

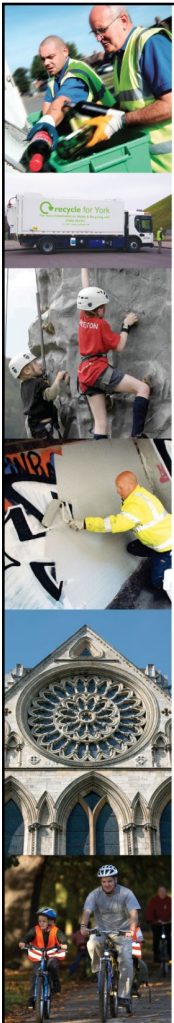
Annex B

Economy & Place Policy Development Committee 8th November 2017 CYC Asset Management Strategy



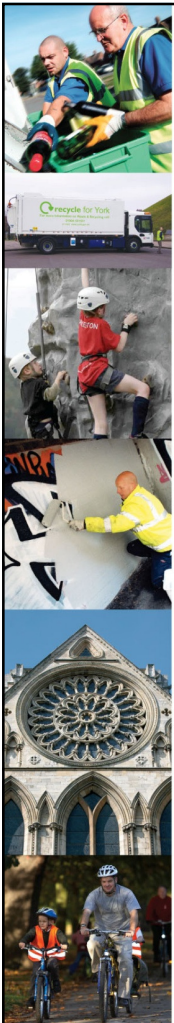
Old Strategy

- Make best use of publicly owned assets across York
- Encourage shared use of property resources
- Minimise cost of occupation of land and buildings
- Ensure the assets comply with the Council's Sustainability policies including the Carbon Management Policy.



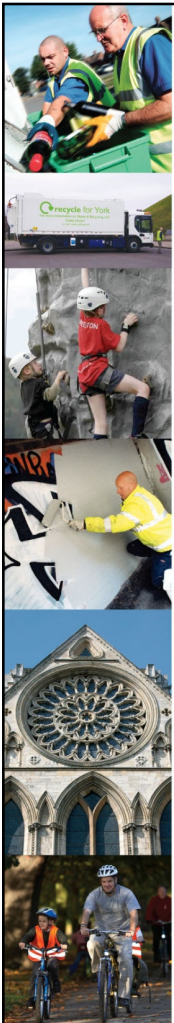
Direction of Travel Annex B

- **Council accommodation** – in 2012 we moved from 17 buildings to 2
- **Regeneration of key city centre areas** to make them economically and socially active e.g. York Central and Castle Gateway.
- **Finding new economically viable uses for historic buildings** – e.g. West Offices and The Guildhall.
- **Investing in important historic buildings** to make them fit for purpose for the next generation e.g. Mansion House.
- **Proactive expansion and commercially focussed management** of our Commercial Estate which generates over £4.28m pa revenue to support Council service delivery.
- **Strategic acquisitions of high performing commercial assets** (such as Swinegate) and the disposal of poor performing assets (e.g. Stonebow House).
- **Disposal** of a number of surplus assets to generate capital receipts.



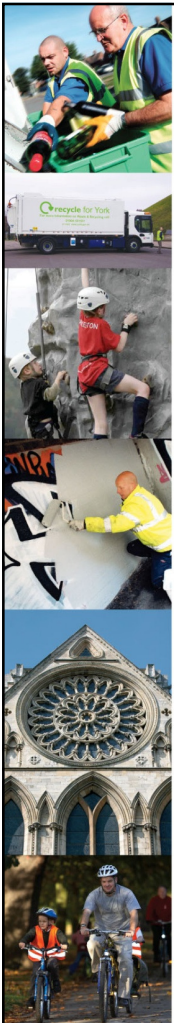
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- **Older People’s Accommodation** – remodelling of service provision
- **Libraries** – the development of library premises into multi-use community facilities (the Centre@Burnholme, New Earswick Folk Hall, and Haxby Memorial Hall)
- **Community Centres** – Undertaking community asset transfer where there is a strong voluntary group with a compelling business case.
- **Young People’s Services** – Youth Centres have moved from direct CYC delivery to create community capacity allowing voluntary and charitable youth providers to use CYC assets.
- **The development of Local Area Teams** (LATs) has included the rethinking of how to use Children’s Centres. The alternative use of these buildings has been informed by the Haxby Road development.
- **Sports provision** - Bowling Greens/tennis clubs/cricket pitches etc – asset transfers to community groups
- **Allotments** –transfer to a community group.
- **Public Toilets** – leased as part of a service contract to bring in capital investment and reduce costs.



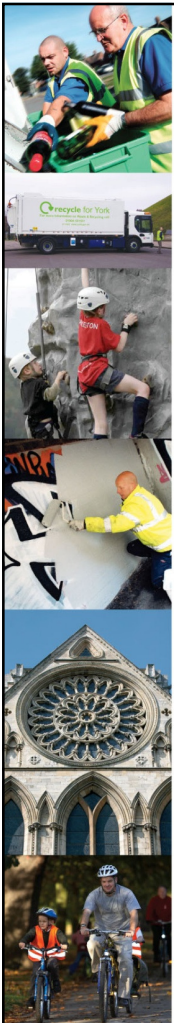
One Public Estate

- Create economic growth (homes and jobs)
- Encourage more integrated and customer-focused services
- Generate capital receipts
- Reduce running costs



New Objectives

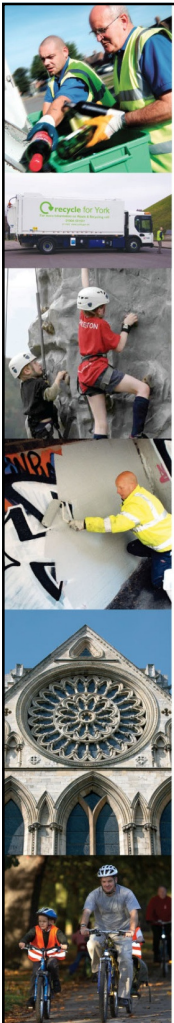
1. To use our assets to deliver policy goals
2. To operate our estate efficiently and dynamically to support the effective delivery of council services;
3. To use council assets to generate maximum income in order to support the delivery of council priorities.



New Principles - 1

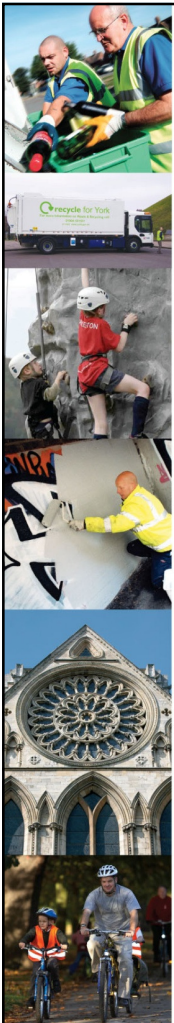
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1. We will use our assets to maximise positive outcomes for our communities;
2. In order to protect direct services we should reduce the overall cost of the estate through:-
 - rationalisation of assets
 - disposal of poor quality assets
 - exploiting commercial opportunities
 - co-location of Council and other public sector services (inc Health, care, police, education);
3. We will use our commercial assets to generate income to support service delivery;
4. We will use our assets to create efficiencies and reduce service costs, for example to reduce reliance on out of city placements for people with complex needs;
5. Assets should support CYC and partners to achieve joined up services and improved outcomes - buildings should not be exclusive to one particular service and community spaces should where possible be flexible and adaptable to support a range of uses.



New Principles - 2

Annex B



6. We will acquire or hold assets to drive economic development or regenerate an underperforming part of the city;
7. We will use assets to deliver and accelerate housing provision in the city.
8. We will ensure assets comply with the Council's Sustainability policies and we will explore opportunities, where financially viable, to reduce the carbon footprint and water use across our retained estate;
9. Assets should be operated by the community where a community group is best placed to deliver outcomes;
10. We should use assets to support area based working - through a three zone city model;
11. Where schools become Academies we will work to maximise the use of education land to the benefit of education and wider community use.

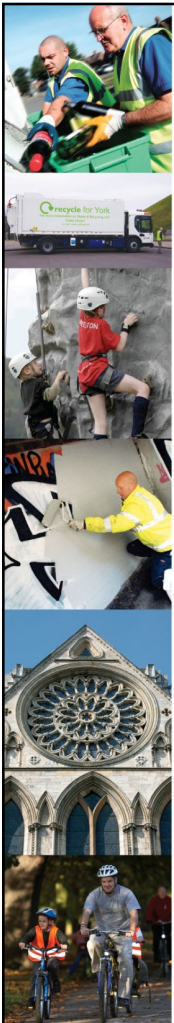


CYC Portfolio

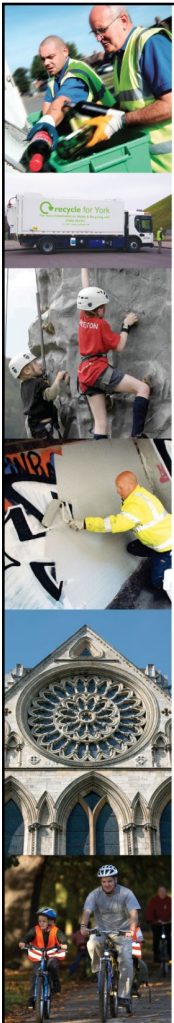
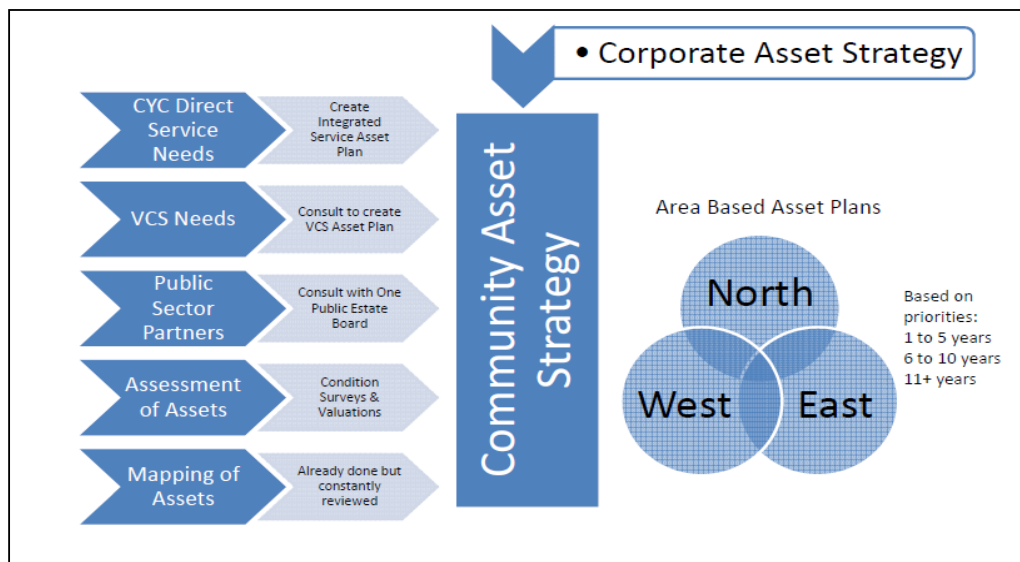
1250 assets with a value of £367m (including schools valuing £188m)

Generating an annual income of £5.29m.

- Operational and Community Assets
- Surplus land for housing delivery
- Commercial portfolio



Developing a Community Asset Strategy

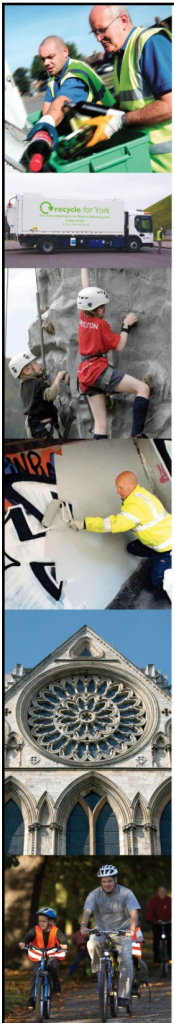


Housing Delivery

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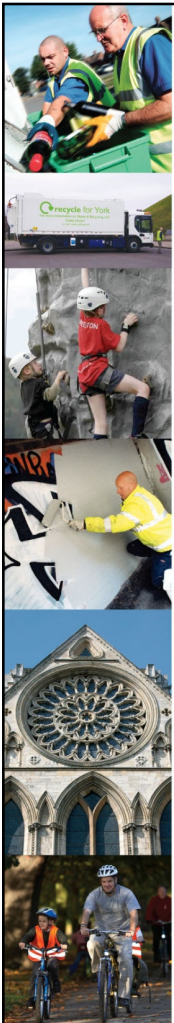
Executive agreed in March 2017 to:

- Enter into a Memorandum of Understanding (MoU) to establish a strategic partnership for housing development and investment with the Homes & Communities Agency.
- Agree that a detailed business case for council-led housing development, including project management, governance, funding arrangements and risk assessments be presented for Executive approval.
- Agree that the council will explore partnership and funding opportunities to deliver accelerated housing on public land.



Commercial Portfolio Annex B Composition

- CYC owns 1,246 property assets (comprises all assets such as; schools; commercial property; land).
- Of these; 492 assets have 1 or more commercial tenants. Some assets have multiple tenants.
- There are 1,074 occupational commercial agreements within the 492 asset base.

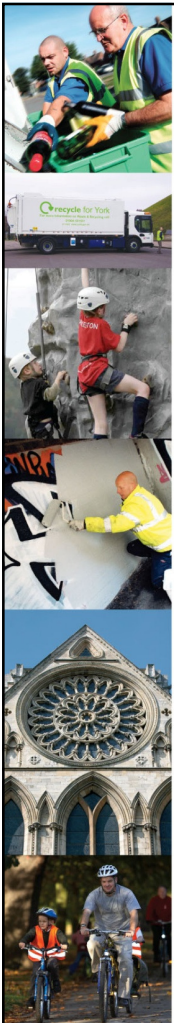


Portfolio Composition

- Assets provide CYC with £5.29m per annum.
- This is made up of commercial assets' rental income, including West Offices
- £1.01 million pa is rental and contribution to running costs from commercial lettings within West Offices.
- £4.28m pa from portfolio exc. West Offices

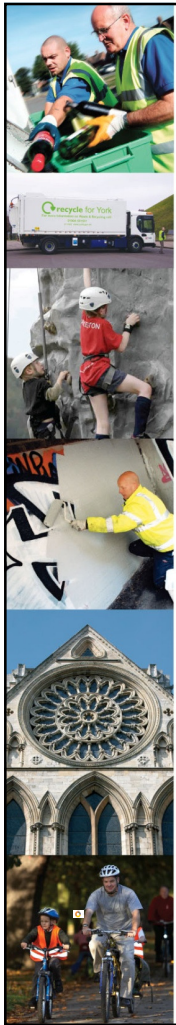
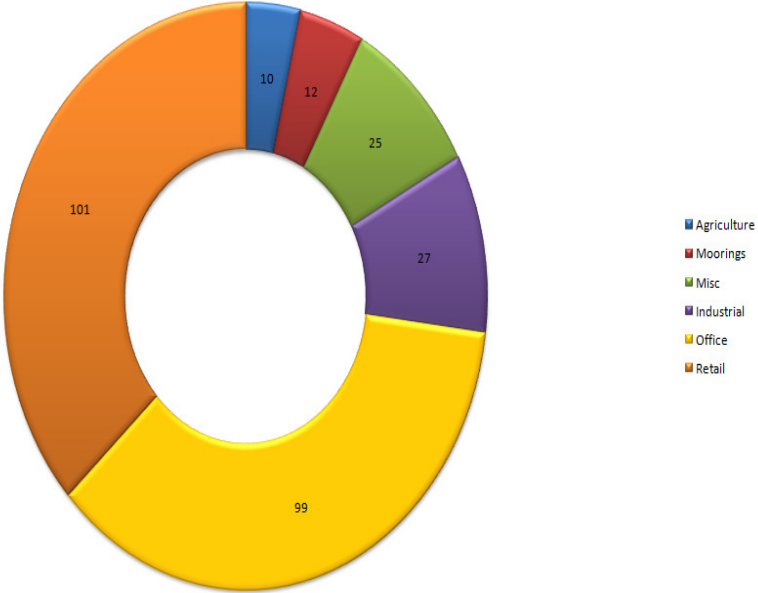
Of which;

- c.£3.4m pa is from just 270 commercial assets



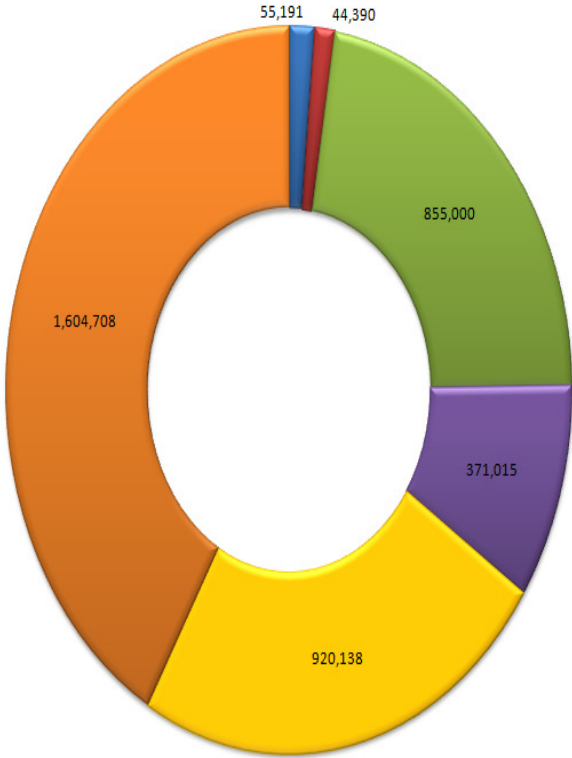
Portfolio Composition Annex B

No's of Asset by Type

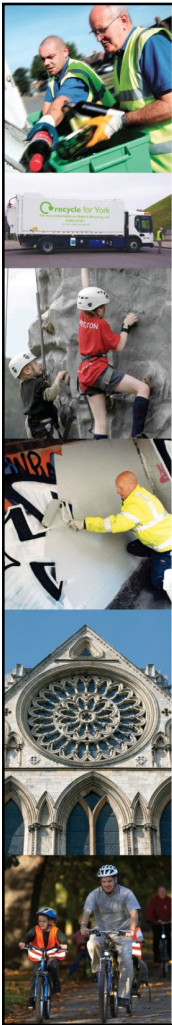


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Asset Type by Annual Income

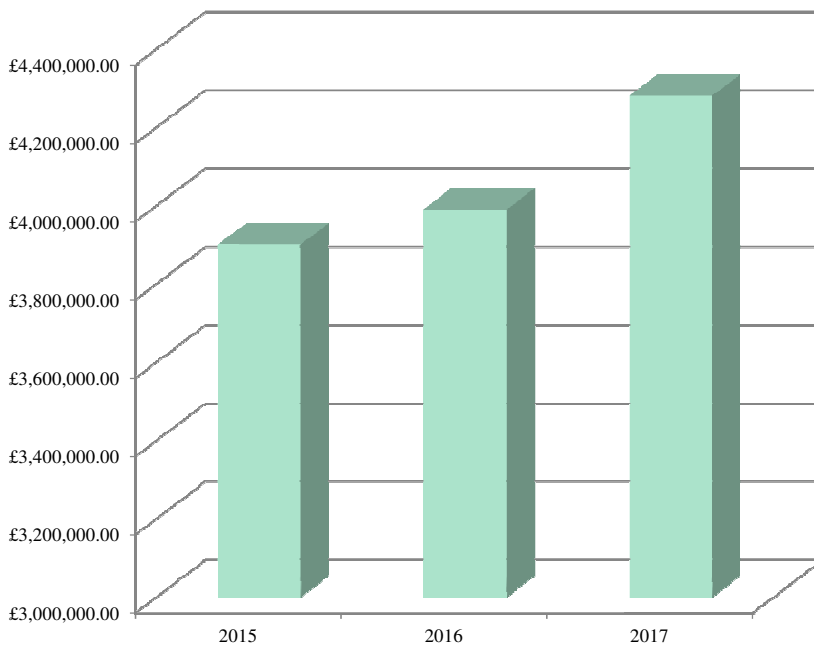


- Agriculture
- Moorings
- Misc
- Industrial
- Office
- Retail



Portfolio Performance Exc. West Offices

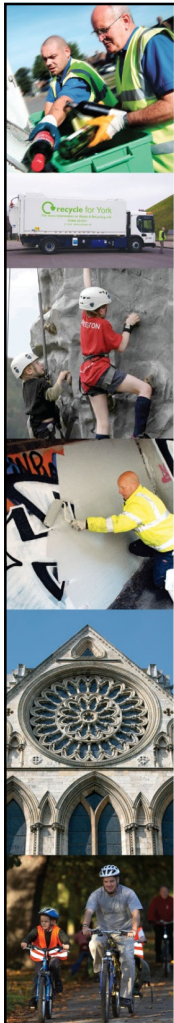
Rental Growth 2015-17



Increase of
£380,000pa
since 2015,
plus Eco
Centre mgt
cost savings



Top Growth 'Performers' over 2 years



+£664,000pa New West Offices rents & service charge income

+£75,000pa Racecourse

+£71,000pa Hospital Fields Rd acquisition (gross income after acquisition)

+£51,000pa Eco Centre plus additional mgt costs saved (c. £130,000pa total)

+£30,000pa Shambles

+24,000pa The Hub, Wellington Row

+£15,000pa Archways

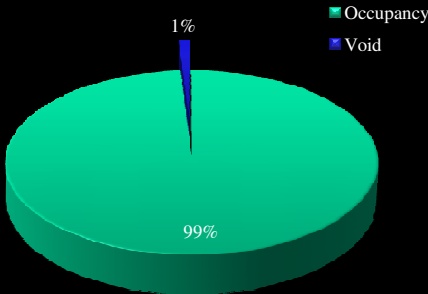
+13,000pa Caravan Club Terry Avenue



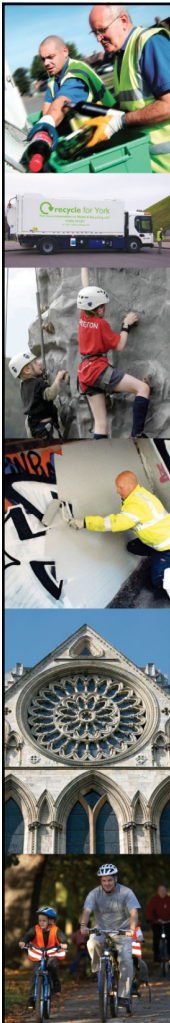
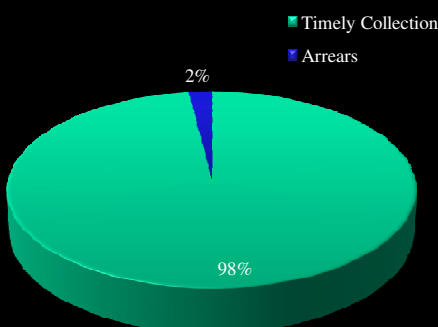
Key Performance Indicators

Low vacancy rate 1% Low Arrears Levels 2%

Occupancy Levels



Level of Arrears



Eco Centre Amy Johnson Way^{Annex B} (63 unit office / workshop facility)



- Brought management in house & achieved considerable savings.
- Premises now fully let and have increased lettable space by leasing previous management suites.
- Removal of significant fees to mgt company.
- Significant annual loss turned to small annual surplus
- Future opportunity in 2019 to restructure head lease.

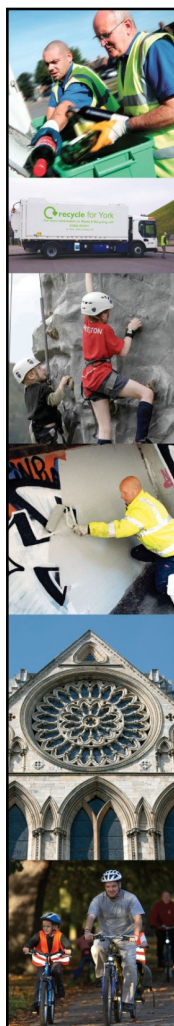


The Shambles

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- Increased income across key asset of Shambles through successful letting of empty units which has established higher rental tone.
- Rental levels up by c.15-20%
- Council own c.70% of street
- Good sense to acquire remainder if opportunity arose
- Investment in improved fire protection being looked at



Strategic Sales & Acquisitions ^{Annex B}



- Sale of ground leases (Stonebow House and Layerthorpe) achieving high capital values at low yields.
- Acquisition of high income producing strategic assets with future potential (Hospital Fields Road)
- Sale receipts c£1m with present income of £11,500pa
- New purchases c£1.1m with income of c£90,000pa



Swinegate

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- Full Council & Executive approved the purchase of Swinegate East & West July 2017 setting a capital budget of £15m. Purchase price confidential.
- Anticipated completion of purchase early October 17.
- c40,000 sq ft of accommodation providing retail, leisure and office space, fully let or under offer to multiple occupiers
- Income from property will significantly exceed council borrowing costs, thus helping to plug the savings gap.
- Voids & mgt costs have been factored in.

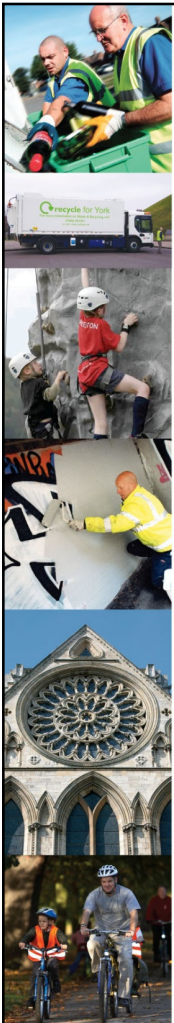


Guildhall

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- £12 million scheme to refurbish and provide lettable accommodation in heart of city.
- Seeking tenant for restaurant
- Planning consent achieved
- Construction contractor procured
- Renegotiation of mooring leases to accommodate Guildhall works
- Increase in mooring and boatyard rents

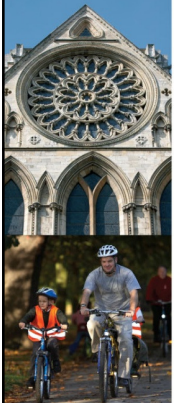
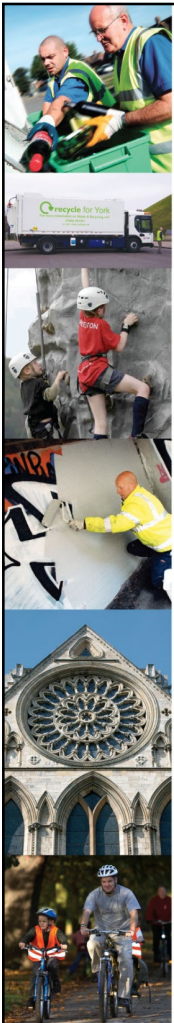


Castle Gateway

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- My Castlegateway consultation
- Master planning underway
- Commercial development potential from:
 - St George's Field
 - Castle Car Park
 - Castle Mills Car Park
 - Coppergate lease extension
 - 17-21 Piccadilly



Summary

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- Strong performance of property portfolio in terms of rental growth and low vacancies/ levels of arrears.
- Income supports funding of council services
- Pro active opportunities taken to restructure leases and facilitate redevelopment/ regeneration
- Pro active acquisition of property offering strong rental performance and providing greater ownership of York centre to ensure ongoing economic vibrancy.
- Further purchase opportunities to be considered going forwards which would benefit the council financially/ facilitate regeneration/ protect character of City.

