

<b>REPORT TO CABINET</b>
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**REPORT OF:** Neil Cucksey, Property Development Manager.

**REPORT NO: PD015**

**DATE:** 03 February 2014

<b>TITLE:</b>	Redevelopment of St Peter's Hill Grantham	
<b>KEY DECISION OR POLICY FRAMEWORK PROPOSAL:</b>	Key Decision	
<b>PORTFOLIO HOLDER: NAME AND DESIGNATION:</b>	Councillor Frances Cartwright Grow the Economy and Economic Development	
<b>CONTACT OFFICER:</b>	Neil Cucksey n.cucksey@southkesteven.gov.uk 01476 406224	
<b>INITIAL IMPACT ASSESSMENT:</b>	Carried out and Referred to in paragraph (7) below Not applicable	Full impact assessment Required:
<b>Equality and Diversity</b>		
<b>FREEDOM OF INFORMATION ACT:</b>	This report is publicly available via the Your Council and Democracy link on the Council's website: <a href="http://www.southkesteven.gov.uk">www.southkesteven.gov.uk</a>	
<b>BACKGROUND PAPERS</b>	Non key report ref PD014 Proposals for Initial Works for Cinema development at St. Catherine's Road, Grantham. (link)	

## 1. RECOMMENDATIONS

- 1.1 That Cabinet approves in principal the redevelopment of land and premises off St Catherine's Road and St Peter's Hill, Grantham as set out in the report subject to securing suitable detailed Planning Permission, terms of agreement with interested parties and funding.

**1.2 Cabinet recommends to Council the allocation of up to £6.1m in the capital programme over a 3 year period for delivery of the scheme of redevelopment. The composition of the scheme will be dependent upon the validity of the detailed business case and contract build cost for the scheme, which will be subject to a Key decision by Cabinet.**

**1.3 Delegate authority to the Strategic Director- Corporate Focus in consultation with Portfolio holder for Grow the Economy and Economic Development and Strategic Resources - Well Run Council to incur expenditure on professional fees, application fees, etc to conclude the detailed business case up to a maximum of £75k and negotiate and enter into the following transactions and agreements at the appropriate time and where necessary subject to the grant of planning permission for development and the necessary budget provision being agreed by Council:\***

- **Heads of Terms with KRNS Properties Limited (KRNS) for Reel Cinema Limited.**
- **Apply for detailed Planning Permissions as necessary for delivery of the scheme.**
- **Agree procurement route for construction works**
- **Release of 3R's (now Reel Cinema Limited) existing ground lease. \***
- **Release of existing premises and Lease on new premises for Grantham Senior Citizens Club. \***
- **Development Agreement/Agreement for lease with (KRNS) for Reel Cinema. \***
- **Extinguish existing Car Parking orders (St Catherine's Road) and confirm rights.**
- **Contract for construction works \***
- **Lease of cinema building to KRNS.\***
- **Warrantees/ guarantees etc to ensure performance of the construction works. \***
- **Agreement for lettings on completed commercial units. \***

## **2. PURPOSE OF THE REPORT**

**2.1** The purpose of this report is to inform Members of a prospective development at St. Catherine's Road, Grantham and obtain approval for initial works and negotiations with interested parties to develop a scheme. The Council has been approached by the incumbent cinema provider (Reel Cinema Limited) at St. Catherine's Road, Grantham to enhance and develop the existing offer by adding 4 screens to the existing 2 screen cinema and refurbish the two existing screens and foyer to the same standard as the new building. Having considered the approach and land area required to deliver the scheme, the Council are

considering the wider opportunities for the creation of a leisure and cultural quarter for Grantham to further enhance the economic vitality of the town centre and to relocate the existing Grantham Senior Citizens Club (GSCC) within that site.

- 2.2 In order to fully consider the implications of such a scheme it is necessary to commission certain professional works in advance of further commitment to the development. A Non Key decision ref PD 014 has been taken to enable the design solution to be developed. The scope of the architects appointment will be to carry out services of Lead Consultant and Architect as Designers, as outlined in RIBA Standard Conditions of appointment for an Architect 2010 (2012 revision), Stages A-D inclusive.
- 2.3 This report sets out the component parts of the development envisaged together with the estimated cost for consideration of being allocated in the Capital Programme for the period 2014/15 – 2018/19.

### 3. DETAILS OF REPORT

- 3.1 Proposed Development. - Subject to Planning.

The proposed site- See Appendix 1 for site plan.

#### Site Area and ownership

Location	area	ownership
Ext Reel Cinema	0.31 acres	SKDC, Ground lease in place to Reel until 2018. (Partial surrender to be negotiated to facilitate relocation of Grantham Senior Citizens club).
Car Park	0.51 acres	SKDC, parking orders can be removed. Multi storey car park has sufficient capacity to accept displacement of 57 spaces.
Senior Citizens Club	0.19 acres	SKDC. On licence to GSCC.

**Total 1.01 acres**

### 3.2 Cinema

- 3.2.1 Reel Cinemas via their property company, KRNS, will surrender part of their existing ground lease to facilitate a new club house to be built for Grantham Senior Citizen's club (GSCC) to the rear of the existing cinema building. The existing club building has been in existence for approximately 40 years and is generally dilapidated and beyond its economic life. The relocation of GSCC into fit for purpose accommodation allows the club to continue and thrive whilst

enabling the cinema to be extended with 4 new screens to make a 6 screen multiplex cinema offer for Grantham.

- 3.2.2 KRNS will complete the internal fit out of the cinema inclusive of technical installations and furnishings' and full refurbishment of the existing screens and construct a new facade enclosing the existing building entirely at their cost.
- 3.2.3 The new cinema building would be owned by the council. KRNS will take a long lease on an unbroken term and pay rent to provide a return on the capital investment to be agreed in the Heads of Terms.
- 3.2.4 The new cinema building and GSCC club house are estimated to cost £2,290,000 with fees for professional services, application fees, site investigations and reports etc estimated at £240k.

### 3.3 A3 use class Units (Restaurants)

- 3.3.1 As part of the cinema complex there is an opportunity to provide up to 9200 sq ft of ground floor restaurant space to enhance the overall offer.
- 3.3.2 These A3 units will generate an opportunity along with the cinema to revitalise the night-time and weekend economy within the town centre of Grantham and create a new focal point for the town to act as an attractor and potentially increase dwell time of visitors to the town with improved public realm to aid connectivity to the town centre.
- 3.3.3 The cost of constructing the A3 units at the same time as the cinema extension is estimated to be £1,073,000m

### 3.4 Office space over A3 units

- 3.4.1 The height of the acoustic box enclosing the new Cinema screens provides an opportunity to use the massing of the building to create 21,000 sq ft of office accommodation on first and second floor levels over the A3 units.
- 3.4.2 This space could potentially be used as Business Innovation space (BIC) to provide an offer in the town centre to support business start up and development.
- 3.4.3 A detailed business case designed to test the feasibility of developing, on a commercial basis, a Business and Innovation Centre, with associated 'workhub' and related office space within the proposed development is being undertaken.
- 3.4.4 The estimated cost of constructing the BIC over the A3 units at the same time as the cinema is £2,500,000.

## 5. OTHER OPTIONS CONSIDERED

5.1 Comparison of alternative economic related investment options, supported by general capital funding, based on spending the equivalent of £6 million on each option.

5.2 Business Innovation Centre.

To create a standalone BIC as envisage for station approach on a privately owned site of approximately 24,000 sq ft, built to high environmental standards to attract external funding would cost in the region of £6m being £5.4m to build and circa £0.6m to acquire land.

Quantitative outputs (over 3 years): source, Station Approach ERDF business case.

- 93 new start up businesses
- 19 growing businesses
- 9 Spin out businesses
- 31 inward investors
- 170 New jobs created
- 56 Safeguarded jobs
- 24,000 sq ft floor space
- 1 acre of brown field land redeveloped
- 3,000 users of the centre
- 12 innovation events

5.3 Provide serviced employment land

To purchase and service land with the necessary infrastructure to support business development and growth, 25 acres of serviced land could be delivered (subject to availability).

Assume 50% built footprint- 12.5 acres or 5.05 ha= 50,586 sq m built (NIA)

10% office = 5058 m sq	= 420 jobs
Industrial = 45,528 m sq	= 1264 jobs

**Total jobs = 1684**

Having recently completed the purchase of 5.5 acre of land for such a purpose, following an extensive site finding exercise, officers believe the purchase of an additional 25 acres of employment land within the Grantham area is not considered achievable at this point in time.

#### 5.4 Proposed development

It is believed the proposed development could generate the following new jobs;

Cinema	12-20 jobs, some part time
Restaurant	50 jobs
B.I.C/ Office	162 jobs

**Total jobs = 224**

In addition every £1 spent on construction output generates a total of £2.84<sup>1</sup> in total economic activity creating opportunities for employment and for the local supply chain.

#### 6.0 Conclusion

- 6.1 In summary, the St Peter's Hill site presents an opportunity for a new leisure, entertainment and business quarter to be created in the town centre using land already in the ownership of the District Council. These proposals on a prime Town Centre site are considered appropriate use through pre application advice received from SKDC's planning department. The delivery is de-risked by being on a site owned entirely by the Council.
- 6.2 Whilst on completion of both cinema and A3 units a commercially acceptable investment would be created for the council, it is considered that this would not be something that the private sector would be prepared to deliver as the overall returns would not be what is expected from a modern commercial development. However there is likely to be significant social and economic benefits to be achieved by the delivery of the Project.
- 6.3 Therefore because the initial financial return is anticipated to be below commercially acceptable values it is proposed that this scheme would be best delivered by the District Council, as land owner, by procuring the project with a building contractor as opposed to a commercial development partner, having secured an anchor end user in the cinema operator.

#### 7. RESOURCE IMPLICATIONS

The project will need to be resourced with appropriate professional skills the quantum of which has been priced into the costs.

#### 8. RISK AND MITIGATION

A detailed business case and risk assessment is required for the scheme on each of its component parts.

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<sup>1</sup> Source LEK Consulting 2010 Construction in the economy

**9. ISSUES ARISING FROM EQUALITY IMPACT ASSESSMENT**

None arising from this report

**10. CRIME AND DISORDER IMPLICATIONS**

None arising from this report

**11. COMMENTS OF FINANCIAL SERVICES**

The proposed capital programme for the period 2014/15 – 2018/19 includes an allocation of £6.1M under the heading of ‘Grow the Economy’ priority heading. If approved, then the allocation could be utilised to fund the redevelopment project as detailed in the report. The financing of the allocation will be met from the useable capital receipts reserve and specific set-a-side reserves.

**12. COMMENTS OF LEGAL AND DEMOCRATIC SERVICES**

The District Council own the freehold of the site proposed for the scheme of development. Any development will be carried out on behalf of the District Council and the property developed will be leased to the end users at a commercial rate in accordance with s.123 of the Local Government Act.1972 and the General Disposal Consent 2003.

Any works will be procured in accordance with the Council’s Contract and Procurement Procedure Rules.

**13. COMMENTS OF OTHER RELEVANT SERVICES**

None received.

**14. APPENDICES:**

Appendix A -Site Plan