

EXETER CITY COUNCIL

EXECUTIVE
5 JULY 2011

FURTHER INVESTMENT IN KING WILLIAM STREET CAR PARK

1.0 PURPOSE OF REPORT

- 1.1 To seek a decision from Members regarding further investment in the refurbishment and upgrading of King William Street car park.

2.0 BACKGROUND

- 2.1 The context of this report is the planned opening of a John Lewis store in 2012 on the site of the former Debenhams building. This will significantly enhance Exeter's retail 'offer' and is likely to lead to a substantial boost to the local economy and an increase in visitors to the city. This presents a strategic opportunity for the Council to review the business case for investment in some of its core assets in order to capitalise on the projected increase in economic activity.
- 2.2 King William Street car park is currently relatively poorly used. This is for a number of reasons, but principally because of its perceived convenience: it is not as close to major shopping attractions as other car parks (especially the NCP-managed Princesshay car park, which frequently operates at or near capacity) and lacks a 'pay on foot' payment system, which is very popular with both shoppers and traders.
- 2.3 King William Street is ideally situated for the planned John Lewis store and has the potential to be the car park of choice for those visiting the store. Its ability to capitalise on this is however constrained by its appearance, perceived lack of security (it is without effective CCTV coverage) and lack of a customer-friendly payment system. Notwithstanding recent capital investment in the car park, which focused on repainting, essential repairs and upgraded lighting, the facility would clearly benefit from further investment in key areas. Such investment would enable the car park to take full financial advantage of its location.
- 2.4 In her report to Economy Scrutiny Committee on 9 June 2011, the Portfolio Holder for Economy & Tourism highlighted as a key priority the need for public realm improvements to support the opening of John Lewis in the city. This proposal fully meets that priority. In bringing forward the proposal, officers are well aware of the present financial pressures facing the Council, especially in relation to the capital programme, and it is clearly for Members to decide how best to allocate limited resources. The purpose of this report is therefore to alert Members to the fact that there is a strategic opportunity here that would benefit from political consideration.

3.0 BUSINESS CASE

- 3.1 The Council's Engineering & Construction team have costed the full refurbishment of King William Street car park at £900,000. This includes deck repairs and the installation of the same high quality deck coverings as in Guildhall

car park; a pay on foot payment system; comprehensive CCTV coverage; upgraded signage; and various structural repair and cosmetic works. The estimated period for works on site would be five months, commencing in January 2012 following a tender process and the appointment of a contractor. This time frame enables the project to be completed in advance of the earliest possible opening of John Lewis.

- 3.2 The basis of the business case for the project is the projected increase in income which a comprehensive refurbishment would generate. The benchmark for comparison is Guildhall car park, which was itself refurbished in 2007 and is the Council's premium car park. King William Street currently has 55% more spaces than Guildhall car park (700 compared to 450), but less than 60% of Guildhall's users. Overall income from King William Street is, on average, 39% of the income generated from Guildhall, which is substantially the smaller car park. There is, therefore, prima facie scope to generate significant additional income from an upgraded facility in King William Street.
- 3.3 Officers' working assumption is that, following any refurbishment, tariff levels at King William Street would increase to the same level as Guildhall, reflecting its status as another premium car park. If occupancy levels at King William Street rose to the current levels at Guildhall, and making the further assumption that some of this increase in occupancy would be at the expense of Guildhall and other car parks (i.e. custom would simply transfer rather than represent additional income), officers believe there is the potential for an overall net increase in parking income of £500,000 per year. On this basis, the payback period for a full refurbishment project would be two years. There is, however, the need for considerable caution in predicting levels of parking income given the uncertain prospects for the wider economy over the next two to three years. In recognition of this, and notwithstanding the substantial positive impact the proposed John Lewis store is likely to have on the city economy, a more prudent assumption would be that the payback period would extend to three or four years.
- 3.4 Members are asked to give consideration to approving capital expenditure of up to £900,000 on the refurbishment of King William Street car park. Members should note that the proposal relates to the multi-storey car park only and that, as part of ongoing discussions with John Lewis, it may be mutually advantageous for this car park to be renamed. The two other parts of the King William Street 'complex' – the annexe and Leighton Terrace – will remain in their current form as pay & display car parks with the existing tariff structures, thus offering customers a range of parking options.
- 3.5 One option for Members would clearly be to approve expenditure for a partial refurbishment only, for example for a pay on foot system, upgraded CCTV and associated electrical and engineering works. While this would reduce upfront capital costs, it may also limit the ability to increase tariffs to Guildhall levels, thus potentially inhibiting income generation in the longer term.

4.0 FINANCIAL IMPLICATIONS

- 4.1 The full cost of refurbishing the car park can be treated as capital expenditure. The funding of this capital expenditure will, however, have to be met by the use of borrowing which does have a resultant impact upon the Council's revenue budget. The additional annual revenue costs arising from borrowing £900,000 to fund this expenditure are currently estimated to be £50,000.

4.2 The business case presented in this report indicates that the additional revenue costs of borrowing will be more than met by the additional car parking income arising from this investment proposal.

4.3 On the basis of the information provided, the S151 officer is reasonably reassured that that the financial projections outlined in this report can be achieved.

5.0 RECOMMENDATION

That Members decide whether to approve investment of up to £900,000 in King William Street car park and agree to the potential renaming of the car park.

ROGER COOMBES
HEAD OF OPERATIONAL SERVICES & TRANSPORT

ECONOMY & DEVELOPMENT DIRECTORATE

Local Government (Access to Information) Act 1972 (as amended)

Background papers used in compiling this report:-

None