

FORMER LENDAL BRIDGE SUB-STATION - SECURE CYCLE PARK

Summary

1. This report informs members of the responses received from two parties interested in operating the former Lendal Bridge Sub-station (Sub-station) as a secure cycle park and the results of their investigation into grant funding and a business plan.

Background

2. A report was brought to the Executive on 25 July 2006 to consider a sale of the Sub-station or alternatively its conversion to a secure cycle park. The property was originally earmarked for disposal to contribute towards funding of the 2006-2009 capital programme.
3. Micklegate Ward Members had supported using the Sub-station as a secure cycle park, a need for which was identified in the Local Transport Plan Cycling Strategy 2006. The Executive resolved that the Sub-station be sold for the best sum available on the open market, but the sale should be delayed for 3 months to allow a feasibility study to determine whether the Sub-station was suitable for use as a cycle park.
4. A further report to Executive on 7 November 2006 gave the results of the feasibility study:
 - The estimated cost of converting the Sub-station for cycle park use would be in the region of £106,000 and there is insufficient funding within council budgets to meet this expenditure.
 - An alternative would be prudential borrowing to be recouped from a cycle park operator over a 15-year period at a rent of £10,000 p.a., however the Council would be at significant risk if the tenant's business failed.
 - Transport Planning Unit estimated that income from cycle parking could generate circa £25,000 pa. To meet a projected rent of £10,000 pa the operator would need to generate a gross income of £80,000 - £100,000 pa. Other ancillary uses would therefore be required to boost the income. As floor space to generate the additional income was limited, however, this raised a question over the viability of the scheme.

- The proprietor of the adjacent café in West Lodge expressed an interest in using the roof of the Sub-station as a seating terrace to extend his business, which could be a further source of income. Access and planning considerations would need to be explored which may involve significant costs.
 - If the Sub-station was not sold, there would be a shortfall in the capital programme which if it had to be financed from alternative borrowing would cost an estimated £17,300 pa.
5. The Executive resolved that a decision on sale of the Sub-station be deferred for a further 6 months to enable interested parties to explore opportunities for grant funding and investigate planning, building and environment constraints and incorporate the results in a business plan.

Consultation

6. The Sub-station is an integral part of the city's flood defences, work having been carried out by the Environment Agency (E.A.) to strengthen the windows and concrete floor. The E.A. have been consulted on the future use of the Sub-station and would object in principle to a change of use to residential or to use which was not water compatible. The E.A. have however, confirmed they would not object to a cycle park subject to access being available to them during a flood event and periodically for maintenance of the flood works.
7. The Grants and Partnership Accountant has advised there is potential for grant funding to be available to Voluntary Organisations, Charities, Community Interest Companies and Local Authorities, whereas it is unlikely to be available for commercial organisations. In addition, it is likely a resolution from the council to guarantee the leaseholder will be required before funding bodies will provide a grant. The Government has announced a new funding stream for 2007/8 known as the Community Asset Fund, for projects which will renovate disused or underused Local Authority buildings for community use. It is likely that up to £500,000 will be available later in the year within the Yorkshire and Humberside region. This scheme, however, would not score highly for this funding, based on the current criteria.
8. Eight cycling organisations/shops with interests in York, plus the proprietor of West Lodge, were invited either individually or in partnership to make developed proposals to operate the cycle park. They were asked to provide details including proposed alterations and costings, amount of grant funding available, ancillary uses required and a business plan.

Proposals received

9. Two submissions have been received, one from Bike Rescue and the other is from Lewis Hull, an entrepreneur who recently became aware of the opportunity.

Lewis Hull

10. Lewis Hull considers that the location of the Sub-station is ideal for a cycle park. In addition to secure cycle parking he proposes to include servicing and repairs, the sale of cycling accessories, coffee and the hire of cycles.
11. As a commercial scheme Mr Hull states he is not aware of any grants available to convert the property. He refers to a similar scheme in Bristol which was funded on a 50:50 basis by the City Council and the Department for Transport. Other options for funding put forward include a combination of private borrowing, Department for Transport funds and other initiatives. He is also interested in purchasing the Sub-station subject to a restrictive covenant that would bind the Sub-station to a cycle park use for a fixed period of time.
12. Mr Hull proposes a basic parking fee of £2 per day and assuming a full take up of 100 parking spaces, the business would have a gross annual turnover of £150,000, based on daily revenue of £200 from cycle parking, £200 from cycle servicing and £100 from sales and repairs.

Bike Rescue

13. Bike Rescue would operate a number of services in addition to cycle parking including repairs, hot showers, lockers, sale of recycled bikes, accessories, loan of umbrellas and shopping trolleys. They are also exploring the possibility of lowering the flat roof and providing a part enclosed, part open terraced café area to be operated in partnership with the proprietor of West Lodge. They have also discussed with local cycle based operators Green Link Load Bikes and cycling paramedics, potential overnight storage provision within the Sub-station.
14. Bike Rescue state it is not possible to apply for grant funding until a parking operator has been selected, however, they have identified 7 sources of funding through Grant Finder. As a registered charity they are eligible to apply for 5 of these, with 2 being open to the Council to apply. They have already successfully obtained a £5,000 grant for Youth Work and a further £5,000 from the City Council Waste Strategy Unit for their existing bike recycling initiative.
15. Bike Rescue have suggested a basic parking fee of £1 per day, based on a successful scheme they have visited in Leicester. They have assumed a take up of 30% of parking spaces in the first year, and have projected a first year gross turnover of £97,200 (including £38,000 of grants/sponsorship) with a first year profit of £37,660. This does not take into account the cost of converting the Sub-station to a cycle park. Bike Rescue have put forward 4 options for funding the conversion:
 - The Council to fund and recoup the cost over 15 years from a rental of £10,000 pa paid by Bike Rescue.
 - Lease the Sub-station as it stands at a peppercorn rent. Bike Rescue apply for funding and carry out a gradual conversion.

- The Council funds the installation of basic services, lets the Sub-station at low rent to Bike Rescue who apply for funding to complete the conversion.
 - The Council applies for funding to convert the Sub-station.
16. Bike Rescue are existing tenants of the Council at Parkside Centre where they operate a scheme to recycle redundant bikes and divert them from the waste stream. Their charitable status gives them access to a range of potential grant funding. With their experience and charitable status, they may be in the best position of the two interested parties to deliver the cycle park scheme. Annex 1 illustrates the comparison between the two bids received.

Options

17. The following options are available:
- Option A Sell the Sub-station.
- Option B The Council funds the conversion and leases it to the selected party at a rent to be agreed.
- Option C The Council to lease the Sub-station as it stands, at a rent to be agreed to the selected party, subject to full grant funding for the conversion being obtained.
- Option D The Council agrees to carry out partial conversion and lease it to the selected party, subject to their obtaining grant funding to complete the conversion.
- Option E The Council seeks grant funding to convert the Sub-station.
- Option F Alternative premises are sought to site the cycle park.

Analysis

18. Option A – Sell the Sub-station.
- Advantage – Securing of a capital receipt to contribute to the capital programme.
- Disadvantage – The loss of a building with potential to deliver Council objectives within its cycling strategy.
- Financial Implication – Achievement of a capital receipt would contribute to the funding of the Council's capital programme.
19. Option B – The Council funds the conversion and rents out the Sub-station.
- Advantages – Improved cycling facilities for residents and tourists potentially leading to a reduction in cycle theft and an increase in the volume of cyclists.

Disadvantages – The estimated £106,000 cost of conversion is more than the £70,000 current allocation for secure cycle parking in the 2007/08 capital programme funded from the Local Transport Plan (LTP). It is difficult to compare the value for money for this scheme with other cycling schemes however, this new facility will provide a service which is likely to encourage more cycling. As a comparison a similar level of funding is being used to construct approximately 200m of cycle track on Heslington Lane. The £70,000 2007/08 budget is currently allocated to providing secure parking on a temporary basis in the Piccadilly car park subway but could be used for the refurbishment of the Sub-station which would provide a similar facility. Pending progress on other schemes, in the cycling block of the LTP, the additional £36,000 could also be funded from this source. If there is no slippage on the delivery of other schemes the conversion could be funded over two years using the allocation in 2007/08 and a proportion of the proposed cycling block allocation in 2008/09. Alternatively, the rental income could fund prudential borrowing to cover some of the cost of the scheme with the remainder funded from the LTP. If the scheme was funded from the Capital Programme a potential opportunity to obtain grant funding would be missed.

Financial Implications – The estimated cost of the works is £106,000. There is funding available within the Local Transport Plan (LTP) capital programme for cycling. £70,000 of the LTP budget is earmarked to providing secured bike parking at Piccadilly on a temporary basis. This funding could be diverted and topped up from within the LTP, although other cycle schemes across the city would have to be delayed.

Alternatively the work could be funded from prudential borrowing and repaid by the cycle store tenant through rental payments. The minimum annual cost of the borrowing would be £9,540. In order to fund these repayments it is estimated that a gross turnover of £80,000 - £100,000 would be required by the cycle store operator.

The main risk with both methods of funding is that the Council risks losing its capital investment if the scheme cannot be made in to a going concern. However, there is a revenue impact of almost £10,000 pa if borrowing is used.

The capital receipt would be forgone and not be available to fund the general capital programme.

20. Option C – The Council to lease the Sub-station at a rent to be agreed, subject to full grant funding being obtained by the tenant to convert the Sub-station.

Advantages – There is no direct cost to the Council and full advantage is taken of potential grant funding.

Disadvantages – Loss of a capital receipt. If grant funding is limited or not available the scheme will not be fully realised or may be significantly delayed. In this case there will be a revenue cost in keeping the property vacant.

Financial Implications – The Council would support the cycle provider in applying for grants to convert the Sub-station into a cycle park. A market rent could be charged for the building.

The capital receipt would be forgone and not be available to fund the general capital programme.

21. Option D – The Council funds the installation of basic services to provide electricity, water and w.c. facilities.

Advantages – Enables the start up of a basic scheme. The partial conversion could be funded using some of the £70,000 of LTP funds for secure cycle parking from the 2007/08 capital programme. This could only be justified, however, on the basis that the cycling scheme progresses. If the secure cycling scheme did not proceed then the works would not be eligible for LTP funding and the funds would need to be returned using the proceeds of the sale or from the rental income received from an alternative use. The potential of part grant funding would be explored for completion of the scheme.

Disadvantages – If grant funding is not forthcoming the Council may have to fund the remainder of the conversion. Alternatively the Sub-station could be sold with the benefit of the utility installations with the cost of the works returned to the LTP.

Financial Implications – The use of LTP funding to contribute to the conversion of the Sub-station would only be permitted if the full conversion takes place. A contribution of up to £50,000 could be made available from the LTP by diverting funding from the temporary scheme proposed at Piccadilly.

The capital receipt would be forgone and not be available to fund the general capital programme.

22. Option E – The Council seek grant funding to convert the Sub-station.

Advantages – The potential of grant funding is explored and if successful the conversion could be done with limited cost from Council budgets.

Disadvantages – The scope of potential grant funding sources is limited to those available to local authorities.

Financial Implications - The capital receipt would be forgone and not be available to fund the general capital programme.

23. Option F – Alternative premises are sought to site the cycle park.

Advantages – This would enable the Sub-station to be sold and thus contribute to the capital programme

Disadvantages – Suitable premises which are available within a reasonable distance of the City Centre are scarce. The idea of a cycle centre was first investigated by the Transport Planning Unit (TPU) almost ten years ago and

in the intervening period no suitable premises were identified until the Sub-station became available.

Financial Implications - The capital receipt would be forgone and not be available to fund the general capital programme.

Corporate Priorities

24. A review of cycle parking and security of cycles across York is currently being undertaken and a report will be taken to the City Strategy EMAP in July suggesting a potential future policy for the city. Within this report there will be a recommendation that cycle parks in several locations on the periphery of the "Footstreets" pedestrian priority area be sought to address cyclists' concerns about cycle theft and to encourage cyclists who wouldn't necessarily leave their expensive cycle locked to a cycle rack out in the open to cycle to the city centre and leave it in a more secure environment.
25. The provision of one or more cycle parks will satisfy Policy C6 of the new Cycling Strategy adopted in the recent Local Transport Plan. This policy was adopted as a direct result of the recommendations made by the City Strategy EMAP Scrutiny Panel's investigation of cycle provision in York.
26. Provision of a secure cycle park will meet several priorities as discussed in the previous report including increasing the use of environmentally friendly modes of transport (Priority 2), and improving the health and lifestyles of residents (Priority 7).

Implications:

Financial

27. The financial implications of each option are considered in paragraphs 18-23 however, the key risks relate to whether a cycle store can be operated successfully from the Sub-station. There is not any revenue funding available from the Council to support the ongoing operation of scheme meaning that the scheme operator will have to operate within the income levels that they can generate.
28. Lendal Sub-station is currently earmarked for sale to contribute to the funding of the Council's capital programme. The cost of replacing this funding with borrowing would be £17,300 pa. However, following advice from the E.A. and restrictions in relation to its use, it is unlikely that the budgeted receipt will be achieved. An overachievement of capital receipts from other asset sales does mean that the current approved capital programme could be funded without a reliance on either the sale of the Sub-station or borrowing, although any receipt raised could be reallocated to address the Council's other capital priorities through the Capital Resource Allocation Model (CRAM) process.

Human Resources (HR)

29. There are no HR implications.

Equalities

30. The stepped access into the building and to a second level of the ground floor would have to be suitably ramped to meet Disability Discrimination Act requirements.

Legal

31. There are no legal implications other than the DDA implications noted above.

Crime and Disorder

32. A secure cycle park has potential to reduce cycle theft. Re-use of a vacant Sub-station may reduce anti social behaviour in the vicinity of the building.

Information Technology (IT)

33. There are no IT implications.

Property

34. If the Council were to meet the £106,000 cost of converting the Sub-station and used prudential borrowing to fund it, a rent of circa £10,000 pa would need to be charged to the operators to redeem the debt. To meet this a gross turnover of £80,000 - £100,000 from the cycle park and ancillary uses would be required. With the limitation of space in the building such levels of turnover would be difficult to achieve. If the tenant's business failed there would be significant risk to the Council as it may be difficult to find another operator of the cycle park.
35. If an agreement to let the Sub-station subject to grant funding was made, a time limit condition would have to be set for completion of the work to a maximum 18 months.

Risk Management

36. The financial risk to the Council varies depending on the amount of capital the Council applies to the project. The highest risk is if the council fully funds the building works and the venture is not successful:

Option	Impact	Score	Likelihood	Score	Total
A (Sell Sub-station)	V. Low	1	Remote	1	1
B (CYC converts)	Medium	3	Low	2	6
C (Grant funded)	V. Low	1	Remote	1	1
D (CYC part fund)	Low	2	Unlikely	2	4
E (Grant funded)	V. Low	1	Low	1	1

F (Alternative site) V. Low 1 Remote 1 1

37. The lowest risk is Option C where full grant funding is obtained for conversion of the Sub-station by the operator. If the Council part funds the work, the risk has been assessed at less than 16 which means that the risks need only to be monitored as they do not provide a real threat to the achievement of the objectives of this report.

Recommendation

38. It is recommended that:

- (i) Members approve Option C to lease the former Lendal Bridge Sub-station to Bike Rescue for use as a cycle park, subject to obtaining planning permission and sufficient grant funding to fully convert the Sub-station. The agreement to lease the Sub-station and the terms and conditions of the lease to be delegated to the Corporate Landlord.
- (ii) If Bike Rescue is only successful in obtaining partial grant funding, the Council to match fund to a maximum of £50,000 from the TPU capital programme, provided this will be sufficient to convert the Sub-station to a secure cycle park. The terms and conditions of the lease to be delegated to the Corporate Landlord.
- (iii) The sale of Lendal Substation is removed from the capital receipts funding schedule and replaced by the overachievement of other capital receipts already received.

Reason: This course of action combines the best opportunity of securing a cycle park and exposes the Council to the least risk.

Author:

Paul Fox
Property Surveyor
Asset and Property
Management
Tel No. (01904) 553357

Chief Officer Responsible for the report:

Chief officer responsible for the report:
Neil Hindhaugh
Assistant Director of Property Services
Tel No. (01904) 553312
Report Approved **Date** 30 May 2007

Co-author:

Andy Vose
Transport Planner
City Strategy
Ext. 1608

Bill Woolley
Director of City Strategy

Report Approved **Date** 30 May 2007

Specialist Implications Officers

Financial – Tom Wilkinson, Corporate Finance Manager (tel 551187)

Tony Clarke, Capital Programme Manager, City Strategy (tel: 551641)

Equalities – Julian Horsler, Equalities Officer (tel 551704)

Crime & Disorder – Simon Hornsby, Improvement Assistant (tel 551075)

Legal – Suzan Hemingway, Head of Civic, Democratic & Legal Services (tel: 551004)

Property – Paul Fox, Property Surveyor (tel 553357)

John Urwin, Property Manager – Operational (tel 553362)

Wards Affected: Micklegate

All

For further information please contact the author of the report.

Background Papers:

Submissions : From Lewis Hull dated 12/3/07, and from Bike Rescue dated 14/3/07.

Previous reports to Executive dated 25/7/06 and 24/10/06.

Annex – Annex 1 Comparison table of two bids received.

COMPARISON OF BIDS RECEIVED FROM LEWIS HULL AND BIKE RESCUE

CATEGORY	LEWIS HULL	BIKE RESCUE
	£150,000 PROJECTED TURNOVER PER YEAR CYCLE PARKING INCOME - £72,000 OTHER INCOME £78,000	£97,200 PROJECTED TURNOVER PER YEAR CYCLE PARKING INCOME - £10,800 OTHER INCOME £86,400
EXISTING CYCLE BUSINESS	X	✓
IF BIDDER IS A REGISTERED CHARITY	X	✓
GRANT FUNDING SOURCED	✓	✓
CYCLE PARKING INCOME WITHIN TPU ESTIMATES	X	✓
CONTRIBUTION TO CYC OBJECTIVES	✓	✓