

CABINET MEETING:

15 JULY 2021

ATLANTIC WHARF REGENERATION SCHEME - NEXT STEPS

INVESTMENT & DEVELOPMENT (CLLR RUSSELL GOODWAY)

AGENDA ITEM:

PORTFOLIO: INVESTMENT & DEVELOPMENT

Appendices 1 to 8 of this report are not for publication as they contain exempt information of the description contained in paragraphs 14, 16 and 21 of Schedule 12A of the Local Government Act 1972.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 Cabinet with a brief update on the new Indoor Arena project in advance of a full update report in September.
2. To update Cabinet on a number of proposed changes to the Atlantic Wharf masterplan following further commercial appraisal and feasibility consideration and to seek authority for a hybrid planning application to be submitted.
3. To seek authority to progress a Full Business Case for the proposed new Multi-Storey Car Park (MSCP) required to enable the consolidation of existing surface car parking in the Atlantic Wharf area to support the delivery of the new Indoor Arena and the redevelopment of the Red Dragon Centre.
4. To seek authority to progress an Outline Business Case to consider options for upgrading the Red Dragon Centre development.

Background

5. Delivery of a new Indoor Arena is one of two key strategic economic commitments set out by the political administration in their strategic policy document *Capital Ambition*. The new Indoor Arena is a major component of the wider Atlantic Wharf regeneration scheme in Butetown, which is the main Council-led development project to support delivery of the Council's policy ambition to establish Cardiff Bay as a premier UK visitor destination.

6. Following significant feasibility work, Cabinet provided authority in July 2019 to progress a procurement process for delivery of a new 15,000 capacity Indoor Arena as a key component of the Atlantic Wharf regeneration scheme.
7. Further to the above, in January 2020, Cabinet provided authority to acquire the Red Dragon Centre investment to provide the Council with comprehensive land control in the area to enable the regeneration scheme and to support delivery of the new Indoor Arena.
8. In November 2020, Cabinet approved a 'Preferred Bidder' consortium led by Live Nation for delivery of the new Indoor Arena and gave authority to enter into a Pre-contract Service Agreement (PCSA) to enable the Preferred Bidder to develop proposal and designs to enable the development of a full business case. The full business case is scheduled to be presented to Cabinet in September 2021. At the same meeting, Cabinet gave authority for the development of an outline business case to review options relating to the requirement for the provision of a new MSCP that is required to be provided prior to practical completion of the new Indoor Arena.
9. In December 2020, Cabinet approved the regeneration master-plan for Atlantic Wharf as well as the principle of a hybrid planning application being brought forward by the Preferred Bidder for the Arena. The master-plan is attached as **Confidential Appendix 1**. As part of this decision, Cabinet also approved the development of an outline business case to consider the redevelopment of the Red Dragon Centre as part of a wider regeneration scheme.
10. In addition to the progress being made on the delivery of the physical development, the Council has also been in discussions with the Wales Millennium Centre to agree a Memorandum of Understanding to establish a Cultural Production Partnership. The partnership is intended to support the development of local production and content that will feed both the Indoor Arena, the Wales Millennium Centre and other city performance venues. This partnership will also include working with local communities and schools to nurture talent of the future.

Issues

11. The Indoor Arena procurement has made good progress towards the signing of a Development Agreement in the summer. This will trigger the submission of a planning application in October. The current inflation in construction material prices has led to a slight delay in concluding the legal contract and means the Development Agreement will now be reported to Cabinet in September rather than July. This does not affect the delivery programme.
12. The Atlantic Wharf masterplan presented to Cabinet in December 2020 has undergone further financial, commercial and delivery feasibility. Whilst the masterplan remains largely the same, there are a number of proposed amendments that need to be considered by Cabinet to avoid potential land assembly issues and to optimize affordability.
13. The consolidation of existing surface car parking into a Multi-Storey Car Park (MSCP) providing space for the new Indoor Arena and other associated development remains at the heart of the masterplan. An Outline Business Case (OBC) for the new MSCP has been completed and the preferred delivery option now needs to be agreed.
14. The development of a new MSCP will take approximately 2 years to complete, so as part of the process, an interim car parking solution may need to be considered to service both the Red Dragon Centre and County Hall. One proposal is to utilize available capacity in the existing MSCP on Pierhead Street to service the Red Dragon

Centre until the new MSCP is constructed, and to create a temporary car park for Council staff on currently undeveloped land identified within Confidential Appendix 3. This would require a number of issues to be resolved including the early delivery of a new pedestrian bridge across the A4232. This footbridge does not currently form part of the business case for the new MSCP so will need to be considered separately as part of the Red Dragon Centre business case.

15. Good progress has also been made on the proposal to deliver a new production centre for the Wales Millennium Centre. As part of this, the Council and the Wales Millennium Centre have established a Cultural Production Partnership, which aims to encourage more content to be created locally to be showcased at local venues and beyond. A Memorandum of Understanding between the parties involved has been drafted for Cabinet to consider.

Atlantic Wharf Masterplan

16. The detailed design of the new Indoor Arena has progressed well since December and the Preferred Bidder has now entered into a Pre Planning Agreement with the Local Planning Authority, and has commenced Pre Application Consultation.
17. Development of the legal contract with the Preferred Bidder has progressed well and is on course to be completed in time to allow the Development Agreement to be presented for approval by Cabinet in September. This decision was originally scheduled for July. This delay will not affect the delivery programme for the Arena as the planning application is still expected to be submitted in October, as scheduled.
18. The delay in concluding the legal agreement relates to two key issues. Firstly, there has been an unforeseen issue with land assembly that has meant the Council has been unable to tie down its obligation relating to the stopping-up of Schooner Way. The report to Cabinet in December identified a number of parcels of land that sit outside of the red line boundary of the Arena development site, as illustrated by the masterplan at **Confidential Appendix 1**, required to enable delivery of service infrastructure and public open space. Terms are agreed with all but one party. The Council remains optimistic that an agreement will be reached with the remaining party, however, should negotiations fail, the Council may need to consider use of Compulsory Purchase Order powers. If such action is subsequently required, a further report will be presented to Cabinet in due course.
19. In addition to the above, as we come-out of the pandemic, there has been a significant impact on the construction supply chain where key materials such as steel, cladding, plasterboard, cement etc. have seen double figure inflation increases. The risk associated with cost inflation sits with the Preferred Bidder consortium. Nonetheless, these cost increases have become a significant concern for the project and have required extended conversations with the Preferred Bidder.
20. The masterplan has undergone further detailed consideration. Whilst it remains largely the same as presented in December, it is now proposed that the redevelopment of the Red Dragon Centre (RDC) is delivered in 2 phases, with the first phase located on the site previously proposed for a stand-alone office development. This would allow the redevelopment of the RDC to proceed in advance of the current Red Dragon Centre being demolished and would enable all existing tenants to be retained. Financially this approach delivers a better solution, as it would limit the requirement for tenant compensation payments.
21. The proposals in the masterplan for the Red Dragon Centre now need to be tested through the business case process to determine the most appropriate way for the

proposals to be delivered. This report seeks Cabinet authority to prepare an Outline Business Case for the Red Dragon Centre development to consider the options available to the Council.

22. In advance of that, initial discussions have taken place with agents to determine the investment potential of a new RDC development. The property market has seen an increased interest in Private Rented Sector apartments (PRS) which have now been incorporated into the RDC proposals. As part of the OBC, the Council will need to undertake a soft-marketing exercise to fully understand the PRS opportunity alongside the proposed leisure, and food & beverage opportunities. The aim is to commence a soft marketing process following Cabinet authority to proceed and to complete the process in circa 6- 8 weeks so that the findings can inform the Outline Business Case to be presented back to Cabinet in October 2021.
23. Discussions regarding the proposed '*This is Wales*' attraction have been progressing positively. Updated plans and further detail of the designs, cost and business model along with an offer from the provider are attached at **Confidential Appendix 3**.
24. In December 2020, as part of approving the Atlantic Wharf masterplan, Cabinet approved the submission of a hybrid planning application by the Arena developer covering both the Indoor Arena development (in detail) and the wider masterplan (in outline). The Council has worked with the developer to bring forward this strategy and has agreed the Council's costs for the hybrid application which amount to the costs over and above what would have been required for a standalone detailed application for the Indoor Arena. The costs and rational are outlined in **Confidential Appendix 4**.
25. The public consultation website for the Atlantic Wharf masterplan went live on the 14th May 2021. An exhibition tour is planned to commence in July 2021 (subject to Covid restrictions). Locations and dates for the exhibition tour will be publicised by the end of June 2021.

Heat Network

26. Agreement has been reached with the Arena operator to connect to the Council's new Heat Network. In addition negotiations are also progressing to connect the existing Red Dragon Centre and any replacement.

Multi-Storey Car Park (MSCP) Outline Business Case

27. As outlined above, the Atlantic Wharf masterplan is based on the premise of consolidating extensive existing surface car parking into a Multi-Storey Car Park. During the procurement process for the delivery of the new Indoor Arena, the Preferred Bidder placed an obligation on the Council to ensure the re-provision of no less than 1,300 spaces car parking spaces within Atlantic Wharf prior to practical completion of the new Indoor Arena. In addition to this, the current lease obligations with key tenants within the existing Red Dragon Centre require 900 spaces to be available within the immediate vicinity of the facility. The Council is also displacing the current parking provision for County Hall to make way for delivery of the Arena.
28. In December 2020 Cabinet gave authority to commence the Outline Business Case (OBC) process. Initially the Council had intended to deliver a new MSCP with 1,500 spaces. However, through the OBC process, certain land assembly considerations has led the Council to propose a reduction of the size of the car park from 1,500 spaces to 1,300 spaces. The existing provision of surface car parking in the area is circa 1700 spaces covering the County Hall car park site and the Red Dragon Centre

car park site. This encompasses circa 9.5 acres of land. The proposed Multi-Storey Car Park will free up circa 8.5 acres of this surface car park land for development.

29. The OBC for the new MSCP is attached at **Confidential Appendix 5**. The business case process considered 3 different delivery models as follows:
- Disposal of a plot of land to a developer to build and operate the MSCP. This approach was quickly eliminated.
 - The Council to construct the MSCP, secure an operator on a long term lease and then to dispose of the property.
 - The Council to construct and operate the MSCP servicing the construction debt through income generated.

The recommended approach in the Outline Business Case is for the Council to construct and operate the new MSCP. The proposal will now need to be tested in detail through the development of a Full Business Case.

30. The key reasons for the recommended approach are:
- a. It provides a strong investment opportunity that can assist with the wider delivery of the Atlantic Wharf regeneration scheme.
 - b. It provides full flexibility in regard to any future decisions relating to existing Council assets, namely County Hall and the Red Dragon Centre.
 - c. One Planet policy and the Council ensuring that the wider masterplan delivers on the Council's sustainability strategy.
 - d. The MSCP can always be sold at a later date if required.
31. The proposed MSCP solution set out in **Confidential Appendix 5** includes a number of sustainable and green strategies to optimize the investment for the Council. The proposal provides for 375 vehicle charging points, battery storage and a solar farm and other green initiatives including a vertical green wall and an integrated hydroponics facility. These proposals will be further developed as part of the full business case.

Interim Car Parking Solution

32. The proposed location of the new MSCP is designed to provide easy access to the new Cardiff Bay Transport Hub proposed for Pierhead Street. The ambition is for the MSCP to be connected directly to the transport hub via a new pedestrian bridge over the A4232. Proximity to the transport hub provides potential for the car park to be utilized as a strategic park & ride facility with direct connectivity to an extended metro line to the City Centre, and as the line develops further to the new St Mellons Parkway station.
33. Whilst the new MSCP is under construction, temporary parking provision may be required for both the Red Dragon Centre and for Council staff working at County Hall. It is proposed that existing capacity in the MSCP on Pierhead Street will be utilized to service the Red Dragon Centre during this interim period. This could include the main entrance to the Red Dragon Centre being re-orientated towards Bute Place (facing the Wales Millennium Centre) and away from the existing car park which will essentially become a construction site. Interim provisions for Council staff parking are being considered on the land identified in **Confidential Appendix 6**, but this would require the proposed footbridge over the A4232 to be brought forward as an early deliverable to provide access to the temporary car park. Over 200 spaces will be

retained immediately adjacent to County Hall to provide for priority staff that need to have parking located adjacent to the building, including the provision of adequate disabled parking spaces.

34. The land required to enable the proposed temporary parking arrangements is identified within **Confidential Appendix 6**. The costs of securing the land on a temporary basis as well as any costs associated with its temporary use including the early delivery of the proposed footbridge will be considered in detail as part of the Full Business Case work for the Red Dragon Centre being undertaken over the autumn.

Cultural Production Partnership

35. Discussions regarding the proposed new Wales Millennium Centre production facility known as the Capella Project continues to progress well. **Confidential Appendix 7** sets out initial proposals and a high-level cost plan. The new Production Facility forms part of the proposed new RDC and as such will be considered as part of the OBC for the RDC development.
36. Alongside negotiations regarding the development, there has been discussions on a wider entertainment strategy for Cardiff and Wales. The Memorandum of Understanding (MOU) attached at **Confidential Appendix 8** sets out a framework for the development of a Cultural Production Partnership, with the aim of maximizing opportunities to support the city's creative economy and to provide opportunities for employment and participation for local communities. The objectives of the partnership are to raise the international profile of the creative sector in Cardiff; to increase the value of creative and cultural production in Cardiff; to increase attendance and participation at creative/cultural productions and events in Cardiff; and to support a diverse talent pipeline to sustain the creative sector in Cardiff

Reasons for Recommendation

34. To progress the Atlantic Wharf regeneration scheme.

Financial Implications

35. This report asks Cabinet to note updates to the draft Atlantic Wharf masterplan previously approved in December 2020. The previously approved masterplan contained a wide range of proposals, including the proposed redevelopment of circa 25 acres of Council owned land in Cardiff Bay, with this report focussing on a revision to this masterplan approval focussing on site of new Red Dragon Centre. Moving forwards a business case led approach will be taken with detailed individual scheme proposals to be presented to Cabinet for approval 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.
36. As part of the Arena procurement one of the Council's obligations is to re-provide 1,300 parking spaces prior to practical completion of the new Indoor Arena. The outline business case for the proposed multi-storey car park recommends the most viable solution is for the Council to deliver and operate the new car park, albeit this solution will need to be further tested through the delivery of a full business case. The costs of funding the full business case for the multi-storey car park, as well as the ultimate delivery of the car park itself will be funded utilising the Arena Affordability Envelope in the short-medium term, whilst in the long term the overall scheme must be sustainable and self-financing in its own right. A full business case for new MSCP will be presented to Cabinet for approval in due course.

37. Heads of Terms have now been agreed for the acquisition of the majority of parcels of land identified within the 'Arena Land Strategy' document presented and approved by Cabinet in November 2020. The appropriate delegated authority and agreements to fund completion of necessary land acquisitions has been previously provided by Cabinet, and now remains subject to satisfactory completion of legal agreements and independent valuation advice to confirm value for money. In scenario that terms are not agreed with one remaining landowner referred to within issues section above and the Council is required to use Compulsory Purchase Order powers, a further report will be presented to Cabinet in due course and financial implications of this will be provided at that time.
38. This report also seeks Cabinet approval in principle to pay Developer Hybrid Planning Application fees related to Atlantic Wharf elements of Arena Hybrid Planning submission. Payment of fees will be subject to sufficient evidence being provided by Developer demonstrating these costs are independent of the Arena planning application and linked only to wider Atlantic Wharf planning costs i.e. Arena planning could be obtained without incurring these costs. Details of these proposed fees and funding sources are included in Confidential Appendices 4 and 9.
39. No specific funding is currently available within the budgetary framework for the redevelopment of Atlantic Wharf (including redevelopment of the Red Dragon Centre, WMC investment, interim car park and footbridge etc), so any proposals being brought forward must be on a self-financing basis, utilising capital receipts and s106 contributions generated. Any revenue costs incurred in bringing these strategies to fruition, including the RDC soft market testing exercise referred to within 'issues' section above, must be borne by the relevant directorates from within existing budgets. The consolidation of parking within Atlantic Wharf into a multi-storey car park is one element of the masterplan where potential surpluses could be generated though, with any financial benefits realised being used to assist with the wider regeneration of Atlantic Wharf.

Legal Implications

40. In relation to property matters, 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 Council's Disposal and Acquisition of Land Procedure Rules requires the decision maker to have regard to advice from a qualified valuer, to ensure value for money in relation to its acquisitions and to ensure the terms for the sale are best value.
41. In relation to the Memorandum of Understanding with WMC, Section 2 of the Local Government Act 2000 provides power to local authorities to do anything that is likely to promote the economic, social or environmental well-being of its area. Statutory Guidance indicates that such power may be used in a wide range of purposes, which may include but are not limited to, cultural enhancements.
42. Proper consideration should be given in terms of obtaining value for money and in relation to 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.
43. 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.

44. When taking strategic decisions, the Council also has a statutory duty to have due regard to the need to reduce inequalities of outcome resulting from socio-economic disadvantage ('the Socio-Economic Duty' imposed under section 1 of the Equality Act 2010). In considering this, the Council must take into account the statutory guidance issued by the Welsh Ministers ([WG42004 A More Equal Wales The Socio-economic Duty Equality Act 2010 \(gov.wales\)](#)) and must be able to demonstrate how it has discharged its duty.
46. An Equalities Impact Assessment aims to identify the equalities implications of the proposed decision, including inequalities arising from socio-economic disadvantage, and due regard should be given to the outcomes of the Equalities Impact Assessment.
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 wellbeing objectives designed to maximise its contribution to achieving the national wellbeing goals. The wellbeing 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>
49. The wellbeing 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
50. 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>
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, 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.

52. The decision maker must be satisfied that the proposal is within the Policy and Budget Framework, if it is not then the matter must be referred to Council.

Property Implications

53. The Strategic Estates Department have been closely involved in valuation, acquisition and asset management advice pertaining to the Atlantic Wharf masterplan. Specific property matters in key areas are identified and discussed in the body of this report and also a number of the Appendices. These separate reports cover, where relevant, valuation and negotiation advice addressing the estate management and land assembly requirements created through these proposals.
54. Where there are resultant land transactions, or further negotiations or valuations required to deliver these proposals, they should be done so in accordance with the Council's Asset Management process and in consultation with Strategic Estates and relevant service areas.

Human Resources Implications

55. Cabinet has already received a report in November 2020 and agreed that an outline business case be developed to determine the preferred solution for the delivery of car parking provision in Atlantic Wharf. Whilst this report does not include the outline business case it is important that during its development full consideration is given to any potential impact on the current parking provision available to Council employees at County Hall. Whilst the current car parking arrangements are not a contractual entitlement, it is essential that trade union consultation and communication with employees is undertaken at an appropriate time to ensure openness and transparency. Whilst the introduction of hybrid working and reduced occupancy levels at County Hall will be helpful, it is important employees are clear about the alternative parking and travel solutions that are available to them once any changes are introduced.

RECOMMENDATION

Cabinet is recommended to:

- I. Note progress on the Indoor Arena and that a report will be presented to Cabinet seeking authority to enter into a Development Agreement with the Preferred Bidder in September.
- II. Approve Multi-Storey Car Park OBC attached at Confidential Appendix 2 and authorize the development of a Full Business Case (FBC) as set out in this report and in line with the rationale and details set out in Confidential Appendix 5.
- III. Approve the development of an Outline Business Case to consider options for the redevelopment of the Red Dragon Centre including a soft market testing exercise and 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 agree the Council's contribution to the hybrid planning application, as set out in this report.
- IV. Approve the WMC MOU and 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 negotiate a delivery strategy.

SENIOR RESPONSIBLE OFFICER	Neil Hanratty Director of Economic Development
	Date

The following appendices are attached:

Confidential Appendix 1 - Master-plan Report (Dec 20)
Confidential Appendix 2 - Master-plan Report RDC 2.
Confidential Appendix 3 - This is Wales Proposal.
Confidential Appendix 4 - Hybrid Rational and Cost Report
Confidential Appendix 5 - Car Park Outline Business Case
Confidential Appendix 6 - Interim Car Park & Footbridge
Confidential Appendix 7 - WMC Report (Capita)
Confidential Appendix 8 - WMC MOU
Confidential Appendix 9 - Finance Report