

**CABINET MEETING: 18 JANUARY 2024**

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**ATLANTIC WHARF REGENERATION UPDATE**

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

**AGENDA ITEM: 8**

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*Appendices 2,3,4,5,6, 8 and 9 of this report are not for publication as they contain exempt information of the description contained in paragraphs 14 and 16 of Part 4 and paragraph 21 of Part 5 of Schedule 12A of the Local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.*

**Reason for this Report**

1. To present the Outline Business Case for the redevelopment of the Red Dragon Centre (RDC) site as part of the wider regeneration of Atlantic Wharf site.
2. To seek authority to amend the car park strategy to fulfil the Council's obligations relating to the new Indoor Arena project and to support the regeneration of the wider Atlantic Wharf site.
3. To consider options for the improvement of pedestrian and cycling connections along Lloyd George Avenue to improve the connection between the city centre and Cardiff Bay.

**Background**

4. The Atlantic Wharf regeneration scheme remains a Council priority set out in the Corporate Plan 2023-26 aimed at kick-starting the next phase regeneration of Cardiff Bay.
5. In January 2020, the Council acquired the Red Dragon Centre to supplement its ownership of the existing County Hall site, to secure full control of a combined area of land in Cardiff Bay of approximately 30 acres.
6. Since then, the Council has progressed proposals for the comprehensive redevelopment of the site anchored by the delivery of a new Indoor Arena and supported by the development of a new Multi Storey Car Park (MSCP) to consolidate surface car parking across the site and to free up land for development.

7. In December 2020, Cabinet approved in principle the masterplan for the redevelopment of Atlantic Wharf and authorised a consultation process. Cabinet also authorised the submission of a hybrid planning application to secure outline permission for the masterplan area and detailed permission for the new Indoor Arena. At the same meeting Cabinet authorised the preparation of the Outline Business Case to bring forward the redevelopment of the Red Dragon Centre site.
8. In September 2021, Cabinet approved the Full Business Case for the new Indoor Arena and confirmed the consortium led by Live Nation as the successful bidder. Cabinet also delegated authority to agree and execute the final documentation relating to the Development Funding Agreement for the new Indoor Arena. At the same meeting, Cabinet approved the proposal for the delivery of a new MSCP which is an obligation on the Council set out in the agreement to deliver the Arena as a Condition Precedent.
9. In March 2022, outline planning permission was granted for the Atlantic Wharf site alongside detailed permission for the new Indoor Arena.
10. In July 2023, Cabinet granted authority to undertake a further exercise to test the market for the redevelopment of the Red Dragon Centre site. Cabinet also agreed as part of this process to set aside a proportion of land of sufficient scale (to be agreed with the Council's Housing Department) to enable the delivery of circa 500 residential units through the next phase of the Council's Partnering Scheme.
11. In November 2023, Cabinet approved the funding strategy for the delivery of the new Indoor Arena and the MSCP which will allow the Council and Live Nation to enter a Development Fund Agreement from 1<sup>st</sup> December 2023.

## Issues

12. The Council has engaged with the private sector to generate interest in the redevelopment of the Atlantic Wharf site. The opportunity has been managed in two distinct parcels identified as Area A and Area B on the plan attached at **Appendix 1**. This was to enable the Council to specify particular requirements for part of the site relating to the redevelopment of the existing County Hall. The Council has also committed to provide land within Area B to support the next phase of the Council's Partnering Scheme. The Council's Housing Department has identified plot 22 (fronting Bute East Dock in Area B) as their preferred site, subject to a future Cabinet decision on the Full Business Case for the redevelopment of the County Hall site.
13. The Red Dragon Centre was acquired by the Council to enable the Arena development and to provide the Council with full control over the wider Atlantic Wharf site. The centre was acquired on a fully commercial basis and therefore the regeneration of the site needs to continue to service the debt and ultimately recover the full capital outlay made by the Council to acquire the asset. To date, rental income has serviced the debt and a significant amount of capital has already been repaid. However, almost immediately following the acquisition of the Red Dragon Centre in January 2020, the asset was impacted by the onset of the Covid 19 pandemic. This has

affected the level of rental income and in effect has reduced the level of financial buffer available to the Council to manage the transition to a new development. In March 2023, Cabinet was advised of the short-term income position and the need to accelerate the preparation of a redevelopment strategy to protect the Council's investment.

14. Following the recent approval of the Development Fund Agreement (DFA) for the new Indoor Arena, the Council is now required to confirm its delivery of its Multi Storey Car Park (MSCP) obligation. The Council is required to deliver 1300 spaces to support the arena development and is required to retain 900 of these spaces to meet its obligation to tenants of the RDC. In November, Cabinet approved the financial strategy for the new Indoor Arena which included a funding package for the new MSCP. The Arena Funding report highlighted risk in the early years associated with projected income for the new MSCP. An opportunity to mitigate some of this risk is set out in this report.
15. A key aim of the redevelopment of the Atlantic Wharf site is to pump-prime the next phase redevelopment of Cardiff Bay. Improving the connection between the city centre and Cardiff Bay is not only essential to the long-term success of Cardiff Bay, but also to the more immediate success of the new Indoor Arena project and the prospects for the accelerated delivery of the Atlantic Wharf regeneration scheme. The work to extend the South Wales Metro from Queen Street Station to Cardiff Bay Station presents an opportunity to revisit the current configuration of Lloyd George Avenue to provide enhanced green infrastructure and improved pedestrian and cycling connections. A proposal for Lloyd George Avenue is set out in this report.

### **Redevelopment of the Red Dragon Centre**

16. In early 2022, the Council appointed external surveyors to consider options for the redevelopment of the Red Dragon Centre. The report at **Confidential Appendix 2** sets out their initial findings and recommendations. In summary, their report outlines that the only viable solution for the Council is to redevelop the site because any rationale to retain the existing Red Dragon Centre will require significant subsidy.
17. In July 2023, the Council commenced a market testing exercise to identify a commercial development partner for the redevelopment of the site. The process concluded in November 2023 and secured two firm offers which are set out at **Confidential Appendix 3**.
18. The process included an obligation for the bidders to commit to connecting to the Council's District Heating Network, building upon the Council's established commitment to utilising the heat network for the new Indoor Arena project and the potential redevelopment of the County Hall site (Area A).
19. This report seeks to confirm the bid submitted by a consortium led by Aviva Capital Partners as the 'Preferred Offer'. The bid from Aviva Capital Partners aligns with the Council's stated ambition for the regeneration of the Atlantic Wharf site i.e. to provide an extension of the inner harbour visitor attraction

that creates a suitable environment for the new Indoor Arena; and provides a greater opportunity for the Council to recover the capital outlay expended to acquire the Red Dragon Centre site.

20. The Council's proposal is to take the opportunity forward through an 'Option Agreement' for a phased redevelopment of the site. This approach will allow the Council to retain control of the site as it is developed and will allow the Council's to retain existing revenue streams until such a time as the whole asset reverts to the developer.
21. To progress and solidify the proposal from the Aviva consortium the process will now move in to a period of exclusivity that will enable the Council to work with the developer on their plans and to work up an 'Option Agreement' including the production of more detailed supporting information such as a detailed development appraisal, development plans and also clear strategies to demonstrate the projected value is optimised for the Council.
22. An exclusivity agreement will set out that the Council and the 'Preferred Bidder' will deal with each other in good faith with the intention of entering into the option agreement within the exclusivity period (currently anticipated to be 9 months from the date of the exclusivity agreement). During the exclusivity period, the parties will seek to agree the form of option agreement and the various draft strategies and form of lease to be appended to the option agreement. The Preferred Bidder will finalise its due diligence and will be able to carry out some surveys (subject to licence) and the Council cannot seek to market Area B to third parties during this period.

### **Multi Storey Car Park Development**

23. The Council is obliged to provide 1300 car parking spaces on the Atlantic Wharf site to meet its obligations under the new Indoor Arena contract. The lease arrangements with certain tenants of the Red Dragon Centre also requires up to 900 spaces to be available on a first-come basis.
24. In June 2022, Cabinet approved a plan which set-out the terms for the procurement of a contractor and a timeline for the delivery of 1300 parking space MSCP, in advance of the opening of the new Indoor Arena. The Council has now procured a contractor and has agreed a capped figure to deliver the project which was set out in the Arena Funding report approved by Cabinet in November 2023.
25. The car park provision is required to be delivered on a fully commercial basis with income servicing debt. Event parking related to the operation of the new Indoor Arena has the potential to make a significant positive impact on commercial viability. However, given that a proportion of spaces in the new MSCP will need to be available to users of the RDC, the business case for the new MSCP also needs to rely on income from a series of other potential users. The risk outlined in the Arena Funding report relates to the implementation of the wider Atlantic Wharf regeneration which requires future decisions on the Red Dragon Centre site and the redevelopment of the existing County Hall site. Currently this projects to impact the initial 7-10 years of the MSCP funding term whilst the Atlantic Wharf site is being

redeveloped and matures into a vibrant new district. However, whilst the projected income is anticipated to take several years to stabilise, over the full term of the 30-year funding model there is potential for surplus income.

26. In November 2023, the Council was made aware of an opportunity to acquire the Pierhead Street MSCP adjacent to the Atlantic Wharf site which provides 1239 spaces, plus 74 disabled spaces. The Pierhead Street MSCP was built in 2005 and has been kept in a good state of repair. Although the usage of the car park has reduced since Covid-19 the car park still delivers a revenue surplus. Only 20 spaces within the car park are subject to lease and therefore 1219 spaces are completely unencumbered and would be available for pre-booked event parking.
27. The Council has negotiated with Live Nation the potential to reduce the size of the new MSCP, if the Council also acquires the Pierhead Street MSCP. The size of the new MSCP could be reduced down to 900 spaces, from the originally agreed 1300 spaces. This is the minimum size the Council is required to provide to ensure it meets its obligation to RDC tenants.
28. The Council is able to acquire the Pierhead Street MSCP and deliver a new 900 space MSCP at no additional cost to the already approved financial envelope as set out at **Confidential Appendix 4**, i.e. for the same cost as building a new 1300 space MSCP. This alternative approach would provide the Council with control of 2139 spaces in total (1239 + 900 spaces) which is 839 more than the original plan of 1300 spaces. More to the point, it will provide the Council with 1219 unencumbered spaces to take advantage of pre-booked event parking compared to only 400 spaces with the original plan. The terms for acquiring the car park; the associated financial modelling; and the related risks are set-out at **Confidential Appendix 5**.
29. To inform the potential acquisition of the Pierhead Street MSCP the Council has appointed external surveyors. Their report and Heads of Terms for the acquisition are set-out at **Confidential Appendix 5 and 6**.
30. **Confidential Appendix 4** also considers the acquisition of the Pierhead MSCP as a separate isolated investment. The car park has an existing income that would service the debt to acquire the car park over circa 15 years. On top of this, acquisition of the car park provides an opportunity for the Council to avoid some short term costs. This includes avoiding the requirement to lease spaces in the Pierhead Street MSCP for a period of up to 2 years (whilst the new MSCP is being built) to provide parking for Council staff, as set out at **Confidential Appendix 4**. The Council would also avoid having to lease up to an additional circa 300 spaces over the same period for RDC tenants. In addition to this, and in addition to the potential to maximise event car parking income, acquisition of the Pierhead Street MSCP provides an opportunity for the Council to secure contractor parking income relating to the construction of the new Indoor Arena and the longer-term redevelopment of the wider site, for up to circa 7-10 years. The original proposed MSCP would not have been able to benefit from contractor parking because 900 spaces are required to meet the RDC obligation and the remaining 400 spaces would be required to meet the Council's staff parking needs. The projected value of contractor parking is also set out at

**Confidential Appendix 5.** This report recommends that the Council acquires the Pierhead Street MSCP.

### **Lloyd George Avenue**

31. The Council is currently in discussion with Welsh Government regarding the adoption of Lloyd George Avenue once the current PFI agreement terminates in 2025. At the end of a PFI agreement, the operator is required to invest in the asset to hand it over in the same condition as it was originally constructed. The delivery of the new tram connection between the city centre and Cardiff Bay includes sums set aside by Transport for Wales for landscaping works along the length of Lloyd George Avenue. The new Indoor Arena project and the associated redevelopment of Atlantic Wharf site have requirements to improve green infrastructure include additional SUDs/SAB provision funded through s106. These funding sources present an opportunity to remodel Lloyd George Avenue to improve green infrastructure along its length and to provide better pedestrian and cycling infrastructure to compliment the tram and to improve the overall connection between the city centre and Cardiff Bay.
32. The draft Framework Report attached at **Appendix 8** proposes a reduction in highway capacity, to allow for the widening of the landscaped area adjacent to the new tram line to improve pedestrian and cycling provision, bio-diversity, and sustainable drainage. **Confidential Appendix 9** sets out a potential funding strategy through a phased delivery approach. The Council would now like to consult with the local community to understand their views on the potential to remodel this strip of under-utilised highway.

### **Appropriation**

33. As part of the Atlantic Wharf regeneration scheme, the Council has already appropriated land for planning purposes, including the current Red Dragon Centre over-flow car park and the County Hall staff car park, to enable delivery of the new Indoor Arena and the new MSCP. To complete the regeneration of the Atlantic Wharf site, comprising the development of Area A and Area B (see **Appendix 1**), the Council now needs to bring forward the appropriation of the areas set out at **Appendix 7** in line with the planning permission of March 2022.

### **Next Steps**

34. Develop an Option Agreement for Area B with the 'Preferred Developer' and prepare associated documents such as development plans, appraisals, and programmes to be presented back to Cabinet in spring/summer 2024.
35. Progress the acquisition of the Pierhead Street MSCP.
36. Amend the PCSA with Goldbeck Construction to reduce the size of the new MSCP within the Atlantic Wharf red-line.

37. Continue negotiations with Welsh Government and Transport for Wales on the transfer of Lloyd George Avenue and the allocation of funds to support the implementation of an approved redesign scheme.
38. Commence a consultation to agree a redesign scheme for Lloyd George Avenue.

### **Reason for Recommendations**

39. To progress the delivery of the Atlantic Wharf Regeneration.
40. To agree the car parking strategy for Atlantic Wharf which will deliver on the Council's obligations within the Development Fund Agreement (DFA) with Live Nation for the delivery of the new Indoor Arena and meet the obligations associated with Red Dragon Centre.

### **Financial Implications**

#### **Redevelopment of the Red Dragon Centre**

41. This report seeks to delegate authority to officers to negotiate an option agreement contract with the 'Preferred Bidder' for Area B (the Red Dragon Centre site) to be presented back to Cabinet for final approval at a later date. Whilst still in the early stages, any potential disposal of land must consider the financial viability of the proposed opportunity, with particular consideration given to maximising value for money to the Council whilst also mitigating the Council's risk exposure as far as possible. It will also remain vitally important that the Council retains existing revenue streams in the short-term whilst any redevelopment is ongoing to fund annual debt costs associated with initial RDC acquisition in January 2020.
42. The report notes the next stage will be to enter an 'Option Agreement' with the developer identified as preferred bidder to enable further detailed supporting information such as a development appraisal, development plans and also clear strategies to demonstrate the projected value and opportunity is optimised for the Council. Further financial implications will be provided at a future Cabinet once such proposals from the Developer have been received and further evaluated.
43. Any revenue costs incurred in progressing to the next stage must be met from within existing approved resources only.

#### **Multi Storey Car Park Development**

44. This report seeks to approve the acquisition of the Pierhead Street MSCP on the terms set out at **Confidential Appendix 6** in order to amend the car parking strategy for the Atlantic Wharf regeneration scheme as set out at **Confidential Appendix 4**. It also seeks authorisation to alter the Indoor Arena Development Fund Agreement with Live Nation to reflect this new approach.

45. In November 2023, Cabinet approved the Arena Funding Strategy, with one of the key risks highlighted in that report being the uncertainty of future income associated with MSCP revenue streams. This report aims to consider and respond to those risks by introducing a new preferred option to meet the Council's obligations regarding delivery of parking spaces for the new Arena, supported by a high-level options appraisal for each of those four options. Two of these options are deemed non-viable for reasons set out within the report/appendices, with the remaining two delivery options explored in more detail.
46. **Confidential Appendix 4** contains a high-level options appraisal of the originally proposed solution (1,300 space new build in Atlantic Wharf) as well as the proposed new preferred solution (900 new spaces in Atlantic Wharf plus acquisition of existing Pierhead Street MSCP) for consideration. This options appraisal concludes that the most effective option to meet the Council's obligations for the Arena and the RDC tenants is Option 2 (900 new spaces in Atlantic Wharf plus acquisition of existing Pierhead Street MSCP). This new and preferred option is chosen due to the new revenue generating and cost avoidance opportunities that can be explored which weren't available on the same scale, or at all, within original parking strategy, e.g. pre-bookable event parking, contractual arrangements with Arena/MSCP contractors etc due to the Council obligations in other areas. It is also projected to be deliverable within the same budgetary framework as original plan i.e., the construction savings generating from a smaller car park in Atlantic Wharf will fund the acquisition of Pierhead Street MSCP. Whilst the preferred option presents some new risks and has a higher operational cost base than the original parking strategy, these additional opportunities are anticipated to improve the Council's ability for income generation, and in turn improve the Council's annual net revenue position in the longer-term should the Arena and Atlantic Wharf development fully materialise.
47. The proposed acquisition of Pierhead St MSCP will also enable implementation of the Council's preferred event-led pricing strategy for the MSCP (rather than originally proposed first-come-first-served strategy at standard commercial rates). Implementing such a charging model within a single 1,300 space MSCP would have been operationally challenging due to 900 of these parking spaces being legally encumbered by rights within leases of RDC tenants, meaning these spaces needed to be made available on a first-come-first served basis. However, having two separate and distinct car parks available and controlled by the Council (one smaller new MSCP and one existing MSCP) allows for the implementation of such a charging strategy on Arena event nights, enabled by the acquisition of the Pierhead Street MSCP, whilst still meeting legal obligations for parking to RDC tenants. This revised parking and charging strategy has significant potential to increase the level of revenue able to be generated from parking on event nights, and therefore is deemed to assist in the ambition of the overall Arena and associated developments being self-financing in the medium to long term.
48. Whilst there are some immediate short-term risks and financial implications to be worked through in pursuing option two and acquiring Pierhead St MSCP ahead of the Arena financial close, and ahead of the Arena practical



completion, the longer-term benefits and opportunities seem to outweigh the shorter-term risks in principle. The short-term risks include potentially acquiring Pierhead Street MSCP before the Arena financial close, so if the Arena falls through for any reason the Council is still left with an underperforming MSCP without the benefits identified in this report and appendices. Also short-term income may not cover the initial debt repayments in the early years until the Arena opens, so there are potential cashflow implications that will need to be worked through and managed. If full build out of Atlantic Wharf is delayed or doesn't happen for any reason, this will also have significant financial impact too, so the business case for any MSCP option remains reliant on future decisions on the Atlantic Wharf Area A (County Hall) and Area B (Red Dragon Centre).

49. In addition, as originally highlighted in the Arena Funding Strategy report approved by Cabinet in November 2023, there remains a level of uncertainty regarding levels of income to be generated by the multi-storey car park due to the linkages of potential income generation to future decisions and developments. This uncertainty remains, primarily as the funding strategy was based on assumptions that the Council will generate a build-up of demand for parking in Atlantic Wharf over the next 7 – 10 years linked to both the Arena opening (currently planned for late 2026), but also the potential future development and regeneration of Atlantic Wharf which would generate increasing demand for car parking. As these decisions on future Atlantic Wharf developments haven't been made yet at this decision point, this key risk remains, and there will continue to be a gap in robustness relating to MSCP income projections until the Atlantic Wharf redevelopment materialises.
50. Such decisions will need to be taken by Cabinet in the near future based on robust and financially viable business cases (RDC redevelopment, redevelopment of the existing County Hall site i.e., building of a New County Hall, Capella Studios, Events Space, new Public Square, new homes via Council Partnering procurement, land disposals for regeneration etc), but will also rely on external third parties to develop, fund and deliver these regeneration projects in Atlantic Wharf within a financial envelope that is suitable and affordable to the Council. The Arena Funding Strategy approved in November 2023 made the assumption that Cabinet would take positive decisions on all of the above in due course, and just as importantly third-party developers would fund and deliver these developments within the next 7-10 years, which in turn would generate footfall into Atlantic Wharf and generate sufficient revenues for MSCP to be self-financing over 30 years. If these decisions are delayed or not taken at all, or third-party developers cannot or will not invest to deliver the proposed Atlantic Wharf masterplan, this will have a direct impact on MSCP revenues and therefore the overall funding strategy approved by Cabinet in November 2023.
51. An independent valuation to support acquisition of the Pierhead Street MSCP will be required, along with a view from Council Surveyors that the deal offers value for money. Heads of Terms for the acquisition of the Pierhead Street Car Park have been agreed and are shown in **Confidential Appendix 6**, with page 16 of the Surveyors report attached as **Confidential Appendix 5** setting out the pricing methodology for acquisition. Decision

makers should review these documents and ensure they are comfortable with the pricing methodology and assumptions used to arrive at the purchase price when considering the recommendations of this report.

## **Appropriation**

52. There are no direct financial implications from this section of the report.

## **Lloyd George Avenue**

53. The body of this report identifies that the Council is currently in discussion with Welsh Government regarding the adoption of Lloyd George Avenue once the current PFI agreement terminates in 2025, with **Confidential Appendix 9** setting out a potential funding strategy. Indications within **Confidential Appendix 9** suggest initial capital costs could be funded using a blend of internal and external funding contributions through a phased delivery approach, with potential funding sources identified such as s106 or other Planning contributions, developer contributions, end of life PFI contributions from Welsh Government etc.

54. Ahead of any proposal being agreed in the future, it is essential that any funding sources are confirmed prior to schemes being undertaken and financial commitments entered into. Any assumptions regarding Council funding or other funding sources planned to meet any funding gap must be considered and confirmed as part of the Council budget setting processes and all expenditure maintained within approved resources. Until funding is confirmed, the risk remains that the schemes proposed may not be deliverable and may need to be reduced or removed to match the available funding.

55. Any decisions taken must be in the knowledge of full financial implications in terms of any capital programme build and development costs as well as any ongoing revenue budget requirements for maintenance, repair and renewal of new infrastructure of public realm, both new and existing.

## **Legal Implications (including Equality Impact Assessment where appropriate)**

56. 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.

57. Section 226 of the Town and Country Planning Act 1990 enables the Council to acquire land compulsorily for development and other planning purposes as defined in section 246 (1) of the Act for the promotion or improvement of the economic, social or environmental well-being of the area.

58. Section 123 of the Act provide power to dispose of land for not less best consideration.

59. 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. The decision maker should have regard to the marketing and valuation advice contained in the confidential appendices annexed to this report.
60. Section 122 of the Local Government Act 1972 provides power for a local authority to appropriate land within its ownership for any purpose for which it is authorised to acquire land by agreement, and where that land is no longer required for the purpose for which it is held. Where any part of land to be appropriated forms part of an open space the Council is required to publish a notice for two consecutive weeks in a newspaper circulating in locality of the property and consider any representations received. It is noted in this case that the land will be appropriated for planning purposes which will enable the Council to utilise the provisions of Sections 203(1) and (4) of the Housing and Planning Act 2016 where appropriate to facilitate development. Any rights that are overridden would be converted into a right to claim compensation under section 204 of the 2016 Act.

#### Equality Duty

61. In considering this matter, the Council must have regard to its public sector equality duties under the Equality Act 2010 (including specific Welsh public sector duties). This means the Council must give 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.
62. 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.

#### Well Being of Future Generations (Wales) Act 2015

63. 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.
64. 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 2023-26. When exercising its functions, the Council is required to take all reasonable steps to meet its well being objectives. This means that the decision makers should consider how the proposed decision

will contribute towards meeting the well being objectives and must be satisfied that all reasonable steps have been taken to meet those objectives.

65. The well being duty also requires the Council to act in accordance with a '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 compromising 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 integrated approach to achieving the 7 national well-being goals
  - d. Work in collaboration with others to find shared sustainable solutions
  - e. Involve people from all sections of the community in the decisions which affect them
66. 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>

#### General

67. The decision maker should be satisfied that the decision is in accordance within the financial and budgetary policy and represents value for money for the Council.
68. All decisions taken by or on behalf 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 of behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. Council 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.
69. The report refers to consultation to be undertaken in relation to proposals for Lloyd George Avenue. It should be noted that consultation gives rise to the legitimate expectation that the outcome of the consultation will be taken into account when developing and determining to adopt the proposals.
70. The decision maker should also have regard to, when making its decision, to the Council's wider obligations under the Welsh Language (Wales) Measure 2011 and the Welsh Language Standards.

## **Property Implications**

71. Following the acquisition of the Red Dragon Centre in January 2020, the Estate team have liaised closely with the Centre's appointed managing agents to understand and engage fully with the management of the Centre. Covid 19 emerging following only a few weeks of ownership made this process more challenging, but together with the managing agent's we were able to reduce the service charge significantly and have subsequently agreed payments plans for rent deferred during the pandemic. Apart from the Odeon, every tenant has now repaid the owed amount for this period.
72. A number of leases expired in 2023, and whilst this could have resulted in a mass exodus from the Centre due to the uncertainty over the future redevelopment, we have managed to secure the vast majority of the tenants and renewed leases. However, there is a general downturn in the Leisure sector as Confidential Appendix 2 alludes to, and negotiation for the lease renewal has been on the basis of retaining as much revenue to service the existing debt but to also avert compensation events due to the regeneration proposals as part of the Atlantic Wharf Masterplan. Balancing both requirements and managing expectation on the income received to service a debt was always going to be an issue and Estates have continued to provide finance with updates on rental levels in order to manage this risk.
73. It is inevitable that the income line will now continue on a downward trend, but we must also balance the vacant holding costs of having empty units, and this will be the issue for Estates over the next two years whilst the preferred bidder works through the Option Agreement and reaches a point where they will want to draw down the developed area for the site.
74. As noted, the RDC was a development of its time, designed and constructed in the late 1980's where out of town facilities were proving to be successful with the ability to drive and park outside the venue playing an important part. With the onset of more sustainable travel and a change in trend for Leisure attractions, the configuration of the RDC does not lend itself to modern requirements. Given the selling points of the on site car park, it is no surprise that some leases do articulate an obligation for car parking provision. Whilst there are plan afoot to bring the Metro to the Bay and link up the public transport, there will always be a requirement for car parking and this is indeed an obligation under Arena Conditions Precedent.
75. The opportunity to acquire an immediately adjoining multi story car park is timely considering construction costs and the planning requirements to bring forward a large scale car park. Not only will this immediately be available, but coupled with the proposed MSCP, this will present the Council with a real opportunity to manage the masterplan area during the construction period and benefit from the income opportunities thereafter.
76. The acquisition of the Pierhead Street comes with a management company and whilst there are additional resources to manage, this will ensure a smooth transition and an immediate income stream. With the masterplan taking shape, the income stream will only increase and the contents of

Confidential Appendix 5 confirms that this acquisition represents best value to the Council.

77. For completeness, now that we are at a stage where the masterplan has been further marketed and we are seeking a recommendation to progress with a preferred bidder, it is recommended to appropriate for planning purposes the remaining parcels of land forming part of the wider masterplan area as outlined in appendix 7.

### **HR Implications**

78. Paragraphs 26 – 30 and paragraph 76 of the report outlines the potential acquisition of the Pierhead Street Multi Storey Car Park in which arrangements are in place with an existing management company. Further information would need to be sought in respect of the employment arrangements of staff currently based at the MSCP to ascertain if the “Transfer of Undertakings (Protection of Employment) regulations 2006” (as amended) would apply in these circumstances. TUPE can apply if current outsourced activities or services are brought in-house (in-sourcing). If TUPE is considered to apply, employees currently engaged in this activity or service would transfer to the Council as the incoming employer.

### **RECOMMENDATIONS**

Cabinet is recommended to:

- 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 **Appendix 8 & Confidential Appendix 9** and authorise a consultation exercise to consider the proposal.

<b>SENIOR RESPONSIBLE OFFICER</b>	<b>Neil Hanratty</b> Director of Economic Development
	12 January 2024

*The following appendices are attached:*

- Appendix 1** - Atlantic Wharf Procurement & Marketing Plan
- Confidential Appendix 2** - Red Dragon Centre OBC
- Confidential Appendix 3** - Surveyors Disposal Report
- Confidential Appendix 4** - MSCP Strategy Report
- Confidential Appendix 5** - Surveyors Report Pierhead Street
- Confidential Appendix 6** - Heads of Terms Pierhead Street MSCP
- Appendix 7** - Atlantic Wharf Appropriation Plan
- Confidential Appendix 8** - Lloyd George Avenue Framework Report
- Confidential Appendix 9** - LGA Cost & Financial Plan
- Appendix 10** - SIA