32 residential units (13 affordable), the creation of a riverside café.

4. A mixed use redevelopment of the site including a café, an office hub, a 70+ bed hotel, four x flats/apart hotel units and a roof top restaurant (this assumes either a high building or building above the adjoining car park).

Total Cost Estimate: £13.95m (£3.25 LGF + £10.07m MVDC)

Gross Development value £10.0m

Benefits: Transformation in the appearance of the riverside area, the creation of a business incubation centre, a much-needed hotel and the creation of a riverside café.

- o *the preferred way forward and why this option was selected over others*

The preferred way forward is a mix of uses that revitalises the river frontage an idea that received significant support in the recent consultation exercise.

Bringing people to the riverside with the creation of these facilities offers the best opportunity to support a lively environment by the river that is used by both local people, workers and visitors.

The affordability of a mixed-use scheme is enabled by the combination of Coast To Capital LGF funding and investment by Mole Valley District Council, without this it is likely that a predominately residential based scheme will be adopted and one of the three main development proposals within the masterplan will be significantly diluted.

The risks associated with the preferred option are the same as any building project (costs, timetable and securing occupiers) but the particular risks for this project are:

- Creating a new mixed-use commercial destination by the river
- The number of occupiers for the ground floor units are restricted due to the flood risk, largely being mitigated by the building design & flood alleviation measures
- There will not be sufficient funds available to create the public realm riverside setting for the new destination

- There may be significant planning objections to the proposals that lead to them being scaled back, design being compromised, or the requirement for additional land or property to be acquired to make the scheme acceptable.
 - *affordability of the preferred option (ie estimated costs over the life of the project or programme, and where funding will come from)*

We have stated within section 2.2.9 initial affordability assessment of the preferred option which includes the £3.25m LGF funding, £10.7m MVDC funding and £3.70 external operator funding.

- *delivery plan including a project timetable with key milestones, project and programme Management arrangements to ensure successful delivery.*

We have outlined within this document our project delivery plan, project timetable and milestones, project and programme management arrangements.

- *key risks identified*

As a local authority we have to have a risk and mitigation strategy for all activities, this project, which is part of the wider Transform Leatherhead Masterplan project, is subject to its own a risk and mitigation register. We have summarised the risks and mitigation measures in the later section 3.2.2 and the attached Transform Leatherhead risk register.

- *acceptability to stakeholders*

The whole Transform Leatherhead Masterplanning process has been subject to a comprehensive multi-phase consultation programme. Stakeholders have been identified and actively engaged with across multiple socio-economic, geographic, age and gender profiles. Please refer to section 6.3 for additional information.

Where the business case is being presented to gain funding or approval to spend, make sure that it is clear exactly what approval is being requested.

2. Strategic Case

2.1 Business need – the problem that needs to be addressed

- *why existing arrangements do not provide, or cannot be made to provide, the desired outcome*

The Transform Leatherhead consultation process included: residents; workers and visitors; and representatives from micro, SME, and large corporate businesses. All groups clearly indicated: the desire to regenerate the riverside area; the need for more flexible office space; the need for a new mid-range hotel; the need for a 'signature' restaurant; and the need for more homes.

The Claire and James House acquisition, without public funding intervention, would only be able to deliver a limited number of homes (circa 25) via the permitted development conversion of the existing 1970's core building. The purchase of the building by MVDC would allow additional public funding to be deployed to improve the configuration, potentially include affordable or starter homes but still not maximise the impact of the site in terms of wider regeneration or economic impact.

To achieve the desired, new-build and mixed-use configuration additional gap-funding of £3.25m is required to enable the full-scale development the masterplan aspires to. With gap-funding we believe the stated outputs of new jobs, new commercial floorspace and new homes can be achieved as well as making a positive contribution to the Riverside Quarter development and wider

Transform Leatherhead Masterplan key aspirations and outputs.

- *Evidence of any market failures*

We believe the pure commercial market would have been able to undertake the basic conversion of the existing 1970's core building to residential under PDR. Initial scoping work undertaken by the previous owners indicated 12 x 1 bed and 13 x 2 bed flats were viable. However the quality and liveability of these would be severely constrained by the 1970's core structure, with virtually no budget allocation being made to improve the external appearance of the building even considering its prime riverfront location. In terms of the identified potential of the Riverside Quarter it was felt that the conversion of this building would be a huge lost opportunity for the town's regeneration.

We believe that in terms of Leatherhead's regeneration aspirations and emerging Masterplan priorities the acquisition of this site was of sufficient importance to progress. However to maximise its regeneration potential and the economic benefits of a quality mixed-use scheme additional external public funding would need to be deployed.

- *the link to the Coast to Capital SEP and the impact of not acting*

The economic power of the "East Surrey M25 Strategic Corridor" is specifically referenced throughout the SEP. Leatherhead is referenced as an important element of this East Surrey strategic corridor as a home to many national and international headquarters, the SEP also references Leatherhead as an important town to target for growth.

In March 2014 the SEP outlined the emerging plan for Leatherhead to be: "A series of interlinked interventions centred on ambitious plans to redevelop and regenerate the town centre, home to some of Surrey's largest multinational companies. This project enables 21,500 sqm of new mixed-use commercial floorspace, supporting between 700-800 new jobs, plus 400 new town- centre homes. The package includes improvements to the capacity of the gyratory system".

As a result of the SEP and subsequent Growth Deal 1 the Leatherhead regeneration project was allocated £62,500 for 15/16 and £62,500 for 16/17 to help underpin the Masterplanning process. This modest intervention from the LEP allowed the local authority, Mole Valley District Council (MVDC), to secure £500,000 of revenue funding to support the Masterplanning process. Following a procurement process this started in February 2015 and we will be presenting the final draft Masterplan in March 2016 for consultation.

The Leatherhead Masterplan strategic outputs and outcomes align closely with those of the SEP: the creation of **new jobs**, the provisioning of **new homes** and the creation of **new/improved commercial floorspace**.

An early "quick win" of securing a Waitrose foodstore into the Church Street "gateway" area came forward, this required significant improvements to the immediate public realm. These improvements were included in the wider "East Surrey Retail Intensification" LGF Growth Deal 2 bid covering Leatherhead, Epsom, Oxted and Caterham. The bid was successful securing £250,000 LGF 2 for the Church Street "gateway" to which a further c£600,000 has been secured from MVDC, Surrey CC and the developer. (The original MVDC LGF 1 £62,500 allocation was rolled into this LGF 2 grant totalling £262,500 LGF 1 & 2). Waitrose have now signed their lease and the project is scheduled to start in late 2016, completing early 2017.

The Transform Leatherhead masterplanning process also stimulated other key sites to come forward for potential redevelopment. The subject of this funding application 'Claire and James House' is one of them. The 'Claire and James House' planned project outcomes completely align with the key SEP deliverables: it will create new jobs; it will create new mixed-use commercial floorspace and will create new homes. The current financial projections indicate that a £3.25m LGF grant would represent circa 20% of the estimated total project costs of circa £17.02m.

- The project is in a SEP priority growth location within the East Surrey M25 Corridor
- The project will help deliver all three key SEP deliverables: new jobs, new commercial floorspace and new homes
- Phase 1 of the project can be delivered within the 2015/2016 financial year
- MVDC have the resources to fund the balance of the redevelopment costs.

2.2 The Project/Programme

2.2.1 Description

The acquisition and redevelopment of Claire & James House site, Leatherhead.

The ‘Transform Leatherhead’ Masterplan process has clearly identified the town’s Riverside quarter as having significant growth potential and there is widespread public support for developing and enhancing what is currently an underutilised asset of the town. The scoping of potential key sites identified Claire and James House as being **the** optimum property to purchase and develop owing to; its strategic position; riverside frontage; its own car-park directly adjacent to a small Council owned car-park (see map below). The current buildings totalling circa 2,000 sq m were dated with low-levels of commercial office occupation and needed investment for future office use. Local agents confirmed the owners were looking to sell the site quickly to take advantage of Permitted Development rights which were, at that time, due to lapse in May 2016.



Aerial Views of Claire and James House (ringed in blue)



Supported by input and advice from the Masterplanners and their retained commercial property advisers, Colliers International, MVDC identified the site as having significant potential to help transform this key area of Leatherhead town centre through a mixed-use development potentially incorporating: restaurant/café use; business/office units, residential and possibly a hotel use on the upper floors. The decision was made to purchase the property as part of the land assembly process to support the wider Transform Leatherhead regeneration project. The purchase was fast-tracked through the political decision-making and scrutiny process allowing MVDC to secure the freehold of the property for £3.5m including acquisition costs.

2.2.2 Objectives

The draft final Masterplan has identified a number of themed quarters for the town linking to the core town centre. **The 'Riverside Quarter' has the potential to become the point of difference for a transformed Leatherhead.** The site adjacent to a Grade II listed public house and road-bridge has significant development potential as quoted within the Masterplan "The development of Claire and James House can act as a focus of change in this area". The objective of this project is that the site redevelopment acts as a catalyst to kick-start and underpin the regeneration of this sector of the town centre and add momentum to the wider Transform Leatherhead Masterplan objectives.

2.2.3 Outputs

The primary output in 2015/16 is the successful purchase of the Claire and James House site; this is virtually complete with MVDC acquiring the site for £3.5m inclusive of costs. However additional public funding of circa £10m and private/occupier funding of £3.7m is needed to maximise the economic benefits of this key riverside site.

The key outputs of the project are expected to be:

1. Demolition of two 1970's office buildings whose design, construction and layout is not suitable for modern use requirements and is out of keeping with the historic riverside location. The demolition process will create a contract that will be locally procured via the Surrey procurement website.
2. The construction of a new mixed-use development, providing circa 3,700-3,900m² of quality space including: A3 café/restaurant units; B1 commercial space, C1 hotel, C3 residential plus re-provisioning of car-park and improvements to the riverside public realm. The building design and specification will be commensurate with the aspirations of the Transform Leatherhead project in terms of design, quality, specification and environmental credentials. The design and build contracts will be promoted locally via the Surrey public procurement website.
3. The creation of at least two circa 250-300m² riverside A3 restaurant/café units: ideally one riverside café servicing the riverside leisure area and one rooftop 'signature' restaurant creating a local 'destination' for Leatherhead chain. It is estimated that these operations could support circa 40-45FTE jobs and the respective supply-chains (raw-materials, linen, supplies) supporting the two restaurant operations.
4. The re-provisioning of new B1 commercial office/business managed workspace or incubation space, at circa 500-600m². It is estimated this space could support up to 50-60FTE jobs and the resultant supply-chain supporting the occupying businesses.
5. The creation of a new C1 business/leisure hotel space on circa 2400m² across multiple floors. We estimate that depending on the operator trading format this would produce circa 70-80 bedrooms, supporting an estimated 20-25 FTE jobs, plus the respective supply-chain.
6. The creation of C3 residential units; depending on the final building configuration we have included the creation of 4 residential units, totalling circa 300m². However there has been some interest expressed in the 'aparthotel' format of providing serviced apartments for the short-term rental market, this could be part-of or complement the hotel offer.

7. The re-provision of circa 30-40 quality undercroft and ground level parking spaces to support the site development and adjacent riverside leisure area.

8. Investment in the public realm riverside area adjacent to Claire & James House: this would be in the form of landscaping, flood protection measures, lighting, pathways, street furniture and facilities to help underpin the Riverside Quarter concept. This element will be procured locally via the Surrey procurement website.

Key Project Outputs Summary:	Key Output: space	Key Output: jobs
1. Demolition of C&J House	Nil	Short-tem contract
2. Construction of new mixed-use development	3,700-3,900m2 total	Short-tem contract
3. New Riverside and Roof-top A3 units	250-300m2 x 2	40-45 FTE
4. New commercial B1 office space	500-600m2	50-60 FTE
5. New C1 hotel	2400m2	20-25 FTE
6. New C3 residential	4 units/300m2	n/a
7. Re-provisioned car-parking	30-40 spaces	n/a
8. Riverside public realm	Improved public realm	Short-term contract

All above subject to final design viability, planning permission and gap funding.
FTE estimates based on Homes & Communities Agency employment density guide 3rd edition November 2015

Working with our masterplanners Broadway Malyan and Nexus Planning the following initial designs for a mixed-use scheme have been worked-up:



The above graphic shows the view of a mixed-use building with ground floor café/restaurant. The design is purely indicative and is likely to develop considerably as the project progresses.



The above graphic shows the relative location of an indicative mixed-use building in relation to the riverside, car-park and bridge. Again the design is purely indicative and is likely to develop considerably as the project progresses.

2.2.4 Key Strategic Benefits

The Claire and James House project is intended to deliver the following high-level quantitative and qualitative benefits.

Key Strategic Benefits:	Quantitative:	Qualitative:
Removal of redundant poor-quality 1970's office space	Demolition of circa 2,000m2 of low-grade office space	Demolition of an ugly, poorly designed and redundant building in prime riverside location
New development on riverside site	Creation of a new 3,700-3,900m2 high quality building and enhanced public realm	Improvement to key riverside location identified in Transform Leatherhead Masterplan
Provision of new jobs	Based on current format an estimated 110-130 FTE jobs created on the site	Combination of unskilled, semi-skilled and high-skilled jobs on site
Provision of new commercial floorspace	Based on current format the creation of circa 3,700-3,900m2 mixed-use	High-quality new commercial floorspace across multiple uses

	commercial space	including: A3, B1, C1 and C3.
Re-provision of car-parking spaces	Re-provision of 30-40 parking spaces	High-quality parking spaces to support the development and area
Improvements to Riverside public realm	An estimated £1.0m investment in Riverside Public Realm and flood protection	Improvements to the Riverside Quarter public areas

2.2.5 Key Stakeholders and their roles and responsibilities

We have identified the key stakeholders, identified their role(s) and what degree of input/influence they have on the project.

Key Stakeholders:	Role:	Key input on project:
Mole Valley District Council Transform Leatherhead Team	Project Sponsors and Delivery Team	Leading the whole Transform Leatherhead Masterplan and Regeneration project
Mole Valley District Council (and local Surrey County Council) Elected Politicians	Democratic leadership of the local authority	MVDC Executive and Administration are actively supporting the project
Mole Valley District Council Development Management	Planning policy and Planning decision making	The DM team are part of the TL team and are regularly consulted
Mole Valley District Council Licencing & EHO functions	Processes and considers applications for licenced and food premises	The TL team regularly appraise other key MV departments on the TL Masterplan project
Transform Leatherhead Member (Elected) and Community Reference Groups (Business, Resident & other representatives)	Reference Groups for the Transform Leatherhead Masterplan project	These reference groups have been specifically created to ensure local engagement and support for the TL Masterplan
Surrey County Council	Highways Authority	SCC are regular consultees on the wider TL project including Claire & James House
Environment Agency	Management and control of River and Riverside area	EA have been consulted on regarding environmental and flood related issues
Adjoining landowners/occupiers	Will have consultation input on the planning process and have had and will have the opportunity to input on TL Masterplan	The TL project has been widely publicised in press and media. There is a TL website.

2.2.6 Strategic Options for Delivery

The high-level options for delivering the desired outcomes are as follows:

High-Level Strategic Options:	Outcome	Impact
Progress conversion to residential via PDR within existing building	Up to 25 x 1 and 2 bedroom flats	Modest increase in MV homes provision. Poor quality building remains in key riverside site. Expected to be financially viable but with minimal impact.
Upgrade existing building for B1 office accommodation	Up to 2,900m2 of B1 space returns to market	Poor design and quality of current buildings will limit desirability and rental yields. High cost to meet current required office standards. Unlikely to be financially viable.
Demolish building and rebuild as mainly premium C3 riverside residential development with affordable homes (under existing MV requirements)	Circa 32 homes could be built but including 12 affordable homes requirement	Modest increase in MV homes provision. Limited on-going economic impact. Affordable housing requirement would impact on financial viability.
Demolish building and rebuild as mainly premium C3 riverside residential development with starter homes (under new Gov't scheme)	Circa 32 homes could be built but including 12 starter homes requirement	Modest increase in MV homes provision. Limited on-going economic impact. Starter housing requirement would impact on financial viability.
Demolish building and rebuild as 100% hotel and conference facility	Circa 100 bedroom hotel and conference centre could be built on the site	Good for town-centre vitality but hotel operator unlikely to be able to pay required price for site, therefore unlikely to be viable without LEP gap-funding.
Demolish building and rebuild a mixed-use development. (This proposal)	Up to circa 3,950m2 new mixed-use landmark development: A3, B1, C1 and C3 plus riverside public realm improvements	Maximum economic impact and vitality for town centre in jobs, floorspace and homes. Requires LEP gap-funding to make viable.

2.2.7 Risks of Strategic Options

We have identified the strategic risks for each option for delivery, both internally within MVDC, and externally:

High-Level Strategic Options:	Internal Risk	External Risk
Progress conversion to residential via PDR within existing building	MVDC forced to adopt this option to 'fire-sale' the site if forced to sell	Gov't withdraw PDR rights (unlikely bearing in mind current DCLG steer)
Upgrade existing building for B1 office accommodation	MVDC forced to adopt this option either through lack of funding or withdrawal of PDR rights	Lack of demand for office space within older buildings, cost of making compliant to latest office specification requirements

Demolish building and rebuild as mainly premium C3 riverside residential development	Unlikely as converting existing building to residential via PDR is the most cost effective way in converting site to residential	Gov't withdraw PDR rights (unlikely bearing in mind current DCLG steer)
Demolish building and rebuild as 100% hotel and conference facility	Low as this option is unlikely to become viable	Low as unlikely that a hotel operator would
Demolish building and rebuild a mixed-use development. (This proposal)	MVDC administration loses confidence in site or TL project, forces 'fire-sale' of site	Project fails to secure external gap funding, MVDC forced to revert to PDR existing building to residential

2.2.8 Constraints

We have identified these high-level internal and external constraints.

High-Level Constraints:	Internal:	External:
Funding	MVDC budgets become constrained therefore impacting ability to maximise economic impact of the site	MVDC fail to secure Growth Deal funding to allow maximisation of mixed-use opportunity
Site	MVDC planning constraints on what can be achieved on the site	SCC or EA constraints on highway and/or riverside area in terms of flood risk
Demand	n/a	Demand for proposed use format lower than anticipated
Public Opinion	Elected Members lose confidence in maximising the site potential e.g. height/mass	High degree of negative public opinion to optimum site development e.g. height/mass

2.2.9 Initial Affordability Assessment

Set out

- o *the range of estimated costs of the project or programme over the lifetime of the project*
- o *Sources of funding*

Key cost estimates item:	Estimated Cost:	Source of funding:	Indicative Split:
Site Acquisition	£3.25m	LEP Local Growth Fund	100%
Site Acquisition costs	£0.25m	MVDC	100%
Site Development Permissions	£0.10m	MVDC	100%
Site Demolition	£0.10m	MVDC	100%
New Building Construction	£6.25m	MVDC	100%
Lower floor A3 fit-out	£0.25m	MVDC/A3 Operator	15%/85%
Upper floor A3 fit-out	£0.35m	MVDC/A3 Operator	15%/85%
Business Units B1 fit-out	£0.75m	MVDC/ Office Operator	15%/85%
Hotel C1 fit-out	£2.50m	MVDC/ Hotel Operator	15%/85%
Residential C3 fit-out	£0.50m	MVDC/Occupier	15%/85%
Riverside Public Realm	£1.00m	MVDC	100%
Professional Fees	£0.68m	MVDC	100%
Contingency	£0.34m	MVDC	100%
S106/CIL/S278 costs	£0.15m	MVDC	100%
Marketing Costs	£0.15m	MVDC	100%
Finance Costs	£0.40m	MVDC	100%
Total Project Costs	£17.02m	100%	
Total MVDC costs	£10.07m	59%	
Total LGF costs	£3.25m	19%	
Total External operator costs	£3.70m	22%	

2.2.10 Long term sustainability

How will the project be sustained financially after the investment of Local Growth Funding is completed.

The £3.25m Local Growth Funding in 15/16 will allow MVDC to access additional public funding of circa £10.07m and private funding of £3.7m to progress the project to completion. The proposed development of a mixed-use format has been designed to maximise the economic benefit for the Riverside Quarter and wider Transform Leatherhead Masterplan area. In terms of financial

sustainability we state the following:

Key Project Outputs Summary:	Financial Sustainability:
New Riverside and Roof-top A3 units	Consultation feedback indicates demand for a riverside café type operation and a 'signature' destination type restaurant for Leatherhead town centre
New commercial B1 office space	Mole Valley has lost a significant amount of B1 office space through PDR, businesses have feedback the need for flexible quality office space. Final format to be confirmed
New C1 hotel	A recent Hotel demand study by Hotel Solutions Ltd identified Mole Valley was severely 'underbedded' with an estimated 100+ shortfall in bed-space in Leatherhead. This has been confirmed by a number of operators expressing interest in Leatherhead
New C3 residential	The demand for residential units in Mole Valley is virtually insatiable. However we intend to investigate the viability of 'aparthotel' space as well as residential space for this element
Re-provisioned car-parking	MVDC parking data indicates strong demand for parking across Leatherhead, with an enhanced Riverside offer this is expected to increase
Riverside public realm	Investment in Riverside Quarter public realm will be managed and maintained by MVDC and SCC for highways and main pathways

3. Economic Case and Option Appraisal

Options analysis should be comprehensive but proportionate to the level of intervention being considered – for example, where the value and/or policy implications are significant, a high level of detail would be required. Much less detail would be needed for smaller projects.

Long-listed Options

Set out the long list of all possible options and show how you have sifted them.

An example of the sort of table you can use to sift long-listed options is below. Any evidence used to assess long listed options can be referenced and appended as an annex.

Option: Development of the existing building for housing including affordable housing			
strategic fit	achievability	acceptability	affordability
Meets around 50% of needs	Delivers some requirements to target	Acceptable/unacceptability balanced	In excess of budget

Option: Development of the existing building for a hotel/conference centre			
strategic fit	achievability	acceptability	affordability
Meets most key needs	Delivers most key requirements to target	Acceptable to most stakeholders	Far in excess of budget
Option: Redevelopment of the site for a café and residential not including affordable housing			
strategic fit	achievability	acceptability	affordability
Meets around 50% of needs	Delivers some requirements to target	Acceptable/unacceptability balanced	In excess of budget
Option: Redevelopment of the site for a café and residential including affordable housing			
strategic fit	achievability	acceptability	affordability
Meets around 50% of needs	Delivers some requirements to target	Acceptable/unacceptability balanced	Far in excess of budget
Option: Redevelopment of the site for a café and residential including starter homes			
strategic fit	achievability	acceptability	affordability
Meets around 50% of needs	Delivers some requirements to target	Acceptable/unacceptability balanced	In excess of budget
Option: A mixed use redevelopment including a café, office hub, hotel and roof top restaurant			
strategic fit	achievability	acceptability	affordability
Meets all key needs	Delivers key requirements to target	Acceptable to most stakeholders	Delivers key and any secondary requirements to budget (inc LGF)

3.1 Short listed options

Set out which options you have shortlisted, and why.

We have shortlisted the mixed-use option as it meets all the requirements of the Transform Leatherhead Masterplan in terms of: improvements to a key site; creation of the Riverside Quarter; provision of A3 uses; provision of B1 flexible office space; provision of C1 hotel space; provision of C3 residential (or aparthotel) space; re-provisioning car-parking and improvements to public realm.

We have stated this project option long-term financial sustainability rationale in Section 2.2.10

We have also reviewed the remaining options listed within 2.2.6 and have concluded that the mixed-use format allows a degree of flexibility within the final configuration to reflect the optimum space allocation to maximise economic impact, yet maintain the viability of the project.

3.2 Cost benefit analysis

3.2.1 Affordability

Set out any initial Local Growth Funding allocated by Coast to Capital and sources of other funding.

For each short-listed option, set out the estimated cost. Where an initiative also results in off-setting savings to public budgets, these should be set out.

The estimate of cost is set out in 2.2.9 above.

There is no offsetting of savings to public budgets created by the scheme. Any income created will finance borrowing for the construction phase.

All the assumptions behind costings should be clearly set out, along with any uncertainties, cost ranges, and outputs, outcomes and impact achieved.

The assumed costings are based upon the advice of Colliers International who were instructed on the initial purchase and carried a viability review of options for the site as part of the masterplanning process.

It is assumed that:

- the level of accommodation set out above will be deliverable
- the market advice received that there will be demand for these uses remains the same
- the scheme remains affordable in terms of the relationship between cost and returns
- there is continued political and local support for a redevelopment of the site

The range of costs and returns, at this stage, depends upon the uses and density adopted for the purposes of carrying out the appraisals. As referred to above, the maximum returns from redeveloping this site are likely to be from redeveloping the site for predominately residential use, be this through using the existing frame or through a new build. This will not, however, yield the maximum economic benefit for this location or underpin the long term viability of commercial uses at ground floor level that would add vibrancy to the river frontage.

3.2.2 Risk

For each short-listed option assess and set out the key risks, their impact and likelihood, and mitigations. Consider the cost of each risk, wherever possible – that is, the costs incurred in dealing with a risk if it materialises or putting in countermeasures to ensure that the risk does not occur. These mitigation costs should appear in the cost/benefit analysis of each option.

Risk	Mitigation
Creating a new commercial destination by the river	<ol style="list-style-type: none"> 1. Making realistic assumptions on the financial appraisals for ground floor commercial elements. 2. Creating value and vibrancy on the upper floors to increase the chance of viability.
The number of occupiers for the ground floor units are restricted due to the flood risk	<ol style="list-style-type: none"> 1. Raising the units on a plinth to reduce flood risk and improve letting potential. 2. Make the ambiance in the immediate area a feature so that occupiers will consider the positive potential rather than focus on the risks.
There will not be sufficient funds available to create the public realm appropriate for the new destination	<ol style="list-style-type: none"> 1. Consider an incremental approach to the implementation of public realm. 2. MVDC to finance the public realm as part of an overall public sector funding support package.
There will be significant planning objections to the proposals that lead to them being scaled back, design being compromised or the requirement for additional land or property to be acquired to make the scheme acceptable.	<ol style="list-style-type: none"> 1. Consider a private sector partner for delivery in order to optimise the use of private sector planning and design expertise. 2. Emphasise the local benefits of creating a transformational development by the riverside compared to an affordable conversion of the existing buildings that will create less of a conducive atmosphere and not increase wider

	<p>public use of this area.</p> <p>3. Negotiate a flexible approach to the affordable housing element as part of a residential led scheme and accept there will be limited transformational benefits on the grounds of cost.</p>
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3.3 Key Findings

- an analysis of unquantifiable costs*

The unquantifiable costs are associated with the risks identified and will be investigated in the detailed development option stage. This could lead to alterations in the approach or design depending upon the impact upon costs and the impact they have on issues such as appearance and planning considerations.

Some of the unquantifiable costs that have been identified so far are:

- Requirements of the Environment Agency in relation to the protection of the riverbank, flood mitigation measures and development restrictions
- The extent of groundworks required
- Any service upgrade costs
- Any additional design features
- Claims by adjoining owners

- affordability*

The affordability depends upon the scheme developed and although the scheme put forward is, based upon the research and responses in connection with the masterplan production, believed to be the optimum proposal. We have provisionally estimated the potential revenue return on this option and find it to be acceptable in principle to secure the £10.07m capital investment required from MVDC as match funding/leverage.

3.4 Recommendations and preferred option

It is recommended that in order to create a viable scheme in this important location that the Coast to Capital LEP contributes to viability through providing the costs of purchasing this asset in order that MVDC can seek a partner to assist in the delivery the best option to provide the most benefit for the Transform Leatherhead programme overall. It is submitted that this will be a mixed use scheme that will create a job creation hub while at the same time improving this area of Leatherhead so that it is a destination that many can enjoy visiting

4. Delivery

4.1 Project management arrangements

Outline the options for sourcing the delivery of the project or programme - e.g. by working through local authorities, voluntary organisations, the private sector - with a clear rationale for selecting the preferred sourcing option.

The Claire and James project management will primarily be the responsibility of MVDC, via the now established Transform Leatherhead project team:

Transform Leatherhead Team	Role in Project
Nick Gray MVDC Deputy Chief Exec Section 151 Officer (Treasurer)	TL Project Sponsor (Senior Officer)
Cllr Howard Jones MVDC Executive Member	TL Project Sponsor (Elected Member)
Paul Brooks MVDC TL Project Manager	TL Project Manager
Jack Straw MVDC Planning Policy Manager	TL Planning Policy Link Officer
Paul Feehily MVDC Head of Planning	TL Development Management Link Officer
Colin Mills MVDC Communications Consultant	TL Project Communications
Hannah Maynard MVDC Officer	TL Project Administration
Simon Matthews Matthews Associates (UK) Ltd	TL Economic Development Consultant
Broadway Malyan	Masterplanning Consultants
Nexus Planning	Masterplanning Consultants
Colliers International	Property Consultants
Mouchel	Transportation/Highways Consultants

Additional specialist project input such as designers, architects, quantity surveyors etc. will be procured as required. In addition to the overarching £500k Transform Leatherhead budget, the Claire and James House project budget includes a £680k estimate to cover these specific project fees. Project delivery contractors will be procured via standing Council procurement procedures.

4.2 Procurement Strategy

Outline the options for securing the delivery of the project or programme, for example

The project procurement strategy will be according to standing Council procurement procedures. Contracts for delivery of this project will be widely advertised via the Council’s procurement portal “I-tend” which feeds into multiple portals throughout UK and EU.

4.3 Implementation Timescales

The key milestones need to be set out here, for example covering the procurement strategy, tendering process, supplier selection, contract negotiation and tender evaluation.

The key implementation timescale for the Phase 1 acquisition is completion by end of March 2016. The later phases of design, planning, demolition, redevelopment and fit-out of the site will commence post March 2016 estimated commencement on site within the 2018/2019 financial year and occupation within 2019/2020.

Financial Year	2015/2016	2016/2017	2017/2018	2018/2019	2019/2020
Site Acquisition					
Temporary Letting					
Select Delivery Vehicle					
Design/Planning					
Demolition					
Construction					
Fit-out					
Occupation					

4.4 Contract Management Approach

How will you continue to manage delivery?

The delivery approach has not yet been decided therefore the continuing management of the asset does not yet have a defined approach to managing the ongoing contract.

In terms of delivering a new property as a project MVDC would adopt its project management guide whether it procured through direct provision or through a partnership approach with a contractor or developer.

For either approach to managing the delivery either a partner or MVDC will need to engage specialists in certain areas to support delivery including design, ground conditions, planning, environmental considerations, project management, construction, legal, letting/sales and cost management.

5. Financial Case - the cost to the public purse, and budgeting

5.1 Budget Profile

Please refer to the attached Total Project Expenditure spreadsheet.

Funding of Project costs

	yr 1	yr 2	yr 3	yr 4	yr 5	yr 6	yr 7	yr 8	yr 9	yr 10
Capital Resource	_____									
Total £'M	_____									
Funding obtained	_____									

5.2 Budget Arrangements

Brief analysis of budget arrangements:

MVDC have already committed to the acquisition of Clare & James House allocating £3.5m of capital and revenue investment. The ongoing project costs have been identified and costed. These costs have been reviewed against predicted revenue streams from the development: rental income from A3 restaurants, rental income from B1 office space, rental income from hotel operator, rental or capital yield from residential units and income from the publicly available car park spaces. It is anticipated that the estimated combined revenue yield will be sufficient for MVDC to deploy their £10.07m of capital investment in the project. MVDC's S151 officer will manage this process.

6. Management Case

6.1 Project Dependencies

Outline the key interdependencies (building on information provided earlier), showing how these will be handled.

- MVDC planning and heritage officers
- Environment Agency
- SCC Highways
- MVDC Internal Budget Approval
- Commercial Viability
- To be confirmed with LEP and accountable body.

6.2 Project/Programme Governance, Organisation Structure and Roles

Briefly set out governance arrangements, setting out key roles, including responsibilities and lines of accountability.

To be confirmed with LEP and accountable body.

6.3 Communications and Stakeholder Management

Summarise the communications and stakeholder management plan, including plans to consult. The full document could be included as an annex.

Consultation on the draft masterplan ideas ran throughout December 2015 and January 2016, a series of events and workshops took place resulting in an estimated 1300 face-to-face engagements.

A dedicated microsite www.transformleatherhead.com was designed to showcase the principal development ideas and give visitors to the site an opportunity to vote for or against the ideas. The site was visited 3716 times during the six week consultation and 2660 votes were received. 92.3% of voters were in favour of a new riverside park, including the principle of developing Claire & James House into a mix used development. There was also strong support for the other main development ideas; to redevelop the Swan Centre and develop the Bull Hill site.

Residents were also invited – via a mixture of communication channels- to attend a series of exhibitions of the ideas at the Leatherhead Theatre. We estimate over a thousand residents visited the exhibitions hosted by the MVDC/ Nexus project team. During the consultation workshops were held jointly with the Community reference Group and Members Reference Group, and with representatives from the student body at the two high schools in the catchment area- Therfield and St. Johns School Leatherhead.

Care was taken to make sure the consultation was fully inclusive; focus groups were held with harder to reach groups; the exhibition was taken to the Leatherhead Youth Project in North leatherhead; representatives from the major businesses were invited to a business breakfast; and the team presented at a breakfast hosted by the Leatherhead Chamber of Commerce and Federation of Small Business.

6.4 Project/Programme Reporting

Describe the regular reporting arrangements planned within the implementation team and upwards through the organisation and governance structure. Show how lines of accountability are maintained, and decision makers kept informed. Also describe arrangements for reporting and handling exceptions. Arrangements should include mechanisms, as appropriate, for reporting progress on project/programme delivery, financial management and benefits realisation.

To be confirmed with LEP and accountable body.

6.5 Key Issues for Implementation

Summarise key issues affecting delivery and implementation. Describe the impact of such issues and the approach for dealing with them including timing.

To be confirmed with LEP and accountable body.

6.6 Risk Management Strategy

Summarise arrangements for risk management. Summarise the major risks.

Risk management has been covered elsewhere within this document.

6.7 Project/Programme Evaluation

Set out the strategy for how you intend to monitor the programme or project's costs, outputs and outcomes.

To be confirmed with LEP and accountable body.