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**Executive****26<sup>th</sup> January 2017**

Report of the Corporate Director of Economy and Place

Portfolio of the Executive Member for Finance and Performance and the Executive Member for Economic Development &amp; Community Engagement

**York Castle Gateway****Summary**

1. City of York Council (CYC) is one of the principal land owners in the area around Piccadilly, Coppergate Centre, the Eye of York, Clifford's Tower, St George's Field and the Foss Basin and many parts of the area are underused, semi derelict or of poor quality.
2. As the principal landowner, the council is instrumental in delivering a joined-up regeneration of the area which will maximise social and economic benefits for the city. Following a report to Executive in October 2015 officers were asked to initiate negotiations with adjoining land owners to develop a vision for the area and explore practical arrangements to deliver regeneration.
3. For the last 2 years many of the properties in the area, including the long-term leasehold of the Coppergate Centre, were held in administration and it was therefore not possible to develop long-term plans to redevelop them in a cohesive way. The area is urgently in need of a comprehensive vision to improve the locality and create a socially and economically sustainable future.
4. Very recently the assets in administration have been secured by Steamrock Capital Limited and officers have been exploring the potential for a commercial venture to combine our assets in order to deliver a cohesive regeneration scheme.
5. This report sets out work undertaken over the last year to progress the project and outlines:
  - The vision for the regeneration of the area.
  - The Local Plan draft Area of Opportunity Policy to support that vision.

- A proposed stakeholder group of principal custodians to advise on the masterplan and designs for the public areas and spaces.
- A potential commercial partnership to deliver the redevelopment of council land and property assets and surrounding development sites.
- The strategy and resources needed to deliver the above.

## Recommendations

6. Executive is asked to consider and agree:

a) The renaming of the regeneration area as Castle Gateway.

Reason: To change the name to better reflect the geography and nature of the area.

b) To approve the vision for the Castle Gateway as set out in paragraph 18.

Reason: To deliver the regeneration aims of the Castle Gateway project.

c) To approve the revised Castle Gateway draft Area of Opportunity Policy for progression in the emerging Local Plan process.

Reason: To ensure the Castle Gateway vision is enshrined in planning policy.

d) To develop a masterplan for the development of the council assets, infrastructure and public spaces within the Castle Gateway area.

Reason: To provide a cohesive and informed design approach to the Castle Gateway.

e) To create a stakeholder group to guide and develop the masterplan.

Reason: To ensure the masterplan is driven by key stakeholders as principal custodians for this area of the city.

f) To note the £100k bid which will be considered as part of the 2017/18 budget to fund the development of masterplan design work for Castle Gateway.

Reason: To support the masterplan and design work of the cultural partnership.

- g) To initiate a public consultation/develop a community forum to engage with the masterplan for the area.

Reason: To ensure the public are engaged and consulted in helping to shape proposals for the Castle Gateway.

- h) To explore the business case for the development of the council's assets in the Castle Gateway as part of a potential commercial venture with Steamrock Capital.

Reason: To explore the proposals from the largest neighbouring landowner to work in partnership to jointly develop out land assets.

- i) To bring a future report to Executive setting out the analysis of the Steamrock Capital partnership proposal and alternative delivery options.

Reason: To provide detailed advice to the Executive to make an informed decision on the preferred delivery options for the Castle Gateway.

- j) To close Castle Mills Car Park immediately and submit and implement a planning application to demolish it and provide a temporary meanwhile use on the site in advance of any long-term redevelopment.

Reason: To demolish the poor quality existing car park due to Health and Safety concerns and implement a temporary use for the site in advance of a decision being taken on the long-term development options.

- k) To allocate £80k release from contingency to facilitate consultation and commercial and technical advice.

Reason: To fund the additional work set out in this report.

- l) To note the required additional staff resource to deliver the recommendations from existing budgets, and note the likely need of future resource and budget to deliver the project.

Reason: To deliver the recommendations outlined in this report and ensure the regeneration of the Castle Gateway.

## **Background**

7. This area was previously referred to as the 'Southern Gateway'. The area includes the site of the former York Castle and it is proposed that the name

be changed to Castle Gateway, a name which is both more descriptive and meaningful to the people of York. It references that this was the historic Castlegate ward, and builds on the geographical association with key cultural assets in the area.

8. The Castle Gateway area covers the length of Piccadilly, the Coppergate Shopping Centre and the Eye of York and runs through to St George's Field and the Foss Basin (see Annex 1). Much of the area has significant dereliction and underdevelopment, and yet the area has great potential in both its location and its historic and cultural assets. The area sits largely within the city walls and within the Historic Core Conservation Area, at the confluence of two rivers, the Ouse and the Foss.
9. The area contains a range of private landowners and a substantial amount of public estate with three museums/attractions (Castle Museum, Fairfax House and the Jorvik Viking Centre), three court buildings, many listed structures and a historic monument of international significance (Clifford's Tower). The whole Castle including the Eye of York and the Museum site are all part of the scheduled monument. A map showing the varied ownership, and setting out the extent of the Castle Gateway area, is attached at Annex 1.
10. Piccadilly and the Eye of York have been the subject of previous unsuccessful redevelopment projects. A major retail-led scheme was rejected in 2003 following a Public Inquiry. The land was subsequently sold to LaSalle UK Ventures who in 2008 entered into a partnership agreement with the council to pool assets in an attempt to achieve a holistic scheme. LaSalle worked up high level proposals for the area based upon a retail scheme on the Castle Car Park but they were never agreed with the council and the partnership fell away when the scheme was no longer felt to be viable due to the economic downturn.
11. In June 2014 LaSalle UK Ventures Property 8 S.A.R.L went into administration and officers were involved in discussions with the Administrators to explore future plans for the assets. There have been a number of commercial transactions since then, and the assets were recently acquired by Steamrock Capital and now sit in the single ownership of a company who have expressed their keenness to work with the council to develop them. This raises the possibility that holistic area regeneration may once again be feasible.
12. Since June 2014 there has been significant commercial activity in the area including the sale of Stonebow House, United House, the former Fire Station at Clifford Street, and the County Court freehold. Residential schemes at Piccadilly Lofts and behind Reynard's Garage are on the market, or under construction; the Primark store has opened in the

Coppergate Centre and English Heritage have been granted planning permission for a Clifford's Tower visitor centre as part of major restoration works (subject to judicial review). The council-owned 17-21 Piccadilly (Reynard's Garage) has been demolished and in November the Executive approved the offer of a three year tenancy to Spark:York who are seeking planning permission for a meanwhile development. The proposal offers a vibrant and active destination of start-up space and street food on a vacant city centre site and, subject to planning, will open in spring 2017. This would generate footfall in to the neglected Piccadilly area, encouraging redevelopment of neighbouring vacant private sector sites and potentially increase land values and the council's revenue returns from the future redevelopment of the site.

13. As a principal land holder the council has a major role to play in ensuring that successful and sustainable area regeneration occurs, maximising the economic benefits for the city. The council has an opportunity to shape a new vision for the area; to exert influence on how commercial interests operate within the area; to capture planning gain to contribute to uplift of the amenity and accessibility of the area; and to generate much needed financial returns from the proactive management of our property assets. Without any council intervention it is likely that this will lead to incremental development along Piccadilly which, though potentially an improvement on the current state, may not achieve any broader aims of improving the city centre – missing a vital opportunity to regenerate this important gateway to the city to a high standard.
14. The initial development of Castle Gateway was included in York's One Public Estate programme sponsored by the Cabinet Office and the Local Government Association, to explore more effective use of public sector assets. As part of this programme a grant of £70k was awarded to fund a dedicated project manager.

### **Defining the Castle Gateway**

15. The Castle Gateway can be split into 3 different areas (see Annex 1):
  - 1) **Castle Piccadilly** – The Castle-Piccadilly area includes the Castle precinct, the upper section of Tower Street and the section of Piccadilly south of the River Foss. It is the main area of opportunity for investment in the Castle Gateway and incorporates a number of redevelopment sites suitable for high quality mixed use development. The River Foss is a barrier to pedestrian movement through the area, and better integration between Piccadilly, the Castle precinct and the City Centre is a key issue.

Sitting in the shadow of Clifford's Tower, the Castle Car Park provides an inappropriate setting for such a significant historic monument. However, it is one of the busiest car parks in the city and creates an essential income stream for the council. The car park and access roads are a barrier to pedestrian access to both Clifford's Tower and the Castle Museum. Despite the presence of beautiful buildings, cultural attractions, and one of York's largest areas of open public realm, footfall into, and utilisation of, the public space is relatively low.

Across the River Foss sits Piccadilly, a street that has a high level of empty, unattractive and derelict buildings. Footfall down the street is low compared to its potential and the River Foss acts as a barrier to movement. Piccadilly would be vastly improved with better buildings and streetscape and greater integration with the city centre and the Eye of York.

Asset ownership is diverse. The council own 17-21 Piccadilly and the Castle Mills Car Park, and a range of undeveloped assets are now in the sole ownership of Steamrock Capital as part of their development portfolio, principally the Banana Warehouse and Ryedale House. The NCP car park, which sits between these buildings, is in the separate private ownership of Northminster who have signalled their intention to bring forward the site for a hotel with an element of residential accommodation.

- 2) **Foss Basin and the Ouse Riverside** - The area includes the Foss Basin and St George's Field, the Ouse Riverside, Tower Gardens, Clifford Street, the section of Tower Street to the west of the Castle, and part of the dualled inner ring road. The area is strategically important but under-utilised. With excellent proximity to the historic heart of the city, fantastic views, bounded by the Rivers Ouse and Foss, there is significant, albeit less clearly defined, development opportunity. This must, however, be balanced against some of the development constraints, as the site lies in the functional floodplain and hosts the Foss Barrier which is essential to the city's flood defences.

Occupancy rates for the car park are medium, depending on seasonal variations, and the car park adds little to the surroundings. The inner ring road acts as a barrier to pedestrian and cycle movement and vehicular exit from the car park can be difficult in heavy traffic. The historic 'New Walk' and the tow path are attractive but benefit little from current uses of the adjoining area. When 'New Walk' is in flood this also results in pedestrians utilising the vehicle exit on to the difficult and dangerous to cross inner ring road. The Foss Basin is underused and unattractive and the water asset is not embraced or exploited.

The council own the freehold of the area. There are some short-term leases for moorings on the Foss Basin and the Foss Barrier is held by the Environment Agency. They currently have a temporary extended land take within St George's Field car park to undertake emergency works to the Foss Barrier, and also have a live planning application for a permanent redevelopment of the barrier which will slightly increase the footprint of the previous building.

- 3) **Coppergate/Fossgate** – The area includes Coppergate, the Coppergate Centre, north Piccadilly and the resurgent Fossgate, connecting the central shopping area with the rest of the Castle Gateway. A main transport route through the city centre runs from Ouse Bridge to Pavement, separating the Coppergate/Fossgate area from the central shopping area. Pedestrian movement between the areas is hindered by busy crossroads, high volumes of traffic, and narrow pavements.

The Coppergate Centre has struggled to generate footfall and is disconnected from the Eye of York to the south and the main city centre shopping areas by the Coppergate road junctions. It is successful for major retailers but has struggled to retain businesses in smaller retail units and is in need of investment to improve the retail offer.

The council own the freehold of the Coppergate Centre and the leasehold is held by Steamrock Capital.

## Shaping the vision

16. The principles for the regeneration of the area were established in the inception report to the Executive in October 2015. This established the aims of the project, which are set out below:
- 1) To improve the quality of the Castle Gateway and contribute to the economic vibrancy and prosperity of the city
  - 2) The area could include quality public space that will increase footfall, and create a culturally, socially and economically vibrant area of the city
  - 3) Development will respect and augment the heritage and cultural assets
  - 4) Development will be environmentally sustainable
  - 5) Development will exploit and celebrate the important river setting
  - 6) Provide new homes and release pressure on green belt land

- 7) Maximise financial return from council assets to reduce pressure on ongoing budgets
  - 8) Improve quality of car parking provision and promote the use of sustainable modes of transport
  - 9) Improve pedestrian and cycle routes and accessibility throughout the area with better access and permeability, particularly across the River Foss and Tower Street
  - 10) Improve the setting of Clifford's Tower
  - 11) Improve the quality of the streetscape particularly along Piccadilly.
17. These principles have been refined over the last year to form an overarching vision for the Castle Gateway through discussion with landowners and stakeholders, consultation with Executive and ward Members, and exploration of the detail of the development opportunities and infrastructure.

### **The Castle Gateway vision**

18. The vision for the Castle Gateway interprets the above aims to provide a tangible and deliverable vision of how the regeneration of the Castle Gateway can be delivered. It is an exciting and ambitious plan which will reshape the area and realise the significant potential of this important part of the city. The Executive is asked to approve this vision which would:
- I. Seek to relocate the existing surface level Castle Car Park away from Clifford's Tower
  - II. Replace the lost car parking capacity through alternative options such as underground car parking on the same site or a purpose built multi-storey car park in an alternative location
  - III. Create a high quality mixed use commercial development on the banks of the Foss on the site of the Castle Car Park, respecting a build line that follows the historic line of Castlegate
  - IV. Create a new public space on the Castle Car Park to link with the area in front of the Castle Museum and the Crown Court to create a re-imagined Eye of York area that would articulate the varied historical narratives of this important area of the city
  - V. The redevelopment of the Castle Museum and Clifford's Tower as the anchor cultural attractions for the Castle Gateway area



- VI. Create a new pedestrian cycle bridge across the Foss which will connect the area to Piccadilly and on to Walmgate and Fossgate creating new lateral routes across the city centre
- VII. Create new riverside walkways along one or both banks of the Foss to improve access to St George's Field/Foss Basin and into the city
- VIII. Enable the revitalisation of the Coppergate Centre's retail and residential offer by extending the leasehold term
- IX. Redevelop the low quality sites on Piccadilly (including Ryedale House, Banana Warehouse, NCP car park, Castle Mills Car Park and 17-21 Piccadilly)
- X. Explore long term options to realise the potential of St George's Field and the Foss Basin

### Transport Plan

19. In determining the vision, consideration needs to be given to the scope for any change to the transport network. This needs to be given due consideration in the master planning process and is an ongoing and evolving process that will both drive changes to, and be shaped by, the vision.
20. There are existing capital budgets set aside for junction/signal improvements in the City Centre area and enhancements to the foot streets area and peripheral streets surrounding the core pedestrianised area. In addition to these measures the following opportunities have been identified for further exploration:
  - Piccadilly – opportunities to reduce the width of the carriageway and improve the foot streets and bus stop arrangements.
  - Piccadilly coach drop off point – as part of a wider strategy for coach parking to be housed out of town with designated drop off points this location could be considered.
  - The southern end of Tower Street – should car parking be relocated away from Castle Car Park this may reduce the need for the size of carriageway between Tower Gardens and Clifford's Tower, facilitating better pedestrian routes.
  - Castle Mills Bridge/Fishergate area - Opportunities for improving cycle/pedestrian (and vehicular) access to the Castle Gateway area from south of the ring road.

- Coppergate/Pavement – opportunities to reduce vehicular flow and enhance pedestrian movement between the city centre and Castle Gateway area

### Challenges to the vision

21. There are a number of key challenges to the delivery of the vision. It is important that these are recognised and clearly articulated to stakeholders and the public. An understanding of the implications of these challenges amongst interested parties will be helpful in building a consensus in support of the proposals.
22. **Planning and conservation** - Both the area as a whole and the proposed development sites are subject to a number of constraints and challenges to delivering this vision. It is an area of significant historical importance and as a consequence has a very high level of public interest, investment, and attachment. It is also subject to a number of conservation and archaeological considerations, and a failure to address these planning considerations in the past has resulted in the failure of previous proposed schemes. However, the outcomes of those failed planning processes have provided important and useful clarity as to the form and type of development that is likely to be acceptable in the area, and resulted in realistic expectations from prospective commercial partners as to what scale of development is acceptable and achievable.
23. **Car parking revenue** - The use of council land assets as redevelopment opportunities is vital to the regeneration, particularly the sites of Castle Car Park, which acts as a detractor to the area, as well as the potential afforded by St. George's Field. One of the key constraints on redeveloping all the council's assets is that all but one are functioning car parks. Although they often experience low levels of occupancy they collectively generate £1.9m per annum in net revenue which is vital in funding and delivering wider council services. Easily the most used of these, and indeed all council car parks, is Castle Car Park which generates £1.2m per annum. The council cannot afford to lose this revenue which as a minimum must be replaced, and a key aim of the project is to actually increase council revenue from its commercial assets in the area. Consequently, the closure of any car park will need to be allied to a re-provision of the resulting loss of income.
24. At this stage there are two options that would allow the closure of Castle Car Park whilst potentially mitigating the loss of revenue by re-providing the same number of council owned car parking spaces. Option one is to turn Castle Car Park in to a two level underground car park, allowing a new building and high quality public realm to be built at surface level. Arup has undertaken engineering and financial viability work to consider this option and concluded that it would be viable to engineer and construct an

underground car park providing 380 spaces at a cost of £17.9m (see Annex 7).

25. Option two would allow the development of Castle Car Park through relocating the car parking in to a new 360 space multi-storey car park on the site of the existing surface level car park at Castle Mills. The estimated costs of this proposal would be approximately £7.5m, although it would also result in the loss of any alternative development value that could be realised from that site. Having established that both are achievable options it is proposed to fully explore each option in further detail and undertake public consultation to allow the Executive to make an informed decision at a future date.
26. **Commercial realities** - A final key point to note is that at this stage there is no external funding identified for the project, and there are no developments of significant value and scope that will generate sufficient uplift to contribute huge investment through planning gain. Fundamental to the Castle Gateway vision is the creation of new high quality public spaces and pedestrian routes, which will be expensive. Achieving the vision relies on commercial viability, and creative solutions will be needed to ensure land value is extracted from the development opportunities to fund the public spaces, and the council's highest value development asset would be a building on part of Castle Car Park.

### **Delivering the Castle Gateway Vision**

27. These are wide ranging and ambitious proposals and the vision depends upon a concerted approach to combine commercial, design, and heritage considerations and ensure that the public are fully engaged during this exciting development stage. This report therefore proposes that there are three key strands needed to overcome the challenges and deliver the Castle Gateway vision:
  - enshrining the principles of the vision in the planning process
  - forming an advisory group to develop the masterplan for the council's assets, infrastructure and public realm and spaces
  - creating commercial partnership(s) to deliver redevelopment

### **Planning – Draft Area of Opportunity Policy for the Local Plan**

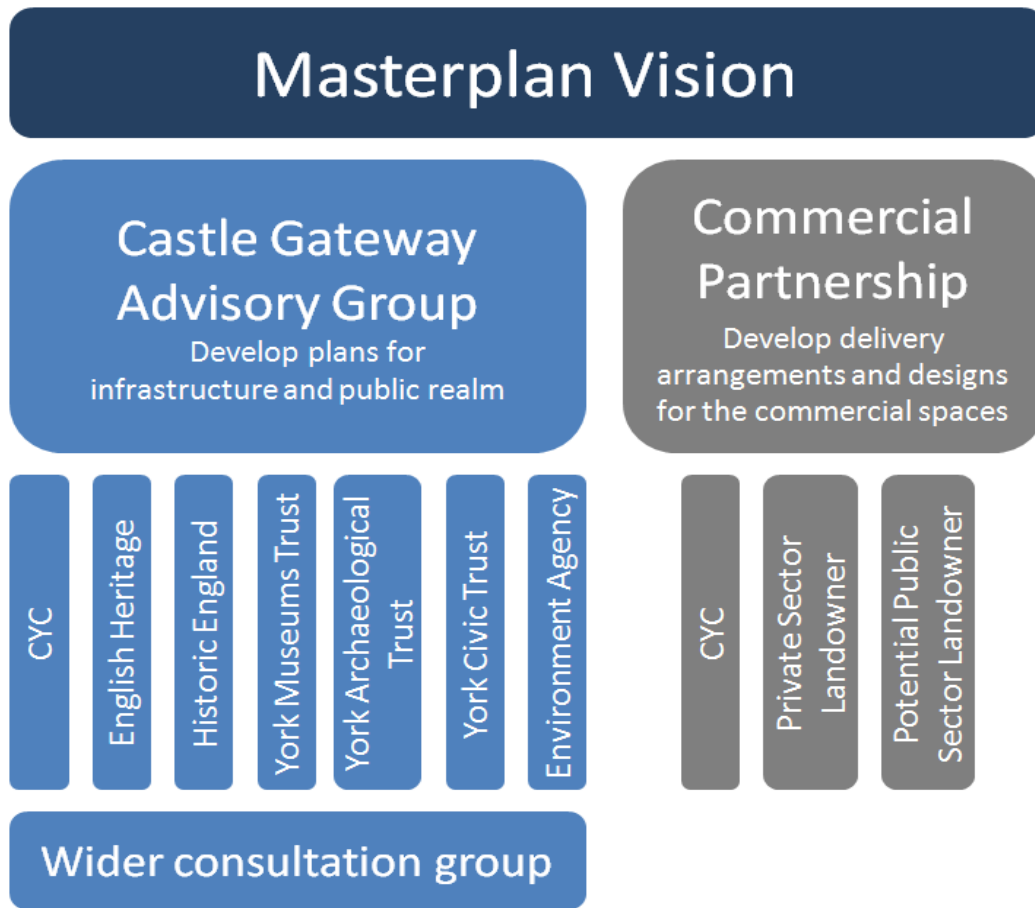
28. It is vital that the vision is translated into meaningful planning policies that ensure the council is able to guide the development principles for the area. It has long been recognised that a comprehensive planning approach is

needed to secure high quality regeneration in this significant and sensitive historic environment and draft policies to guide development of the area are contained within the Local Plan Development Control Draft 2005 and the Draft Local Plan, supported by other non statutory Planning Guidance and evidence bases (see list in Background Papers). The previous draft Area of Opportunity Policy for the 2014 draft of the plan focussed specifically on Castle Piccadilly. Now that the regeneration area has been expanded to incorporate the whole of the Castle Gateway and the vision has been further refined it is necessary to recast the Area of Opportunity Policy for the latest iteration of the emerging Local Plan.

29. A key challenge for the local planning authority is to ensure that the planning guidance for the area safeguards this important historic environment whilst allowing stakeholders and land owners to make the most of heritage and commercial assets and the council to maximise planning gain. Wherever possible the council will seek to work in partnership with developers and build a consensus, but it is also vital to provide a planning framework for the area that has sufficient weight to ensure the parameters set out in the vision are met.
30. The proposed draft Area of Opportunity Policy is set out in Annex 3, and will be considered by the Local Plan Working Group (LPWG) on Monday 23<sup>rd</sup> January in advance of the Executive with the minutes circulated to the Executive. The policy will relate directly to the vision and has been written in consultation with the Local Plan team, conservation, and development management. The key elements of the policy are set out in the map in Annex 8. If approved by the LPWG and Executive it will have limited weight in terms of dealing with development management decisions in advance of consultation on the latest Local Plan, but any evidence base that is developed can be a material consideration in any decision making process.

### **A partnership approach**

31. The Castle Gateway project incorporates both commercial development to regenerate the area and respond to the commercial pressures, and the creation of a new revitalised area of public realm in a highly sensitive historic area. Both of these elements need to be combined in a cohesive design but they are subject to very different drivers. In order to make progress with the scheme it is proposed that two partnerships are created that join these elements together to deliver a cohesive masterplan design.
32. The diagram below sets out how the partnership approach would operate:



### **Castle Gateway Advisory Group**

33. The Castle Gateway straddles a large area with significant public spaces which are underused. A number of landowners of heritage assets that surround this area have a keen interest in making this area work better for the city. It is proposed that a targeted working group is formed to develop proposals for the public spaces and infrastructure in the area which are then taken forward for wider consultation. This partnership would include:

- English Heritage
- York Museums Trust
- York Civic Trust
- Historic England
- York Archaeological Trust
- Environment Agency

It would also engage with a broader group of stakeholders in the area such as the Ministry of Justice, Guildhall planning panel, local businesses, and Ward councillors. This will lead to a series of public engagement events which will shape proposals to be brought back to Members.

34. It is an important consideration for this group that any proposals should be financially deliverable, whether through external grant funding or from the capital and revenue income generated by the scheme as a whole. The council would procure design and technical advisors to develop a conceptual masterplan and detailed design of the public realm, focusing on conservation and urban design rather than the commercial development elements of the Castle Gateway. The commercial elements will also need to meet the quality criteria and vision for the area, but will be designed separately. The masterplan will shape the key elements of the development on Castle Car Park, including the bridge across the River Foss. To fund this work a 2017/18 CRAM bid of £100k has been made as part of a wider council funding programme to support an ambitious York Museum Trust Heritage Lottery Fund bid for the Castle Museum. This bid would lead to an exciting redevelopment of the museum showcasing new exhibits and creating a new visitor experience and improved access, and is outlined in Annex 4. As part of this masterplanning work and consultation, further work will be undertaken to explore the two car parking options set out in paragraphs 24 and 25.

### **Commercial Partnership**

35. At project inception the Executive instructed officers to approach adjoining landowners to discuss taking forward the redevelopment of the area. The largest of these is Steamrock Capital, as the owners of a long-term lease of the Coppergate Centre (of which the council own the freehold) and as the landowner of key undeveloped properties on Piccadilly. These discussions have explored how our combined assets in the area might be cohesively developed. These discussions have taken place having sought legal advice to ensure that there were no legal implications arising from undertaking discussions with a party who holds neighbouring land assets. The advice was that these discussions could take place, as we are exploring what opportunities are available. It may be possible to structure a joint venture in such a way that would mean the council may not need to publically tender for the opportunity. However, this will depend on the final proposed deal and the procurement issues will need to be carefully managed and kept under review as the project progresses. Legal advice will continue to be obtained as part of any ongoing discussions to consider any issues of EU procurement law and State Aid.
36. **Steamrock proposal** - Steamrock has expressed significant interest in forming a partnership with the council and have proposed early Heads of

Terms for a potential commercial agreement. The proposals are broadly aligned with the vision set out in this report and present potentially realistic and tangible options for delivering the regeneration of the Castle Gateway and developing out the council's land assets in a cohesive and commercially viable manner. The proposal would result in the council forming a partnership with Steamrock. The council's investment would probably be in the form of its land assets in the Castle Gateway, minimising the capital investment and risk undertaken by the council. There would however be the option for the council to invest capital should it represent a good commercial deal and generate favourable returns on investment.

37. **Protecting the council's position** - The key to determining the benefits and attractiveness of the Steamrock proposal to the council is in understanding the value of our land assets as these represent our primary investment. To that end we have commissioned independent consultants to provide commercial valuation advice, support the development of a business case, and provide guidance in structuring any potential agreement. This is in the process of being procured through a competitive tender process under the HCA framework agreement. This will cover all elements of the proposal, including the regearing of the head lease of the Coppergate Centre which is a significant and complex piece of work. It will also allow the proposal to be considered alongside alternative delivery models.
38. **Exploring the proposal** - It is proposed that officers, supported by the appointed commercial consultants, undertake further negotiations with Steamrock to work up a clear financial appraisal of this and alternative delivery options to be brought back to the Executive in late 2017. This is to allow an exploration of the preferred car parking options to be undertaken and consulted upon, the outcome of which will impact on the structure of any delivery model.
39. **Extension of the Coppergate head lease** – Steamrock have indicated the importance to their business plan of this extension and are keen to ensure that negotiations to extend the term of the Coppergate head lease are not delayed by this timetable. Without an extension of their leasehold interest they are unable to undertake any meaningful investment in the Coppergate Centre. This is an important part of improving the retail offer and increasing footfall to the shopping centre, which in turn helps the Castle Gateway vision. The council also has a commercial interest in doing so as the freeholder of the building in order to provide a continued and potentially higher rental income stream. This is seen as a discrete piece of work that would be taken forward regardless of whether or not the council enters in to a formal partnership agreement with Steamrock. It is a substantial piece of work that could take a number of months to agree and consequently it is proposed that these negotiations commence immediately to run along side

the negotiation of the proposed partnership. The terms of any proposed head lease extension would then be brought back to the Executive at a future date for approval.

40. **Closure and demolition of Castle Mills Car Park** - It is also proposed that an immediate decision is taken regarding Castle Mills Car Park. Castle Mills is a very poor quality surface level car park housed in two rapidly deteriorating light industrial buildings on Piccadilly. It currently provides 84 spaces, 42 of which are leased to Hotel 53, generating a total of £92k per annum at a general low level rate of occupancy. It is in need of significant emergency repairs that have health and safety implications and cannot be delayed, with an estimated £45k needed by the end of January, and a further c.£100k in the next 6 months. These are not long-term solutions but short-term interventions to a building that will continue to deteriorate. Given that the annual income is significantly lower than the cost of repairs it is proposed to close Castle Mills Car Park and seek to demolish.
41. The car park is in the Piccadilly area conservation area. Whilst not considered to be a contributor to the quality of the area, the principle is that demolition in a conservation area should only be permitted where a future use is identified. As we are not yet in a position to identify the future long-term use of the site (as this will form part of the car parking options appraisal) it is proposed to implement a temporary meanwhile use on completion of the demolition. The proposed use will be delegated to the Director of Economy and Place in discussion with the Executive Member for Finance and Performance.
42. There is already an identified capital budget in the 2016/17 programme of £180k set aside for the demolition of the existing car park. It should be noted that the closure of Castle Mills Car Park will have revenue implications. As noted above the car park generates £92k per annum. It is assumed that some of the car parking will be displaced to alternative council owned car parks in the area which will offset some of the financial impact. The assumption is that there will be a loss of £19k per annum from the 42 spaces leased to Hotel 53 and a further 20% reduction on the £73k generated from the publically available spaces, resulting in an anticipated reduction in revenue of £34k per annum.

## Timetable

43. An indicative project plan is set out in Annex 5, which provides anticipated timescales for delivering the actions highlighted in this report and sets these in the context of the wider private sector development proposals for the area. The plan identifies that there are significant work streams to be taken forward concurrently over the next 10 months. The intention at this stage will be to return to Executive in August to agree the terms of the extension



of the Coppergate Centre head lease, and to bring a major decision report in December. This will outline the outcome of the masterplanning process and public consultation, report the findings from further assessment of the car parking options, and set out detailed analysis of the Steamrock proposal and alternative delivery models.

### **Project finances and resourcing the delivery of the vision**

44. On inception of the project an initial budget of £255k was identified for development of the scheme. This was funded through the external One Public Estate programme (£70k) and New Homes Bonus funding (£185k). The anticipated expenditure until the end of 2017/18 is identified below, and covers the feasibility work undertaken by Arup, the commercial valuation advice that is currently being procured and staffing costs. The staff costs relate to one full time project manager and from January 2017 further project support (0.6 FTE) from within the council's Major Projects Team:

	<b>2015/16</b>	<b>2016/17</b>	<b>2017/2018</b>	<b>Total</b>
<b>Expenditure</b>	£10,900	£68,300	£158,900	<b>£238,100</b>

The identified expenditure of £238k will therefore nearly exhaust the existing budget of £255k, and does not account for new work streams identified in the recommendations in this report, particularly to undertake further exploration of car parking options, the implementation of a meanwhile use at Castle Mills Car Park, and the extensive public consultation work. At this stage it is anticipated that a meanwhile use would cost in the region of £50k and further technical advice on car parking options approximately £30k. Consequently, Executive is asked to recommend that an additional budget of £80k is drawn down from council contingencies to advance these actions.

45. As identified in paragraph 34, the council intend to support York Museums Trust in preparing an ambitious Heritage Lottery Funding bid to better showcase the Castle Museum collection and improve the visitor experience. Support for this project will be considered as part of the 2017/18 budget. The proposal also includes funding of £100k for the council to appoint masterplanning consultants for the Castle Gateway, which is the next key step in the delivery of the project.
46. The report sets out a significant amount of complex work to advance the project to a masterplan stage and to identify the preferred delivery model(s) for the regeneration. Once these have been agreed it is likely that future funding will be required to achieve successful project delivery. The type and

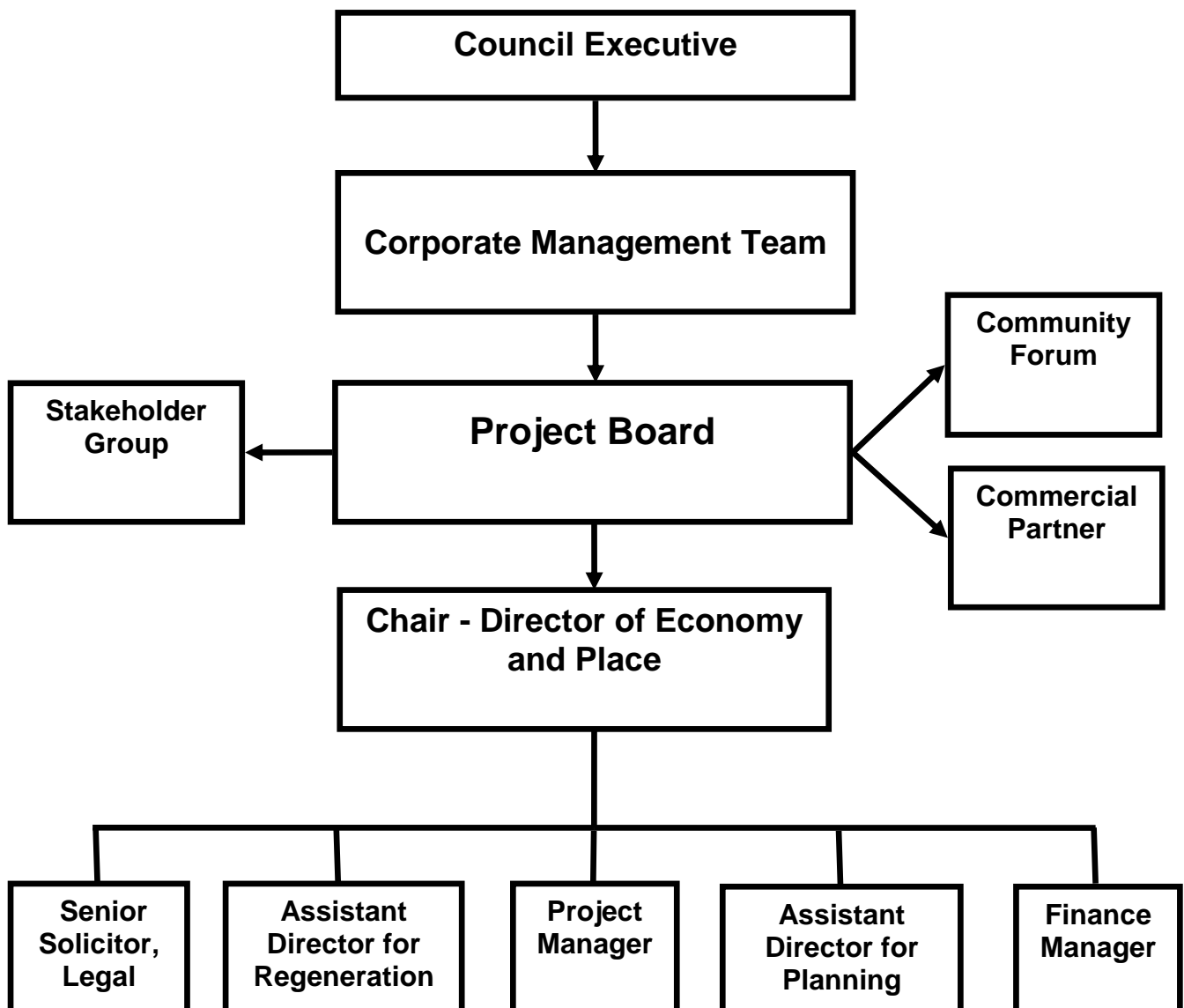
level of resource will not become clear until the next major decision point in late 2017, and it is at that point that funding will be sought. The Executive is however asked to note the likely need for future resource and budget to drive forward the comprehensive regeneration and to deliver the development of the council's land assets.

## **Consultation**

47. The proposed scope of regeneration set out in this report has been discussed with stakeholders and land owners in the area. This report has been discussed with ward councillors from Guildhall and Fishergate Wards, and presentations were delivered to those ward committees on the emerging vision.
48. A comprehensive public consultation will help to shape and develop proposals that emerge from this vision. It is proposed that this should be developed through a community forum approach as employed on the York Central project.

## **Project governance**

49. The project will be overseen by a project board, formed by relevant council officers and chaired by the Director of Economy and Place. The board will report directly to Corporate Management Team and the Executive. The project board will have direct links to the Castle Gateway Advisory Group, the Community Forum and any commercial partners. The proposed structure, with roles to be confirmed, is set out below:



## Council Plan

50. Under the draft council plan objectives the project will assist in the creation of a Prosperous City for All, and vision to be a Council that listens to residents, particularly by ensuring that :

- Everyone who lives in the city can enjoy its unique heritage and range of activities.
- Visitors, businesses and residents are impressed with the quality of our city.
- Local businesses can thrive.
- Environmental Sustainability underpins everything we do.
- We are entrepreneurial, by making the most of commercial activities.

- We engage with our communities, listening to their views and taking them into account.
- We celebrate and champion the diversity of our population and encourage everyone to play an active role in the city.

## Implications

51. **Financial** – *The report (paragraph 44) highlights additional resource requirements totalling £80k. It is proposed that this is funded from the council's contingency. The contingency currently stands at £671k and this release of £80k will reduce the ongoing value to £591k.*

*The report highlights that there is a potential loss of income from the closure of Castle Mills Car Park. The forecast reduction of £34k equates to less than 0.5% of the overall parking account. It will be necessary to monitor income levels closely within this area of the city and report back to Members through the usual monitoring timetable whether this cannot be contained within the parking account.*

**Human Resources (HR)** – *There are no implications.*

**Equalities** – *As proposals for a scheme are developed Community Impact Assessments will be undertaken.*

**Legal** – *CYC should ensure that it obtains best value/full open market consideration for any land which it disposes of (whether by freehold sale or grant of lease) as otherwise this may amount to unlawful State Aid.*

*If CYC wish to appoint a third party/external entity to carry out construction works (whether on land owned by CYC or someone else) then relevant applicable procurement laws will need to be adhered to. This includes complying with the Public Contracts Regulations 2015 (PCRs) if the value of the works will exceed the relevant threshold stipulated in the PCRs.*

*As noted above, a joint venture may be structured in such a way that would mean CYC may not need to publicly tender for the opportunity. However, this will depend on the final proposed deal. The procurement issues will need to be carefully managed and kept under review as the project progresses. Legal advice will continue to be obtained as part of any ongoing discussions, and will consider any issues of EU procurement law and State Aid and whether any mitigating actions are needed to reduce the risk of a procurement challenge.*

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

**Crime and Disorder** - *The detailed design of any future scheme will need to look at making the riverside more publicly accessible and will require detailed consideration of crime and disorder implications. There will be structured input from the Police Architectural Liaison officer.*

**Property** – *All property implications are covered in the report.*

## **Risk Management**

52. Failure to take action to shape the Castle Gateway may lead to uncontrolled and undesirable development along Piccadilly or a continuation of the underperformance of the area. The recommendations identified in this report will enable the first stage in the implementation of a planning policy to provide a framework for determining applications, and ensure the development of a masterplan for the public realm and infrastructure of the area. It also sets out the process for establishing a delivery model to redevelop council land assets in the area which are vital to achieving the regeneration aims.
53. Developing out the council's assets presents considerable opportunities and potential rewards, but also significant risks. Any development carries intrinsic commercial and planning risks, and generally requires upfront investment with a degree of uncertainty over commercial return. Deciding on the right delivery model will be crucial in protecting the council's position. To guide this process officers are in the process of procuring commercial and valuation advice. It is also vital that clear and consistent legal advice is sought to ensure that the selection of any joint venture partner (or other delivery model) complies with procurement law and that the structure and terms of any deal are beneficial to the council.
54. The majority of the council's land assets needed to deliver the vision are car parks that currently generate a revenue stream for the council of approximately £1.9m per annum. The revenue provides a vital income to the council and wherever possible the aim will be to replace and replicate this revenue. However, it should be noted that whilst the location of these car parks are detrimental to achieving the vision for the Castle Gateway, car parking has a very high commercial value which is difficult to achieve through alternative uses. The financial impact of the redevelopment of these car parks will form a significant part of the exploration of the different delivery models and will be reported regularly to the project board and Executive.
55. The regeneration of the Castle Gateway will be delivered by, and impact on, a wide range of stakeholders and will generate significant public interest. Stakeholder management and public engagement will be vital in ensuring

the success of the project and will underpin all elements of the project work streams.

56. All future plans will require planning permission. A full risk register will be developed by the project and will be regularly reviewed by the project board as the project progresses.

## Contact Details

### Author:

Tracey Carter  
*Assistant Director for  
 Regeneration and Asset  
 Management*  
 Tel No. 01904 553 419

Andy Kerr  
*Commercial Project Manager*  
 Tel No. 01904 554 153

### Chief Officer Responsible for the report:

Neil Ferris - Director of Economy and Place

Report Approved ✓ Date 13/01/17

### Specialist Implications Officer(s) *List information for all*

*Financial – Patrick Looker*  
 Finance Manager  
 Tel No. 01904 551 207

*Legal – Cathryn Moore*  
 Senior Solicitor  
 Tel No. 01904 566 006

**Wards Affected:** *Guildhall, Fishergate*

All

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

### Background Papers:

Report to the Executive, 'York's Southern Gateway', October 2015

## **Annexes**

- Annex 1 – Scope of Castle gateway and sub-areas
- Annex 2 – Site map showing land ownership and development opportunities
- Annex 3 – Proposed Local Plan draft Area of Opportunity Policy
- Annex 4 – York Museums Trust statement of aspiration
- Annex 5 – Castle Gateway indicative project plan
- Annex 6 – Sketch identifying vision opportunities
- Annex 7a – Arup feasibility study for Castle Car Park
- Annex 7b - Arup feasibility study for Castle Car Park - Appendices - online (copy available on request)
- Annex 8 – Castle Gateway Development Principles