

**Executive**

**15 March 2018**

## **Report of the Director of Economy and Place**

### **Portfolio of the Executive Member for Finance and Performance and Executive Member for Economic Development & Community Engagement**

#### **York Central – York Central Access Construction**

##### **Summary**

1. York Central is a 72 hectare (ha) area of land adjacent to the railway station and is one of the largest brownfield sites in northern England, see plan at annex 1. It provides a huge opportunity for regeneration providing new homes, Grade A commercial office space, an enhanced National Railway Museum and a range of new public spaces and facilities.
2. The scheme is being promoted by the York Central Partnership (YCP) which is made up of Network Rail (NR) Homes England (formerly the Homes and Communities Agency or HCA), the National Railway Museum (NRM) and the City of York Council (CYC).
3. The YCP are developing a master plan for the regeneration of York Central. This will lead to the submission of an outline planning application for the whole York Central site and a detailed application for a new access road, bridge and spine road. The provision of an additional vehicular pedestrian and cycle access from the west of the site is the key *enabling* element of the scheme and in November 2017 Executive endorsed the YCP preferred Western entrance option. This report seeks agreement to the council commencing procurement for the construction of the access route in order to ensure buildability of the bridge and an early start on site post planning and ensure the use of West Yorkshire Transport Fund (WYTF) within the funding window of March 2021.
4. This report also proposes the disposal of the council's small land ownership on the site to Homes England in order to simplify the roles of the York Central partners prior to the finalisation of a formal partnership agreement.

5. This report outlines the considerable progress on the scheme and sets out the timeline for bringing the scheme forward.

## **Recommendations**

6. Executive is asked :-

- I. To agree to procure and award a contract to a construction partner to deliver the key site infrastructure outlined in this report including the access bridge and the spine road, and the NRM rail link with the potential to novate the contract over to the York Central Partnership, a single partner or a successor body for the development of the site.
- II. To agree, in principle, the disposal of the freehold of the Fermatol site and the Carlisle St private car park to Homes England for best consideration and to use this capital receipt to fund the York Central project costs.
- III. To delegate to the Deputy Chief Executive in consultation with the Leader the power to:
  - a) Consider responses to the public consultation on the disposal of open space land
  - b) Subject to that consideration to confirm the sale price of the land and to agree the disposal of the Fermatol site and the Carlisle St private car park to Homes England
- IV. To commit £907k further funding from the £10m EIF to take the project through to planning determination.
- V. To receive a further report in June 2018 setting out :-
  - a. a preferred masterplan prior to submission of outline planning application and a detailed bridge and spine road planning application
  - b. a partnership agreement with the York Central Partnership to formalise the relationship and the financial agreement between the partners
  - c. a detailed financial plan for the delivery of York Central including analysis of potential Council borrowing, and funding from the Enterprise Zone

Reason: - To ensure the early delivery of a new access route to York Central within the timescale of available grant funding

## **Background**

7. The delivery of York Central is essential to the growth of York, contributing significantly to the growth of the regional economy, through the provision of high quality office space, and to meeting housing need in the city. Though the site has been earmarked for regeneration for many years, previous attempts to deliver the scheme have not come to fruition and we are now poised to seize this once in a lifetime opportunity to make this development a reality.

8. There have been a number of developments which have finally enabled the scheme to be brought forward :-
  - i. The establishment of the York Central Partnership bringing together all the public sector land owners
  - ii. Assembling the land for redevelopment and clearing it of operational rail use
  - iii. Establishment of Housing Zone Status which has brought investment from Homes England to support the delivery of housing on the site.
  - iv. Establishment of the Enterprise Zone which brings with it the potential to retain the additional business rates generated from the site to allow investment in delivering economic growth on the site.
  - v. Securing significant enabling funding from a range of government agencies including the WYTF, YNYER LEP, Leeds City Region LEP, the One Public Estate Programme, the Homes England and the Ministry of Housing, Communities and Local Government (MHCLG).
9. The site does, however, have significant infrastructure challenges. It is entirely circumscribed by rail lines, with the rail station at the bottom of the teardrop of land, the East Coast Main Line (ECML) forming a barrier to the north and east, and the Freight Avoiding Lines (FAL) to the south and west. See site plan annex 1. Current access roads onto the site already run through minor residential streets in the Salisbury Terrace area, or under the Marble Arch Rail Bridge and have limited capacity and low bridges, limiting access for high vehicles. They are not suitable to serve a comprehensive re-development of York Central. It is therefore necessary for a new access route into the site to be constructed.
10. In November 2017 Executive agreed the York Central Partnership recommendation that a Western access option be developed for inclusion in the York Central Masterplan and agreed to undertake further design and legal work to ensure that the final alignment will seek to mitigate the effects of such a route on the Millennium Green and to control costs to ensure deliverability. This work is progressing.

### **Procurement of an infrastructure construction partner**

11. It is a priority for all partners to accelerate the delivery of York Central in order to:-
  - i. Deliver a significant quantum of much needed mixed tenure housing within the local plan period
  - ii. Deliver essential commercial space to promote economic growth

- iii. Maximise the retained business rates from the Enterprise Zone through early phase build out of commercial space
  - iv. Achieve early land receipts to reduce the financing cost of up front infrastructure
  - v. Undertake capital highways spend before the end date of the WYTF spend deadline in March 2021
12. CYC are the body in receipt of the enabling grant funding including the WYTF and will eventually be the adopting Highways authority. CYC are also the only organisation who can feasibly procure the construction of the road and bridge at this point in time and to therefore avoid a delay to the critical delivery path for the entire scheme. The timescale for construction procurement precedes the formal establishment of YCP as a contracting body. The YCP Board have agreed to recommend to CYC that it is their preferred solution for CYC to commission the highways elements of the scheme.
13. Approval is sought to proceed with the procurement of a construction partner to allow for early engagement and input to the design phase for the access road and bridge and to potentially deliver a full range of infrastructure works to progress the early delivery of the York Central site.
14. This is an urgent decision as the construction process needs to commence in 2019 to ensure that the WYTF grant money is spent by 2021 in accordance with the grant terms. We also want to benefit from early contractor input to ensure "buildability" of the design solution and to firm up build costs prior to submission of detailed planning applications in August 2018.
15. There are risks in proceeding with procurement ahead of the formalisation of the YCP and confirmation of the financial agreement. To mitigate against these risks a two stage NEC approach will allow for limited financial exposure until the YCP partnership agreement is signed whilst ensuring contractor input into the design to ensure the best technical design and increased certainty over the construction costs before a decision is taken to proceed into the construction phase.
16. Officers will seek to ensure the procurement approach balance's the specialist nature of bridging over a railway and the more generic civils requirements of the rest of the site in order to procure a suitably robust and experienced contractor.
17. There is a strong logic in commissioning one contractor to oversee the build out the entire infrastructure on the site as this approach would increase control over the interfaces between the main infrastructure elements. However, the commission will be split into different lots and contractor performance will be closely monitored as part of the award mechanism for any additional lots.

18. The core lot will contain :-

- i. The new Western site access from Water End with approach embankments and Access Bridge over the ECML
- ii. The Spine road from Water End to Cinder Lane
- iii. Groundworks to manage topology across the whole site

19. Other potential lots may include but not be limited to :-

- i. Ground works for SUDS and the Park
- ii. Construction of public realm – particularly Museum Square
- iii. Construction of the NRM connection to the Freight Avoiding Line (FAL)
- iv. Construction of the NRM Steam ride
- v. Improvements to Marble Arch
- vi. Revisions to the Wilton Rise/Cinder Lane pedestrian and cycle bridge over the FAL
- vii. Construction of multi storey Station Car Parks
- viii. Revised junctions at Salisbury Terrace/Water End
- ix. Works outside the YCP masterplan to the front of the station including
  - i. Demolition of Queen St Bridge
  - ii. Inner Ring Road Highway works inc. revised junctions
  - iii. Bus interchange and taxi ranks
  - iv. Public realm improvements

20. The new western access from Water end with approach embankments, Bridge and spine road will cost approx £40-50m. Some of this cost will be met by the WYTF with the remainder to be funded as part of the partnership agreement but permission is not being sought for the construction budget at this stage – this will be sought in a further report to Executive in June where the partnership agreement will be presented, supported by a financial plan for the funding of infrastructure.

21. The project has developed significant momentum and gained a high profile within the region and nationally. There has also been a significant amount of work on the following work streams.

### **Land Assembly and disposal**

22. Homes England has acquired the Unipart site and surplus land from both Network Rail and NRM. They now own 37.5% of the York Central site with NR owning 57.5% and CYC owning 5%. Homes England has approached CYC with a view to acquiring our small land holdings on the site at market value as part of their strategic investment and acquisition of York Central land. This would simplify land ownership across the site and clarify the council's role

within the partnership as a place shaper, an enabling funder and investor rather than a landowner or a developer.

23. The council owns the small Fermatol industrial estate acquired from a third party in 2016 and the small private car park next to Carlisle St set out in the map at Annex 2. External valuations are being commissioned to ascertain their market value and if Executive agrees to the disposal it is proposed that the agreement of the sale value is delegated to the Deputy Chief Executive/Director of Corporate and Customer Services in consultation with the Leader/Portfolio holder for Finance and Performance.
24. The land proposed for disposal contains 225 sq m of land on the frontage of Leeman Rd which is currently grassed over. This is shown in Annex 2 with a green line. This is classified as public open space and in order to dispose of this land the council will need to post a S123 Notice and seek public views on the disposal. Provision of extensive green space and public open space will be included in the York Central masterplan so when the scheme is developed a much larger area of open space will provide improved amenities to local residents.
25. The disposal of the land will generate a capital receipt of £1-2m which could be used towards the costs of taking the scheme to planning or to fund early years borrowing costs.

### **Community Engagement**

26. In November Executive requested an expansion of the proposed community engagement. In response to this YCP have undertaken the following in addition to the planned statutory consultation requirements:-
  - i. Revised the consultant team approach to ensure a greater opportunity for engagement to inform the development of the Master plan and agreed a longer programme lead in to the planning applications. Additional project team resource has been agreed to ensure that this is delivered.
  - ii. Appointed My Future York to lead community engagement work to supplement the master planning consultation work and establish long a term community dialogue using the successful My Castle Gateway model.
  - iii. Undertaken early stakeholder engagement in January and February with a range of city stakeholders, statutory consultees and community groups to understand a wide range of views on the vision, objectives and issues of the site.
  - iv. Planned a large scale engagement strategy for the Festival of York Central to run over a 6 week period from March 19<sup>th</sup> 2018.

- v. Set up a range of social media platforms to promote engagement, initiate dialogue and capture feedback.

## **Master planning**

27. A huge amount of work is in process to develop a comprehensive masterplan for the site.
  - Advisors Arup /Allies and Morrison/Gustafson Porter are developing master plan options for consultation
  - Further work is underway to refine the alignment and design of the Western Access.
  - Support has been put in place for the Millenium Green Trust to enable them to consider their legal position with regard to the proposed access route.
  - The Councils Transport team working with NR have undertaken development of an indicative masterplan for the front of the station.
  - NR is leading on the analysis of future station capacity (both for trains, pedestrians, cycles and cars).
  - Development of consultation and engagement material to inform the Festival of York Central.
  - The Environmental Impact Assessment has been initiated with base line information collated.
  - The baseline traffic assessment is also in progress.
  - Further detailed survey work on topography / drainage is underway.
  - A project assurance review has been undertaken to ensure the planning and infrastructure delivery timescales as presented in this paper are achievable.

## **Commercial Delivery Strategy**

28. Along side the masterplanning work YCP are also progressing proposals for ensuring the viability and delivery of the scheme. This work includes :-
  - Financial modelling of future EZ income.
  - Financial viability assessment work is being undertaken to inform and iterate the master plan.
  - Securing external Funding (grants and loans). This includes c£40m which has been provisionally secured from West Yorkshire Transport Fund, York and North Yorkshire Local Economic Partnership (LEP) Leeds City region LEP, the One Public Estate Programme and the

Homes England to support the delivery of the project. A decision is pending regarding a £57m bid to central government MHCLG for Housing Infrastructure Funding.

- Early work has been undertaken on inward investment and the identification of potential early occupiers.
- Homes England investment of £19m.
- Network Rail investment of £4.4m.
- CYC Investment of £10m.

## Partnership Agreement

29. The YCP is currently a none legally binding partnership of public sector bodies. All work undertaken to date has been undertaken at risk by all partners, which has been funded partly from external grants. Work is still ongoing to negotiate and finalise the formal partnership agreement but it is anticipated that costs incurred in this early phase will be shared across the partnership when it is formally agreed (except for NRM, see Paragraph 35).

30. There is high level commitment in all partner organisations to bringing the York Central scheme forward. A detailed report will be brought back to the Executive in June 2018 to set out the financial model and seek permission to sign a formal Partnership Agreement.

## Timetable

31. The proposed timetable for the project is set out below

Master plan Consultation	Jan-April 2018
Access construction Exec decision	March 2018
Commence Procurement of Construction contractor	March 2018
Select Contractor	May 2018
Early Contractor input into detail design for planning	June 2018
Agree YCP Partnership Agreement	June 2018
Submission of Outline and detailed Planning Applications	Aug 2018
Detailed RIBA stage 4 design for construction of access road and bridge commences	Oct 2018
Determination of Planning Applications	Dec 2018



Bridge and road construction commences	March 2019
Bridge and spine road complete	March 2021

## Funding the next phase of work

32. Network Rail has already spent £4.4m on land assembly and rail clearance.
33. Homes England has spent £18.9m towards land assembly and has contributed a further £200k towards the planning costs of the site. Though some of this investment is backed by asset acquisitions these will not be realised unless the scheme is developed out so are “at risk” at this stage.
34. In December 2013 Members agreed to earmark £10m towards the delivery of York Central. Currently £4,431k has been released to support technical work, masterplan development through to planning, land acquisition costs and site preparation works. There have also been other grant contributions from WYTF, Homes England, One Public Estate, Leeds City Region LEP and DCLG Enterprise Zone funding. These combine to total £6,552k shown in the table below:

	£'000	£'000
CYC – (£10m Allocation)		
Land purchase approval	1,014	
NRM Masterplan contribution	200	
Other Approvals	<u>3,217</u>	
Total CYC		4,431
WYTF Contribution		947
OPE Grant		250
Homes England Grants		689
LCR LEP Grant		200
DCLG EZ		35
<b>Total Funding Available</b>		<b>6,552</b>

Table x York Central Funding

35. The NRM have spent £1.14m on the masterplanning of their museum development scheme and continue to fundraise. As an important cultural anchor they will continue to help shape the overall scheme and integrate their plans with the development of York Central but their role differs from the major land owners NR and Homes England and from the Council as the custodian for a new part of the city and an enabler of the future scheme. As a Charitable organisation, NRM cannot undertake any development activity on

non-Museum land, so NRM will not share in either the York Central development costs or receipts. The NRM have disposed of their surplus land assets to the Homes England in order to integrate them into the overall scheme and facilitate the early phases of their £50m development plans.

36. Following the Executive decisions in November, a more extensive consultation phase has been developed to ensure effective community engagement in the developing masterplan. This extended consultation will lead to the submission of planning applications in August rather than April. This has led to additional costs to deliver the longer and more extensive engagement plan and to retain the project and professional teams over a longer time window. This report also seeks early contractor engagement in the construction design which also carries an additional cost.
37. Actual expenditure to Feb 2018 and forecast expenditure to December 2018 by year is shown in the table below:

	Expend £'000
2015/16	112
2016/17	1,565
Actual 2017/18 (to 28/2/18)	1,413
Estimate 2017/18 (to 31/03/18)	826
Estimate 2018/19	3,543
<b>Total</b>	<b>7,459</b>

Table y York Central Expenditure

38. The expenditure in table y above is £907k greater than resources available shown in table x.
39. This is an increased resource requirement from the November report but includes costs that were not previously assumed such as:
- Costs from increased community engagement
  - Costs of extending the project team and advisors through to planning determination (assumed Dec 2018)
  - Costs of Early Contractor Involvement in the bridge design
40. This up front investment of time and expense is anticipated to result in supporting determination within the 16 weeks period, ensuring the infrastructure can be delivered within the 2021 timescale.
41. It is proposed that this funding gap is met by a further drawdown from the £10m budget of which £5,569k is unallocated. Of the council's agreed budget of £10m, £1m was provided from revenue, with the balance of £9m funded

from borrowing. The allocation of £907k would reduce the unallocated budget to £4,662k.

42. Any sales proceeds from the disposal of land referenced in paragraphs [22-25] would be available to support the next phase of delivery of the scheme.
43. There is a risk that should the scheme ultimately not be delivered that an element of these costs would be classed as abortive and need to be written off back to revenue. The estimated liability would total £3,324k.

## **Council Plan**

44. The project will assist in the creation of a Prosperous City for All, and be a Council that listens to residents particularly by ensuring that :
  - i. Everyone who lives in the city can enjoy its unique heritage and range of activities.
  - ii. Residents can access affordable homes while the greenbelt and unique character of the city is protected.
  - iii. Visitors, businesses and residents are impressed with the quality of our city.
  - iv. Local businesses can thrive.
  - v. Efficient and affordable transport links enable residents and businesses to access key services and opportunities.
  - vi. Environmental Sustainability underpins everything we do.
  - vii. We are entrepreneurial, by making the most of commercial activities.
  - viii. Engage with our communities, listening to their views and taking them into account.

## **Implications**

45. **Financial** - Financial implications are set out at paras 32 - 43 above

**Human Resources (HR)** – none

**Equalities** – Exploration of community impacts is an integral part of the forthcoming consultation.

**Legal** – The Council's power of general competence under the Localism Act provides the main basis for undertaking the actions set out in this report although other powers may also be available.

The value of the proposed procurements means that a process must be followed which is compliant with the Procurement regulations. This could include the use of a framework established within those rules.

As part of the land which is proposed for disposal is public open space the Council is obliged to give public notice of the intention to dispose and properly consider any objections made.

The Council is generally obliged to secure best consideration for any land to be disposed of unless relying on a consent given by the Secretary of State to do otherwise. In this case the intention is to secure best consideration. In the circumstances of this case it would clearly be inappropriate to market the land to evidence that best consideration is being achieved. It is though perfectly legitimate to rely on the opinion of an appropriately qualified valuer to evidence best consideration.

**Information Technology (IT)** - There are no IT implications.

**Crime and Disorder** - The detail design of any future scheme will require detail consideration of crime and disorder implications and there will be structured input from the Police Architectural Liaison Officer

**Property** – The Western access impacts upon the Millennium Green lease. The lease contains provisions which would allow access to be constructed over part of it. If other land is required then that would require negotiation with the leaseholders and, if agreement could not be reached, consideration as to whether compulsory purchase powers should be used. All other property implications are covered in the report.

## **Risk Management**

46. The project is complex and high risk and until the scheme receives planning consent and a partnership agreement is formalised all investment from all parties is at risk. The EZ facilitates up front borrowing which would be repaid by future retained business rates and there is an inherent risk that the income is not generated or is slower to accrue. The partnership agreement therefore needs to identify how partners share this risk and ensure that the development of the scheme continues to focus on the delivery of business space. The project has multiple partners and funders and stakeholder management is essential to continue momentum and gain commitment to the scheme.
47. The primary risk is the potential breakdown of the delivery partnership between the partners with a consequent failure to unlock the site. This has been addressed by the establishment of a working group, project board and

escalation procedures thus ensuring senior level collaboration across all the public sectors partners. It is expected that these will be embedded within the terms of a proposed partnership agreement.

48. If the scheme does not go ahead there is the risk that the cost of the development to date may not be fully recovered. This is covered in para 43.
49. . Costs spent on land acquisition would be recoverable but the costs of preparing a masterplan and planning applications without a partnership agreement in place are at risk and can only be mitigated by finalising a partnership agreement in June.
50. Failure to obtain the necessary regulatory approvals to dispose of land on the site for development or to clear operational railway uses from the site is another significant risk – this would prevent the development of the site in whole or part. Mitigation plans to date include the acquisition and extinguishment of long-term rail industry leases on the site by Network Rail and development of a strategy that identifies relocation sites for the rail uses. In addition, a rail land use strategy for York is being taken forward and it is believed this meets operator needs and Network Rail's planned capacity improvement schemes. This issue is being mitigated by Network Rail prior to any infrastructure investment with a clear commitment under the proposed partnership agreement to remove rail uses from the site within a phasing plan to enable site development.
51. An obvious risk is of failure to secure planning permission – this is being mitigated by early engagement with CYC as local planning authority in the ongoing development plans and engagement of stakeholders and local communities at both concept stage and as detailed plans emerge.
52. There is a risk that the scheme may not attract development market interest or new occupiers. This risk has been mitigated by the proposed approach to infrastructure delivery, and further evidence gathering from our appointed advisors In addition, the development of a delivery and marketing strategy and the award of EZ status will incentivise early business occupation.
53. There is a risk that CYC may not secure equity investment towards some of the costs of the enabling infrastructure. However, this will be mitigated by the EZ status and access to borrowing this brings. It will also be mitigated by early sign off of funding from Homes England and a comprehensive gateway process for release of West Yorkshire Transport Funds (WYTF).
54. The need to use Millennium Green land represents a risk to delivery where the release of land from the very specific purposes of lease to the Trust could be difficult to achieve.

55. There is a risk that the construction market may not respond effectively to the tender. Use of a pretended framework will mitigate this. If the scheme does not go ahead then all of the early development costs may need to be written off but a break clause will exist so that the early engagement to finalise design and buildability can be separated from the full construction if needs be.
56. There is a risk of costs being higher than estimated which is mitigated by the two stage procurement which will seek to establish fixed costs before construction commences. If the costs escalate beyond the tolerances established in the partnership agreement then the overall business case will need to be reviewed before construction commences and the partnership agreement needs to provide for this.
57. A full risk register has been developed by the YCP and will be regularly reviewed by the project board as the project progresses.

## Contact Details

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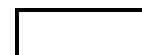
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**Wards Affected:** Holgate, Micklegate



**For further information please contact the author of the report**

## Annexes

- Annex 1 – Map of site  
Annex 2 – Map of CYC land proposed for disposal

## **Background Papers:**

### **List of Abbreviations**

CYC - City of York Council

ECML - East Coast Main Line

EIA - Environmental Impact Assessment

EZ – Enterprise Zone

FAL - Freight Avoiding Lines

HCA - Homes and Communities Agency now called Homes England

LCR - Leeds City Region

LEP - Local Economic Partnership

MDU - Maintenance Delivery Unit

MGT - Millennium Green Trust

MHCLG –Ministry of Housing Communities and Local Government

NRM - National Railway Museum

ORR - Office of the Rail Regulator

WYTF – West Yorkshire Transport Fund

YC - York Central

YCCF - York Central Community Forum

YCP - York Central Partnership

