

Cabinet



Forest Heath
District Council

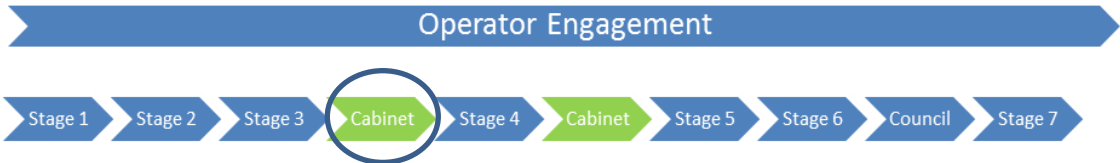
Title of Report:	Leisure Opportunities in Newmarket	
Report No:	CAB/FH/17/031	
Report to and date:	Cabinet	20 June 2017
Portfolio holder:	Councillor Lance Stanbury Portfolio Holder for Planning and Growth Tel: 01284757252 Email: lance.stanbury@forest-heath.gov.uk	
Lead officer:	Jill Korwin Director Tel: 01284 757252 Email: jill.korwin@westsuffolk.gov.uk	
Purpose of report:	<p>Following on from the recommendations of the Forest Heath Retail and Leisure Study, to inform Councillors of the findings of the feasibility study undertaken into the proposed leisure opportunities in Newmarket town centre and outline feasibility undertaken at potential sites;</p> <p>To request Cabinet to support the allocation of a budget facility of up to £50,000 to enable detailed feasibility to be undertaken to enable a preferred site to be selected.</p>	
Recommendation:	It is <u>RECOMMENDED</u> that: 1) Cabinet supports the assessment of a cinema and restaurant development in principle for Newmarket; and 2) Cabinet allocates a revenue budget facility of up to £50,000, funded from the 'Investing in our growth agenda' reserve, to enable detailed feasibility to be undertaken on preferred sites to improve cost confidence and enable the preferred site to be identified.	

Key Decision: (Check the appropriate box and delete all those that do not apply.)		<i>Is this a Key Decision and, if so, under which definition?</i> Yes, it is a Key Decision - <input type="checkbox"/> No, it is not a Key Decision - <input checked="" type="checkbox"/>	
<i>The decisions made as a result of this report will usually be published within 48 hours and cannot be actioned until five clear working days of the publication of the decision have elapsed. This item is included on the Decisions Plan.</i>			
Consultation:		<ul style="list-style-type: none"> Over a number of years there has been significant engagement with the public in regard to what they want to see in Newmarket. Retail studies commissioned by Forest Heath District Council in 2006, 2011 & 2016 have carried out household surveys and in each case the desire for a cinema has been consistent. In 2012/13 The Princes Foundation, through the Newmarket Vision, also noted the desire for and the benefits of introducing a cinema to Newmarket Town Centre (Appendix 1). 	
Alternative option(s):		<ul style="list-style-type: none"> Do not support progress feasibility studies leaving it to the market to bring forward a proposal; 	
Implications: A site is developed that does offer such benefit to the Council, or is sited out of town impacting on town centre trade.			
<i>Are there any financial implications? If yes, please give details</i>		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> Detailed within the body of this report 	
<i>Are there any staffing implications? If yes, please give details</i>		Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> <ul style="list-style-type: none"> Detailed within the body of this report 	
<i>Are there any ICT implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> No significant issues identified as a result of this report 	
<i>Are there any legal and/or policy implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> Subject to site selection, existing leases may be impacted 	
<i>Are there any equality implications? If yes, please give details</i>		Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> <ul style="list-style-type: none"> Equality Impact Assessment will be completed if the project proceeds beyond feasibility. 	
Risk/opportunity assessment:		<i>(potential hazards or opportunities affecting corporate, service or project objectives)</i>	
Risk area	Inherent level of risk (before controls)	Controls	Residual risk (after controls)
There are no current planning submissions however there is a risk that a developer may propose an out of town cinema – an out of town	High	Ensure that feasibility study is expedited to provide supporting evidence towards a decision on planning submission	Medium

development would move footfall out of the town centre.			
Opportunity: To provide a much needed leisure offering for families and communities in the heart of Newmarket, enhancing the leisure and retail offer and supporting the local economy.	High	Ensure that any development considers and complements the existing leisure offering in the town centre.	High
Town centre/rental income impact – potential loss or reduction of existing rental income	High	Identify alternate sites for any business affected. Discuss potential relocation with retailers; identify potential to maximise rental income through additional A1/A3 units.	Medium
If building impacts on existing car parking capacity, loss of car parking could impact on footfall to town. Parking in the town centre is already nearing capacity, net loss of car parking spaces will have an impact on the overall town centre parking provision.	High	Further assessment of parking capacity vs demand will be carried out during the summer to assess the impact to parking of the Home of Horseracing, Civil Parking Enforcement is also likely to increase demand on car parks.	Medium
Potential transitional costs associated with any necessary relocation.	Moderate	Continue to work with stakeholders to mitigate.	Moderate
Ward(s) affected:	All Saints; St Marys; Severals Ward/s		
Background papers: <i>(all background papers are to be published on the website and a link included)</i>	<p>Forest Heath Retail and Leisure Study http://www.westsuffolk.gov.uk/planning/Planning Policies/local plans/upload/Forest-Heath-Retail-Study-Final-Version-21-11-2016.pdf</p> <p>Establishing a Mechanism for Investing in our Growth Agenda http://svr-mgov-01:9070/documents/s19850/CAB.FH.17.018%20Establishing%20a%20Mechanism%20for%20Investing%20in%20our%20Growth%20Agenda.pdf</p>		

Documents attached:	Appendix One: Demand for Cinema in Newmarket (Exempt) Appendix Two: Summary of Cinema Next Consulting Newmarket Cinema Report (Exempt) Appendix Three: Cash Flow Statement (Exempt) Appendix Four: Site Comparisons(Current) (Exempt) Appendix Five: Site Plans (Current) (Exempt) Appendix Six: Site Plans (Future)
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1.0	Background
1.1	This report builds on Cabinet’s decisions taken in April 2017 (CAB/FH/17/018) to develop the mechanisms for investing in our growth agenda, one of the Council’s core priorities. That paper recognised that in order to promote economic growth, the Council needs to consider the investment role it can play to shape places while also ensuring the Council’s own financial self-sufficiency. Whilst the overarching strategy for that investment approach is still under development, the Council has an opportunity now to consider issues arising from the Forest Heath Retail and Leisure Study, produced in November 2016 to support the local plan.
1.2	That study identified, as one of its five key recommendations, the need in Newmarket to <i>“provide a new cinema in the town centre, within or on the edge of the Primary Shopping Area, supplemented by new high quality food and beverage uses”</i> .
1.3	The study found further that <i>“a new cinema alongside food and beverage uses would significantly improve the attraction, vitality and viability of the town’s daytime and evening economy. It would also help to widen the customer profile, attracting more family visits and a younger age profile.”</i> Such a development would <i>“significantly enhance the town’s evening time economy and encourage more visitors to the centre”</i> Further, bringing a cinema into a town increases footfall between 16:30 and 18:00 at a time town centres are typically winding down.
1.4	<p>The desire to establish a cinema in Newmarket has also been raised in various forums including Newmarket Town Council, community groups and by the local Member of Parliament. There is a strong local desire for a new cinema development; the “Newmarket wants a Cinema” Facebook page has in excess of 5,000 members and the Town Council has expressed its desire to identify a cinema location through its emerging Neighbourhood Plan.</p> <p>West Suffolk’s Strategic Plan cites “increased opportunities for economic growth” as one of its three priorities with key outcomes including</p> <ul style="list-style-type: none"> a. beneficial growth that enhances prosperity and quality of life b. existing businesses that are thriving and new businesses brought to the area c. vibrant, attractive and clean high streets, village centres and markets <p>The delivery of a cinema and associated restaurant offer will address each of those outcomes.</p>
1.5	So to build on this desire Forest Heath District Council commissioned a specialist cinema research company (Cinema Next Consulting (CNC)) to investigate the optimum size and facility mix of a cinema development together with an outline analysis of key sites in the town. The report focussed on Council owned land to maximise the viability of any scheme. The report has concluded that a cinema and restaurant

	development in the right location in the town would be successful and develop the desirability of the town centre. There has been increasing interest in cinema development by local authorities recognising the wider benefits that a cinema presence offers.
1.6	This report summarises the findings from the CNC report and includes a top level analysis of sites under consideration in exempt appendix two.
2.0	<p>Project approach</p> <p>As with any potential project of this scale, a clear staged approach is being undertaken with gateways in place for each decision. This report summarises the viability and outline site evaluations (i.e. Stage three) and, pending Cabinet approval, we will move to Stage four of the approach outlined below:</p> <ul style="list-style-type: none"> • Stage 1: High level review • Stage 2: Establish viability • <i>Stage 3: Outline Site Evaluation (this report)</i> • Stage 4: Detailed Site Evaluation • Stage 5: Site Selection • Stage 6: Planning application process and further detailed site evaluation • Stage 7: Planning Submission  <p>Throughout this process we will continue to engage with potential cinema operators to ensure market interest.</p>
3.0	Commercially viable facility size and mix
3.1	There have been a number of previous reports that identified a need for a cinema in Newmarket (appendix one). These reports recognised that more in-depth analysis was required to verify market demand and commercial viability. CNC has reviewed those studies and supplemented the previous analysis with its own research. CNC's more detailed findings are summarised in section 3.2 and are further outlined in exempt appendices two to five attached to this report.
3.2	Cinema Next Consulting summary findings
3.2.1	Within a 20-minute drive time of Newmarket there is a population of 116,390. A cinema generating admissions per year of 202,800 will be operating at a visitation rate of 1.74 within the 20-minute drive time and 3.99 visits per annum from the available 15-minute drive time population (2.6 UK average). This is an attainable target so long as the site developed provides ease of access, car parking, and a broad mix of cinema content and restaurant operators.
3.2.2	CNC have advised that creating a long-term sustainable leisure and hospitality destination is essential and that place-making is critical to the success of the venue.

	<p>Place-making is a multi-faceted approach to the planning, design and management of public spaces. Place-making capitalises on a local community's assets, inspiration, and potential, with the intention of creating public spaces that promote people's health, happiness, and wellbeing.</p> <p>CNC advise that when selecting a location for a new cinema developers must consider;</p> <ul style="list-style-type: none"> • Access routes, • Visibility • Cost • Opportunity for supporting food and beverage (F&B) • Car parking <p>The location of the cinema must be in an area where the economic drivers including retailers, market, hotels, local and tourist communities can best benefit.</p>
3.2.3	<p>Cinema developments should be supported by at least three branded full dining F&B establishments. The cinema would require the introduction of a range of mid-market restaurant offers, which are appealing to cinema goers (families and evening trade). CNC advise that the co-location of suitable F&B is critical to the success of a new development as it underpins the deliverability of any cinema-led scheme and competitive returns to a developer.</p>
4.0	<p>Car parking provision</p> <p>Car parking demand in Newmarket town centre is fast approaching current capacity limits. Recent developments, including the National Heritage Centre for Horseracing and Sporting Arts, have added to the demand and the impacts of these developments are currently being assessed. Planned initiatives, including Civil Parking Enforcement and any potential new leisure developments, will further increase demand.</p>
4.1	<p>A parking study has been commissioned to better understand the impact of increased parking demand in Newmarket; this report will assess the impact on car parking of growth in the town centre and will consider the potential impact of new developments. The report will make recommendations in relation to the additional spaces needed to accommodate various scenarios.</p> <p>The Newmarket parking study commenced in April 2017 and is expected to conclude by the end of July 2017.</p>
4.2	<p>CNC advise that an average 60% of customers visit cinemas by car, with an average of 2.5 people sharing the car journey, this correlates to the mix of couples or families who are the most frequent users of cinema.</p>
4.3	<p>The busiest periods are weekends and peak school holiday weeks when the bulk of major film releases are launched into market. The business can be split into weekend, non-peak week day and peak week day (including Bank Holidays), which complements and extends the retail day:</p>

	<p style="text-align: center;">Cinema Occupancy %</p> <p style="text-align: center;">Time</p> <p style="text-align: center;"> ■ Weekend Day ■ Non- Peak Week Day ■ Peak Week Day (15 weeks) </p> <table border="1"> <caption>Cinema Occupancy % Data</caption> <thead> <tr> <th>Time</th> <th>Weekend Day (%)</th> <th>Non- Peak Week Day (%)</th> <th>Peak Week Day (15 weeks) (%)</th> </tr> </thead> <tbody> <tr><td>1000</td><td>30</td><td>2</td><td>25</td></tr> <tr><td>1200</td><td>55</td><td>5</td><td>48</td></tr> <tr><td>1400</td><td>70</td><td>8</td><td>70</td></tr> <tr><td>1600</td><td>70</td><td>10</td><td>48</td></tr> <tr><td>1800</td><td>70</td><td>28</td><td>48</td></tr> <tr><td>2000</td><td>95</td><td>48</td><td>30</td></tr> <tr><td>2200</td><td>95</td><td>48</td><td>30</td></tr> <tr><td>2400</td><td>35</td><td>2</td><td>2</td></tr> <tr><td>200</td><td>15</td><td>2</td><td>2</td></tr> </tbody> </table>	Time	Weekend Day (%)	Non- Peak Week Day (%)	Peak Week Day (15 weeks) (%)	1000	30	2	25	1200	55	5	48	1400	70	8	70	1600	70	10	48	1800	70	28	48	2000	95	48	30	2200	95	48	30	2400	35	2	2	200	15	2	2
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	<p>CNC advise that in an appropriate location Newmarket could support a cinema with capacity for 600 seats. Based on cinema industry occupancy rates, (approximately 80% of admissions fall on weekends and school holiday weekdays) and considering the Newmarket catchment this could see an additional requirement of 70-130 spaces on these days for a cinema of the proposed size.</p>																																								
<p>5.0</p>	<p>Site Evaluation</p> <p>CNC assessed multiple town centre sites (exempt appendices 2 and 3) based on criteria essential to an operator. The site must;</p> <ul style="list-style-type: none"> • Be highly visible and have an easily accessible position. • Have suitable site dimensions and proportions. • Have excellent and sufficient reasonably priced parking • Be supported by at least three branded full dining F&B establishments. • Be supported by a centre that actively promotes its leisure credentials in the region. 																																								
<p>5.1</p>	<p>Site plans are included in exempt appendices 4 & 5.</p>																																								
<p>6.0</p>	<p>Financial Analysis</p>																																								
<p>6.1</p>	<p>The report has established that the revenue position of a cinema will be positive for an operator. Whilst there are a number of ways that a scheme could come forward, CNC have concluded that any scheme will require capital support to the operator from the local authority or developer. That support could be in the form of land provision.</p>																																								
<p>6.2</p>	<p>Accordingly an assessment has been undertaken assuming the Council takes the role of landlord, renting the cinema complex to a cinema operator and restaurants. In accordance with the principles of investing in our growth agenda referenced in section one above, modelling has been undertaken including borrowing costs and consideration of the Council’s Medium Term</p>																																								

	Financial Strategy (MTFS).
6.3	The fund seeks at least a minimum an overall rate of return of 6% per annum to ensure a cost neutral position (based on current 40 year borrowing costs and repayment). The modelling undertaken has been calculated on the direct benefits that the leisure development would deliver including rental yields, business rates and car parking income.
6.4	It does not at this stage include the wider economic benefits to the town of increased footfall through a more desirable town centre offer. Initial financial modelling indicates that a viable property scheme could be developed, but further detailed work is required to fully assess the financial implications to the council. (See exempt appendices 2).
7.0	Summary and recommendations
7.1	The modelling and forecasting shows that based on the catchment analysis research and the significance of the potential redevelopment taking place in Newmarket, a forecast admission potential of 124,900 – 202,800 admissions per annum for a four to six-screen town centre cinema is predicted, making a scheme financially viable from a revenue position for an operator.
7.2	The sites evaluated have both advantages and challenges but key sites are emerging that warrant further investigation. As stated, delivery of a Cinema scheme in Newmarket meets the Council’s strategic priority in regard to growth, specifically addressing the need identified in the retail and leisure study. The initial estimated costs show a return in line with the Council’s MTFS guidelines for such schemes. These costs needs further development but do show a viable scheme could be developed from a developer perspective.
7.3	As well as considering the optimum location for a cinema and leisure offer the project will look at opportunities to enhance the Guineas. The Council must protect its investment in this site and ensure that any scheme that comes forward ultimately benefits this development and the wider town centre offer.
7.4	To develop this opportunity further, shortlisted site schemes need to be fully appraised and costed. It is therefore recommended that Cabinet support the creation of a facility of up to £50,000 to enable detailed feasibility to be undertaken to enable a preferred site to be selected. This will include the cost of : <ul style="list-style-type: none"> • Architects and Quantity Surveyors to draw up elemental site plans which would look in more detail at potential schemes and provide a more accurate cost estimation. • Outline highways impact evaluation to facilitate conversations with the highways authority to effectively plan in advance of development. • Evaluation of specific car parking requirements for a site, over and above the generic car parking study that is being conducted • Outline scheme for development of any new building required to house any existing tenants that could be displaced through the development of the cinema and leisure scheme. This will be funded from the from the ‘Investing in our growth agenda’ reserve (CAB/FH/17/018)