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SUPPLEMENTARY PAPERS

Committee	ECONOMY & CULTURE SCRUTINY COMMITTEE
Date and Time of Meeting	THURSDAY, 8 MARCH 2018, 4.30 PM
Venue	COMMITTEE ROOM 4 - COUNTY HALL
Membership	Councillor Howells (Chair) Councillors Ebrahim, Gordon, Gavin Hill-John, Parkhill, Robson, Sattar and Stubbs

The following papers were marked 'to follow' on the agenda circulated previously

5 International Sports Village Update (Appendix A to follow) (Pages 1 - 14)

- (a) Councillor Russell Goodway, Cabinet Member – Investment and Development, will be invited to make a statement. Neil Hanratty, Director of Economic Development, will be invited to give a presentation. The panel will be available to answer Members' questions;
- (b) Questions by members of the Committee;
- (c) The way forward for this item will be considered at the end of the meeting.

Davina Fiore

Director Governance & Legal Services

Date: Friday, 2 March 2018

Contact: Andrea Redmond, 029 2087 2434, a.redmond@cardiff.gov.uk

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CYNGOR CAERDYDD

CARDIFF COUNCIL

ECONOMY & CULTURE SCRUTINY COMMITTEE

8 MARCH 2018

INTERNATIONAL SPORTS VILLAGE (ISV): UPDATE

Appendix A of this report is exempt from publication as it contains confidential information by virtue of paragraph 14 of Part 4 and paragraph 21 of part 5 of Schedule 12A to the Local Government Act 1972.

Purpose of Report

1. To enable Members of the Economy and Culture Scrutiny Committee to undertake pre-decision scrutiny of a report to Cabinet on the 15 March 2018 regarding the International Sports Village.

Background

2. In 2001, the administration's 'Ambitions for Cardiff' strategy document contained a commitment to "*progress the development of the £240m International Sports Village as the centre piece of Cardiff's plans to become a regional capital of sporting excellence*". The commitment to this project was reiterated in the Ambitions for Cardiff 2002-03 as "*progress the development of the International Sports Village as the centrepiece of Cardiff's plans to become a European Sports/Leisure destination*".
3. As part of the regeneration project, the Council acquired ownership of tranches of land on the ISV site, which remain in Council ownership. Since then, a mixture of public and private sector investment has resulted in the following developments:

- Cardiff International Swimming Pool
 - Cardiff International White Water Centre
 - Ice Arena Wales
 - Residential and Retail developments
 - Pont y Werin Bridge.
4. Cardiff Council's Capital Ambition five-year plan contains a commitment to *'Set a refreshed vision for Cardiff Bay as a leisure destination, by securing a new visitor attraction, with the possible creation of a permanent "beach style" facility and revitalising the strategy for the International Sports Village.'*
5. The current Forward Plan for Cardiff Council's Cabinet states that a report regarding the ISV is scheduled to be taken to Cabinet on 15 March 2018 and that *'The report will outline proposals for next steps and seek to delegate authority to progress the delivery plan.'*
6. The report to Cabinet will form **Appendix A** of this report and is marked *'to follow'*. The report to Cabinet contains four appendices, some of which are marked as confidential, for the reasons stated at the top of this report. Members are requested to keep this information confidential, in line with their responsibilities as set out in the Members Code of Conduct and the Cardiff Undertaking for Councillors. Members will be able to ask questions regarding these appendices during closed session.

Scope of Scrutiny

7. This item will enable Members to:
- a. Undertake pre-decision scrutiny of the report to Cabinet on the International Sports Village - *to follow*
 - b. Explore with witnesses key factors shaping future plans and any risks to the Council
 - c. Explore with witnesses the fit between these discussions and the wider Cardiff Bay regeneration plans
 - d. Gain an understanding of the next steps and timelines involved.

Way Forward

8. The Chair will move that this item be considered in closed session allowing Members and witnesses to discuss the information to be provided at the meeting, which is deemed commercially sensitive.
9. Councillor Russell Goodway (Cabinet Member: Investment and Development) has been invited and may wish to make a statement. Neil Hanratty (Director – Economic Development) will attend and will provide a short presentation. They will also be available to answer any questions that Members may have.

Legal Implications

10. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters, there are no direct legal implications. However, legal implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any legal implications arising from those recommendations. All decisions taken by or on behalf of the Council must (a) be within the legal powers of the Council; (b) comply with any procedural requirement imposed by law; (c) be within the powers of the body or person exercising powers on behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. Scrutiny Procedure Rules; (e) be fully and properly informed; (f) be properly motivated; (g) be taken having regard to the Council's fiduciary duty to its taxpayers; and (h) be reasonable and proper in all the circumstances.

Financial Implications

11. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters, there are no direct financial

implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any financial implications arising from those recommendations.

Recommendation

12. The Committee is recommended:
 - a) Note the contents of the report, presentation and discussions during the meeting;
 - b) Consider whether it wishes to make any comments to the Cabinet.

Davina Fiore

Director, Governance and Legal Services
2 March 2018

AGENDA ITEM:

PORTFOLIO: INVESTMENT & DEVELOPMENT

**SUBJECT: CARDIFF INTERNATIONAL SPORTS VILLAGE
LAND ACQUISITION**

DIRECTOR OF ECONOMIC DEVELOPMENT

Appendices 3 & 4 are not for publication as they contain exempt information of the description contained in paragraphs 14 of part 4 and paragraph 21 of part 5 of Schedule 12A of the Local Government Act 1972.

Reason for this Report

1. To seek authority for the Council to acquire the leasehold interests in the property at Cardiff International Sports Village currently occupied by Toys 'R' Us.

Background

2. *Capital Ambition*, the Administration's overarching policy document, contains a commitment to :

"Set a refreshed vision for Cardiff Bay as a leisure destination, by securing a new visitor attraction, with the possible creation of a permanent "beach style" facility and revitalising the strategy for the International Sports Village"

3. The Council's involvement in the regeneration of the peninsula at the International Sports Village commenced in 1999. It has proved to be a complex long-term project involving significant land reclamation works and remediation works and significant investment in infrastructure. During that period the Council has secured the delivery of the Cardiff International Pool, the Cardiff International White Water Rafting Centre and Ice Arena Wales. Prior to the 2012 County Council elections, the Council entered into a development agreement with Greenbank Partnership who are also the developers of the adjacent *Cardiff Pointe* Housing Scheme.
4. The Council retains a significant land holding on the peninsula as illustrated by the plan attached at Appendix 1. The Toys 'R' Us property (shaded blue on the plan) currently divides the two principal Council

owned development land holdings parcels, namely the Waterfront site and the Retail 3 site.

Issues

5. On 28 February 2018, Toys 'R' Us announced that their UK operations had been placed in administration which has given rise to an opportunity for the Council to acquire the leasehold interest in the site (the Council already owns the freehold interest) and thereby consolidate its land ownership. The leasehold interest comprises two parts: an interim lease owned by a private investor; and a sub-lease owned by Toys 'R' Us both of which were signed in 2006 and expire in 2256. The property occupies 4.32 acres and consists of a modern retail/warehouse building totalling 37,130 sq ft, a large service yard and circa 300 car parking spaces. Further details are provided in the property particulars attached at Appendix 2.
6. The interim lease contains a number of covenants that affect the development potential of the Council's adjoining Retail 3 site. In particular, the covenants constrain land use and limit access arrangements. This in turn constrains the potential value the Council can realise through the development or disposal of its Retail 3 site. The interim lease also has a ground rent obligation details of which are set out in the confidential paper attached at Appendix 3. The location of the property directly in between the Waterfront site and the Retail 3 site further constrains the broader development potential of the International Sports Village. This has resulted in the Council having to develop plans for the delivery of its Sports Village leisure destination on the Waterfront site rather than the Retail 3 site, when the Waterfront site, given its location, can potentially generate higher value uses and therefore enhanced capital receipts to support completion of a consolidated leisure destination.

Disposal Process

7. Toys 'R' Us appointed property agents Morgan Williams to dispose of their leasehold interest prior to going into administration. Interested parties were invited to submit bids by 23 February 2018. The Council submitted a conditional bid, subject to Cabinet approval. The Council has been informed that despite being the third highest bidder the Administrator has decided to take forward the bid from the Council.

Terms

8. The proposed terms for the acquisition of the property are set out in Confidential Appendix 3. An independent valuation supporting the proposed terms is provided in Confidential Appendix 4. In order to secure the full freehold reversion the Council has also agreed terms to acquire the interim lease from the private investor. Details are also set out in Confidential Appendix 3 and supported by the independent valuation at Confidential Appendix 4.

Holding Costs

9. Until the Council has agreed how the property will fit in to its wider plans for delivery of a leisure destination, it is intended to cover any holding costs such as rates payable and through short term lettings and potential car parking income from the 300 spaces available on the site.

Reasons for Recommendation

10. To support delivery of one of Cardiff's key regeneration projects.

Financial Implications

11. Paragraph 11 of this report states that the acquisition of the Toys'R'Us site will provide the Council with better flexibility to deliver high value uses on high value land, generating better capital receipts to support completion of a consolidated leisure destination. The cost of acquisition therefore will be funded initially from forthcoming capital receipts and fully recovered at a later date.
12. The costs of acquisition will be accompanied by an independent valuation. The costs of acquisition do not include additional costs for stamp duty, VAT and associated costs of securing the site until a future use is determined and will need to be fully understood before committing to the purchase.
13. The Council will need to consider the proposed short-term uses of the site in order to ensure the costs of holding the site (security, management and maintenance) are minimised or covered by income until any longer terms plans are realised.

Legal Implications

14. The Council has power to acquire land for the benefit, improvement or development of its area pursuant to section 120 of the Local Government Act 1972. The Council's Procedure Rules for the Acquisition of Land require the advice of a professional valuer to be taken. The Council also has economic, social and environmental well-being powers in relation to matters contained within its community plan, subject to value for money being achieved.

RECOMMENDATION

Cabinet is recommended to:

- (i) Delegate Authority to the Director of Economic Development in consultation with the Cabinet Member for Investment and Development and statutory officers to acquire the leasehold interests in the Toys 'R' Us site shaded blue on the plan attached at Appendix 1 and on the terms set out in Confidential Appendix 3.

NEIL HANRATTY

Director of Economic Development

1 March 2018

The following appendices are attached:

Appendix 1 – Plan

Appendix 2 – Property Sales Details

Confidential Appendix 3 – Terms and Funding

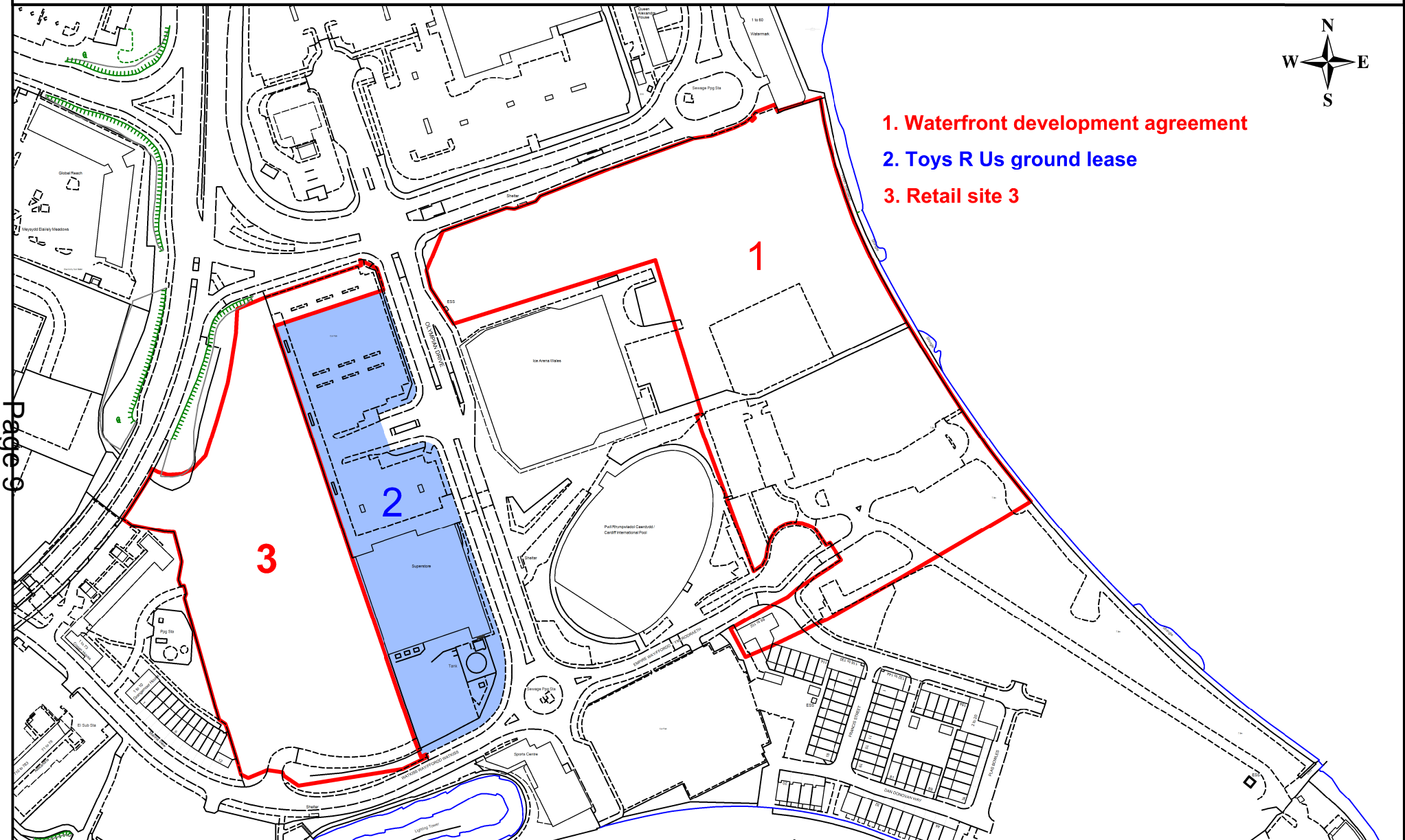
Confidential Appendix 4 – Independent Valuation (to follow)

DRAFT

Sport Village sites



- 1. Waterfront development agreement
- 2. Toys R Us ground lease
- 3. Retail site 3



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 Cardiff County Council
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 Director - Neil Hanratty

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lot 11

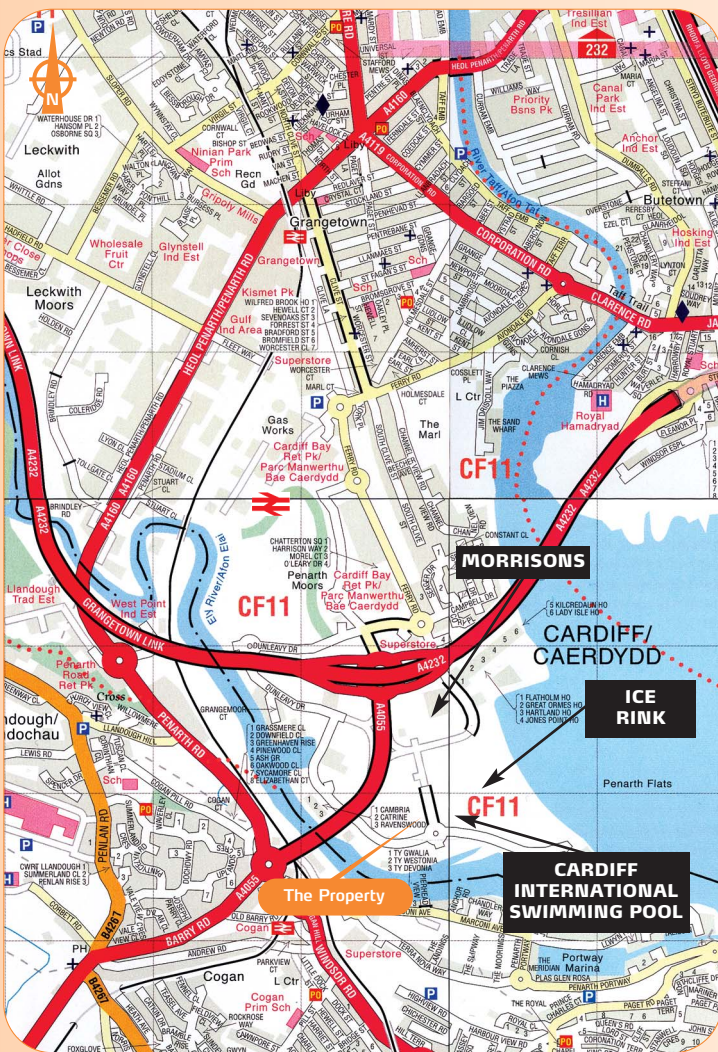
Toys 'R' Us, International Sports Village, Olympian Drive Cardiff CF11 oSP

Rent
£65,076
p.a.x. rising
to a minimum
of £70,405
p.a.x. in 2016

Retail Ground Rent Investment

- Entirely let to Toys 'R' Us Properties (UK) Limited until 2256 (no break)
- Located within Cardiff International Sports Village, one of the largest regeneration projects currently in the UK
- Five yearly fixed rental increases to higher of 2.5% compounded annually or RPI
- Nearby occupiers include Morrisons, Cardiff Ice Arena and Cardiff International Pool
- Substantial on-site car parking
- Eight Week Completion Period Available





lot 11

Rent
£65,076
 p.a.x.
 rising to a minimum
 of **£70,405**
 p.a.x. in
 2016

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Location

Miles: 1.5 miles south west of Cardiff Bay
 3 miles south of Cardiff City Centre
 Roads: A48, A232, M4 (Junctions 32/33)
 Rail: Cogan Rail, Cardiff Bay Rail
 Air: Cardiff International Airport

Situation

The property is situated in a prominent location on the western side of Olympian Drive within Cardiff International Sports Village, one of the largest regeneration projects currently in the UK located approximately 3 miles south of Cardiff city centre. Nearby occupiers include Morrisons, Cardiff Ice Arena and Cardiff International Swimming Pool, and Cardiff Whitewater Canoeing and Kayaking Centre. Upon completion, the Sports Village will also have an indoor snow centre and a hotel. See www.internationalsportsvillage.com for more details.

Description

The property comprises a site of approximately 1.75 hectares (4.32 acres), upon which has been erected a single storey retail warehouse unit of approximately 3,446.95 sq m (37,103 sq ft) and substantial on-site car parking.

Tenure

Long Leasehold. Held from The County Council of the City and County of Cardiff for a term of 250 years from and including 19 April 2006 until 2256 at a peppercorn rent.

VAT

VAT is applicable to this lot.

Tenancy and accommodation

Floor	Use	Floor Areas (Approx)	Tenant	Term	Rent p.a.x.	Reviews
Ground	Retail Warehouse	3,446.95 sq m (37,103 sq ft)	TOYS 'R' US PROPERTIES (UK) LIMITED (1)	250 years from 19/04/2006 until 15/04/2256	£65,076	19/04/2016 and five yearly thereafter (2)
Totals		3,446.95 sq m (37,103 sq ft)			£65,076 rising to a minimum of £70,405 p.a.x. in 2016 (2)	

(1) The property is sublet to Toys 'R' Us Limited for a term of 30 years from 8th February 2007 at a rent of £734,550 p.a.x. Both Toys 'R' Us Properties (UK) Limited and the sub-tenant, Toys 'R' Us Limited are subsidiary companies of Toys 'R' Us Holdings Limited. For the year ending 28th January 2012, Toys 'R' Us Holdings Limited reported a turnover of £476,314,000, pre-tax profits of £11,435,000 and a total net worth of £192,730,000. (Source: www.riskdisk.com 15/02/2013)
 (2) The rent is reviewed five yearly to the higher of 2.5% compounded annually or the increase in the Retail Price Index from the beginning of the term until the month of the rent review date, whichever is greater. The rent will therefore rise to a minimum of £70,405 p.a.x. in 2016 and £79,656 p.a.x. in 2021.

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By virtue of paragraph(s) 14, 21 of Part(s) 4 and 5 of Schedule 12A of the Local Government Act 1972.

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