

York Central

“Partnership Agreement” Heads of Terms

This draft Heads of Terms for the “Partnership Agreement” was agreed at York Central Board on 19th December 2018 and is subject to internal approvals from each Partner

1 Introduction

- 1.1 This Partnership Agreement sets out the proposed relationship for the Partnership of Homes England, National Railway Museum (NRM), City of York Council (CYC) and Network Rail (NR) (collectively The Partners) for the York Central project. This Partnership will provide the strategic vision for the project as set out in the following governance structure and set out the obligations of each partner to help to deliver York Central in line with the aspirations of the outline planning application.
- 1.2 The delivery of the development will be led by the Master Developers (Homes England and Network Rail) and the Master Developers will be the decision makers for the housing and commercial land, within the parameters and obligations of this Partnership Agreement. CYC have a role as responsible body for the EZ and other funding sources and the Executive will be responsible for release of funding. In addition and separate to this agreement CYC are the Local Planning and Highways Authority who will perform their independent statutory functions.

2 Objectives

- 2.1 The purpose of this Partnership Agreement is to:
- Set vision and quality aspirations as per the outline planning application and its Design Guide
 - Set out delivery, funding, governance, programme and management of the scheme
 - Establish a baseline Master Programme, Master Off Plot Infrastructure Cost Plan and Vacant Possession Plan
 - Commit all parties to the delivery of the proposals as per the outline planning application
 - Establish key principles including basis of contribution and recovery of funding

2.2 The Partnership wishes to ensure the comprehensive delivery of the York Central Project. This is to be in line with the principles of the agreed Outline Planning Application, within cost parameters and to the agreed target timescales. The aim is to create a high quality, sustainable mixed use development and associated infrastructure and public realm.

3 Vision

3.1 The vision for York Central has been defined by the Partnership following stakeholder and public engagement. The vision is our collective aspiration for the project. The vision is articulated below but it should be noted it is anticipated this vision will evolve with the project.

3.2 Any amendments to the vision will need to be agreed by all Partners at the York Central Delivery Coordination Board and York Central Strategic Board.

York Central Vision

York Central provides a transformational opportunity to realise the significant ambition for economic and housing growth in York. York Central's excellent location in the heart of the city and next to York Railway Station will deliver a well-connected and sustainable neighbourhood accessible to all. Drawing on its railway heritage, it will be a place full of life and vitality, delivering a vibrant new part of the city, providing homes and jobs for the people of York.

The buildings and spaces at York Central will be high quality and complement the historic setting and fantastic connections to the city centre and railway network. Homes will range from first homes to those for families and for older people, suitable for all stages of life and affordable to all.

Businesses will benefit from a range of innovative and flexible workspaces for growing local companies and start-ups, as well as providing the capacity and quality of space to make York a landmark business destination and attract national and international businesses around York's growing industry strengths, such as in rail, insurance and digital. York Central will enable business growth and attract inward investment to create good quality jobs for the people of York.

The National Railway Museum will be the cultural heart of York Central. It has an exciting and ambitious emerging masterplan to tell the epic stories of the impact of railways on the world. The Museum will contribute to York's tourist industry with significant growth in visitor numbers discovering its world-class collection, with a new Central Gallery showcasing the latest innovations from the modern railway industry. A lively public square will be at the heart of the new community and will create a bold sense of arrival for residents, visitors and workers

alike. Extensive public spaces and a wonderful public park for formal and informal cultural events will be available for community interaction, play and recreation.

High-quality digital and physical infrastructure will be provided from the outset, encouraging low carbon living and providing the flexibility needed for sustainable energy solutions fit for the 21st century.

York Central will prioritise pedestrians and cyclists with excellent public transport, creating convenient and safe pedestrian and cycle access through the site to the city centre, railway station and surrounding communities and linking into city-wide footpaths and cycle ways, to enjoy the wider York environment.

4 Partner Roles

4.1 National Railway Museum (NRM) will act as the cultural heart of York Central. It will improve its existing facilities in York Central and deliver its expansion plans as per the outline planning application and its Museum Masterplan within the wider context of the York Central site.

4.2 City of York Council (CYC) will deliver the early infrastructure, be the planning applicant for that infrastructure, be the recipient of and conduit to funding, enable and facilitate inward investment, have the potential for their own investment and act separately in their statutory planning and highways functions.

4.3 Network Rail (NR) and Homes England will lead on the development of the site, acting as Master Developers for the site and bring forward development in line with the outline planning application with private sector partners. A Project Director will be appointed by the Master Developers and will ensure all elements of the York Central are delivered through ownership of the Master Programme, Vacant Possession Plan and Master Off Plot Infrastructure Cost Plan.

4.4 The relationship between the Master Developers and delivery of the scheme will be governed by a separate Collaboration Agreement between Homes England and Network Rail and any supporting Agreements.

5 Governance

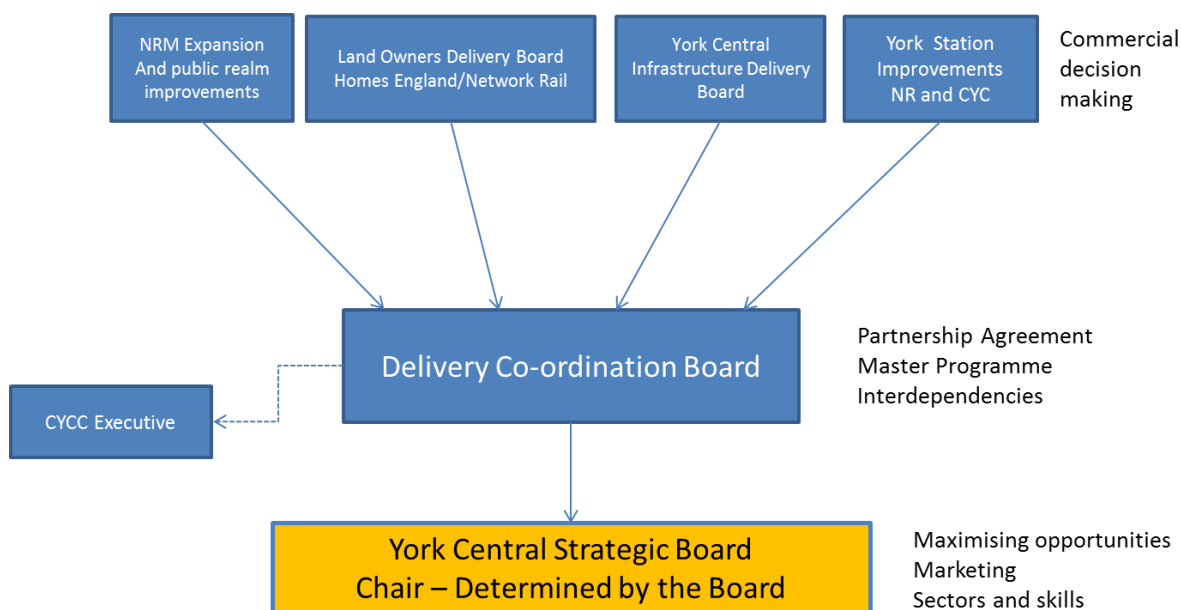
5.1 The governance of York Central will be formally created through this Partnership Agreement and is shown diagrammatically overleaf. York Central consists of a number of “projects” (NRM, infrastructure, development and Station Improvements) which will be led by each of the different Partners.

These “projects” will each have their own governance structure and be accountable to their respective Partner organisations. Boards are/will be established for each of the individual projects.

5.2 The interdependencies for these projects will be brought together and managed by the Delivery Coordination Board. The Delivery Coordination Board will be set in the context of this Partnership Agreement and will oversee the baseline Master Programme, Vacant Possession Plan and Master Off Plot Infrastructure Budget and Cost Plan. This Board will comprise a senior representative from each of the Partnership organisations with appropriate delegations and will meet on a monthly basis. It will have proactive reporting from each of the “projects” on deviation from all the above, with early identification of issues affecting the critical path. The Delivery Coordination Board will be accountable to the Members of the Strategic Board.

5.3 A high level Strategic Board will oversee the project, with high level representatives from each of the Partners as well as high level representatives from the Local Enterprise Partnerships. This Strategic Board will not be responsible for commercial decision making but will provide an overview for the project, will be advocates for the project and will seek to maximise the promotion of all opportunities. This Strategic Board will select a Chair which may change from time to time.

5.4 The Partnership agrees to be open and transparent in all transactions within their individual organisations, including land procurements and investment opportunities/decisions.



6 Placemaking at York Central

6.1 The Master Developers will work with CYC to ensure social outcomes are delivered.

7 Planning

7.1 Homes England and Network Rail submitted an outline planning application in August 2018 for York Central.

7.2 Homes England and Network Rail also commit to submitting a Stopping Up Order for Leeman Road, under Section 247 of the Town and Country Planning Act 1990, to the Department for Transport. All Partners commit to supporting the submission of this application.

7.3 Following outline planning approval, CYC commit to submit a Reserved Matters application within the agreed target timescales of the Master Programme for York Central for Infrastructure Packages 1 & 2. All partners commit to supporting the submission of this application subject to Stage 3 design sign off.

7.4 NRM will submit a Reserved Matters application within the agreed target timescales of the Master Programme for Central Gallery, subject to confirmation of funding availability. All partners commit to supporting the submission of this application.

7.5 Future reserved matters applications for other Off Plot Infrastructure will be submitted in line with the agreed target timescales in the Master Programme to ensure funding availability timescales are met.

8 Funding and Financial Management

8.1 The project is progressing on the basis of a £144m off plot infrastructure funding package (Funding Package) from a number of sources, which CYC is coordinating and is the Accountable Body for.

8.2 As Accountable Body for grant funding CYC will be responsible for financial monitoring and reporting of the £144m Funding Package to all funding bodies, to the CYC Executive and to the YCP governance structure

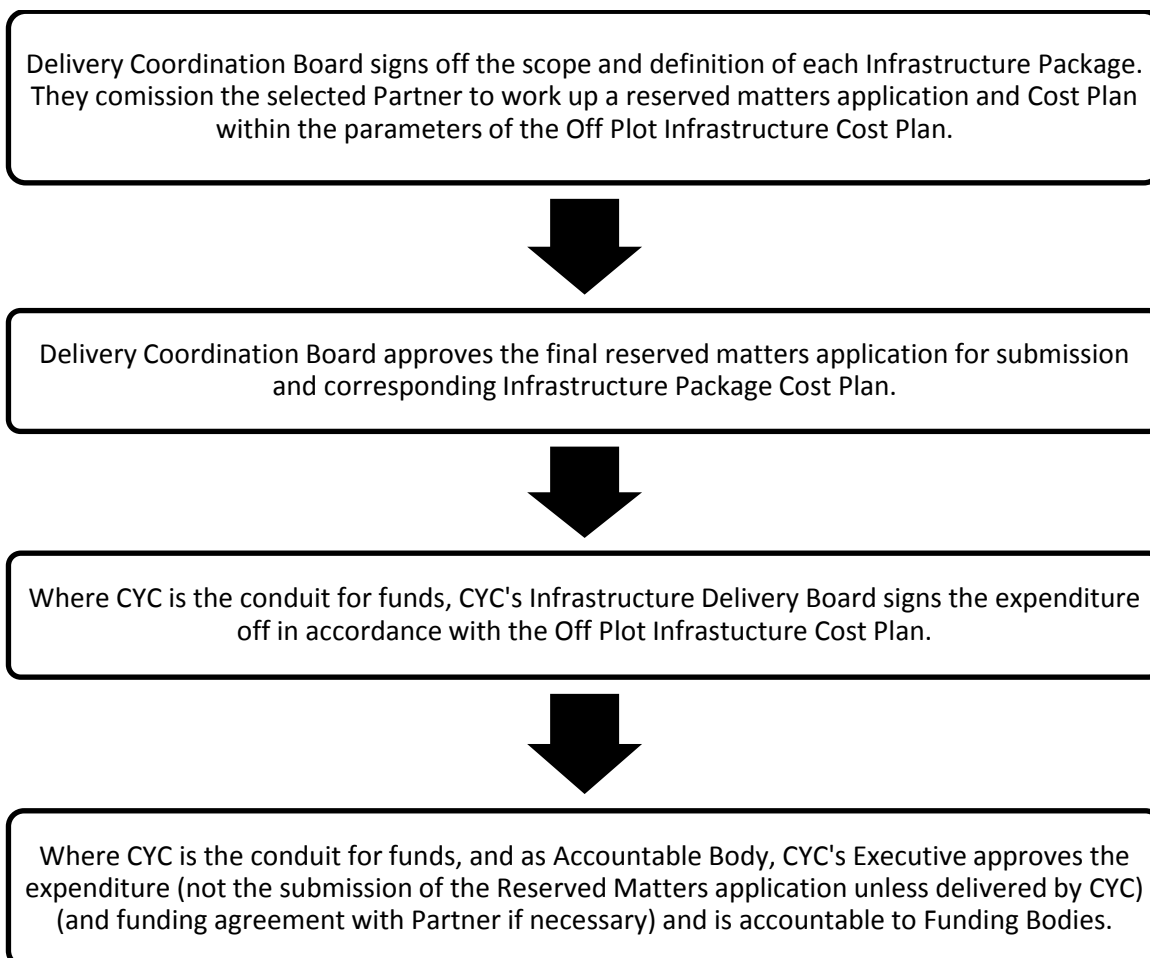
- 8.3 The current anticipated infrastructure cost is £155m, as per the Master Off Plot Infrastructure Cost Plan. The Partners commit to, in the first instance, seeking value engineering opportunities to bring the cost within the Funding Package. Should value engineering not be possible, and other funding sources not identified, the Master Developers commit to ensuring the delivery of the remaining off plot infrastructure [which could be through funding or instructing developer partners to deliver the infrastructure].
- 8.4 Any Partner may choose to make further investment in York Central where the objectives and outcomes closely align with the Vision for York Central.
- 8.5 The Partners will each support the other Partnership members to submit external funding bids for York Central.
- 8.6 The Partners will seek further external funding support where the objectives and outcomes closely align with the Vision for York Central.

9 Off Plot Infrastructure Delivery

- 9.1 The Master Off Plot Infrastructure Cost Plan sets out the infrastructure the Partnership is committing to deliver, subject to availability of the Funding Package, which sets out a number of Infrastructure Packages and their estimated cost.
- 9.2 CYC is committing to deliver the first and second Infrastructure Packages, which includes the access corridor through the site, subject to the funding being approved.
- 9.3 Decisions on who is commissioned to deliver the further Infrastructure Packages will be made collectively by the Project Coordination Board based on the most appropriate organisation given the following criteria: deliverability; cost efficiencies; time efficiencies; and future management and maintenance.
- 9.4 Given CYC is the Accountable Body for the funding, separate Agreements may be required should the further Infrastructure Packages not be delivered by CYC to ensure all obligations are met and accountability is maintained.

9.5 Notwithstanding who is commissioned to deliver each package of the infrastructure, the Partnership commit to a collaborative process of design and construction for the Off Plot Infrastructure for each Infrastructure Package.

9.6 Any Infrastructure Package will be developed and approved as follows:



9.7 Where CYC is the conduit for funds the ultimate accountability for the Funding Package lies with CYC and before it releases funds for each Infrastructure Package it must be satisfied that it has its internal approvals and assurance in place for the release of that funding. CYC's Infrastructure Delivery Board will need to seek agreement from CYC's Executive in order to release funding for each infrastructure package.

9.8 CYC, Homes England and Network Rail commit to use reasonable endeavours to deliver Vacant Possession of relevant areas of land for the infrastructure in accordance with the timescales in the Master Vacant

Possession Plan. Any contractor costs arising from late delivery of VP will be borne by the relevant landowner.

9.9 For infrastructure packages 1 and 2, NRM shall grant a construction licence for the relevant part of South Yard to support the construction of the pedestrian and cycle route and utilities corridors.

9.10 For Museum Square development, following completion of a satisfactory and agreed design for Museum Square, NRM shall grant a construction licence for the relevant part of NRM land excluding buildings.

9.11 Within this Funding Package, or through additional funding sources being identified, the Partnership are committed to exploring the opportunities for sustainability/low carbon to maximise the opportunity at York Central.

9.12 The Off Plot Infrastructure must include provision to maintain low-loader access to North and South Yard of the National Railway Museum.

10 Off Plot Infrastructure Delivery Cost Management

10.1 It is anticipated the off plot infrastructure will be delivered within the parameters of the Off Plot Infrastructure Cost Plan.

10.2 Reasonable endeavours are given by all to work within the costs of the agreed baseline Master Off Plot Infrastructure Cost Plan and the individual costed Infrastructure Packages.

10.3 The Off Plot Infrastructure Cost Plan will be reviewed on procurement of each individual package of infrastructure works and on monthly Board basis against the baseline. Monthly reporting will include reporting on risks and likely outturn as well as cost efficiency opportunities.

10.4 Project assurance will be put in place by CYC as Accountable Body to ensure the funding requirements are monitored and met.

10.5 Cost overruns will be managed within the overall Off Plot Infrastructure Cost Plan which will include prioritisation to deliver the most critical elements from the Funding Package. Value engineering may be required.

- 10.6 Implementation of cost efficiencies, where affecting design quality, should be agreed by the Delivery Coordination Board.
- 10.7 Should cost overruns exceed the baseline Master Off Plot Infrastructure Cost Plan the Partnership will, through the Delivery Coordination Board, agree a strategy to address this to ensure all elements of infrastructure are delivered.
- 10.8 The Partners are under no obligation to each other to draw down the maximum Funding Package if it should not be required through cost efficiencies.

11 Development Delivery

- 11.1 On Homes England and Network Rail land, the Master Developers will agree the Delivery Strategy for the site within the parameters of this Partnership Agreement. Through this Delivery Strategy the Master Developers will procure private sector partner(s) for the delivery of the development with Development Briefs where applicable and these transactions will be open and transparent.
- 11.2 Any development at York Central (on all Partners' land) shall be built out in line with the Parameters of the Outline Planning Application and related Design Guide, with any development agreements with private sector partner(s) requiring this. All Partners commit to creating safe and accessible movement across the site during and after construction.
- 11.3 The Master Developers commit to bringing plots of a defined quantum to the market for commercial and residential development within timescales set out in the Master Programme.
- 11.4 When bringing a plot to market the Master Developers will:
- Market a plot with bids on basis plot developed in accordance with the Design Guide and OPA.
 - Bids assessed in relation to compliance with this.
 - Developer only given landowner consent to proceed with RMA when Design Champion confirmed the design works etc.

- 11.5 The Master Developers will appoint a professional design advisor who will oversee design across the land owned by the Master Developers and lead the creation of Development Briefs where applicable for each of the plots, in line with the Outline Planning Application and its Parameter Plans and Design Codes. This will include how the plot is contributing to creating “place” at York Central. The Delivery Coordination Board will have sight of these Development Briefs.
- 11.6 Whilst the Delivery Coordination Board will not have “sign off” of any development reserved matters applications those applications should be developed collaboratively and proactive engagement with the LPA should be undertaken prior to submission.
- 11.7 All Partners commit to supporting the Museum Masterplan proposals, as set out in the Outline Planning Application.
- 11.8 The Partners commit to delivering 20% affordable homes, as per the Outline Planning Application, and will manage this provision across the site with their development delivery partners through the relevant agreements. The Registered Provider for this housing will need to be transparently procured to ensure best value but will include CYC as an option.
- 11.9 All Partners have the ability to request the acquisition of land from another Partner through the Delivery Coordination Board. This will be on the basis of meeting the Vision and any acquisition will be at Market Value. Partners are not obliged to dispose of their land upon such request.
- 11.10 The Master Developers will explore the opportunities for Custom Build/Community Led Housing at York Central.
- 11.11 The Master Developers will procure a development partner to deliver a Multi Storey Car Park which suffices the needs of Network Rail’s commuter car parking and NRM’s visitor car parking.

12 Employment and Skills

- 12.1 Any infrastructure delivery or development at York Central will require an Employment and Skills Plan which should seek to maximise local employment opportunities and local skills development through the whole

supply chain where compliant with procurement rules on non-discriminatory treatment.

13 Land

13.1 All to provide land and rights for delivery of the Outline Planning Application within dates of the agreed target timescales.

13.2 No Partner will seek to extract a ransom value over another by virtue of its ownership.

13.3 Land ownership and availability specifics:

- CYC to take freehold of adopted highway subject to formal Executive agreement
- Subject to statutory consent for the Stopping Up order the Partners will support the delivery of the NRM Masterplan by providing the requisite land ownership as per the appended plan [plan to be appended]
- NRM to lease to the Development Partners its land lying within the proposed Museum Square for the development and ongoing maintenance of this space
- NR and Homes England to transfer the freehold of the land under the rail link to NRM. NRM to complete a Network Connection Agreement with Network Rail to use the siding connection to the National Rail Network and to utilise this connection in accordance with the terms of this Agreement.
- NRM to grant rights of access across the Steam-ride line at the designated point to facilitate the Masterplan objectives of circulation through the site.
- All reasonable endeavours to achieve Vacant Possession of York Yard South for purposes of York Central masterplan.
- All reasonable endeavours to deliver Vacant Possession of relevant areas of land to facilitate progress of Off-Plot Infrastructure and development of plots.
- All to provide construction licences, where relevant, in line with the Master Programme.
- NR require a site for their Delivery Unit on the York Central site until another is in place.
- NR will surrender the car park for the Rail Operating Centre once equivalent and suitable parking spaces are provided

- NR to sell to NRM the Bull Nose Building and the YRA Building [if not already happened before this Agreement is signed]
- CYC may, subject to further discussion, dispose of their land in York Central to the Master Developers on the basis of a sale plus overage or enter into a land swap
- NRM to seek to bring the Stables back into repair and beneficial use.

13.4 Access specifics:

- CYC to acquire the required land to support the Western Access
- NR to seek to secure an alternative location for trackside access to facilitate Western Access route
- Western Access route design to ensure provision of adequate track side access to the Up Line of the ECML either adjacent to the Western Access route or at a suitable alternative location.
- NRM to provide pedestrian access through the Central Gallery during its normal opening hours
- NR to progress improvements to West side of Station as part of Off-Plot Infrastructure works.
- NRM to improve South Yard area, including the area adjacent to Homes England's Concrete Works site, and increase permeability in opening hours through the Museum external spaces.
- NRM will provide a right of access across the Museum's South Yard for a new pedestrian and cycle access in line with the Parameters of the Outline Planning Application
- All Partners commit to supporting NRM in the submission of the necessary consents for the rail crossing of Leeman Road
- Maintain the access from Leeman Road around Hydraulic House to NRM and ECML

13.5 If appropriate the Master Developers will seek to acquire further land for the York Central scheme such as land to the north of Leeman Road.

14 Land Value

14.1 The Master Developers have a business case for taking forward land for development based on an anticipated target land value receipt. The target land value receipt is required to cover existing land values and costs incurred or to be incurred to bring the site forward for development ("Master Developers Allowable Costs"). In the Collaboration Agreement between the

Master Developers there is a mechanism to distribute future land receipts based on mechanisms for pro-rata shares.

14.2 In addition to the Master Developers costs, CYC have incurred costs on behalf of all the Partners on external professional services provided for the development and submission of the Outline Planning Application which are their Allowable Costs (“CYC Allowable Costs”).

14.3 To meet the obligations of the HIF funding agreement there will be a clawback mechanism in favour of CYC whereby CYC recovers any additional land value generated from plot sales following the recovery of all Allowable Costs and a reasonable Master Developer return as defined in the terms of the HIF grant. The clawback of land value in favour of CYC in accordance with the terms of the HIF grant is committed to in this Partnership Agreement. Land Value will be recovered through the Master Developers land receipts. There will therefore be a bi-annual review of viability and land receipts by Delivery Coordination Board.

14.4 Proposed distribution of land receipts in the following order:

- Master Developers able to recover their Priority Returns in their Allowable Costs to bring the site to the market [Priority Returns are the costs of relocation of MDU for NR and extra over EUV for land paid by Homes England].
- CYC Allowable Costs
- Remaining Master Developers Allowable Costs [Eligible Expenditure for non Priority Return Allowable Costs include existing costs, EUV of land, relocation costs, estate management, professional fees and Project Team fees (for Master Developer from April 2019)]. This amount is uncapped but must be within the categories of Eligible Expenditure and signed off as such by an independent, appropriately qualified, person.
- Master Developers return of 20% on their Allowable Costs, in accordance with terms of the HIF grant.
- Recovery by City of York Council (up to the £77m HIF funding) to reinvest in housing delivery in the city (must be outside York Central)
- Any land receipt beyond this will be retained by the Master Developers

14.5 It should be noted that allowable costs could include any Off Plot Infrastructure delivered by the Master Developers and/or their private sector

developer partners. There will be full disclosure given on Allowable Costs and they could be audited by any Partner.

14.6 Should the Parameters of the Outline Planning Permission change to reduce the lower end of the range of commercial floor space quantum defined in the Outline Planning Permission then this will trigger a review of the agreed distribution of land receipts set out in 14.4 in order to support the recovery by CYC of any outstanding EZ borrowing.

15 Community Engagement and Communications

15.1 All Partners will continue to undertake wide ranging community engagement in the further development and delivery of York Central in line with an Engagement Framework agreed by the Partnership.

15.2 All Partners will be responsible for their own communication, however it will be essential this is coordinated and Partners will commit to doing this. The Master Developers will lead on this coordination.

16 Long Term Management

16.1 The Master Developers will seek to establish a governance and charging mechanism for the long-term management of the completed development and its public realm.

16.2 CYC will adopt the highways where appropriate.

17 Duration

17.1 York Central is a long term project, this Partnership Agreement will therefore last the duration of fifteen years from the point of signature.

17.2 The duration shall be reviewed on an annual basis and the Partners can agree to extend this at Delivery Coordination Board.

17.3 Should the in-built flexibility to the Parameters of the Outline Planning Permission and related Design Guidelines not be sufficient to respond to any changes the Partnership may require in future or a departure from these is sought as part of the site's development then a member of the Partnership will be able to request an exception to the aforementioned requirement that

York Central must be built out in line with these. The Partnership member must present a justification case to the Delivery Coordination Board and seek agreement to this exception and this will require the relevant planning permissions to be sought.

18 Dispute Resolution

18.1 Any disputes between the Partners should be sought to be resolved at Delivery Coordination Board in the first instance.

18.2 Should this not resolve the issue any issue can be escalated to the Strategic Board who will seek to find a resolution.

18.3 Should Strategic Board not be able to resolve the issue any Partner may request arbitration by an independent person. The dispute shall be referred to an expert to be agreed upon by the parties, or failing agreement, to an expert nominated by the President for the time being of the Royal Institution of Chartered Surveyors and the expert's determination of the issue shall be conclusive and binding.

19 Termination

19.1 The Agreement can be terminated if there is a material breach by one or more Partners which is incapable of rectification. [Note: The definition of material breach will recognise that this cannot be for something that is outside individual Partnership members' control]

19.2 The Agreement can also be terminated by Agreement at Strategic Board.

20 Annexes to be finalised

- Master Programme
- Off Plot Infrastructure Package List
- Master Off Plot Infrastructure Cost Plan
- Master Vacant Possession Plan
- Baseline Development Appraisal and Allowable Cost Schedule
- Terms of Reference for Delivery Coordination Board and Strategic Board