

CABINET MEETING: 15 MARCH 2018

**CARDIFF INTERNATIONAL SPORTS VILLAGE LAND
ACQUISITION**

**INVESTMENT & DEVELOPMENT (COUNCILLOR RUSSELL
GOODWAY)**

AGENDA ITEM: 12

REPORT OF DIRECTOR OF ECONOMIC DEVELOPMENT

Appendix 3 is not for publication as it contains exempt information of the description contained in paragraphs 14 of part 4 and paragraph 21 of part 5 of Schedule 12A of the Local Government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. In order to secure the full freehold reversion the Council has also agreed terms to acquire the interim lease from the private investor. Details of this proposed transaction is also set out in Confidential Appendix 3. Both transactions will need to be supported by independent valuations to demonstrate value for money.

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.

Scrutiny

10. The Economy & Culture and Environmental Scrutiny Committee at its meeting on 8 March 2018 considered this report and were supportive of the recommendation to Cabinet. A copy of the committee's letter is attached at Appendix 4.

Reason for Recommendation

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

Financial Implications

12. The issues section of this report states that the acquisition of the Toys'R'Us site will provide the Council with an opportunity to consolidate its land ownership and potentially generate higher value uses and enhanced capital receipts. The cost of acquisition therefore will be funded initially from forthcoming capital receipts and fully recovered at a later date.
13. The report sets out that the transactions will be supported by independent valuations, which demonstrate value for money. The independent valuations will need to be received and considered value for money before the purchase can be completed. 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.
14. 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

15. 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 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, on the terms set out in Confidential Appendix 3 and subject to a full independent valuations.

NEIL HANRATTY

Director of Economic Development

9 March 2018

The following appendices are attached:

Appendix 1 – Plan

Appendix 2 – Property Sales Details

Confidential Appendix 3 – Terms and Funding

Appendix 4 – Economy & Culture and Environmental Scrutiny Committee Letter