

Item

## **STRATEGIC SITE DEVELOPMENT OF PARK STREET CAR PARK**

**To:**

Councillor Lewis Herbert, Leader and Executive Councillor for Strategy and Transformation

**Report by:**

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**Wards affected:**

Market

### **Key Decision**

#### **1. Executive Summary**

- 1.1 The Park Street Car Park site comprises 0.75 acres and is located on Park Street in the city centre. It is the only car park north of the Market Square within the historic core of the City which is operated by Cambridge City Council. The Car Park comprises 390 spaces (including 7 disabled) and 249 covered cycle parking spaces.
- 1.2 In January 2016, the General Fund development programme was approved by the Executive Councillor for Finance and Resources at the Strategy & Resources Scrutiny Committee. This is a ten year programme of potential development and investment opportunities for General Fund sites. Park Street Car Park is identified in the programme as a strategic site for development.
- 1.3 In July 2016 Strategy & Resource Scrutiny Committee approved the setting up of the Cambridge Investment Partnership (CIP) as a mechanism for the Council to bring forward assets for development. Adopting the Investment Partnership model

for development will maximize the potential value of the asset and also provide sites for the delivery of new homes. The partnership model brings the advantage of the professional experience and resources of the development partner. This is beneficial on large and complex sites which are targeted by the Council for development as mixed use commercial and residential sites. Park St Car Park site is included in this category.

- 1.4 The principles which govern the progression of sites with development opportunities through CIP were approved at Strategy & Resources Scrutiny Committee on 9<sup>th</sup> October 2017. Park Street Car Park site is one of the General Fund assets to be developed using these approved principles.
- 1.5 The CIP Investment Team has developed a strategic Project Plan for the site incorporating a clear development brief to meet the Council's key objectives in line with planning policy and the Planning Guidance Note for the site which was produced in January 2016.
- 1.6 In accordance with the principles set out in clause 1.4 above, and the CIP Board approval of the Project Plan; this report outlines the alternative development options for the site, which include refurbishment and redevelopment options.
- 1.7 In developing the programme for delivery of the 500 new homes for social rent which will be delivered under the Devolution Funding Delivery Programme; options for delivering affordable housing on the Park Street Car Park site have been explored. In addition, alternative options for the site have also been considered including the site's potential for commercial development.
- 1.8 The financial viability appraisals for the housing delivery option for affordable housing on this site have demonstrated that this option is not viable without significant financial contribution from Council reserves. The net loss of the 20 affordable units which the Council could have delivered on the site can be provided elsewhere in the City. This is set out in section 3.5
- 1.9 A development proposal option which could include a sale of the site to a commercial developer would generate a capital receipt which could be utilized as a capital contribution for the overall housing delivery programme. This would provide the Council with an investment stake that does not rely on prudential borrowing. There is a potential benefit to the overall Devolution Funding Delivery Programme from a reduction in costs through lower levels of bank borrowing.

## **2. Recommendations**

The Executive Councillor is recommended to:

- 2.1 Note the options proposed and explored by CIP for the redevelopment and refurbishment of Park St Car Park as set out in section 3.3
- 2.2 Approve the recommendation made by CIP not to progress the option to deliver housing on the Park St Car Park site as part of a redevelopment option as set out in section 3.3.3
- 2.3 Note that CIP will continue to explore the opportunities for redevelopment on the site including investigating commercial options; to deliver a scheme that meets the Council's Strategic Development Brief for the site and the Council's wider objectives and, should an agreed scheme be developed, that it be reported to the Strategy & Resources Committee for scrutiny and the opportunity for public input, ahead of a decision by the Leader on the CIP plan.
- 2.4 Approve a five year rolling programme for the refurbishment of the car park. The programme will be reviewed and implemented on an annual basis during which time CIP will explore options for redevelopment of the site to identify an option that meets the Council's Strategic Development Brief and wider objectives. A report seeking approval of an option for redevelopment will be presented to a Strategy and Resources Scrutiny Committee in 2018 for a decision to proceed with a preferred option.

## **3. Background**

### **3.1 Background to Redevelopment Scheme**

- 3.1.1 In June 2012 a report was presented to the Strategy and Resources Scrutiny Committee which outlined the business case for the redevelopment of Park St Car Park. The report presented options which included alternatives for either the redevelopment or the refurbishment of the car park and considered the implications of the options presented.
- 3.1.2 The Recommendations from the report were implemented which resulted in a further report to the Strategy and Resources Scrutiny Committee in October 2015.
- 3.1.3 The October 2015 committee report summarised the work undertaken by the Council in the period between June 2012 and October 2015 which included detailed feasibility studies relating to potential development options. The report also considered the output from a public consultation exercise which was undertaken in 2014. The report stated that based on a number of options proposed in the public consultation, a majority of respondents preferred the option to replace the car park with a new underground car park with a mixed residential and/or commercial development above ground.

3.1.4 The committee report was informed by an option appraisal by Bidwells and Parking Matters Limited with added financial analysis by the Head of Finance and the then Head of Strategic Housing in respect of the housing options.

3.1.5 At the Committee the Leader approved a recommendation that the car park be redeveloped to incorporate:

- A 250 space underground car park.
- Above ground a mixed development of market, intermediate and social housing, including the option for commercial rental on the ground floor, in conjunction with cycle parking.
- The same or greater number of cycle parking spaces.

It was a requirement of the decision that a final scheme be brought back to S&R prior to development and that further consultation and liaison would take place with key stakeholders including local businesses over the detailed plans and proposed timetable for the development.

3.1.6 This direction from the Leader was reinforced in a supplementary report to the January 2016 S&R committee.

3.1.7 During 2016 and 2017 options for developing the car park in line with the Council's Strategic Development Brief for the site have been explored and consultation has been on-going with the local business community. A key consideration expressed was for the car park not to be out of action for more than one Christmas period.

3.1.8 As a reminder, in October 2015 neither the Cambridge Investment Partnership (CIP) nor the Housing Development Agency (H DA) were in place and the Council had not secured the Devolution Housing Grant for the delivery of 500 affordable homes. However, with the establishment of the HD A and subsequently the CIP a Project Team was set up in January 2017 to progress the feasibility work to explore options for redevelopment in line with the Council's Strategic Development Brief for the site

## **3.2 The Cambridge Investment Partnership**

3.2.1 In July 2016, the Leader approved setting up an Investment Partnership to optimise the use of the Council's property through investment in commercial, residential and other uses to achieve both social and financial returns. After an assessment by a panel of external consultants and internal officers from the Council, Hill Investment Partnerships (HIP) was selected from a shortlist of companies to form the Cambridge Investment Partnership (CIP) with the City Council. The Partnership is an equal, 50:50 Limited Liability Partnership (LLP).

3.2.2 This investment partnership model provides an opportunity for the Council to benefit from the experience and additional resource that a development partner can bring. Each partner shares the outputs (financial and social) in proportion to

the value of its input, and therefore the model allows the partners to share the development risk and the development uplift arising from a scheme.

- 3.2.3 The Investment Partnership provides significant advantages to the Council in delivering individual development projects and programmes of work and thereby achieving its aim. With the alternative model of procuring a developer to build out a scheme, the developer retains all profits from uplift in value. The procurement process for individual schemes and larger programmes of delivery tends to be lengthy. The CIP model is robust in its governance and decision making processes and provides a sound model for the more accelerated development and delivery of its Council partner's assets.
- 3.2.4 The principle of the Members' Agreement underpinning the partnership is that both partners will share any investment upside and risk equally (or as may be agreed). This potential added value is calculated after adjustments have been made for the payment of land value, consultants and associated professional fees, site/running costs and business overheads. The partnership is a deadlock partnership, the terms of which allow either partner to exercise its powers under the deadlock to veto any proposals for development of a site. Accordingly the Council Board Members are able to veto a scheme that would prejudice the best interests of the Council in the stewardship of its assets and in delivering its strategic and corporate objectives. In circumstances where a deadlock was reached, the veto would provide for the transfer of the land from CIP back to the Council.
- 3.2.5 The agreed objectives of CIP as set out in the Members Agreement are:
- Investment in the development of land to create successful new places that meet both the financial objectives (primarily a revenue return) and social objectives of the Cambridge City Council (particularly housing that is affordable and is needed locally), provided always that the individual sites may be developed to meet either financial or social objectives;
  - Improve the use of Council assets and those of other Public Sector Bodies in the Cambridge, or Cambridge wide, area;
  - Maximise financial return through enhanced asset value, (with reference to the first bullet above)
  - Provide a return to the Investment Partners commensurate to their investment and the level of risk in respect to such investment.
- 3.2.6 The business of CIP is conducted in accordance with the governance processes and procedures which are set out in the Members Agreement. Cambridge City Council is represented on the CIP Board by Executive Councillor for Finance and Resources and the Executive Councillor for Housing, Hills Investment Partnership is represented by two Directors of Hill Investment Partnership.

- 3.2.7 The principles which govern the progression of sites with development opportunities through CIP were approved at Strategy & Resources Scrutiny Committee on 9th October 2017.
- 3.2.8 Those principles require the Council to agree strategic objectives for a given site, and for Exec Cllrs, following the appropriate Scrutiny Committee (Housing or Strategy and Resources), to give approval for the CIP to develop the sites in line with those strategic objectives. Detailed proposals and final investment plans are then developed in line with the objectives set, and within the planning and consultation frameworks, and these are approved by the CIP Board. For Mill Road Depot site, The CIP Board approval of the Project Plan has triggered this report to S & R Committee to recommend the transfer of the site to the CIP to take forward for development.

### **3.3 Delivering the Council's Strategic Development Brief for Park St Car Park**

- 3.3.1 The CIP Project Team has been working with the Council since January 2017.

In early 2017 CIP appointed bptw architects as lead designer for the project to develop options for the site which meet the Council's Corporate Objectives, the Strategic Development Brief and the objectives agreed for the site as set out in the Planning Guidance Note.

- 3.3.2 A number of options were developed from which CIP proposed the two alternatives below:

#### **CIP Option Redevelopment with Housing**

- 225 car parking spaces and 250 cycle spaces and ancillary facilities over a 3 storey basement and on the ground floor above ground.
- No commercial space/small active frontage
- 55 residential units (22 social rented and 33 market sale)
- No car parking allocated to the residential

#### **CIP Option Refurbishment of the Existing Car Park**

- Refurbishment of the existing car park based on a 5 year plan or a 15 year plan
- No redevelopment
- No housing

- 3.3.3 Detailed feasibility work was carried out by CIP based on **CIP Option Redevelopment with Housing**.

A proposed scheme modelled on this option was put forward for feasibility work and pre-app planning scrutiny.

Note, in order to deliver the 225 car parking spaces and in the context of other project constraints (including planning) the number of underground parking levels increased from 3 to 4 and the number of housing units decreased from 55 to 49 with an adverse impact on the cost profile of the scheme. The basis of this proposed scheme is set out below;

- 49 units (20 affordable plus 29 private)
- 225 space underground car park 4 levels
- Small commercial active frontage
- 250 cycle spaces
- The comments from planners on the scheme during the pre app process confirmed that development parameters would measure the proposed scheme against Park Street Planning Guidance note. The scheme will be required to demonstrate compliance with the Planning Guidance particularly in the context of urban development; key issues relating to Jordan's Yard, massing and heights towards The Maypole pub.
- The development appraisal for the scheme confirmed a total scheme cost of £32.1m of which £18.5m is attributable to the replacement car park. CIP concluded that the scheme is not viable without the council fully funding the car park and taking all cost risk. The appraisal demonstrated it is not possible to subsidize the car park from the income generated by the sale of 29 private units.
- The development appraisal for the scheme indicated the affordable housing could be deemed as costing £1m a unit.
- Due to the complexities of the construction programme, the project delivery timescales were estimated at 4 years with a loss of significant revenue to the council arising from the period the car park would be closed. The programme also included closure of the car park over 3 Xmas'; which is not acceptable to local businesses and traders.

For the reasons stated above, in August 2017 following completion of the detailed feasibility work and financial viability modelling on this proposed scheme; the CIP Project Team advised that the scheme modelled on this option is not financially viable and will not be taken to CIP Board for approval for a recommendation to proceed.

- 3.3.4 The CIP Project Team has considered alternative development proposals for the site including options for refurbishment. All redevelopment options will include continued provision of car parking at Park Street,
- 3.3.5 The council remains committed to ensuring that whatever option is chosen takes account of the need to limit interruption to parking provision at Park Street. Any proposal for redevelopment will assess carefully the impacts of construction and

construction period, and also consider the need for alternative parking with transport links during the construction period.

### **3.4 CIP Refurbishment and Development Options**

The car park is now over 50 years old and has exceeded its original design service life. Holding repair work was undertaken between 2013-2017 as a short term measure to address urgent Health + Safety and condition issues. The expectation was the repair work would extend the service-life of the car park by three years after which it was anticipated that the site would be redeveloped.

Refurbishment options have been considered to extend the service-life by either 5 or 15 years. The options have taken account of issues relating to: the inherent degradation of the reinforced concrete structure due to the high level of chlorides; lack of accessibility and compliance with the Equality Act 2010 including lifts that do not cover all the parking spaces on each floor and deficiencies in containment (vehicular and pedestrian) that need to be addressed in order to comply with current legislation.

The costs presented for the 5 and 15 year options exclude the costs of the immediate repairs which are required urgently and which have been commissioned by Parking Services. The costs are estimated at £25,000 plus VAT. The intention is for this work to be carried out in advance of the 5 or 15 year refurbishment option. I

It is recommended that for both refurbishment options a structural appraisal and implementation of a life-care plan is undertaken. This will benchmark the condition and level of safety of the structure, and will provide a strategic approach to future inspection, maintenance and repair to enable budgeting for future expenditure.

#### **3.4.1 Option 1 - Refurbishment of the Existing Car Park - 5 Years Option**

The service-life of the car park could be extended for 5 years based on undertaking essential repairs only. However; it is likely there will also be a requirement for some ongoing repairs and maintenance during this period. CIP has recommended that a reassessment of the structural condition of the car park is undertaken mid-way through the five-year period. Technical specifications for the work include assessing the extent of concrete repairs, functionality of drainage, accessibility + containment issues and the condition of the life expired roof membrane.

Detailed feasibility work has not been carried out by CIP; however, based on the extent of the investigation work undertaken to date the initial cost of extending the service-life by 5 years is estimated to be £301,000 plus VAT. Note, if work is required to repair the roof membrane during this time the costs will increase by approximately £150,000 plus VAT.

Costs exclude professional fees, statutory approvals, and loss of parking



revenue during the period of the repair work. The time to complete the repair works is estimated to be three months; the loss of parking revenue during this period is estimated to be approximately £100,000. It may be possible to open areas of the car park for public use during this time although this is yet to be confirmed.

The refurbishment works will be packaged as a rolling programme of works over the 5 years which will allow discrete packages of works to be instructed on a year 1 to year 5 basis. The urgent works required in year 1 have been instructed by Parking Services to ensure the car park can continue to operate in a safe and compliant condition until autumn 2018. Additional works from year 2 onwards can be instructed on a call off basis to align with any proposals under review for the redevelopment of the car park.

### **3.4.2 Option 2 - Refurbishment of the Existing Car Park 15 Years Option**

Detailed feasibility work has not been carried out by CIP. However, based on the initial investigation and feasibility work and in addition to the work identified in the section above relating to the 5 year refurbishment option; consideration will need to be given to replacing the waterproof roof membrane. The roof membrane is worn out, is leaking, is a slip hazard and cannot be effectively repaired to extend its functionality for a 15 year period. The cost of a replacement membrane and movement joints is estimated to be £930,000 plus VAT. If this work is not carried, for Health + Safety reasons it will be necessary for the closure of both roof levels (K and L) to members of the public. There will be an associated loss of revenue.

CIP has advised that a refurbishment option to extend the service-life by 15 years should also include the following works: upgrading the car park to current safety standards on containment, provide new LED lighting, new deck membranes and lifts. It would be prudent to include for additional repairs at three yearly intervals.

It is estimated that the time to complete the works will be six months during which time the car park will be closed and there will be an associated loss of parking revenue. This is estimated at approximately £200,000.

The total estimated cost of this work which includes the costs of replacing the roof membrane is £1,640,000 plus VAT. The costs exclude professional fees and statutory approvals

A table summarising the indicative costs for the refurbishment options is attached at Appendix 1.

### **3.4.3 Refurbishment options - Considerations:**

- The refurbishment options and costs noted in this report do not take into consideration the need to meet the future capacity for alternatively fuelled vehicles such as electric or hybrid cars. Government policy, particularly within urban areas, is likely to restrict the production and sales of conventional combustion powered vehicles on the grounds of air pollution and public health. This may be of significance to the 15 year refurbishment option.
- The long term viability of the existing car park may be under threat as car owners move towards alternatively fuelled vehicles and as the impact of the Greater Cambridge Transport Strategy on Cambridge City is understood. An assessment of the impact of hybrids and the infrastructure required to support charging facilities in the car park will need to be explored and fully understood as part of the further detailed work associated with exploring the 15 year refurbishment option and to inform the financial viability assessment.
- No assessment has been made of the costs and impact of a retro fit of the infrastructure required for the provision of electric charging facilities.

#### **3.4.4 Potential Future Commercial Development of the site**

CIP will continue to work with the Council in exploring options to meet the strategic development brief for Park Street Car Park which may include considering a commercial redevelopment option at a future time.

### **3.5 The CIP Affordable Housing Programme - impact on the loss of 20 units from Park Street**

- CIP has developed a strategic site delivery programme of council and privately acquired land sites across the city. The 20 proposed units of social rent council housing can be provided elsewhere on other sites and at a cost substantially lower than would have been the case at Park Street. This assists the council in achieving its target for delivery of 500 new units of affordable housing in a prudent and cost effective manner, including given the need to deliver on average decolusion funding of £140,000 per new home. .
- The CIP housing development programme provides the council with an opportunity to share the surpluses generated through the development of sites, and assist the funding of council homes on sites that also will provide private housing.

## **4. Implications**

### **(a) Financial Implications**

A number of viability appraisals have been prepared to inform CIP on the options available on this site which achieve the objectives of the Planning Guidance Note and the Council's corporate objectives. As noted in section 3.3.3 the redevelopment option including housing provision has been discounted for viability reasons.

The CIP will continue to explore the refurbishment and redevelopment options to propose a scheme that will meet the Strategic Development Brief for the site and will be financially viable. The CIP Board will approve the Project Plan for the development of the site with indicative budget options once an option has been agreed.

### **(b) Staffing Implications**

In accordance with the principles for developing a site through the CIP process which are set out in earlier sections of the report; all matters relating to the development of the Park Street Car Park site are managed by CIP including the provision of staff. The costs associated with this are managed as part of the CIP business costs. Staff from both investment partners (CCC and Hill Investment Partnership) work collaboratively to achieve successful outcomes for the partners. A benefit of the Investment Partnership is the provision of experienced professional resources from both partners to support delivery and meet the partners' objectives.

### **(c) Equality and Poverty Implications**

Draft EqIA appended

### **(d) Environmental Implications**

The refurbishment works will be procured, managed and delivered by a professional team working with The Investment Partnership. The project will be managed in accordance with all statutory and legislative requirements and any conditions imposed relating to H+S, Waster Regulations, CDM Regulations 2015 and the contractors RAMS and Construction Phase H+S Plan. This approach will mitigate any potential adverse environmental implications.

### **(e) Procurement Implications**

The Investment Partnership provides a significant advantage to the Council in delivering individual development projects and programmes of work. With the alternative model of procuring a developer to build out a scheme, the developer retains all profits from uplift in value. The procurement process for individual schemes and larger programmes of

delivery tend to be lengthy. The CIP model is robust in its governance and decision making processes and provides a sound model for more accelerated development and delivery of its Council partner's assets.

#### **(f) Community Safety Implications**

None identified.

### **5. Consultation and communication considerations**

To date there have been various meetings held with representatives from local business and traders as well as Cambridge BID to discuss options for the site and to understand the potential impact on business in the neighboring area. Prior to any redevelopment works being progressed a statement of community engagement will be produced with a targeted public consultation.

### **6. Background papers**

No background papers were used in the preparation of this report.

### **7. Appendices**

(a) Appendix 1 – 5 and 15 Year Refurbishment Option Costs

(c) Appendix 2 - EqIA

### **8. Inspection of papers**

To inspect the background papers or if you have a query on the report please contact Cath Conlon, Interim Head of Housing Development Agency, tel: 01223 - 457149, email: [cath.conlon@cambridge.gov.uk](mailto:cath.conlon@cambridge.gov.uk).

