

# CABINET

## Auction Mart Car Park, Thurnham Street, Lancaster 22<sup>nd</sup> April 2008

### Report of Head of Property Services

PURPOSE OF REPORT			
To inform Members of the proposals received to date for the Auction Mart car park and seek direction on how to proceed with the site.			
Key Decision	X	Non-Key Decision	Referral from Cabinet Member
Date Included in Forward Plan	March 2008		
This report is public.			

#### RECOMMENDATIONS OF COUNCILLOR ARCHER

- (1) That Members consider the proposals outlined in this report and indicate their preferred option(s) for the site in order that further negotiations can be undertaken with parties interested in this site.

#### 1.0 Introduction

1.1 The City Council owns the Auction Mart car park, Thurnham Street, Lancaster, which is located adjacent to Lancaster Canal at the southern end of the one way system as shown on the attached plan. The Auction Mart is a long stay pay and display car park which is unsurfaced and not formally marked out with a nominal capacity for around 100 cars, but is generally based on 110 as a result of the lack of marked spaces.

1.2 Cabinet at its meeting on the 10<sup>th</sup> of October 2006 resolved that the Auction Mart car park be marketed as a development opportunity on the basis that the City Council would enter into a development agreement to provide the City Council with a new car park should a suitable proposal be submitted. The site was marketed last year by formal tender with a closing date of the 29<sup>th</sup> of August 2007, unfortunately no formal offers were received. However a few parties expressed an interest in the site and after discussions with officers they have subsequently put outline proposals forward which will be detailed in the report.

1.3 The initial marketing brief requested a development with the potential to see alternative parking provision on the Auction Mart Car Park, such as a modern decked facility providing up to 300 spaces, on the basis that the facility could become the southern

interceptor car park for the City, along with a redevelopment proposal which would fit with the local development plan.

## **2.0 Proposal Details**

2.1 In total three developers have put forward proposals for a variety of different schemes in line with the original brief. In addition the Primary Care Trust have made a general proposal that is linked to one of the developer's submissions and the Vision Board, in conjunction with the County Council, considered the site as part of their long term and visionary improvements to the transport in Lancaster. Full details of these are set out below.

2.2 The schemes outlined are as follows:

- Option 1 – 91 space public car park and 25 space private car park along with 80 one and two bedroomed retirement apartments over 4 floors with 1<sup>st</sup> floor amenity space. Alternatively, they propose ground floor retail unit with 1<sup>st</sup> and 2<sup>nd</sup> floor office / leisure space with 131 public car parking spaces. Proposed access from the north western end of the site.
- Option 2 – Ground floor 1286m<sup>2</sup> food retail with 40 dedicated spaces and 225 public car parking spaces provided in a 3 floor multi storey car park above. Proposed access to the car park will be at the north western end of the site and access to the food supermarket at the southern end of the site. The developer has identified and been in discussions with an operator for the food supermarket. The developer has offered 3 separate financial options for the site including (a) the City Council disposing of the freehold in the site; (b) the City Council retains freehold but is responsible for the construction and related costs of the scheme, paying the developer one years income as a fee, but the City Council would gain the supermarket and the car park as an investment.; (c) The City Council grant the developer a long lease of the car park but continue to manage the car park, providing the developer with 55.5% of the income from the enlarged car park and the City Council continues to receive a proportion of the income equating to 44.5% of the car park income.
- Option 3 – 6327m<sup>2</sup> of health centre and related accommodation over 6 storeys in a V shaped building with a central pedestrian plaza, with 212 car parking spaces on 3 decks below the building with a yet undefined number of spaces required for the medical centre. The proposed access to the development will be from the north western end of the site.
- Option 4 – As an alternative version of option 3, the City Council could work with the North Lancashire Teaching Primary Care Trust to identify a developer who could provide a health facility and car park which would meet the needs of both the PCT and potential occupiers and the City Council.

2.3 Option 5 - The Vision Board and the County Council, as mentioned above, have jointly commissioned a report with transport consultants Faber Maunsell. The final report is due in April, but the initial feedback outlined in the attached letter sees the need for a southern interceptor car park which could require up to 750 – 800 spaces without causing increased queuing on the gyratory system.

2.4 Option 6 – Retain the car park in its existing format but re-surface it to provide necessary improvements for customers.

### 3.0 Details of Consultation

3.1 Consultation has taken place with a number of interested parties including the Vision Board, Property Services parking section and Planning Services on the concept and on individual schemes.

### 4.0 Options and Options Analysis (including risk assessment)

	<b>Pros</b>	<b>Cons</b>
Option 1	<p>Developer has good track record working with Local Authorities and on difficult sites. Improved car park access would be provided.</p> <p>The Council would retain its income stream from parking fees.</p>	<p>The retirement scheme provides less public car parking spaces than on the current car park, although the office leisure use would provide a marginal increase.</p> <p>The developer has not shown market demand for their scheme.</p> <p>No formal consultation on the scheme with Planning Services.</p>
Option 2	<p>The scheme would be developed to provide 225 public car park spaces.</p> <p>Improved car park access would be provided for the public car park</p> <p>Developer has identified an end user for the retail unit.</p> <p>Developer has a good track record.</p>	<p>No formal consultation on the scheme with Planning Services.</p> <p>A range of financial proposals have been made which involve either obtaining a capital receipt but losing all future income; the Council paying for the construction of the car park and losing a year's income, but retaining all future income; or retaining a percentage of future income equivalent to the current income.</p>
Option 3	<p>The scheme would produce in the region of 200 public car parking spaces with increased fee income for the Council.</p> <p>Developer has shown market demand for the use and has been in discussion with both the Primary Care Trust and possible occupiers.</p> <p>Developer highlights the good public transport and cycle links to the site to promote a healthier lifestyle.</p>	<p>The massing of the building may need to be addressed in planning terms and they are in discussions with Planning Officers about this matter.</p>
Option 4	<p>Details as per option 3 with the opportunity to include competition between developers to drive down costs</p>	<p>Details as per option 3 with potential for increased parking spaces from competition between developers</p> <p>Developer still to be identified so no consultation with Planning Services</p>

Option 5	Large interceptor multi storey car park proposed at the southern end of the City to take car out of the gyratory system. Potential for increased fee income to the Council from this site (see also "Cons" box adjoining)	A park & ride facility has also been identified as a possible solution to reducing the number of vehicles entering the City centre. If such a facility was to be provided, this interceptor car park proposal may be inappropriate. The timing of this scheme is crucial, either taking place pre 2010 or after 2012 so as not to cause too many spaces to be lost to visitors and shoppers when the Canal Corridor scheme take place. The financial cost of providing a multi storey car park is high and funding sources would need to be identified (e.g. prudential borrowing). The City Council would find it difficult to sell off other car parks to fund any building of a multi storey car park and still provide adequate car parking spaces to meet the demand that exists. This proposal is very much in its infancy compared to all other options put forward.
Option 6	Simplest option with income potential retained although potentially in reduced amounts.	It is likely that there would be less capacity when formal spaces are marked out and therefore income would reduce. A capital cost of approximately £175,000 would be required. Any development opportunity for the site is likely to be lost.

At this stage, assessment of the financial options put forward in the various options is not possible without entering into detailed discussions with the various parties involved. In particular the proposal from the Vision Board has no detail attached to it to understand the viability of the option.

In terms of option 4, if the City Council were to work with the Primary Care Trust to provide a medical centre, then a marketing exercise would be initiated to identify a suitable developer. This would create and enhance the working relationship between the City Council and external agencies such as the Health Authority and potentially provide a scheme which would be beneficial and produce best value for both parties.

## 5.0 Officer Preferred Option (and comments)

- 5.1 That Members consider the proposals outlined in this report and indicate their preferred option(s) for the site in order that further negotiations can be undertaken with parties interested in this site.

## RELATIONSHIP TO POLICY FRAMEWORK

The Corporate Property Strategy indicates the need to Challenge and review the use, provision and performance of property is seen as a positive approach to ensuring that assets are fit for purpose and that retention, investment and utilisation is focused on the needs of the customer and the achievement of the Council's corporate objectives.

## CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability and Rural Proofing)

This report raises no implications

## FINANCIAL IMPLICATIONS

If the Council continues to hold the car park in the current condition there are no capital implications, the Council will continue to receive revenue income from the car park, which for the financial year 2007/08 was approximately £126,700 (approx. split £60,000 pay and display income and £66,700 parking permits).

If Members decide to resurface the car park, this would have a capital implication of around £175,000 for which no funding is currently identified.

No proper assessment of the financial implications of any of the schemes can be made until more information is received from the interested parties, however the income received for the car park is likely to alter as follows depending upon each option:

Option 1	The income will potentially reduce to approximately £105,000 if the retirement scheme is undertaken or slightly increase to approximately £150,000 if the leisure / office scheme is built.
Options 2	a) Potential capital receipt but no annual income thereafter; b) Potential for income to increase to £259,000, however would need to be offset against initial construction costs, one years developer fee and ongoing maintenance; c) Status Quo regarding income, i.e. £126,700.
Options 3	There should be the potential for substantial increases in income to approximately £230,000 - £244,000 for this option.
Option 4	There should also be the potential for substantial increases in income, although there may be the opportunity for more car parking spaces to be produced as part of the competition process. It is therefore difficult to produce an indicative figure, but the increase in income should be similar to option 3 (£244,000).
Option 5	The effect on income is uncertain due to doubt on the actual number of spaces and the effect on other Council owned car parks. However based on 750 spaces, this should potentially produce an increase in income to approximately £862,500, however may need to be offset against construction costs subject to how being funded and ongoing maintenance, etc.
Option 6	This will result in a loss of spaces due to the formal demarcation of the car park and a reduction in income to approximately £92,000

The above income figures are purely indicative based on the limited information available for the schemes and potential impact on parking provision generally within the City. This also assumes that the car park would remain long stay with a similar tariff for pay and display and

permits.

In addition, under options 1, 3 & 4 private sector capital will be used to improve the car park, with option 5 it is uncertain how the scheme will be funded and options 2 & 6 will require the Council to invest its own capital. It should be further noted that under option 5 if external funding was not forthcoming from the Vision Board to meet all or part of the construction costs as the potential increase in income is fairly substantial it may be possible for the Council to use prudential borrowing to finance instead. This would require a whole life costing exercise to be undertaken in the first instance in order to demonstrate whether this would meet the Council's criteria to be treated as an 'invest to save scheme'.

Members are reminded that for some of the options and subject to whether the Council or third party would be responsible for the ongoing maintenance costs and/or construction costs that the indicative income figures provided above would need to be considered alongside and offset against these costs. Once Members have indicated their preferred option(s) a whole life costing exercise can be undertaken in conjunction with Financial Services in order for Members to be able to compare the full financial implications of each preferred proposal and be reported back to a later Cabinet meeting.

#### **SECTION 151 OFFICER'S COMMENTS**

The s151 Officer has been consulted and has no further comments to add.

#### **LEGAL IMPLICATIONS**

There are no direct legal implications arising from this report.

#### **MONITORING OFFICER'S COMMENTS**

The Monitoring Officer has been consulted and has no further comments.

#### **BACKGROUND PAPERS**

Exempt

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