



Executive**2 March 2010**

Report of the Director of City Strategy and the Corporate Landlord

Lendal Bridge Cycle Hub Station**Executive Summary**

1. The purpose of the report is to;
 - update the Executive on the progress made towards converting the former electricity sub station to a secure cycle park, to bring into full use a redundant vacant building in the city centre.
 - To obtain authority to release funds of £270,000 from the 2009/10 capital programme to be spent in 2009/10 and 2010/11.
 - To consider making a supplementary loan of up to £30,000 to meet the funding shortfall identified.

Background

2. At the Executive meeting on 12 June 2007 members agreed to lease the former Lendal Bridge Sub-station shown in **Annex 1**, to The Bike Rescue Project CIC for use as a secure cycle park, subject to them obtaining planning permission and sufficient grant funding to fully convert the Sub-Station.
3. As a private community interest, non profit making company Bike Rescue were deemed to be in a better position than the City Council to obtain grant aid. If they were only successful in obtaining partial grant funding, then the Council was to match fund to a maximum of £50,000 from the Transport Planning Unit Capital Programme. The agreement to lease the Sub-Station and the terms and conditions of the lease were delegated to the Corporate Landlord.
4. The Bike Rescue Project CIC are existing tenants of the Council at the Parkside Commercial Centre, and specialise in recycling bicycles and parts which have been donated or recovered from the waste stream, and repairing cycles. For more information see their Business Plan in **Annex 2**.
5. Several Applications for grant funding were made by Bike Rescue and they received expressions of interest from EON and the Reaching Communities Fund, subject to the scheme receiving Planning Consent and being fully costed. However none of the applications so far have resulted in offers of funding. They

have a continuing strategy to pursue further funding and have a number of applications in the pipeline.

6. This process has overlapped with the Council's successful bid for Cycling City status in which Bike Rescue were involved, and actively assisted. The Hub-Station project was an integral part of the Cycling City bid and was proposed to be funded using the Local Transport Plan and Cycling City grant. An allocation of £270,000 is included within the 2009/10 City Strategy Capital Programme for the provision of the Cycle Hub Station with the source of funding for the scheme split evenly between the Cycling City grant and the Local Transport Plan. The actual funding apportionment at the end of the financial year will be dependent on the progress of other cycling city projects.
7. This scheme will help meet a growing need for a secure repository for residents and visitors cycles. It should help lower the amount of cycle thefts in the city and encourage more people to visit the centre on their cycles in the knowledge that a secure facility is available. It is located in close proximity to the City Centre, en route from the Rail Station, and sits on one of the main national and local cycle routes which increases its potential use and viability. It will enable businesses in the vicinity to promote its use by their employees as a means of achieving targets for carbon reduction, corporate social responsibilities and staff welfare. Cascading benefits would be a lowering of vehicle congestion and environmental impact through more people choosing to cycle.
8. It meets the Cycling City York (CCY) programme goal to encourage more people to cycle and Cycling England have recognised this by endorsing it and providing funding towards the scheme. It is one of the first of such schemes in the country, and Interestingly the term "Cycle Hub" now used around the UK has come from this work. In taking this new initiative to encourage cycling, especially through a partnership arrangement, York is demonstrating a bold and innovative approach.
9. The CCY programme has gained recognition for working effectively and producing many successful results. The delivery of this project would again "raise the bar" and bring the city closer to its European counterparts who have many similar facilities. It does come with risks but these have been reduced where possible. The costs in relation to the potential benefits are considered to be value for money.
10. There will be a shortfall however, of approximately £15,000 on the full cost of the scheme for which Bike Rescue will have to make provision.
11. In parallel to the Cycling City Programme, the recent announcement by DfT of funding being made available for station improvements has initiated a study to develop a 'Cycle Point' based on a Dutch-style system incorporating secure cycle parking, hire and maintenance services to be located at York station. This will be led and funded by Network Rail and East Coast and will be a facility that predominantly serves those using the rail station, given its location.
12. These two projects are seen by both the Council, Bike Rescue and the above operators to be complementary to each other and it is hoped that these will be the first of several schemes to provide more secure cycle parking and other cycle

facilities in and around York. The Cycle Point will be primarily for commuters and tourists using the station for rail journeys and the 'Cycle hub' is considered to be more convenient for residents of York given its proximity to the City Centre. Both sites will provide secure cycle parking and cycle maintenance. If a decision is taken not to proceed with the Council's Hub Station there is a risk that the Cycling City grant element of the funding would not be used unless an agreement with Cycling England can be reached to divert the resources to an alternative project.

Current Progress

13. Terms have been provisionally agreed to grant Bike Rescue an agreement to lease followed by a 30 year lease with 5 yearly rent reviews. The agreement to lease gives them license to occupy the building to undertake the specified works. Once these have been completed to the satisfaction of the Council's agent the lease will commence. A peppercorn rent is payable for the initial 5 years following which it will be reviewed to open market level, subject to the business being viable at such rent. The rent free period will afford the maximum opportunity for this venture to be successful.
14. The project to convert the building is not being undertaken by the City Council. Bike Rescue have from the outset had the responsibility to seek funding and for planning, designing and commissioning the facility which they will operate. They have appointed the architect, and the contract to undertake the work will be between Bike Rescue and the construction company. However these appointments and processes have been undertaken in line with the City Council's procurement and financial regulations. The council will be named in the contract as the "funder" which will enable payments to be made direct to the contractor, to avoid delays.
15. The construction work involves removing the existing flat concrete roof and replacing it with a steel framed "Mansard" roof to gain the additional height needed to allow an upper floor to be installed. The refurbished building will comprise ground floor secure cycle parking, display and sales area, shower wash room, changing area and toilet, 1st floor workshop, office and toilet, with potential for additional cycle storage. A platform lift will provide disabled access to the ground floor. The work is estimated to take approximately 20 weeks. Drawings and elevations of the proposed alterations are included in **Annex 4**.
16. Bike Rescue's architect who will project manage the scheme has successfully obtained planning and listed building consent for the alterations and change of use to secure cycle parking, retail and workshop. He has assembled a professional team and has undertaken a tender exercise with contractors registered with Constructionline. Constructionline is an online UK register of Pre Qualified contractors and consultants i.e. which have been checked to ensure they meet industry and financial standards. A contractor has now been selected from 5 competitive bids received.
17. Prior to the tender exercise some adjustments to the scheme were made to try and bring the cost within the budget allocated of £270,000. These included excluding the upper level cycle storage decking and hoist, (ground level storage will still accommodate circa 100 cycles) the sales counter, partitioning of the

office area and non slip floor covering in the workshop. Despite this the lowest tender sum has come in higher than the budget allocation. The sum which includes a contingency of £15,000 plus the professional team fees, puts the cost of the scheme at £284,635. The cost of the full scheme, were the above items reinstated is approximately £300,000. Bike Rescue are aware that they will have to arrange a bank loan to cover the shortfall.

18. The paring back of the scheme does reduce cycle storage capacity, however it will still be providing 100 spaces to the general public in accordance with the council's requirement. Bike Rescue have subsequently obtained a sales counter which is being held in storage.
19. An alternative to Bike Rescue arranging a bank loan to cover the shortfall would be for the Council to provide a loan to Bike Rescue up to a maximum of £30,000 which they would pay back over the initial years of the lease. Members are invited to consider whether they would approve such a loan for either the full scheme in which case a loan of £30k would be required, or the reduced scheme for a loan of £15k. If a loan of £15,000 was advanced this could be paid back over 5 years at £3,421 per annum on current levels of interest, or over 10 years at £1,900 pa. A £30,00 loan would cost Bike Rescue £6,841 p.a. over 5 years, or £3,799 pa over 10 years. In the unlikely event that Bike Rescue encounter trading difficulties and default on the loan, the value of the refurbished premises in their enhanced condition would be sufficient to cover any outstanding loan. The lease to Bike Rescue would have to be forfeit and the balance of the loan would be met from the future letting or sale of the building.
20. The funding for the proposed alterations and building refurbishment is being allocated by the City Council through its Cycling England award and Transport Planning budget. To ensure that the Council's interest in the building is protected Property Services have appointed Atkins, a framework partner of the City Council with expertise in architecture, structural engineering, building and quantity surveying. They are acting as the Council's agent reporting to Property Services, in reviewing and monitoring the architectural, structural, mechanical and electrical aspects of the work and the contract documents.
21. During the construction the funds will be transferred to the contractor on a monthly valuation basis. The contractor will report each month to the architect's team together with Atkins on the progress made. Once the work has been approved, valued and an architect's certificate is issued, the funds will be released.
22. The construction work involves removing the substantial concrete flat roof, from behind stone parapets, Installing steelwork to form a new roof, and creating an additional floor in a listed building which is part of the river flood defences.
23. There are risks that removal of the roof and supporting beams will weaken the support for the stone parapet walls, and affect the general integrity of the building which is part of the flood defence system. However the professional team are advised by the Dossor Group Consulting Structural Engineers who are well experienced in dealing with such projects and have approved the work.

24. The further risk is that unforeseen problems are encountered during the structural work which increases the cost above budget. To mitigate the risk a contractor registered with Constructionline has been selected. The contractor is very experienced in all aspects of building and civil engineering and has worked successfully for the Council on previous occasions. Their tender submission has been checked by Bike Rescue's professional team and Atkins. A contingency of £15,000 has been included to allow for some unforeseen expenditure.
25. Whilst Atkins have advised that the contingency of £15,000 is on the low side for such work to a building of this nature, the contractor has agreed to undertake the scheme for a fixed price contract sum of £254,139. He will bear the risk of meeting any additional costs over and above this. With professional fees payable to the architect and his team the full cost of the scheme should not exceed £284,635.
26. There is a further risk that the take up of cycle parking to ensure the success of the scheme will be slower than anticipated. However the business plan projections prepared by Bike Rescue, see **Annex 3**, is based on conservative estimates of income for the first 3 years i.e. 30% capacity in year 1. It has not taken any account of additional grant revenue funding which they may secure. Their other activities such as training courses and sale of cycles will help to support the venture.
27. The Secure Cycle Park will be one of the first of its kind in the country. It will provide a manned facility with 100 secure cycle parking spaces open to the public 6 days per week. Charges for cycles are likely to be £1 per day. Additional services available will include cycle maintenance and repair, lockers and showers, purchase of cycle accessories and refreshments and cycling information and advice. For more information see **Annex 2**.
28. In addition to the secure Cycle storage the premises will also provide Bike Rescue with an improved more central location for sale of their recycled bikes and a venue for training persons in cycle maintenance. The additional income generated by these activities will help underpin the viability of the Cycle Park.
29. The Bike Rescue Project have established themselves over the last 3 years and through the bike recycling scheme have become well known to local cycling organizations and the public. This experience together with their income generation from the sale and repair of cycles should put them in a good position to manage the secure cycle park. Indications are that there is a demand for such a facility in York and there should be an immediate take up of spaces.

Consultation

30. During the progression of the scheme consultation has been undertaken with interested parties including Ward Members, Executive members, the Environment Agency, 8 Cycling Organisations, Cycling England and Finance officers. Ward Members identified the building as potentially suitable for the desired facility of a secure cycle park and provide in principle support for this use. The building structure forms an extension of the North Street flood wall, and the Environment Agency have given their assent to the cycle park use subject to

them having access periodically to maintain the flood defences and during flood events.

Options

31. The options available are;

Option A: To proceed with the project and authorise release of the funds up to a maximum of £270,000 in a phased programme as work stages are completed to the satisfaction of the Council's agent. In addition there is an option to make a supplementary loan to cover the shortfall identified.

Option B: Not to proceed with the project.

Analysis

32. Option A Release of the funds

Advantage

It will allow the scheme to proceed fulfilling a requirement for a facility which was identified in the Local Transport Plan Cycling Strategy in 1996, and the Cycling City strategy submitted to Cycling England in December 2008, is supported by Ward Members and which has already been approved in principle.

Cycling England encourages the provision of secure cycle parking schemes and would support the Council in taking this bold and innovative solution forward.

Disadvantage

Reduces the funding available for other cycling objectives.

There are risks as with any such project that the costs may run over budget, however by the agreement of a fixed price contract this risk is substantially mitigated. The Council and Cycling England retain some risk in the approval of the project and releasing these funds.

33. Option B Not to proceed

Advantage

Allows funds to be channelled towards other cycling related provision.

Disadvantage

Prevents the realisation of an objective which was included as part of the Council's successful Cycling City bid, and for which a scheme has been designed and planning and listed building consent obtained.

The Cycling City project would also be left with a sizeable amount of funding to be spent elsewhere within a short space of time. There is a significant risk that

the funds could not be spent within the allotted timescale and that some or all of them would be lost to the City having to be repaid to Cycling England.

Corporate Objectives

34. The scheme to utilise the redundant former sub station for secure cycle parking will encourage people to travel to the city centre by cycle and thus contributes to 3 themes of the corporate strategy;
- A sustainable city - reduction in congestion and increase in air quality due to less dependence on the private car
 - A healthy city - the many health benefits arising from cycling are well known
 - A safer city - providing York with a safe secure and convenient place to leave your cycle, thereby encouraging more people to cycle.

Implications

Financial

35. The scheme is funded by Cycling England and the Council's Capital Programme.

Human Resources, Equalities, Crime and Disorder, or Property

36. The provision of secure cycle parking should help to further reduce the level of cycle theft in the city

Legal .

37. In the event that the Council accepts the recommendations in the report of the Director of City Strategy and Corporate Landlord, there will be various contractual implications for the Council to consider as follows below.
38. The Council will enter into an agreement to lease the premises at Lendal Bridge to the Bike Rescue Project CIC (as licensee) to enable the carrying out and completion of various construction and refurbishment works. The Council will prepare and enter into this licence agreement and Legal Services will assist in this process as required.
39. Following successful completion of the construction and refurbishment works during the licence period, the Council will grant a lease of the premises at Lendal Bridge to the Bike Rescue Project CIC for a term of 30 years with periodic rent reviews (5 yearly). Following a peppercorn rent concession for the initial 5-year term it is intended that a rent review will take place to assess viability of payment of rent at appropriate market level. Legal Services will prepare the lease documents and advise on the process as required.

40. The Council will also have contractual obligations as funding source within the contract between Bike Rescue Project CIC and the appointed building contractor for the Lendal Bridge works but will not have responsibility for management or completion of the works. However it is recommended that the Council secure appropriate collateral warranties or other guarantees in favour of the Council to ensure that the Council's funds are properly applied and protected during the period of the works. Further although management of the works has been entrusted to an external firm (Atkins) leading a team of specialist construction professionals, it is recommended that the Council's Legal Services have an oversight and input into the scrutiny and (if necessary) negotiation of all applicable agreements including those of the specialist professionals and the works contract itself, to ensure the interests of the Council are maintained, in particular the protection of the Council's funding stream and the preservation of the Council's assets as well as generally minimising any risks to the Council.
41. Finally, the recommended loan of [£30,000 maximum] from the Council to Bike Rescue Project CIC should be reflected in a formal loan agreement (if appropriate as an addendum to the lease agreement) to protect the Council's funds and reflect the terms on which this loan is extended to Bike Rescue Project CIC.

Information Technology.

No implications

Risk Management

37. As outlined in the body of the report, there are several risks in undertaking the scheme which are summarised as follows;
38. The structural stability of the building could be compromised by removal of the roof. The likelihood of this happening is small as the architect managing the scheme is using a structural engineer and contractor who are very experienced in such work.
39. The budget is insufficient to meet the full cost of the scheme, meaning that Bike Rescue have to finance the shortfall by means of a loan. There is a risk that Bike Rescue would be unable to raise this loan. Bike Rescue have a good standing with their own bank and have a relationship with the Charity Bank. However more certainty of the loan funding would be available if the Council are able to provide these supplementary funds.
40. If a loan was advanced by the Council of £15,000 over 5 years from year 1 the repayments would be £3,421 pa. Their business plan does make allowance for such loan repayments commencing in year 1. Their income projections show a small surplus of circa £1,500 in year 1, increasing in years 2 and 3, to approximately £5,000 and £10,000 respectively. They are continuing to seek grant funding to further bolster these figures.
41. In the present financial climate there is a risk that the Contractor or Bike Rescue could suffer a business failure. The contractor has been established almost 20

years and is engaged not only in building but also in Civil Engineering. They have framework agreements with Agencies such as Yorkshire water and Yorkshire Housing, and are on approved tender lists for various local authorities including York Council, as well as private clients.

42. Bike Rescue have been existing tenants of the Council for several years. They have mentoring support from Business Link and business support from North Yorkshire Forum for voluntary Organisations. They presently operate a profitable business with a turnover in excess of £67,000 per annum. They also have a strategy for obtaining grant revenue funding of up to £180,000 over the next 5 years.
43. The main risks and the steps taken to mitigate them are outlined in the body of the report. The impact and likelihood of each of these has been evaluated and is being incorporated into the council's risk register Magique.

Recommendations

44. It is recommended that Members approve;
 - A) the release of £270,000 from the 2009/10 City Strategy Capital Programme to be released in stages to fund the conversion of Lendal Bridge former sub station to a secure cycle park and to bring into beneficial use a vacant city centre building.
 - B) a loan up to a maximum £30,000 be made to Bike Rescue to be repaid within 10 years. In the unlikely case of default the loan would be repaid from the proceeds of a sale or re letting of the building

Reason: To enable the next phase of the project to be undertaken and allow physical works to commence on site.

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Wards Affected: Micklegate and Guildhall specifically, all generally

All *Y*

For further information please contact the author of the report

Background Papers:

- Annex 1 Location Plan
- Annex 2 Business Plan
- Annex 3 Business Plan Income and expenditure forecasts
- Annex 4 Plans and elevations of the proposed scheme.