

Executive

27 April 2017

**Report of the Director of Economy and Place
Portfolio of the Executive Member for Finance and Performance**

Sale of 29 Castlegate, York

Summary

1. This report seeks an Executive decision to dispose of the freehold of 29 Castlegate, to York Conservation Trust for £431,250. The property will become vacant at the end of 2018 following the relocation of the Connexions service to Sycamore House. The capital receipt reflects the benefit of enabling York Conservation Trust, in partnership with York Civic Trust, to substantially alter and refurbish this building together with the adjoining Fairfax House and to expand and improve the accessibility and use of both properties as a significant leisure attraction for the public, especially the schools and residents of York

Recommendations

2. The Executive is asked to:
 - 1) Agree to the disposal of the freehold of 29 Castlegate to York Conservation Trust for £431,250

Reason: To obtain a substantial capital receipt and also considerable social value in enabling disabled access to and the development of an improved leisure and historic attraction in conjunction with the adjoining Fairfax House.

Background

3. 29 Castlegate is to be vacated by Connexions (Youth Service) who are relocating to Sycamore House. There is no ongoing Council requirement for this property. The property is a Grade II listed building and located on the north side of Castlegate (see plan at Annex 1) between the Coppergate Centre and Castle Car Park. It is also immediately adjacent to Fairfax House, a fine example of a Georgian Town house which is owned by York

Conservation Trust and operated by York Civic Trust and is open to the public. The property is approximately 3,500 sq ft. in size and is 3 storeys. It is currently used as offices but could be converted, subject to planning permission, to a number of other commercial uses.

4. An independent external valuation of the property has been obtained which reflects the potential for these other uses and also its location adjacent to the Coppergate Centre and within the Castle Gateway area with the current proposals for the regeneration and improvement of the area. The valuation suggested is £575,000.
5. A condition survey of the Property has also been carried out which has highlighted that there are approximately £30,000 of immediate repair and redecoration works needed to the property now with a further £10,000 in the next 2-5 years (total £40,000).
6. York Conservation Trust (YCT) has made an offer to buy the freehold of the Property for a sum which is 25% less than the independent valuation figure as they say the sale of the Property to them will assist extending and improving Fairfax House which, in their view, will create significant social and economic benefits and advantages to the public and to the York economy. YCT believe that a direct sale to them will enable the rejuvenation and improvement of the Fairfax House visitor attraction and will:-
 - i. Attract investment in improvements to Fairfax House and 29 Castlegate estimated at £2.8m.
 - ii. Create full disabled access to all floors of 29 Castlegate and Fairfax House via a new lift (Fairfax House currently has no disabled access). The cost of this lift and access works is estimated to be at least £85,000
 - iii. Provide a new education centre in 29 Castlegate combining a working Georgian kitchen and adjacent Servants hall providing the delivery of learning programmes for all ages, especially schools
 - iv. Repair and restore the external and internal fabric of the building
 - v. Enable the Relocation of museum work spaces and offices from Fairfax House to 29 Castlegate
 - vi. Enable an increase in visitor numbers which will both support the local economy and renew local and international interest in this important historic building and its unique picture of Georgian life in York.
 - vii. Contribute to the long term economic sustainability of the Fairfax House visitor attraction

Consultation

7. York Conservation Trust have been in conversation and negotiation with the council for some time regarding their proposed improvement and extension plan, to ensure both the long term conservation of an important city asset and to ensure that the Council can demonstrate that it has achieved a reasonable capital return for the disposal of the property.

Options

8. There are 2 options :-
 1. Sell the property to York Conservation Trust for £431,250 on the terms as set out below
 2. Refuse the sale to York Conservation Trust at the discounted figure and sell on the open market once CYC have moved out

Option 1

9. Sale to York Conservation Trust for the open market value less 25%
The following terms have been agreed with York Conservation Trust as a condition of the sale
 - The sale is unconditional – i.e. Not subject to planning permission or a condition survey
 - The building will only be used in accordance with the proposed project with the adjoining Fairfax House.
 - York Conservation Trust will proceed with the purchase now and lease back the property to the City of York Council until Connexions have relocated
 - If the proposal for the project with Fairfax House should not proceed and 29 Castlegate is used for a commercial use then York Conservation Trust will pay the difference between the sale price and the commercial market value at the time or the independent valuation figure, whichever is the greater.
10. In addition to these terms York Conservation Trust have also put together a report which sets out the other social benefits to the Council and the City. In summary these are as follows :-
 - Enriching and Championing York's Heritage
 - i. Safeguarding 2 important listed buildings
 - ii. Strengthening the Castle Gateway offer
 - iii. Preservation of the streetscape and facade along Castlegate
 - iv. Offering something new to the residents of York and visitors at no capital or revenue cost to the Council

- Economic
 - i. Inward investment from HLF and other grants substantially contributing to the estimated project costs of £2.8M for the development of both properties
 - ii. Increasing by at least 50% the number of visitors to the refurbished Fairfax House and the impact on increased visitor spend
 - iii. Employment of at least 8 additional staff
- Education, Engagement and Partnerships
 - i. Creation of a nationally-recognised learning facility
 - ii. Education for all levels and ages, especially for schools with a full-scale education programme with a key theme of food and production
 - iii. Collaboration with University of York Centre for Lifelong Learning to create resource and research areas and dedicated work-space
- Public Engagement and Building Audiences
 - i. Engagement with new and wider audiences through the creation of an events space, exhibition space, working kitchen which appeals to all ages.

Option 2

11. Sell 29 Castlegate on the open market. The independent valuation has confirmed that it is very likely that there would be interest in this property from commercial organisations if this building was offered for sale and the receipt of £575,000 should be obtained. However it is likely any sale would be subject to planning consent as the current use is offices.
12. Whilst it is likely consent for other uses such as retail and restaurant would be obtained, it would result in a delay in obtaining the capital receipt and also any offer made may be reduced depending on the conditions imposed by any consent and any alterations to the building required such as for disabled access.
13. If the property were sold on the basis of unconditional offers only, then the capital receipt would be less than the market value indicated as any purchaser would want to reflect the risk that was being transferred to them. The offer from York Conservation Trust is unconditional. As it is likely any purchaser would be retail or restaurant use then this could complement the existing users in the Coppergate Centre and might draw increased numbers to this part of the Centre and any potential development of it and the adjoining car park.

Conclusion

14. Option 1 is the recommended option because
 - The proposal will bring significant social and economic benefits to the city arising from the major alterations and remedial conservation works to Fairfax House and 29 Castlegate.
 - This option will provide increased public access and an enhanced experience of a heritage visitor attraction, educational site and a fine example of a regional Georgian Townhouse, run by York Civic Trust. This would not be provided by any other purchaser of 29 Castlegate
 - An unconditional offer means the certainty of a substantial capital receipt earlier (with an increase to the agreed market value if the scheme does not proceed)
 - Although the capital receipt is 25% less than the market value for other uses, there is no certainty now that this figure would be achieved and also there would be a delay in obtaining the receipt as any offer would be subject to conditions such as obtaining planning consent
 - The estimated costs of carrying out the immediate repair works and also creating full disabled access to the building is at least £115,000 which equates to the majority of the 25% reduction from the market valuation being offered by YCT (£143,750). The Council would have to carry out these works if it was to retain the building for its own future operational use to obtain maximum use of the whole building and if the Council were to sell the building on the open market a purchaser may make an adjustment of this order from the suggested market value to reflect the need for these works to be carried out.

Council Plan

15. The Council's Plan 2015-19 sets out 3 key priorities
 - A prosperous city for all
 - A focus on front-line services
 - A Council that listens to residents
16. The proposed sale to York Conservation Trust of 29 Castlegate and the subsequent project to improve Fairfax House falls within some of the key aims of the first of these priorities, namely
 - 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.

17. In addition, the property falls within the Castle Gateway project area where members have approved proposals to regenerate this area, to provide a mixed use development of underused and vacant land in partnership with adjoining landowners and developers. If the sale of Castlegate is approved and the scheme proposed for Fairfax House proceeds, then this will contribute to the outcomes of the project by providing an improved resident and visitor attraction.

18. Implications

- **Financial** – the capital receipt obtained will contribute to the total capital receipts which the Council receive and which will be reported to members as part of the capital monitoring reports.
- **Human Resources (HR) & Equalities** - There are no implications
- **Legal** – The General Disposal Consent Order 2003 gives the consent of the Secretary of State under S.123 of the Local Government Act 1972 to the disposal of non-housing land by the Council for less than best consideration/full market value where both of the following conditions are satisfied:
 - (i) the difference between the price being obtained and best consideration/full market value is less than £2 Million and
 - (ii) the Council considers that the purpose of the disposal will contribute to the promotion/improvement of the economic, environmental or social well-being of the area

If the Council sells the Property to York Conversation Trust for a price equal to 75% of its market value (a discount of approximately £143,750) then this may be construed as conferring a benefit on YCT, which is a characteristic of State Aid. However this falls within the 'de minimis' exception and is thus permissible provided that the total benefit conferred on YCT within a 3 year period does not exceed the threshold of €200,000 which it has not.

- **Crime and Disorder & Information Technology (IT)** – There are no implications
- **Property** – all contained within this report

Risk Management

19. If the scheme for Fairfax House and 29 Castlegate does not proceed due to lack of funding or a failure to obtain planning consent York Conservation Trust have confirmed that they would find another commercial use for the property and pay an additional amount to the Council to meet full market value. Therefore the Council would be protected in both obtaining market value for the property and also not having a vacant unit.

Contact Details

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Approved

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Wards Affected: Guildhall

All tick

For further information please contact the author of the report

Background Papers:

Annexes

Annex 1 – Location Plan

List of Abbreviations Used in this Report

YCT – York Conservation Trust
HLF – Heritage Lottery Fund