

CABINET MEETING:

10 October 2019

**INTERNATIONAL SPORTS VILLAGE DEVELOPMENT
STRATEGY**

INVESTMENT & DEVELOPMENT (CLLR RUSSELL GOODWAY)

AGENDA ITEM:

PORTFOLIO: INVESTMENT & DEVELOPMENT

Appendix 4 of this report is not for publication as it contains exempt information of the description contained in paragraphs 14 and 21 of Schedule 12A of the Local Government Act 1972.

Reason for this Report

1. To obtain Cabinet approval of a revised development strategy designed to complete the International Sports Village (ISV) project in Cardiff Bay.
2. To obtain Cabinet approval to dispose of Council owned land to secure a ring-fenced capital receipt to support delivery of the new development strategy.
3. To obtain the authority to enable the Council to undertake an appropriate procurement process necessary to identify a suitable commercial operator to deliver a new leisure offer at the ISV, the scope of which to potentially include the Cardiff International White Water (CIWW) Centre, in order to reduce the current operational deficit.

Background

4. *Capital Ambition* includes 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 Council commenced the regeneration of the peninsula at the ISV in 1999 since when it has proved to be a complex long-term project involving

extensive land reclamation and remediation works and significant infrastructure investment. During the subsequent period the Council has delivered the Cardiff International Pool and the CIWW Centre which also includes the Flowrider surfing attraction, a high-ropes experience and an outdoor climbing wall.

6. In 2012, the Council entered into a Development Agreement with Greenbank Partnership Ltd (GPL) following a market procurement exercise. GPL was, and remain, the owners and developers of the adjacent Cardiff Pointe site. The Council's principle priority was to construct a new Ice Arena to replace the one demolished to make way for the St David's 2 city-centre shopping mall which would be delivered via the Development Agreement.
7. The Development Agreement identifies two distinct development phases. Phase one related solely to the delivery of the new ice rink and associated public realm works. Phase two provides for the release of the Council owned Waterfront site for mixed-use development, but is dependent on the completion of phase one together with confirmation of the delivery of a new Snow Dome or equivalent alternative leisure attraction to be agreed by the Council (see Appendix 1).
8. Both parties had a clear understanding of the commercial challenges of delivering a new leisure development and agreed to an element of pump priming to close the gap between the cost of delivery and the value of the finished asset. The Council's preference was to contribute land. GPL's role in the partnership was to design, build, own and operate the new Ice Arena and then subsequently a new Snow Dome.
9. The cost of delivering the new Ice Arena far outweighed its anticipated commercial value. To ensure delivery of a state-of-the-art facility, the Council agreed to commute a proportion of s106 contributions and affordable housing contributions generated from the adjacent Cardiff Pointe development towards the project. GPL decided to deliver the new rink early and forward funded delivery.
10. The Council retains a significant land holding on the peninsula as illustrated by the plan attached at Appendix 2. In March 2018, Cabinet provided authority for the Council to acquire 4.32 acres of land currently occupied by the former Toys R Us retail building including a large service yard and circa 300 car parking spaces. The rationale for the acquisition was to improve the development potential of the Council's adjoining land holding known as Retail 3. The former Toys R Us lease contained a number of covenants that affected the development potential of the site.

Issues

11. The Council's partnership with GPL has coincided with significant restructuring of the property market in the UK following the global financial "crash". In particular residential and retail property markets have slowed significantly, with sales values remaining relatively stagnant over a long

period of time and build cost continuing to rise year on year. As such, the development of the Cardiff Pointe residential scheme has not progressed at the pace and scale initially anticipated to the extent that proposals for the second phase of development of the Council's land, including the snow dome, have proved difficult to bring forward.

12. The Development Agreement sets out clear conditions for accessing the Waterfront site for development under phase two, including timescales for submitting alternative proposals. These timescales have not been met. GPL had been granted a significant additional period of time to submit an alternative proposal. In March 2018, the Council provided formal notification to GPL that the Development Agreement had expired. Nonetheless, as adjacent landowner, the Council continued a dialogue with GPL both with regard to the future development of the Waterfront site and the completion of the Cardiff Pointe residential scheme.
13. The Cardiff Pointe residential scheme is an important development in its own right, planned to deliver some 850 new homes in the Local Development Plan. The Council remains keen for the next phase of construction to commence as soon as possible, not least to provide the existing residents of the circa 100 occupied properties with a degree of certainty regarding the future of the site.
14. Cabinet will be aware that residents have lobbied local Members to raise a number of issues relating to the consequences of the development having stalled. In particular, Cardiff Pointe operates a scheme of service charges which because development has not progressed as intended is placing a disproportionately heavy financial burden on the small number of current properties when the service charges were designed to be shared across a much larger group of properties. Uncertainty regarding surrounding development is also affecting the ability for residents to dispose of their properties, which they believe is having an adverse impact on property values. GPL has recently informed the Council that they have resolved contractual issues with the contractor that built the first phase enabling them to now progress with the next phases. They have also notified the Council of their intention to bring in a new developer to complete the scheme.
15. The Council had been prepared to consider a potential off-market sale of the Waterfront site at market value to the proposed new owner of Cardiff Pointe to assist with the disposal of GPL's interest. However, the Council has waited a considerable period of time for this to materialize. In March 2019 the Council notified GPL that they would need to have reached agreement on the sale of their land interest by the end of July 2019 for any off-market sale to progress.
16. GPL has now decided to remain engaged in the future development of the site through a Joint Venture arrangement with a new development partner. That is entirely GPL's prerogative as owners of the site. Given that GPL has already had one opportunity to bring forward the development of the Waterfront site, the Council has now formally notified GPL in writing that it is no longer prepared to move forward with an off-market sale.

New Development Strategy

17. The original development strategy aimed to deliver a leisure destination on the Waterfront site. The use of the Waterfront for low value development was in some part driven by the location of the Toys R Us building adjacent to the Retail 3 site and the restrictive covenants associated with the Toys R Us lease. The Council's acquisition of the Toys R Us lease in March 2018 has enabled the Council to eliminate the restrictive covenants and to reset the development strategy for the leisure destination. The intention now is to take advantage of the commercially valuable Waterfront site for high value residential development and to build on the existing leisure investments by clustering the new leisure developments in and around the Toys R Us site and Retail 3.

18. Appendix 3 presents the proposed new indicative masterplan for the site. The Council has undertaken informal market testing and in response has simplified the approach to ensure delivery and completion of the scheme. The key features of the development strategy are as follows:
 - Olympian Drive to be removed to create an enhanced pedestrian environment at the heart of the leisure development improving safe connection between key facilities and establishing a new all year round external event space.
 - As an initial step, existing surface car parking requirements will be consolidated around the entrance to the site adjacent to the existing Toy R Us surface car park. The long-term aim is to consolidate parking into a decked facility to release further land for development. The intention is for the Council to retain full control of the on-site car parking to support the long-term viability of the leisure destination.
 - The Toys R Us building (circa 40k sq ft) will be retained, refurbished (inside and out) and significantly extended to create a new leisure 'box' facility. This proposal is in direct response to market feedback and aims to provide a wide range of adventure sport and leisure activities 'under one roof'. The aim is to secure a new set of attractions for Cardiff not currently available supported by a unique and bespoke food and beverage offer.
 - The removal of the round-a-bout on Watkiss Way to make way for a new shared surface crossing to provide better connections between the new event space and CIWW, with Watkiss Way having the potential to implement controlled access during peak times.
 - A new road to be provided by the developers of the residential scheme on the Waterfront site linking the Cardiff Pointe residential scheme to the existing round-a-bout joining International Drive with Ferry Road eliminating the need for Olympian Drive.
 - Extension of CIWW to position the entrance to the facility in direct alignment with the current alignment of Olympian Drive to provide a focal point for the new public realm and improved visibility of the facility from the main entrance to the site. This will provide an

opportunity to improve the retail offer by providing street access and the café offer through panoramic views at the mezzanine level. The intention is for the extension to create space for a new attraction to enhance the commercial viability of CIWW.

- The proposed residential development on the Waterfront site will deliver a new 'destination' food & beverage promenade at ground level along the water's edge with views across Cardiff Bay. Above this active ground floor will be a series of relatively high density apartments, medium height (circa 10 stories) to create a new residential district befitting of its unique, high quality waterfront aspect.
- The existing Ice Rink can be extended at the rear to remove the blank wall and complete the development. A new attraction could be provided to improve the overall commercial viability and long-term sustainability of the Ice Arena. Ideally, the attraction would make use of the plant and machinery already available within the Ice Arena. The Council is prepared to consider the utilization of s106 contributions generated from the Waterfront site to support delivery of this new facility.
- There is potential to accommodate a hotel on-site.
- The Bay edge walkway will be fully retained for public use with the Council retaining current maintenance obligations.

Transport Strategy

19. Transport connectivity will become an increasingly important factor in the long-term success of the project. The site is already fairly well served by rail access, having Cogan Station within a few hundred meters of the site via the Pont-y-Werin bridge. There are also regular bus services which connect the site to the city centre within around 15 minutes.
20. As footfall on site increases through the introduction of new attractions and event space, the Council will need to continue to explore ways to improve public transport provision. In particular, the proposals for a new Park & Ride facility at J33 on the M4 will provide an important means of quick access to the site from the wider region. The Council will also seek to make full use of the Bay and rivers to link the site back to the inner harbour and the city centre via water-taxi.
21. In addition to public transport, there will also be a need to provide an adequate number of on-site parking spaces in order to attract the highest quality attractions to the site and to ensure local residents are not adversely impacted. There are existing contractual obligations relating to parking provision for the International Pool and the Ice Arena that will need to be re-provided and the new attractions will require an element of additional parking subject to planning.
22. The new strategy is based on a lower total number of spaces compared to the current consented scheme and compared to other comparable leisure destinations in the UK. In particular this is because the new development strategy will seek to maximize the opportunity of sustainable travel modes

as well as the strategy no longer being based on a significant element of retail.

23. The short-term plan is to consolidate all existing parking into a new surface car park, to tidy up the undeveloped parts of the site as a short term intervention whilst new development is brought forward. This will not increase the level of parking provided. Over the longer term, as the development progresses, it is intended to consolidate all parking into a small multi-storey car park (MSCP) to serve the leisure attractions. It is anticipated that this will be smaller than the current consented MSCP.

Financial Strategy

24. In March 2018, the Council invested in the acquisition of the Toys R Us lease to establish a freehold reversion and to consolidate its land interests in the area. The acquisition was on the basis that the capital investment would be recovered through future land disposals at ISV.
25. The plan is for the Council to dispose of the Waterfront site to recover the costs associated with acquiring the Toys R Us site, as well as providing a premium that can be utilized to deliver the new Development Strategy as outlined in paragraph 18 above. The Council will explore the best way to bring forward the development of the site to accelerate delivery and ensure the Council delivers best consideration.
26. In addition, it is proposed to market the Toys R Us and Retail 3 sites as a consolidated leisure opportunity consisting of circa 5 acres through a procurement process to attract a leisure operator. At this stage, it is expedient to keep all options open as to the best financial approach, i.e. whether the site and building are disposed of for a capital sum; or whether they are retained under lease in return for rental income. The Council will need to understand the nature of the proposed leisure investment, the level of investment from the operator and the extent of Council support required to make it happen, before deciding on the most appropriate way forward. It is proposed to report the outcome of the process back to Cabinet in due course for final approval.
27. The Council currently operates the CIWW at ISV. The facility offers a number of high quality adventure sport attractions including: white water rafting; canoeing; surfing, climbing and high-ropes. The facility has developed a strong reputation that penetrates well beyond local, regional and national (Wales) boundaries. To assist with the attraction of significant new investment in new leisure/adventure sport attractions this report seeks authority to explore the potential for the CIWW to be included in the procurement process. In particular it offers the potential for the new leisure operator to introduce promotions, discounts and loyalty programmes that could improve the viability of all attractions on-site. It also offer the potential for improved food and beverage offers, better use of public space for promotional events as well as enabling the Council to secure long-term maintenance arrangements for new public realm. The current financial position of CIWW is set out in Confidential Appendix 4.

28. In addition to the above, there will be opportunities to secure investment in the completion of the leisure destination through targeted use of s106 contributions emanating from the development of the Waterfront site for residential purposes. In particular, the development of the Waterfront site will need to deliver a new road to enable the removal of Olympian Way, and ideally will provide a contribution towards the cost of extending the Ice Arena to accommodate additional facilities to supports its long term sustainability.
29. Finally, there are some issues relating to the previous Development Agreement that need to be formally resolved including lift and shift car parking provisions relating to the Ice Arena and the International Pool and confirmation of costs relating to land remediation. These issues are also set out in Confidential Appendix 4.

Reasons for Recommendation

30. To enable the completion of the International Sports Village development in Cardiff Bay.

Financial Implications

31. This report sets out the new development strategy for the International Sports Village (ISV), including a wide range of proposals as part of the wider masterplan. Whilst approval is being sought at this stage for the wider development strategy, it is anticipated that further detailed proposals will be brought to Cabinet on some of the specific elements set out in paragraph 18 in due course. More detailed financial implications will be provided as and when these detailed proposals are brought forward with clear funding strategies identified to implement these proposals.
32. At present, there is no specific funding available within the budgetary framework for the redevelopment of the International Sports Village. Any proposals brought forward must therefore be on a self-financing basis utilising capital receipts and s106 contributions generated.
33. The Council previously acquired the Toys R Us site in March 2018 to consolidate its land ownership in the area and potentially generate higher value uses and enhanced capital receipts within ISV. The cost of this acquisition was funded initially from forthcoming capital receipts with the intention to recover these at through disposals at a later date. Incorporated within this report are a range of proposals, one of which is a request to market the Waterfront site at ISV for disposal, and as set out within the financial strategy, approval is being sought to ring-fence any capital receipt to offset the investment made when acquiring Toys R Us site in March 2018 as per the original intention. Any surplus receipts over and above the original acquisition value could then be utilised towards funding the proposals set out within this report.

34. Any disposal of Council land must be supported by an independent site valuation to demonstrate value for money.
35. Careful consideration must be given to the VAT implications of these proposals due to the tax status of the International Sports Village sites. The Council opted to tax this land as part of the original International Sports Village development, with specific VAT advice provided at the time setting out a range of potential uses and categories of suitable partner organisations for these sites, as well as some restrictions in order to protect the Council's VAT partial exemption position. Further detailed VAT advice will be required on specific proposals regarding future use of this land which must be taken into account during the decision making process.
36. The report refers to an intention to utilise s106 contributions generated from the Waterfront site to fund the development of new facilities. Any s106 contributions referenced as funding sources for delivery of the financial strategy would be subject to the planning process and subsequent financial and legal agreements.
37. There will be clear revenue implications to the CIWW and Leisure Box proposals within this report. As set out in the financial strategy, the CIWW currently operates at a deficit and requires an annual Council subsidy to continue operating. This report seeks Cabinet authority to undertake a procurement process to attract a commercial operator to deliver a new leisure offer at the ISV, as well as seeking authority to include the operation of the CIWW within the scope of this procurement with a view to reducing the current operational deficit. Whilst Capital funding may be required to facilitate this on a self-financing basis, there may be potential revenue benefits which would be explored and considered as part of the procurement process. The Council will need to understand the nature of the proposed leisure investment, the level of investment from the operator and the extent of Council support required to make it happen, before deciding on the most appropriate way forward. The outcome of any procurement process will remain subject to a future Cabinet decision, the detailed financial implications of which would be provided at the time. This will need to include consideration of any T&Cs relating to the grant provided to support the construction of the facility.

Legal Implications

38. The Council has a legal obligation to obtain the best consideration reasonably obtainable from its land disposals in accordance with section 123 of the Local Government Act 1972. In regard to the procurement of works and services the Council is required to follow its Contract Standing Orders and Procurement Rules internal together with the relevant statutory procurement regulations.
39. The decision about these recommendations has to be made in the context of the Council's public sector equality duties. The Council also has to satisfy its public sector duties under the Equality Act 2010 (including specific Welsh public sector duties). Pursuant to these legal duties,

Councils must in making decisions 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 the report are accepted and when any alternative options are considered, the Council will have to consider further the equalities implication and an Equality Impact Assessment may need to be completed.

40. 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.
41. 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 2018-21:
<http://cmsprd.cardiff.gov.uk/ENG/Your-Council/Strategies-plans-and-policies/Corporate-Plan/Documents/Corporate%20Plan%202018-21.pdf>
42. The well being duty also requires the Council to act in accordance with ‘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:
 - Look to the long term
 - Focus on prevention by understanding the root causes of problems. Deliver an integrates approach to achieving the 7 national well-being goals
 - Work in collaboration with others to find shared sustainable solutions
 - Involve people from all sections of the community in the decisions which affect them
43. The decision maker 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>
44. 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, the report and Equality Impact Assessment deals with all these obligations. The Council has to consider the Well-being of Future Guidance (Wales) Act 2015 and

how this strategy may improve the social, economic, environmental and cultural well-being of Wales.

RECOMMENDATION

Cabinet is recommended to:

- (i) Approve the new development strategy for the International Sports Village.
- (ii) Delegate authority to the Director of Economic Development in consultation with the Cabinet Member, Investment & Development and statutory officers to dispose of the Waterfront site and to ring-fence any capital receipt in accordance with the financial strategy outlined in Confidential Appendix 4 and subject to an independent valuation as necessary.
- (iii) Delegate authority to the Director of Economic Development in consultation with the Cabinet Member, Investment & Development and statutory officers to deal with all aspects of the procurement of a commercial partner to establish and operate a new leisure attraction at the International Sports Village as set out in this report and to return to Cabinet for final approval.
- (iv) As part of (iii) above, delegate authority to the Director of Economic Development in consultation with the Cabinet Member, Investment & Development and statutory officers to include the external operation of the CIWW as part of the procurement process in accordance with the strategy set out in this report and to return to Cabinet for final approval.

SENIOR RESPONSIBLE OFFICER	Neil Hanratty Director of Economic Development
	Date



The following appendices are attached:

- Appendix 1 – Phasing plan
- Appendix 2 – Land ownership plan
- Appendix 3 – New development strategy
- Confidential Appendix 4 – Financial Strategy