

The Guildhall – Development Update

Summary

1. The purpose of this report is to present the latest progress on the development of the Guildhall complex as a business club / serviced office venue, with supporting commercial development on the riverside, to allow for pre-decision scrutiny ahead of a report being presented to July's Executive seeking approval to proceed with project delivery.

Background

2. The project was previously considered by Corporate Scrutiny Management Committee (CSMC) in January 2015 and more recently in September 2015. The Scrutiny recommendation made on that occasion was formally approved by Executive on the 29th of October 2015.
3. Approval was granted for detailed project development work as follows :
 - To secure the future of the Guildhall as a serviced office venue with virtual office and business club facilities by maximising the benefits of the different spaces within the complex; its heritage appeal, and also ensuring ongoing council use and public access in a mixed use development.
 - Confirm the appointment of a multi disciplinary design team lead by Architects Burrell Foley Fischer.
 - Confirm the selection of a commercial operating partner through the most appropriate and advantageous lease or service contract arrangements.
 - Confirm a programme of engagement with the business sector / target market to understand their requirements, facilitated through joint working with project partners; the Universities and Make it York.

4. In response to this approval the following actions have been taken:

- The Design Team led by Architects Burrell Foley Fischer were appointed in November 2015 and commenced work immediately.
- Over the period November – December 2015 they undertook a thorough review of the previous feasibility work and prepared a review report and a strategic brief of requirements to inform project development.
- The Design team also undertook a complete fabric and structural condition survey of the entire complex, which highlighted a number of areas of concern and identified the need for additional ground and structural investigations.
- To ensure that the Heritage significance of the site was fully recognised we committed to early engagement with Historic England through their Enhanced Advisory Service and also to them providing Enhanced Listing for the complex.
- Commercial Agents Cushman Wakefield were appointed (following a formal procurement) to advise on the river side leisure units. Their initial advice was invaluable in informing the stage 2 Design. They have subsequently undertaken significant soft market engagement / testing and provided a robust valuation of the restaurant unit to support the project funding proposals.
- Over the period January – March 2016 the Design Team undertook RIBA stage 2, Concept Design work, arriving at a preferred option (See plans at Annex 1) This gateway review, in accordance with the project programme led directly into the RIBA stage 3, detail design work which will be presented to the meeting for consideration.

5. The stage 2 report highlighted a number of key points :

- In response to the strategic brief a number of different layout options were considered and the pros / cons of each were evaluated. The preferred option was agreed as the best for all elements; office / business club, council use, and cafe / restaurant units. The preferred layout also worked best with the advice from Historic England and our Commercial Agent.
- Ensuring the Guildhall itself remained at the heart of the re-developed complex – the Design Team proposed a new ‘business club entrance’

(See page 3 of Annex 1) to the south side of the Guildhall – with a glazed link providing ancillary space and the associated facilities necessary for the proper operation of the venue.

- The location / size of restaurant (See page 3 & 4 of Annex 1) – as a response to the Design Team analysis, early consultation with Historic England and commercial advice, the restaurant unit was moved from the south range to the north west of site where fewer constraints on access / servicing / conflict with historic fabric. This also allowed for a larger floor area to respond to the feedback from market testing.
- Following the detailed structural and fabric condition survey undertaken by the Design Team additional pressures were highlighted where the council's existing condition survey (2013) did not address all areas of concern. Additional repair and remedial works are likely to be necessary to bring the complex back into use specifically relating to the structural movement in several locations across the complex, almost certainly linked to the ground conditions at this riverside location. A detailed Ground Investigation has been undertaken and we will report the findings in summary to the meeting. On-going structural monitoring will also be used to gather further evidence of the movement occurring at various locations across the building complex (south range / Guildhall south wall / Victorian offices / north annex tower). The findings from this further and more detailed investigation will inform the necessary remedial measures.

The Revised Scheme Design

6. It is hoped that at the meeting the team will be able to share a 3D model of the Stage 3 design but this was not ready for the publication of this report. In addition two dimensional graphics do not adequately demonstrate the spaces that will be created and the new pathways through the complex.
7. The draft stage 3 report presents a design solution which :
 - Secures the future of the complex through a comprehensive scheme of repair / refurbishment and restoration to the most important and sensitive areas of the site
 - Refurbishes and reconfigures the south range to provide : a cafe and ancillary space including toilets and storage to serve the Guildhall, with a glazed link courtyard space

- Improvements to the Guildhall itself including under floor heating
 - Structural repair / maintenance to the river facade and windows
 - Creates serviced office and business club space
 - New services throughout – a complete replacement of all heating / electrical / fire and security alarms and access control systems. The proposed heating system will use a river water sourced heat pump taking advantage of the location to secure a sustainable solution with low running costs.
 - A new build element to the north annex to provide : an attractive restaurant space with riverside terrace / courtyard and additional office accommodation, with the new vertical circulation and highly serviced areas away from the more sensitive historic elements.
 - This also provides a lift for accessing the public gallery of the council chamber
8. Working with the Design Team we looked at a range of Serviced Office and Business Club facilities both in London and Leeds, undertaking site visits with the Design Team, and also analysing other locations through web searches / data comparison. The key findings were analysed by the Design Team and fed into the design process to support this approach.
 9. The stage 3 Design Proposals have made the refurbished Guildhall integral to the business club entrance and with a cafe; capable of serving business users, the Guildhall space and taking advantage of Mansion House visitors being located directly off the Guildhall yard in the south range buildings. For this reason it was decided to wrap the cafe unit in with the office lease, rather than marketing an independent lease opportunity. The public / visitor route into the complex now leads through the Guildhall (See page 3 of Annex 1).
 10. Legal and procurement advice was sought on the options for selecting an operator for the business club / serviced office venue, either through a lease agreement or a service contract. It was agreed, following analysis, that the best option would be to seek a lease agreement with a suitable private sector operator to provide optimum market engagement and flexibility in accordance with the Executive approval.
 11. The procurement of a service contract could restrict flexibility / innovation where the specification of performance measures may direct operators

towards a fixed and less flexible solution. Executive were clear that the type of office tenants / users should not be restricted and a lease agreement offers this flexibility in approach.

12. In February we sought expressions of interest from business club / serviced office operators which generated a good response. A bidder day event was held at the Guildhall on the 9th of March, which indicated high levels of interest with representatives from 16 organisations attending. The outcomes of this process will be presented to Executive as part of the business case along with options for other operating models.
13. The council's use of the complex for full council meetings / civic events / functions was set out in detail, also including office accommodation for Mansion House / Civic and Democratic Staff. Public access would necessarily continue for council meetings and events. Specific provision has been made for access to the complex for Residents Festival and Heritage Open Days weekends in January / September respectively.
14. This reserved use will be included within the operating lease and will be secured by a user agreement appended to the lease. The cost will therefore be netted off (the income from the operating lease will be lower as a result). There is clearly a cost to the operator in allowing for this use and a restriction on their use of the complex. This factor was highlighted as a concern by bidders.

Commercial Leisure Unit

15. The early designs identified two commercial elements to the scheme that would help to fund the proposal, a cafe in the south range and an restaurant in the north range. Both Design Team thinking and advice from our Commercial Agent informed the Design development at RIBA stage 2 – The Design Team suggested that moving the restaurant unit from the south range to the north west side of the complex allowed for a larger unit with far fewer constructional constraints and better access to external areas on the riverside. Advice from our Commercial Agent also advised a market requirement for a slightly larger (5000 – 6000ft²) unit with additional requirements for storage and plant space. There is currently significant interest in the space from restaurant operators.

Public Access

16. Feed back from the Residents Festival indicated the extent to which members of the public feel 'ownership' of the Guildhall complex and the extent to which many felt they could not gain access to some of the areas of key interest. There was specific support for proposals to make the

riverside more accessible. Accordingly the scheme has increased the availability of riverside space. The concept is similar to that at City Screen – private space with public access.

Condition of the Guildhall Complex

17. The existing condition of the Guildhall complex is poor. Historic England have advised that the complex could soon be considered at risk were no future use to be identified. The 2013 condition survey identified £2m (exclusive of fees) of necessary works to bring the complex up to a satisfactory standard – of which £1m were priority urgent works. With fees and inflation factors this equates to approx £2.5m of works necessary to sustain the complex where this includes elements of new services, but no other alterations or improvements.

Quality requirements

18. The Design team have worked hard and with imagination to deliver a design that meets a complex range of requirements and satisfies all stakeholders. Whilst opportunities for value engineering do exist, a complex of this nature with such highly graded heritage assets requires a treatment commensurate with its significance. The specification for the works includes for a material quality appropriate to the location and setting which is one of the most visible in York.

Freehold retention

19. Both Executive and Scrutiny have previously outlined the importance of the long term custodianship of the Guildhall by the Council. This requires retention of the freehold which in turn will bring with it external repairing liabilities which will be met from a repairs fund built up from the income from leasing the commercial space.
20. It will be proposed that the Commercial restaurant space will be let on a 25 year lease and the operation of the managed office space is likely to be through a 10 year lease with a 5 year extension. The leases will transfer elements of the maintenance and repairs liability to the leaseholders and the lease terms suggested and validated by external advice are felt to offer the best compromise between maximising income generation thorough de-risking the offer and facilitating the transfer of running and maintaining the complex to the private sector.

The Business Case

21. A full business case will be presented to the Executive in July but this was not complete at the time of publication of this report. Further details may be shared at the meeting if they are available.
22. The Business case will set out:
 - The costs of the designed scheme
 - The income from commercial restaurant lease
 - Options for delivering the office/cafe/Guildhall management and the projected income from these options
 - The cost of doing nothing
23. The total project costs are likely to have increased since the October 2015 position for the following reasons :
 - Additional Floor area – In order to accommodate the larger restaurant unit, with attractive and accessible riverside external spaces and maximising the lettable office space the gross building area has increased by approximately 80m²
 - More new build, less refurbishment – It has proved pragmatic to replace much of the the north annex in order to provide a new highly serviced core for toilets / kitchens and lift serving all levels of the development and also reflecting the poor structural condition of this element.
 - Structural condition / ground conditions - The structural survey identified evidence of significant movement at several locations across the complex. Additional ground investigations and proposed structural monitoring will provide further information to inform the necessary remedial works – but the tower is a particular concern.
 - Build Cost Inflation : When the initial cost estimates were made build cost inflation was running at 2-2.5%. However in 2015 the improving economic outlook saw upward revisions and significant market movement Annual build cost inflation has now increased to 4- 4.5% which will have a significant impact on the eventual costs and will continue to be a risk factor for the project. Any delays to the construction phases will exacerbate this inflationary trend.

24. The business case will be considered alongside an option not to proceed which will entail costs based on current repairs and maintenance liabilities and ongoing operating costs.

Consultation

25. As part of the residents festival over the in January 2016 an exhibition was held in the Guildhall and tours of the complex were offered for residents, working in conjunction with community group York Past and Present. This weekend event proved to be extremely popular with approx 200 people taking tours and over 400 people visiting and viewing the exhibition. The feedback was overwhelmingly positive.
26. We have also worked with Historic England, taking advantage of their Enhanced Advisory Services to undertake pre-application engagement and to secure an Enhanced Listing for the complex. Most recent advice from Historic England indicates : *Historic England is broadly comfortable with the scheme and we welcome the direction in which it is going.*

‘Enhanced List Entries’ are part of a new service responding to the regulatory Reform Act of 2015, designed to streamline the Heritage consent process. Historic England undertook a re-listing exercise for the Guildhall complex which gives much greater clarity as a basis for assessing proposed changes. In summary this has confirmed that the complex is highly significant with its links to city governance over several centuries and The Guildhall and riverside rooms are listed at Grade 1.

27. The significant changes are :

- The Mansion House Garages are no longer part of the Mansion House listing
- The Victorian council offices are now listed at Grade II* - including the riverside block of the north annex
- The remainder of the North Annex is no longer listed
- The south range is now listed at grade II

28. There is helpful detail in the listings confirming that the interiors of the former committee rooms 2 and 3 are not of special interest, nor the interiors of the north annex riverside block and south range. This provides clarity and allows greater scope for appropriate alteration in these areas.

The enhanced list descriptions are attached at Annex 2. This process has also involved our planning / conservation teams. Clearly there are still significant details to resolve, but early engagement has been useful in ensuring that the plans are developing in response to early comments.

29. In addition to this, contact has been made with a number of adjoining owners to make them aware of our emerging proposals including; the Post Office / York Conservation Trust in relation to the access to the north west side of the site. We have also communicated the proposals to City Screen.
30. The next stage of consultation will be formal pre-application exhibition of the proposals at the Guildhall and presentations to The Conservation Areas Advisory Panel and York Civic Trust.

July Executive Report

31. A report to Executive in July will seek permission to continue with the next stages of project development, moving towards delivery in accordance with the outline programme. Permission to proceed would require -
 - Agreement to the business case and funding proposals for the scheme
 - Marketing the restaurant unit and securing a pre-let agreement
 - Deciding upon the preferred delivery model/operator for operating the office element of the complex
 - Submission of planning and listed Building Consent applications
 - RIBA stage 4 Detail Design and construction information / specification
 - Project risk and 'buildability' workshop to address with site access issues
 - Limited enabling works
 - Selection of a preferred construction contractor through an EU compliant process.
32. Executive will be asked to approve the progression of the project on this basis. Scrutiny are asked to make comments on the proposals presented here pre-decision, to enable these to be considered in the report to Executive.

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All



For further information please contact the author of the report

Background Papers:

CSMC meetings – 14/9 and 16/9 2015
Executive 29 October 2015

Annexes

Annex 1 - Stage 2 proposed plans and areas
Annex 2 – Extract from enhanced list descriptions