The Appendix 1 attached to this report contains exempt information during which the public is likely to be excluded from the meeting subject to determination by the Scrutiny Committee following consideration of a public interest test. This exclusion would be made under paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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 currently comprises 390 spaces (including 7 disabled) and 249 covered cycle parking spaces. It is the car park that best serves vehicles arriving via Huntingdon Road, Histon Road and Milton Road. It is considered to meet a longer term need, even with the current planned interventions to reduce vehicle journeys entering the central city, and other incentive options switching journeys to public transport.

1.2. The Council approved a proposal to consider the car park for development in 2012. A number of reports since then on the future of the car park have been considered by the Council, the most recent being a report to the Strategy & Resources Scrutiny Committee in November 2017. At that meeting, the Executive Councillor for Strategy and Transformation approved the recommendation not to progress the option to deliver housing on the Park St Car Park site because the proposal developed in line with planning advice was considered unviable. The Executive Councillor also approved a rolling programme of refurbishment with annual reviews to be carried forward while the investigation by the Cambridge Investment Partnership (CIP) of other options for the site, including commercial options, took place.

1.3. This report sets out the options that have been explored by CIP following that decision. The car park is over 50 years old and, while its current life can be extended by a few years via rolling repairs, there will be a continued need that supports the case for rebuild of a smaller car park with internal flexible design to enable future shrinkage depending on future need and demand, freeing up further space for alternate use.

1.4. Following detailed investigation by CIP of commercial development options, the outcome of the options review is:

- office and student accommodation development is not considered to be a viable option;
• Market testing of a hotel development was carried out which is considered to be viable and has led to the recommendation of this as a preferred option. (Further detail on the results of this market testing is contained in Section 4 and in the confidential appendix).

1.5. The preferred option which is recommended in this report is therefore the development of a hotel over a basement car park to provide 225 car parking spaces including cycle parking and facilities for electric car charging.

1.6. The proposed option, which is subject to further due diligence, is also likely to provide a capital receipt which can be rolled over into investment in housing on other sites.

1.7. The commercial development of Park Street car park offers a viable proposal to deliver an upgraded car park and also to receive capital for onward reinvestment into other sites for development of council homes. The devolution programme cannot, by itself, support all the site assembly requirements for delivery of the new council homes, as well as the council homes themselves. Delivery of the 500 homes will therefore not be possible within the timescales required without additional land being provided and that will require financial support which projects, such as this one, can provide.

1.8 The recommendations in this report are informed by proposals from possible hotel operators. These are also time bound so confirmation of the permission to progress this project is urgent.

2. Recommendations

2.1. The Exec Cllr is recommended:

• To note the further appraisal of options for development and upgrading of the Park Street car park carried out for the Council by Cambridge Investment Partnership (CIP).
• To approve the principle that Park Street car park should be developed into an upgraded basement car park with cycle parking facilities, with a hotel above in line with the proposal in section 2.2 below.

• To grant an agreement to lease to CIP and request them to appoint an appropriate developer to develop firm proposals for the scheme, and to request CIP to submit the agreed scheme for planning permission

• To delegate authority to the Strategic Director, working with the CIP, and the appointed Developer, to negotiate the final terms of agreement for approval by the Executive Councillor in line with the following parameters
  
  - The retention of the freehold of the site for the Council
  - The provision of a 225 space car park and appropriate facilities, at no additional cost to the Council, providing electric charging facilities and cycle spaces, to be owned and managed by the Council. The intention will be for a flexible design which may allow further changes in future
  - An additional capital receipt for the Council, for reinvestment in further site assembly/council housing opportunities
  - A reduced level of repair and maintenance charges over a short to medium term period within the next few years (owing to the new provision car park provision)
  - An ongoing income from the car park (it is acknowledged that there will be a loss of income during the upgrade period which is estimated at 20 months)

• To confirm that any capital receipt will be reinvested into HRA or General Fund for investment in housing.
• To commit to report back to the Committee for information on the final agreement details ahead of works commencing
3. **Background**

**Background to Redevelopment Scheme**

3.1 In June 2012 a report to the Strategy and Resources Scrutiny Committee outlined the business case for the redevelopment of Park St Car Park. The report presented an options appraisal with alternatives for either the redevelopment or the refurbishment of the car park.

3.2 A further report in October 2015 considered the output from a public consultation exercise 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.

3.3 At the Committee the Leader approved a recommendation for a strategic development brief for the car park to incorporate:

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

3.4 It was a requirement of the decision that a final scheme be brought back to the Strategy and Resources Scrutiny Committee and that further consultation and liaison would take place with key stakeholders over the detailed plans and proposed timetable for the development. Consultation with the local business community has been on-going with a key consideration expressed that the development of the car park should not result in its closure over more than one Christmas period if at all possible.

3.5 Since this report the Cambridge Investment Partnership has considered a number of options for developing the car park in line with the strategic brief and business community consultation. These resulted in a design discussed with planners which included a basement car park with housing only above. The complexity of access, size, scope, construction period and costs of the basement...
car park together with the restriction in overall building height resulted in a relatively small scale scheme (circa 20 affordable housing units). A further report to a special Strategy & Resources Scrutiny Committee in November 2017 showed that the housing delivery option for affordable housing on this site was not viable without significant financial contribution from Council reserves.

3.6 The Executive Councillor for Strategy and Transformation approved the following recommendations:

- Noted the options proposed and explored by CIP for the redevelopment and refurbishment of Park St Car Park.

- Approved 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.

- Noted that CIP would continue to explore the opportunities for redevelopment on the site including investigating commercial options; to deliver a scheme that met 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 Exec Cllr on the CIP plan.

- Approved a five year rolling programme for the refurbishment of the car park. The programme would be reviewed and implemented on an annual basis during which time CIP would explore options for redevelopment of the site to identify an option that met the Council’s Strategic Development Brief and wider objectives. A report seeking approval of an option for redevelopment would be presented to a Strategy and Resources Scrutiny Committee in 2018 for a decision to proceed with a preferred option.

3.7 The report also noted that if future development proposals were considered, a commercial development proposal which would provide basement car parking (Council retaining ownership) and an above ground development (which might generate a capital receipt for the housing investment programme) might be an option. This would provide the Council with an investment stake to support further housing to “replace” that which couldn’t be provided on the car park site, and did not rely on prudential borrowing.
3.8 The strategic review of assets like Park Street, and upgrading them and obtaining financial benefit for the whole Cambridge community is considered to be in the best interests of residents as well as making the best future use of the City Council’s assets, and therefore judged worth further investment. The next steps, if the recommendations in this report are accepted, will be further investment appraisal and due diligence on operator offers, and subject to this, the appointment of an appropriate developer by the CIP to develop the final deal.

The Cambridge Investment Partnership

3.9 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. The principles which govern the progression of sites with development opportunities through CIP were approved at Strategy & Resources Scrutiny Committee on 9th October 2017.

3.10 Park Street Car Park site is identified as one of the General Fund assets that could be developed using these approved principles.

3.11 The principle of the operation of CIP is that the Council agrees strategic objectives for a given site. Exec Cllrs, following the appropriate Scrutiny Committee (Housing or Strategy and Resources), 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.

3.12 The proposal in this report is that this project is brought forward through CIP, although they will not be acting as the developer. At present this work is being carried out at their risk. To progress the scheme an Agreement for Lease (AFL) with CIP is required. The lease will be created when Planning Permission and key legal agreements are in place.

3.13 This proposal exemplifies the benefits of the investment partnership model that were previously identified in earlier reports. The Council will benefit from the experience and additional resource that the development partner is bringing. The principle underlying CIP is that 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.

Delivering the Council’s Strategic Development Brief for Park St Car Park

3.14 Since November 2017, the CIP has been progressing options for a redevelopment compliant with the strategic planning brief including:

- The provision for the Council of a car park as a retained asset
- The provision of accessible electric car charging facilities to support the Council’s sustainability strategy
- Securing a sustainable revenue stream from the car park for the Council
- Limiting the cost exposure for the Council
- The potential for a capital receipt

4. Options appraisal

4.1. CIP considered three alternative commercial options for delivery, given that housing had earlier been assessed as non-viable (see earlier report):

- Option 1 Office Accommodation
- Option 2 Student Accommodation
- Option 3 Hotel accommodation

In each case these proposals were combined with the provision of an underground 225 space car park with cycle parking re-provision and appropriate facilities

4.2. Detailed consideration of options 2 and 3 are contained in the confidential appendix.

Option 1 Office Accommodation
4.3. The option of office accommodation and underground car park was rejected at an early stage for a number of reasons:

- Planning Policy and use - Park Street is unlikely to be considered a suitable location for an office in planning policy terms.

- Planning Guidance and massing - the fine grain of the locality would make design incompatible with efficient office design. An office would be better as a single block rather than two blocks, which is the planning authority preference.

- Market demand - There are plenty of new offices being developed across the city and with better layouts and facilities.

- Value - The value generated by office use would be substantially lower than the value generated by the other options. Any such development would be at risk and very unlikely to deliver the Council’s objectives for an investible land receipt and new car park.

**Option 2 - Student Accommodation**

4.4. Analysis was carried out based upon a student accommodation scheme providing a total of 216 beds with 6,027 sq. ft. of retail.

4.5. The assumption was that 216 beds was a maximum figure. Most new student schemes in Cambridge include additional facilities such as gym, steam room, and high specification communal areas. The supporting accommodation – communal lounge, gym, party room, kitchens etc. and cluster arrangements would take out floor space.

4.6. Market demand and rental analysis was carried out to inform the appraisal based on 2018/19 rents and optimistic assumptions regarding occupancy levels and exit yield.

4.7. The appraisals indicated that a student residential scheme was unlikely to cover the full cost of car park provision and would not generate a significant capital receipt.
Option 3 – Hotel Accommodation

4.8. The option recommended is for a long lease to a hotel group with freehold ownership retained by the Council.

4.9. Following this marketing exercise CIP is recommending that the hotel option should be taken forward. This is on the basis of the best in-principle offer from an hotel operator. The final selection of a hotel operator will be a matter for the developer to be appointed by CIP.

4.10. In assessing hotel operator interest the following criteria were considered:

- Willing to enter into a minimum 25 year plus institutional full repairing and insuring lease (FRI) and provide a quality parent company guarantee to an investment Fund, in order to secure the freehold for the Council.
- The hotel scheme meets current planning guidance and development parameters for the Park Street site, (still subject to formal approvals)
- The hotel scheme delivers the required revenue to release the capital to support the costs of new 225 space car park with appropriate facilities with no cost to the Council.
- The scheme delivers a significant additional capital receipt which, together with any surplus, should be ring fenced for reinvestment into housing.

4.11. Five hotel operators compliant with the key requirements were approached confidentially, as a site of this type requires very careful marketing to avoid any impact on offers or reduced bids. Two of the five were not in a position to bid due to a number of commercial and market factors. The other three submitted designs based using the planning brief provided.

4.12. The submissions are based on a proposed number of rooms and hence the annual rent that may be payable to a fund. This is based on the developer funding a new car park and generating a lease premium
payable to the Council for reinvestment. The hotel developer will be liable for any cost overrun on the car park.

4.13. The offers were assessed by the CIP and considered by Council staff. During the final negotiations they will be subject to further due diligence.

4.14. Of the three, the offer deemed the best value at this time, (as at present on the basis of the market testing exercise that has been conducted and still to be confirmed) proposes to operate an apart-hotel offering a mix of larger and smaller rooms. The company is a well-known brand with a premium level offer with an average 3-4 night stays. 34% of the hotel operator’s customers are families and young/old couples and increasing, compared to a market average of 20%.

4.15. The hotel operator has also indicated flexibility in terms of design. Many operators have a fixed view on layout and fixtures. The Park Street site and planning guidance would not be met by the scheme of many budget operators, as they require standard layouts.

4.16. The operator’s offer on rent has been assessed by the CIP and Council staff but is subject to further due diligence. The budget cost of the car park is an estimate based on high level drawings and limited site investigation data. The cost and the timetable are at a lower level than previous estimates, the timescales for upgrade being estimated at 20 months. If the development can be started early in the year it could therefore be completed after closure for only one Christmas period. This is partly as a result of technical construction solutions that are proposed and partly as a result of savings in time and cost from process management by carrying out the archaeological surveys early whilst the car park is still open. These changes depend upon the overall commercial judgement of risk that a hotel developer will take. Due diligence is required and a Fund will scrutinise and take a view on whether this can be delivered. The plan is for the car park to be upgraded and reopened, before the construction of the aparthotel.
4.17. As part of the project development work, the Council will liaise with Ward Councillors, local residents and local businesses including developing a Park Street Liaison Group and liaising with local businesses on a mitigation strategy for parking/transport during the closure.

5. **Proposed process**

5.1. CIP will lead on the planning application through an Agreement for Lease structure using the same approach as at Mill Road and HRA sites.

5.2. CIP will identify and appoint an appropriate developer. CIP will fund the planning application as it does currently for other projects.

5.3. At planning two leases will be created – a long lease of 250 years for the airspace above the car park and a shorter occupational FRI lease for the hotel of minimum 25 years - to be transferred to the preferred Fund for their security to pay the lease premium and incur the development costs. Subject to negotiation with the fund the long lease will include a covenant designed to protect the Council’s interest – for example in relation to potential alternative uses.

5.4. The hotel developer will seek to engage and come to an agreement with an institutional fund to pay in advance for the lease premium, the construction, and all professional costs. In order to agree to finance the project, the institutional fund will require the hotel operator to enter into a long term institutional grade lease. CIP will be satisfied that a scheme is fully covered on being provided with the Full Forward Funding Agreement with the institutional fund.

5.5. The hotel developer will also identify specialist contractors to construct the car park and the hotel.

5.6. The approach CIP proposes is to remain engaged with general oversight through a tripartite Development Agreement between CIP, the Fund and Hotel Developer.
6. The Strategic Benefits Supporting Site Redevelopment

6.1 The benefits of the proposal are as follows:

6.1.1 The Council secures a future proofed smaller car park that meets the Council’s specification with no cost exposure.

6.1.2 The new car park will incorporate electric car charging facilities to support the Council’s sustainability aims, and aims for design flexibility, should future plans require further changes.

6.1.3 The Council will secure a sustainable revenue stream from the car park estimated at an initial value of approximately £1.3m.

6.1.4 The development will increase the diversity and range of value accommodation within the city centre which will support affordable tourism, city promotion, and equality.

6.1.5 Development in compliance with planning brief will improve this area of the city centre currently dominated by the existing multi-storey car park.

7 Implications

(a) Financial Implications

7.1 Viability appraisals have been carried out which indicate that the proposal delivers substantial financial benefits to the Council. These benefits will be tested through due diligence and detailed negotiations. It should be noted that at this stage the view that will be taken by Funds of the hotel operator, the proposal and the costs, benefits and risks to the Fund has been estimated based on commercial experience. Direct engagement with Funds will test these assumptions.

7.2 The potential for continued smaller scale refurbishments to the car park is relatively short term. The car park is over fifty years old and a
major upgrade will be required. If a deal of this nature cannot be achieved there would be a risk that the Council would need to find the funding required. This proposal provides an upgrade at no additional cost to the Council.

7.3 The capital receipt proposed additionally reduces the risk of assembling the resources required to secure the delivery of new Council homes.

7.4 Carrying out the archaeological surveys earlier in the process will allow the car park upgrade period to be restricted to a shorter 20month period than previously estimated. There will be income loss over this period, but final development plans will confirm the final figures.

(b) Staffing Implications

7.5 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

7.6 Draft EqIA appended.

(d) Environmental Implications

7.7 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, Waste Regulations, CDM Regulations 2015 and the contractors RAMS and Construction Phase H+S Plan. This approach will mitigate any potential adverse environmental implications.
7.8 The new car park will incorporate electric car charging facilities to support the Council’s sustainability aims.

(e) Procurement Implications

7.9 The CIP will not develop the scheme itself but will procure an appropriate developer in line with the agreed model and will secure the relevant planning permissions. The CIP model is robust in its governance and decision making processes and provides a framework for more accelerated development and delivery of its Council partner’s assets.

(f) Community Safety Implications

7.10 None identified.

8 Consultation and communication considerations

8.1 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 neighbouring area. Prior to any redevelopment works being progressed a statement of community engagement will be produced with a targeted public consultation.

8.2 As noted above, as part of the project development work, the Council will liaise with Ward Councillors, local residents and local businesses including developing a Park Street Liaison Group and liaising with local businesses on a mitigation strategy for parking/transport during the closure.

9 Background papers

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

(a) Appendix 1: Analysis of Student Accommodation Option and Hotel Option (Confidential)

(b) Appendix 2: EqIA

11 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, and tel: 01223 - 457149, email: cath.conlon@cambridge.gov.uk.
Appendix 2: Cambridge City Council Equality Impact Assessment (EqIA)

Please fill this out on the computer as a Word document or complete the form on SurveyMonkey – find the link on the Intranet. This tool helps the Council ensure that we fulfil legal obligations of the Public Sector Equality Duty to have due regard to the need to –

(a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;
(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

Guidance on how to complete this tool can be found on the Cambridge City Council intranet. For specific questions on the tool email Helen Crowther, Equality and Anti-Poverty Officer at equalities@cambridge.gov.uk or phone 01223 457046. Once you have drafted the EqIA please send this to equalities@cambridge.gov.uk for checking. For advice on consulting on equality impacts, please contact Graham Saint, Strategy Officer, (graham.saint@cambridge.gov.uk or 01223 457044).
1. **Title of strategy, policy, plan, project, contract or major change to your service:**

Refurbishment and redevelopment of Park Street Car Park
Approve the five year refurbishment option for the car park during which time CIP will explore options for redevelopment of the site to identify an option that meets the Council’s Strategic Development Brief.

2. **Webpage link to full details of the strategy, policy, plan, project, contract or major change to your service (if available)**

N/A

3. **What is the objective or purpose of your strategy, policy, plan, project, contract or major change to your service?**

The agreed objectives 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.

4. **Responsible Service**

Housing Development Agency working with CIP
5. Who will be affected by this strategy, policy, plan, project, contract or major change to your service? (Please tick those that apply)

- Residents of Cambridge City
- Visitors to Cambridge City
- Staff

Please state any specific client group or groups (e.g. City Council tenants, tourists, people who work in the city but do not live here):
Residents and visitors of Cambridge will be impacted by the proposals, both in the short term refurbishment with reduced access to parking spaces whilst works are undertaken and in the longer term should redevelopment occur and the car park is not available for a period of time.

6. What type of strategy, policy, plan, project, contract or major change to your service is this? (Please tick)

- New
- Major change
- Minor change

7. Are other departments or partners involved in delivering this strategy, policy, plan, project, contract or major change to your service? (Please tick)

- No
- Yes (Please provide details):
  - Cambridge Investment Partnership (CIP)
  - CCC Property Services
  - 3Cs Legal Services
  - CCC Parking Services

8. Has the report on your strategy, policy, plan, project, contract or major change to your service gone to Committee? If so, which one?

The overarching principles of developing through CIP were approved at Strategy and Resources Committee on 13th November 2017

9. What research methods/ evidence have you used in order to identify equality impacts of your strategy, policy, plan, project, contract or major change to your service?

We do not consider that there are any specific equality issues as a consequence of this proposal that require research

10. Potential impacts

For each category below, please explain if the strategy, policy, plan, project, contract or major change to your service could have a positive/ negative impact or no impact. Where an impact has been identified, please explain what it is. Consider impacts on service users, visitors and staff members separately.
**a) Age** - Any group of people of a particular age (e.g. 32 year-olds), or within a particular age range (e.g. 16-24 year-olds) – in particular, please consider any safeguarding issues for children and vulnerable adults

We do not consider that there are any specific age equality issues or safeguarding issues as a consequence of this proposal.

**b) Disability** - A person has a disability if she or he has a physical or mental impairment which has a substantial and long-term adverse effect on that person’s ability to carry out normal day-to-day activities

The proposed scheme will ensure the continued provision of accessible parking facilities are maintained within the city. Consideration will need to be given to how this is temporarily provided during potential future construction so that disabled drivers can conveniently access the services they require in the city.

**c) Sex** – A man or a woman.

We do not consider that there are any specific gender equality issues as a consequence of this proposal.

**d) Transgender** – A person who does not identify with the gender they were assigned to at birth (includes gender reassignment that is the process of transitioning from one gender to another)

We do not consider that there are any specific to transgender equality issues as a consequence of this proposal.

**e) Pregnancy and maternity**

We do not consider that there are any specific pregnancy and maternity equality issues as a consequence of this proposal.

**f) Marriage and civil partnership**

We do not consider that there are any specific marriage and civil partnership equality issues as a consequence of this proposal.
(g) Race - The protected characteristic ‘race’ refers to a group of people defined by their race, colour, and nationality (including citizenship) ethnic or national origins.

We do not consider that there are any specific race equality issues as a consequence of this proposal.

(h) Religion or belief

We do not feel there is any specific religion or belief equality issues as a consequence of this proposal.

(i) Sexual orientation

We do not consider that there are any specific sexual orientation equality issues as a consequence of this proposal.

(j) Other factors that may lead to inequality – in particular – please consider the impact of any changes on low income groups or those experiencing the impacts of poverty

None identified.

11. Action plan – New equality impacts will be identified in different stages throughout the planning and implementation stages of changes to your strategy, policy, plan, project, contract or major change to your service. How will you monitor these going forward? Also, how will you ensure that any potential negative impacts of the changes will be mitigated? (Please include dates where possible for when you will update this EqIA accordingly.)

A further EqIA will be prepared once a scheme has been agreed for the future redevelopment of the site.

12. Do you have any additional comments?

13. Sign off
Name and job title of lead officer for this equality impact assessment:
Jim Pollard, Development Manager, Housing Development Agency
Names and job titles of other assessment team members and people consulted:
Date of EqIA sign off: February 2018

Date of next review of the equalities impact assessment:
Sent to Helen Crowther, Equality and Anti-Poverty Officer?
Yes
☐ No
Date to be published on Cambridge City Council website (if known):