CYNGOR CAERDYDD CARDIFF COUNCIL

ECONOMY & CULTURE SCRUTINY COMMITTEE

ATLANTIC WHARF UPDATE: PRE-DECISION SCRUTINY

Appendices 2-6, 8 and 9 of the Cabinet Report attached at Appendix A are not for publication as they contain exempt information of the description contained in paragraphs 14 and 16 of Part 4 and paragraph 21 of Part 5 of Schedule 12A of the Local Government Act 1972. It is viewed that, in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

Purpose of the Report

 To give Members background information to aid the scrutiny of the draft report to Cabinet titled '*Atlantic Wharf Regeneration Update*', which is due to be considered by Cabinet at their meeting on 18 January 2024.

Structure of papers

- 2. Attached to this cover report are the following appendices:
 - i) Appendix A report to Cabinet titled 'Atlantic Wharf Regeneration Update'
 - a. Appendix 1 Atlantic Wharf Procurement & Marketing Plan
 - b. Confidential Appendix 2 Red Dragon Centre OBC
 - c. Confidential Appendix 3 Surveyors Disposal Report
 - d. Confidential Appendix 4 MSCP Strategy Report
 - e. Confidential Appendix 5 Surveyors Report Pierhead Street
 - f. Confidential Appendix 6 Heads of Terms Pierhead Street MSCP
 - g. Appendix 7 Atlantic Wharf Appropriation Plan
 - h. Confidential Appendix 8 Lloyd George Avenue Framework Report
 - i. Confidential Appendix 9 LGA Cost & Financial Plan
 - j. Appendix 10 SIA
- 3. Members should note that **Appendices 2-6**, **8** and **9** of the Cabinet report are exempt from publication. Members are requested to keep this information

confidential, in line with their responsibilities as set out in the Members Code of Conduct.

Scope of Scrutiny

- 4. At their meeting on 18 January 2024, the Cabinet will consider a report that:
 - Seeks delegated authority to negotiate and enter into an exclusivity agreement with the Preferred Bidder and negotiate an option agreement with the 'Preferred Bidder' and to return to Cabinet for final approval
 - ii) Notes amendments to the car park strategy for Atlantic Wharf and consequently seeks authorisation to alter the Indoor Arena Development and Funding Agreement to reflect this new approach
 - iii) Seeks authorisation to acquire the Pierhead Street MSCP
 - iv) Seeks approval for the appropriation of land for planning purposes, as set out in Appendix 7
 - v) Seeks authorisation of a consultation exercise on the Lloyd George Avenue proposals.
- 5. During this scrutiny, Members can explore:
 - i) The update on the Red Dragon Centre Outline Business Case
 - ii) The proposals for the provision of car parking spaces
 - iii) The proposals for Lloyd George Avenue
 - iv) The proposed appropriation of land
 - v) The financial, legal and property implications for the Council
 - vi) Key risks to the Council and proposed mitigations
 - vii) The next steps and timelines involved, and
 - viii) The recommendations to Cabinet.

Structure of the meeting

6. The Chair will move that this item be considered in two parts: an open session, where Members will be able to ask questions on the issues and papers that are in the public domain; and a closed session, where members of the public will be excluded, where Members can ask questions that pertain to Appendices 2-6, 8 and 9.

- Members will hear from Councillor Huw Thomas (Leader), Neil Hanratty (Director of Economic Development), Donna Jones (Assistant Director – County Estates) and Chris Barnett (Operational Manager – Major Projects). There will be a presentation taking Members through the proposals and recommendations to Cabinet, followed by Members' questions.
- Members will then be able to decide what comments, observations or recommendations they wish to pass on to the Cabinet for their consideration prior to making their decisions.

Background

- 9. In January 2020, the Council acquired the Red Dragon Centre (RDC) site to secure control of the wider Atlantic Wharf site for regeneration. In November 2020, Cabinet approved the Live Nation consortium as the preferred bidder for delivery of the new Indoor Arena, authorised the land strategy, and authorised a Pre-Contract Service Agreement (PCSA). In December 2020, Cabinet approved the Atlantic Wharf masterplan, the development of an Outline Business Case (OBC) to redevelop the RDC, and submission of a hybrid planning application.
- 10. In July 2021, Cabinet approved the OBC and the development of a Full Business Case for the MSCP, approved a soft market testing exercise for the redevelopment of the RDC, and delegated authority to agree the Council's contribution to the hybrid planning application. In September 2021, the Indoor Arena Full Business Case (FBC) was approved by Cabinet.
- 11. In March 2022, detailed planning consent for the new Indoor Arena and outline consent for the Atlantic Wharf regeneration scheme was granted. Also in March 2022, Cabinet approved the MSCP evaluation criteria for use during Pre-Qualification Questionnaire and Initiation to Tender stages. In July 2022, Cabinet approved the acquisition of land, the principle of making a Compulsory Purchase order to seek the acquisition of land and interests, and the commencement of land referencing investigations to identify any outstanding third-party interests that may need to be acquired to enable the Atlantic Wharf regeneration scheme. In the same report, Cabinet approved the appropriation of the RDC overflow car park

land to enable the finalisation of the FBC for the MSCP development for presentation to Cabinet at a future meeting.

- 12. In March 2023, Cabinet approved the extension of the PCSA and the interim business case for the MSCP, a soft market testing exercise for the Atlantic Wharf site, and the RDC financial strategy. In June 2023, Cabinet authorised the development of a FBC for the provision of a new Council office building at Atlantic Wharf.
- 13. In July 2023, Cabinet considered a report on the Atlantic Wharf scheme that set out inflationary pressures, increased projected costs, proposed redesign, extension of the PCSA to 31 March 2024, the draft Development and Funding Agreement (DFA), and proposals to bring forward the long stop date to achieve Financial Close; Cabinet approved these proposals.
- 14. The same report also provided an update on the Atlantic Wharf soft market testing exercise, setting out six expressions of interest had been received and that feedback from this process had led to the Council to propose dividing the site into Area A and Area B, with Area A being the existing County Hall building and Area B being the Red Dragon Centre and a strip of land alongside Bute East Dock. The report proposed that Area B be subject to further market testing, stating it was anticipated it would generate significant interest for residential development and that it was proposed to allocate land within Area B to provide the Council's Housing Partnering Scheme appointed development partner with an opportunity to deliver circa 500 residential units as part of the Partnering Scheme, in addition to any affordable housing requirement arising from the proposed masterplan and/or any subsequent planning application. Cabinet approved these proposals.
- 15. In November 2023, Cabinet considered the Indoor Arena Funding Strategy. The report to Cabinet identified the MSCP income as one of three key risks and set out potential mitigations. The report highlighted that if, following consideration of the MSCP business case, there is a need for any additional mitigations, these should be included as updates to the Indoor Arean Funding Strategy and included in budget proposals.

Issues

<u>Overall</u>

16. Point 13 of the report to Cabinet, attached at *Appendix A*, states the regeneration of the Red Dragon Centre (Area B) needs to recover the full capital outlay acquisition costs and the debt servicing costs. To date, rental income has serviced the debt, and a significant amount of capital has been repaid despite the impact of the covid pandemic.

Redevelopment of Red Dragon Centre (RDC)

- 17. Points 16-22 contain the following key points:
 - i) **Confidential Appendix 2** sets out external surveyors' findings and recommendations, concluding the only viable option is to redevelop the site
 - ii) **Confidential Appendix 3** summarises marketing testing, which resulted in two firm offers, with Aviva Capital consortium the preferred bidder
 - iii) The proposal is for a phased redevelopment, with the Council in control of the site until whole asset passes to the developer, meaning revenue streams go to the Council during redevelopment
 - iv)On this basis, recommending negotiating an exclusivity agreement and an option agreement and then bring a report to Cabinet for final approval.

Car Parking Spaces

18. Points 23-30 contain the following key points:

- i) Council required to deliver 1,300 spaces to support the arena, including 900 spaces for RDC
- ii) MSCP contractor procured, with capped delivery cost
- iii) Income from MSCP to be used to service debt the Indoor Arena Funding Strategy report highlighted risks relating to Years 7-10, linked to wider redevelopment; however over 30-year funding model, there is potential for surplus income
- iv) The Council has the opportunity to acquire Pierhead Street MSCP, which has 1219 unencumbered spaces that would be available for pre-booked event parking; *Confidential Appendix 5* sets out the financial model and related risks.

- v) Live Nation has agreed to a reduced new MSCP of 900 spaces, to meet the RDC requirement, as long as the Pierhead Street MSCP is acquired
- vi) The Council can acquire Pierhead Street MSCP and build the new 900-space MSCP within the financial envelope already approved, providing 2139 spaces in total
- vii) Acquiring Pierhead Street MSCP enables the Council to avoid some costs leasing spaces for staff and RDC – and to increase income by using some of the spaces for contractor parking; *Confidential Appendix 4* provides more information
- viii) Acquisition costs would be recouped over circa 15 years
- ix) On this basis, recommending acquisition of Pierhead Street MSCP.

Lloyd George Avenue

19. Points 31-32 set out the following:

- i) There is an opportunity to remodel Lloyd George Avenue to improve green infrastructure and provide better pedestrian and cycling infrastructure utilising sums set aside by Transport for Wales for landscaping the length of Lloyd George Avenue and Atlantic Wharf and Indoor Arena Section 106 monies for improving green infrastructure
- ii) **Confidential Appendix 8** provides further details on proposals, including reducing highway capacity
- iii) Confidential Appendix 9 sets out a potential funding strategy
- iv)Cabinet is asked to approve consultation with the local community to understand their views.

Appropriation

- 20. **Point 33** states the Council needs to appropriate land, as set out in Appendix 7, in line with the Atlantic Wharf planning permission granted in March 2022.
- 21. **Financial Implications** are at **Points 41-55** and set out detailed comments for all aspects of the report. Members are advised to read this section carefully.
- 22. Legal Implications are at Points 56-70 and include:
 - i) The legal basis for land acquisition, appropriation and disposal

- ii) the need for the Council to consider its duties with regard to the Equality Act 2010, Socio-Economic Duty, Welsh Language Measure (Wales) 2011 and Welsh Language Standards, the Well- Being of Future Generations (Wales) Act 2015
- iii) the need to be satisfied the decision is in accordance with the Council's financial and budgetary policies, offers value for money, and is within Procedure Rules
- iv) that consultation, on the Lloyd George Avenue proposals, gives rise to the legitimate expectation that the outcome of the consultation will be taken into account.

23. Property Implications are at Points 71-77 and include:

- i) The RDC assets are managed and leased, focusing on the need for rental income, and the costs of vacant units
- ii) The opportunity to purchase Pierhead Street MSCP is a real opportunity to manage the area during construction and benefit from income opportunities
- iii) Pierhead Street MSCP comes with a management company, ensuring smooth transition.
- 24. **HR Implications** are at **Point 78** and highlight the need to understand whether TUPE applies to staff currently based in the Pierhead Street MSCP.

Proposed Recommendations to Cabinet

- 25. The report to Cabinet contains the following recommendations:
 - *i.* Note the market exercise for the redevelopment of land marked as Area B on the plan attached at **Appendix 1** 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:
 - a. negotiate and enter into an exclusivity agreement with the 'Preferred Bidder'.
 - b. negotiate an option agreement contract with the 'Preferred Bidder' and to return to Cabinet for final approval.
 - *ii.* Note the amended car parking strategy for the Atlantic Wharf regeneration scheme as set out at **Confidential Appendices 4** and authorise the alteration

of the Indoor Arena Development Fund Agreement with Live Nation to reflect this new approach.

- iii. Authorise the acquisition of the Pierhead Street MSCP on the terms set out at **Confidential Appendix 6** 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 complete the acquisition.
- iv. Approve the appropriation of land for planning purposes as set out at Appendix
 7 and delegate authority to the Director of Economic Development to appropriate future parcels as outlined.
- v. Note the proposal for Lloyd George Avenue as set out at **Confidential Appendix 8 & Confidential Appendix 9** and authorise a consultation exercise to consider the proposal.

Previous Scrutiny

- 26. The previous Committee undertook regular scrutiny of the various reports on the Atlantic Wharf, Red Dragon Centre and Indoor Arena, as set out in the previous report to Committee on 11 July 2022, available here.
- 27. This Committee has undertaken pre-decision scrutiny of the following reports to Cabinet relevant to this scrutiny:

Date	Торіс	Chair's Public Letters and Cabinet Member Responses
July 2022	Multi-Storey Car Park, and updates	available <u>here</u>
	to the Indoor Arena	
March 2023	Multi-Storey Car Park, Energy	available <u>here</u>
	Provision, Infrastructure Review,	
	Council Costs, and overall Atlantic	
	Wharf masterplan	
July 2023	draft Development and Funding	available <u>here</u>
	Agreement, extension of the Pre-	
	Contract Service Agreement, and	
	Council costs	
November	proposed Indoor Arena Funding	available <u>here</u>
2023	Strategy	

28. The main points made in the above letters, relevant to this scrutiny, are:

<u>MSCP</u>

- Provision of car parking spaces is one of the legally binding conditions precedent for the Indoor Arena development, agreed by the Council in return for the developer agreeing to build the Indoor Arena on the Council's preferred site
- ii) The MSCP will provide fewer spaces than current surface car parking spaces at the site and a significantly lower number than car parking spaces provided at other similar-sized Indoor Arenas elsewhere in Britain.
- iii) Carbon off-setting proposals include a solar roof, a hydroponic roof, and green walls
- iv)Cycle parking provision will be addressed in the MSCP Full Business Case
- v) The MSCP and proposed active and public transport provision will assist in alleviating local residents' concerns regarding parking issues
- vi)There may be an opportunity to have a Traffic Management Zone to tackle nonresident access and parking; this will be explored as the scheme progresses
- vii) Masterplanning and Planning Development Control will be used to address transport issues and the level of parking provision for premises, in line with the Council's wider transport policies
- viii) The Outline Business Case is based on free parking for council staff
- ix) The proposed Indoor Arena Funding Strategy includes mitigations to manage the risks of MSCP income levels being less than anticipated
- x) Ultimately, if it is decided in future years that a MSCP is no longer needed, the land can be used for other income-generating purposes.

Red Dragon Centre

xi) The Outline Business Case will need to demonstrate how the Council recovers the initial capital outlay for acquiring the site and will need to demonstrate the new Red Dragon Centre is commercially viable.

Way Forward

- 29. Councillor Huw Thomas (Leader) will be invited to make a statement. Neil Hanratty (Director of Economic Development), Donna Jones (County Estates) and Chris Barnett (Operational Manager – Major Projects) will attend to give a presentation and all witnesses will be available to answer Members' questions on the proposals.
- 30. All Members are reminded of the need to maintain confidentiality regarding the information provided in **Appendices 2-6**, **8 and 9**. Members will be invited to agree the meeting go into closed session to enable discussion of this information.

Legal Implications

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

Financial Implications

32. The Scrutiny Committee is empowered to enquire, consider, review, and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters, there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any financial implications arising from those recommendations.

RECOMMENDATION

The Committee is recommended to:

- i) Consider the information in this report, its appendices and the information presented at the meeting
- ii) Determine whether they would like to make any comments, observations or recommendations to the Cabinet on this matter in time for its meeting on 18 January 2024, and
- iii) Decide the way forward for any future scrutiny of the issues discussed.

LEANNE WESTON Interim Deputy Monitoring Officer 10 January 2024