

CABINET MEETING:

July 2023

INTERNATIONAL SPORTS VILLAGE DEVELOPMENT

INVESTMENT & DEVELOPMENT (CLLR RUSSELL GOODWAY)

AGENDA ITEM:

PORTFOLIO: INVESTMENT & DEVELOPMENT

Appendices 2-5 of this report are not for publication as they contain exempt information of the description contained in paragraphs 14, 16 and 21 of Schedule 12A of the Local Government Act 1972

Reason for this Report

1. To provide an update on the International Sports Village (ISV) development.
2. To seek authority to progress the disposal strategy for the residential and commercial development plots at ISV.

Background

3. The International Sports Village development is a priority Council project and a core driver of the next phase regeneration of Cardiff Bay. The Council has recently stepped-up its involvement with the site, following years of private sector inactivity, to accelerate completion of a high quality development.
4. In September 2021, Cabinet approved the acquisition of property assets from Greenbank Partnership Ltd which has brought all undeveloped land in the peninsula area under Council control as well as the Ice Arena. The property transaction with Greenbank Partnership Ltd exchanged in March 2022 and completed on 31st December 2022.
5. In March 2022, Cabinet approved a revised masterplan for the ISV site which extended the previously approved plan to include the land being acquired from Greenbank. Approval was granted to undertake a market testing exercise based on the plots of development land set out in the masterplan with the aim of securing a programme of private sector investment to enable a timely completion of the development. In addition, authority was granted to develop a Full Business Case for the leisure attraction to include the Closed Loop Circuit and associated highways alterations and public realm improvements set out in the masterplan to ensure the whole leisure destination can be completed under a single investment plan.

6. In January 2023, Cabinet approved a land disposal strategy and appointed 'in principle' a preferred developer to acquire the land. Authority was delegated to develop detailed heads of terms for the disposal of land subject to final approval by Cabinet. The Outline Business Case for the sport/leisure infrastructure was also approved. As part of this, authority was granted to develop a single comprehensive Full Business Case for the whole leisure destination.
7. At the same meeting, Cabinet approved the appointment of operators following a market testing exercise for the Council owned leisure facilities and proposed facilities. Authority was also granted to progress with the implementation of a Management Organisation (a single management approach) and an associated Booking System subject to final approval by Cabinet. As part of this, the principle of transitioning existing operators from Full Repairing and Insuring (FRI) lease arrangements to Internal Repairing and Insuring (IRI) lease arrangements was agreed including the introduction of an associated service charge regime.

Issues

8. Completing the International Sports Village development to a high standard remains a priority for the Council. However, due to the rise in interest rates over recent months and the projected risk of further growth the business case for investment is becoming challenging. The ISV development is required to be brought forward on a self-financing commercial basis where the Council recovers all of its recent investment in land acquisition. The Council's strategy is to use the surplus value of land in its ownership to fund the completion of the sport/leisure attraction.
9. To that end the Council has identified a purchaser who intends to bring forward successive phases of development to deliver a high quality, vibrant local neighbourhood. **Appendix 1** sets out the area and plots associated with the disposal strategy.

Residential & Commercial Development

10. As part of the Disposal Strategy approved in January 2023, the Council has further negotiated the legal arrangements for an Option Agreement with the appointed developer for the disposal of the residential and commercial plots at the ISV. The draft agreement and legal commentary are set out at **Confidential Appendix 2**.
11. The disposal strategy provides the Council with a level of control through the retention of land ownership throughout the phases of development rather than disposing of the whole site in one tranche, avoiding the possibility of land-banking. It also seeks to avoid periods of inactivity by requiring the developer to call-down plots against a defined programme. The programme has a long stop date of 60 months from the signing of the agreement. The developer will be required to draw down all plots within this 60 months period. In the first 12 months, the developer is required to secure outline planning permission for the whole area covered by the Option Agreement, and detailed planning

permission for Plot 1. Once detailed planning permission is secured for Plot 1, the developer has 3 months to draw down the site.

12. **Confidential Appendix 3** sets out advice from independent surveyors on the overall marketing exercise and the legal negotiations for entering into the proposed agreement.
13. The Council has agreed to dispose of land right up to the water's edge as illustrated by the Disposal Plan at **Appendix 1**. This is to enable the developer to deliver a coherent public realm scheme along the water's edge that provides access for the public to Cardiff Bay water's edge and continues the pedestrian route around the Bay. There is an 8m reservation along the water's edge relating to the revetment wall tie backs. This means no development can take place in this area. The Council has placed an obligation on the developer to remove the existing cantilevered boardwalk and to deliver a boulevard along the water's edge within the 8m reservation.
14. The Council retains an obligation to lift and shift circa 800 spaces of car parking provision relating to the International Pool and Ice Arena as set out in the legal report attached at **Confidential Appendix 2**.
15. The current car parking arrangements to manage events at the ISV includes the Toys R Us, International Pool and Ice Arena provision of circa 800 spaces plus the Willcox House car park, which provides an additional circa 300 spaces.
16. The Willcox House car park will no longer be in the Council's control from April 2024 as the Council has agreed to relinquish the lease. There may be potential to negotiate continued use with the owner, however there is no certainty at this point and therefore the event provision may reduce to 800 spaces.
17. **Confidential Appendix 4** presents a number of affordable options to meet the Council's lift & shift obligations. Interim arrangements can be accommodated on the Toys R Us/ Retail 3 site in advance of a final decision on the long term parking strategy. This includes the potential relocation of the current International Pool car park if required to enable the development of the first residential/commercial plot. However, it is the Council's intention to secure a Cabinet decision to progress the long-term parking strategy in advance of the first plot being called-down to avoid the potential of abortive costs. This business case will include the ambition to deliver a Park & Ride solution at the ISV as part of the parking solution to improve sustainable access to key city destinations such as the city centre and Cardiff Bay, including the new Indoor Arena, subject to the required revenue funding being identified.

Cardiff Bay Yacht Club

18. The Council has been in discussions with the Cardiff Bay Yacht Club to improve their integration with the development. This includes the realignment of the access road to their site and a proposed new boundary alignment to improve the interface with the proposed new housing development. Discussions have also taken place to integrate the facilities and sporting opportunities of the yacht club into the wider ISV leisure attraction.

19. The proposed realignment of the yacht club boundary will also facilitate a new small boatyard to enable Cardiff Cruise to provide a regular water taxi service linking the ISV site with Mermaid Quay. The proposed new boatyard will enable Cardiff Cruise to service their boats in Cardiff rather than having to service in Bristol.
20. **Confidential Appendix 5** illustrates the proposals with Cardiff Bay Yacht Club and the legal agreements will be agreed as part of the conclusion of the ISV residential and commercial disposal strategy.

ISV Leisure Destination

21. The Council's ambition remains to complete the leisure attraction to support establishing Cardiff Bay as a premier UK leisure destination. The ISV site already benefits from facilities that compare with the best in the UK including the International White-Water Rafting Centre, the Flow-rider, High Ropes, the Ice Arena Wales, the International Pool, and a new Clip and Climb/soft play attraction (to be opened this year) providing a new destination for younger visitors.
22. Due to the current financial challenges relating to rising interest rates and construction inflation the business case for investment in the leisure attraction has not been concluded. Presentation of the Full Business Case is therefore delayed whilst the Council continues to review the proposals to ensure they are affordable. It is however intended that a report will be presented to Cabinet before Christmas detailing how the Council intends to complete and fund the leisure destination.

Transport Hub

23. The Cabinet Report of January 2023 reported the initial outcome of engagement and due diligence regarding the car parking strategy for the ISV site. This included an indicative proposal on a charging strategy, whilst recognising the need to further consider the concessionary needs of different groups. The final car parking solution will need to be based on improved public transport services to ensure the offer matches the Council's aspiration to deliver a Park and Ride solution as part of a 'Transport Hub'. Work continues to develop this strategy based on the following considerations:
 - **Bus** - optimising current bus services to provide more direct links to the City Centre and Mermaid Quay. Whilst there are already good services with several bus routes passing through the ISV, the Council is nonetheless considering the possibility of improving the bus links to provide rapid connections from the ISV to the city centre and the wider Cardiff Bay area.
 - **Train** - Coogan Spur Train Station is a 5-10-minute walk to the ISV. However, the Council acknowledges that part of the journey requires the crossing of a busy road junction. The Council is considering options to improve the crossing via engagement with Welsh Government and TFW.

- **Water Taxi** - the Council has progressed discussions with Cardiff Cruise to provide a water taxi shuttle service between the ISV and Mermaid Quay. The intention is to operate 07.30 am - 20.00 pm, Monday-Friday and 08.00 am - 18.00pm Saturday/Sunday.
- **Pedestrians/Cyclists** – the Council is reviewing the pedestrian and cycling routes to and from the ISV connecting to the city centre, the wider Bay area and Penarth, including improvements to the waterfront boardwalk as part of the residential/commercial development.

Energy Strategy

24. In January 2023, Cabinet approved the development of an Outline Business Case for an Energy Strategy for the ISV site. The delivery of a site wide Energy Strategy is essential to protect the long-term sustainability of the existing sport/leisure infrastructure given the volatility of energy prices and the Council's commitment to reducing the Carbon footprint of its estate.
25. The Council has engaged with Welsh Government to apply for funding to support the delivery of the energy infrastructure required at the ISV site. The Welsh Government has received the proposals positively to date.
26. To enable an investment by Welsh Government the strategy is being divided into 2 phases, with Phase 1 to include:
 - A low carbon heat exchange system linking the International Pool with the Ice Arena to utilise heat created in the creation of ice to heat the swimming pools. The heat exchange then has the potential to be extended to be linked to the development proposals for the wider site as a Phase 2.
 - The installation of solar PV on the existing facilities including the Ice Arena, the International Pool, the Toys R Us building and the International White Water facility.
27. The next step is for the Council to develop a business case for investment. This will require a soft-market engagement to consider a number of delivery and operation models with varying degrees of risk and reward for the Council as follows:
 - a. The Council delivers and operates new energy facilities and infrastructure. (Asset remains with the Council).
 - b. The Council or an operating partner deliver, and the operating partner operates either by way of a lease or management agreement (Asset remains with the Council). At this stage this is the preferred option, subject to the response from the market and a review of risks and benefits.

- c. The Council leases (on a term of 25-50 years) the site to a third party developer/operator for the delivery of energy at no cost to the Council. (The freehold of the site is retained by the Council).

Next Steps

28. The Council aims to complete an agreement with the approved developer during the summer to enable the developer to begin work on a planning application. This report seeks delegated authority to conclude negotiations based on the draft legal document attached at **Confidential Appendix 2**.
29. The long term strategy for car parking on the site needs to be confirmed to enable the Council to implement a lift and shift strategy to unlock sites for development. It is intended to present a Full Business Case back to Cabinet before Christmas.
30. Work will continue on the development of a Full Business Case for the sport/leisure infrastructure that is affordable. The strategy will need to reduce reliance on borrowing, to avoid uncertainties relating to interest rate volatility and instead maximise value through the disposal of land and assets to raise capital.
31. Work is progressing on the Outline Business Case for the Energy Strategy which will be presented back to Cabinet before Christmas. The OBC will include a proposal for early investment to deliver the Phase 1 infrastructure set out in this report to enable the Council to take advantage of Welsh Government funding.
32. Following approval of the Outline Business Case the Council will develop a Full Business Case for the Energy Strategy to be presented back to Cabinet in early 2024.

Reasons for Recommendation

33. To update Cabinet on the various workstreams to deliver the Council's vision for the International Sports Village.

Financial Implications

34. This report seeks approval of the proposed Disposal Strategy for the delivery of the residential and commercial plots as set out in **Appendix 1**. The delivery and timing of land disposals at anticipated values is an important facet of successful masterplan delivery, with the capital receipts associated with these land disposals required to fund the delivery of other facilities within the approved International Sports Village (ISV) masterplan. Approving and implementing this disposal strategy in a timely manner whilst realising anticipated capital values will bring increased funding certainty to the wider project, helping to manage cashflows and unlocking funding for the wider site development proposals.
35. Prior to any decision making in this regard, consideration should be given to the legal advice as detailed at **Confidential Appendix 2** and the surveyors

report at **Confidential Appendix 3** to ensure that the proposal provides sufficient protection for the Council's position, is generating best value for the proposed disposals and can also deliver a comprehensive infrastructure and remediation strategy at the ISV wider site.

36. If the Developer is successful in securing a planning permission and enters into the proposed option agreement with the Council for the delivery of the residential and commercial plots within the ISV, this will help to provide further certainty regarding the delivery of the projects and assist with the robustness of the Full Business Case to be presented to Cabinet in due course. Any delays in implementing disposal strategy will mean the Council continue to incur holding costs for the site, whilst any reductions in anticipated capital receipts will reduce the level of funds available to invest in developing the wider ISV site.
37. Cabinet is asked to note the lift and shift obligation as set out in **Confidential Appendix 2** and approve the development of a Full Business Case to determine a long-term car parking solution for the ISV site to be presented back to Cabinet for approval in advance of the first call-down of land by the appointed developer. **Confidential Appendix 4** sets out a number of potential options to meet the Council's lift and shift obligations and it will be important that a clear strategy is developed early to ensure suitable and affordable provisions are made, with minimal re-works requirements to avoid any potential abortive costs.
38. **Confidential Appendix 5** sets out the proposals with Cardiff Bay Yacht Club linked to improvements to integration and interface with the ISV. It is proposed that the related legal agreements be finalised as part of the conclusion of the ISV residential and commercial disposal strategy.
39. There remains uncertainty around the anticipated costs and funding sources for the Sporting Infrastructure and leisure destination plans with further detailed due diligence required to solidify cost and revenue projections. It is planned that a Full Business Case is developed and presented to Cabinet later into the year and before locking into any further contractual arrangements.
40. The costs associated with development of business cases and soft market testing exercises detailed within this report will need to be identified by the directorate, along with suitable funding sources, prior to progressing with these pieces of work. These individual scheme proposals will be brought back to Cabinet for further consideration in due course, when more detailed financial implications will be provided. As and when these detailed proposals are brought forward, clear funding strategies will need to be identified to implement these proposals.

Legal Implications

41. The Option Agreement to be entered into with the preferred purchaser in relation to the residential and commercial plots within the Sports Village has been structured so that the transaction constitutes a land arrangement which falls outside the Public Contracts Regulations 2015 and the Concession Contracts Regulations 2016.

Section 123 of the Local Government Act 1972 enables the Council to dispose of land "in any manner they wish", provided that best consideration is obtained, for any interest for a term exceeding 7 years (or an assignment which still has more than 7 years to run). Disposals of land for more than 7 years for less than best consideration require the consent of the Secretary of State. The Council intends to grant leases for terms of 250 years pursuant to the Option Agreement so it has instructed an independent surveyor to assess whether the offer it has been presented with represents the best consideration reasonably obtainable and their advice is at **Confidential Appendix 3**.

42. Section 120 of the Local Government Act 1972 enables the Council to acquire land for either (a) the benefit, improvement or development of its area or (b) for any of its functions under any enactment. The land swap with Cardiff Bay Yacht Club will be on a freehold basis.
43. Section 12 of the Local Government Act 2003 enables the Council to invest (a) for any purpose relevant to its functions under any enactment or (b) for the purposes of the prudent management of its financial affairs.
44. The Cabinet needs to take account of the Council's fiduciary duties to the local residents and taxpayers. As such, proper consideration needs to be given to the risks, rewards and potential future liabilities of the proposals which are the subject of this report. The issue concerns whether the potential risks and liabilities described in the report and in the associated appendices are proportionate to securing the stated economic development objectives and thereby in the best interests of the local taxpayers and residents. Any viable alternatives for delivering the economic development objectives should be considered.
45. The Cabinet must also make its decision having due regard to the Council's public sector equality duties pursuant to the Equality Act 2010 (including specific Welsh public sector duties). This requires the Council, in the exercise of its functions, to have due regard to the need to (1) eliminate unlawful discrimination, (2) advance equality of opportunity and (3) foster good relations on the basis of protected characteristics. The protected characteristics are: age, gender reassignment, sex, race - including ethnic or national origin, colour or nationality, disability, pregnancy and maternity, marriage and civil partnership, sexual orientation, religion or belief – including lack of belief. If the recommendations in this report are accepted and when any alternative options are considered, the Council will have to consider further the equalities implication and the Equality Impact Assessment may need to be updated.
46. Equalities impact assessments will be undertaken as necessary as the development, and the proposals described within this report, are developed.
47. The Well-Being of Future Generations (Wales) Act 2015 ("the Act") places a 'well-being duty' on public bodies aimed at achieving 7 national well-being goals for Wales – a Wales that is prosperous, resilient, healthier, more equal, has cohesive communities, a vibrant culture and thriving Welsh language, and is globally responsible.

48. In discharging its duties under the Act, the Council has set and published well-being objectives designed to maximise its contribution to achieving the national well-being goals. The well-being objectives are set out in Cardiff's Corporate Plan 2022-25.
49. The well-being duty also requires the Council to act in accordance with the 'sustainable development principle'. This principle requires the Council to act in a way which seeks to ensure that the needs of the present are met without comprising the ability of future generations to meet their own needs. Put simply, this means that Council decision makers must take account of the impact of their decisions on people living their lives in Wales in the future. In doing so, the Council must:
 - a. Look to the long term;
 - b. Focus on prevention by understanding the root causes of problems;
 - c. Deliver an integrates approach to achieving the 7 national well-being goals;
 - d. Work in collaboration with others to find shared sustainable solutions; and
 - e. Involve people from all sections of the community in the decisions which affect them.
50. The Cabinet must be satisfied that the proposed decision accords with the principles above; and due regard must be given to the Statutory Guidance issued by the Welsh Ministers, which is accessible using the link below:

<http://gov.wales/topics/people-and-communities/people/future-generations-act/statutory-guidance/?lang=en>
51. The Council has to be mindful of the Welsh Language (Wales) Measure 2011 and the Welsh Language Standards when making any policy decisions and consider the impact upon the Welsh language.

Property Implications

52. The existing site management currently sits with the Strategic Estates Department as well as colleagues in major projects and management of the vacant land continues to be a challenge. The proposals to resurrect development and activity on site is welcomed.
53. Paragraphs 36-40 outline the intention to form a site wide Management Organisation. Strategic Estates have worked closely with the group to formulate the anticipated format for the management of the services to be provided and the estimated service charge schedule. This work is ongoing but is currently provided as estimates for Heads of Terms issued to date.
54. The marketing of the waterfront site/peninsula was launched in the autumn of 2022. Early in the new year, we had the opportunity to interview the bidders and seek further detail from them on the bids they had submitted which was facilitated by the appointed external agents. With their guidance, a preferred developer was recommended and Heads of terms have been prepared and

full details are within the Surveyor's report on the marketing exercise outlined in **Confidential Appendix 3**.

55. Together with the external lawyers, the Option Agreement has been drafted with a view to bringing forward in a timely manner, successive phases of development to deliver a scheme to complement the Leisure area and existing residential development. The Option document has been carefully written to manage the development on a plot-by-plot basis, with a view to de risk the Council's initial stake in the acquisition of the Sports Village and ensure a return whilst bringing forward a comprehensive mixed-use scheme which has been lacking for over 15 years.
56. As part of the legal process, there are some title issues to resolve around the boundaries of the waterfront site and this is currently with legal.
57. The next steps for Strategic Estate is to ensure the Option document is concluded and signed and the the title issues are addressed.

Human Resources Implications

58. There are no HR implications directly arising from this report.

RECOMMENDATIONS

Cabinet is recommended to:

- 1) Approve the disposal for the residential and commercial plots as set out in this report and the legal report attached at **Confidential Appendix 2** and in line with independent valuers advice attached at **Confidential Appendix 3** and the proposals at **Confidential Appendix 5** and to delegate authority to the Director of Economic Development in consultation with the Cabinet Member for Investment and Development, the Section 151 Officer and the Legal Officer to conclude all legal agreements to complete the disposal strategy.
- 2) Note the lift and shift obligation set-out at **Confidential Appendix 2** and approve the development of a Full Business Case to determine a long-term car parking solution for the ISV site to be presented back to Cabinet for approval in advance of the first call-down of land by the appointed developer.
- 3) Authorise a soft market testing exercise to inform the further development of the Outline Business Case for the Energy Strategy to be presented back to a future meeting of Cabinet.

SENIOR RESPONSIBLE OFFICER	Neil Hanratty Director of Economic Development
	Date

The following appendices are attached:

Appendices

Appendix 1 - Disposal Plan

Confidential Appendix 2 - Legal Summary & Agreement

Confidential Appendix 3 - Surveyors Report

Confidential Appendix 4 - Lift & Shift Option Review (Car Parking)

Confidential Appendix 5 - Yacht Club & Boat Yard Revised Boundary Plan

Appendix 6 - Single Impact Assessment

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