

Report of the Leader of the Council

Get York Building Phase 3 - Infrastructure Investment Plan For Growth

Summary

1. This report proposes to “ earmark” £10m, from the Economic Investment Fund (EIF), for York Central. This will send a very strong and positive signal to our partners about our commitment to development on the site. The detail of how the full allocation will be used, along with full assessment of risk will be subject to a further report.
2. The report sets out why EIF investment in York Central infrastructure is essential to allow development to proceed.
3. The report builds on “Get York Building – Phase 1& 2” reports, approved by Cabinet in February and July 2013 that set out how we would progressively stimulate development activity. This investment proposal for York Central builds on this approach.
4. The proposal to earmark monies that will see new homes and business space on York Central directly supports the council priorities to Create Jobs and Grow the Economy and is complementary to “Get York Moving and “Protect the Environment” principles.
5. A subsequent technical report will set out the granular detail of how the £10m will be spent. The focus of this proposal is clearly the creation of a new access onto the site.
6. The scale of development will be 26 hectares within a site 35 hectares overall. It is of major importance to the city and taking a phased approach will allow development to proceed. Moreover, these proposals will also address some key issues in terms of;
 - a) **The impact of growth** – How the site fits within the emerging local plan transport strategy that supports a

- sustainable approach to growth in housing, business and retail, and in particular desired improvements to the station, interchange and walking/cycling connectivity to the city.
- b) **Resources are in place to deliver** – CYC’s investment covers “fees” and “works” ensuring we retain control of and can ensure certainty of delivery.
 - c) **Maximising the “planning gain” process** – Although a partnership approach will be adopted, this will not reduce the need to secure the best legacy solution both on the site and its impact on the environment (sustainability, transportation, quality of housing/ business offer).
 - d) **Getting a return on investment** – The viability gap has been progressively reduced, in commercial terms, from over £100m to a level that CYC proposes to address by enabling access. This will be a partnership approach with Network Rail and CYC will seek a return on this investment (ROI) via a profit-share mechanism.
 - e) **Supporting the supply chain** – Investment in development is a catalyst to create new jobs and stimulate the growth of the local supply chain. The next report will set out how our work with educational establishments, developers, contractors and national agencies will seek to stimulate job creation. Demand for unskilled, semi-skilled, technical, professional and managerial resources for all development in the city will be addressed in a uniform and timely manner.

Background

Why invest in York Central now?

- 7. A previous approach to the market in Spring 2009 was unsuccessful due to the prevailing economic situation and very significant infrastructure investment gap at that time.
- 8. Investment in new development, using EIF or other CYC borrowed monies is financially and economically sustainable. This is based on progressive receipt of income from Council Tax and Business Rates, as well as the socio-economic benefits of addressing financial poverty and unemployment. This is in line with national policy which is seeking to boost short and long term growth through investment in infrastructure. It is also in line with the council’s agreed approach to delivering its key ambitions.

Development interest in York has improved significantly in the last 9 months and progress is being made without public sector

intervention on all of these sites bar York Central and Castle Piccadilly: Hungate have submitted a phase 2 planning application, British Sugar are undertaking pre-application consultation with a view to submission in April 2014, and active dialogue is progressing with landowners on the Terry's and Nestle sites, with an application for development on part of the former site currently under consideration.

9. Development interest in York has improved significantly in the last 9 months and progress is being made without public sector intervention on all of these sites bar York Central and Castle Piccadilly. We have seen, in recent months, movement in Terry's, British Sugar, Nestle, Hungate and Castle Piccadilly sites all progressing without direct CYC financial support. The improvement in the market nationally is a factor, but that does not address "pace". This aspect is very much of York's making both in political ambition terms and a positive "open for business" approach, demonstrate through a series of reports - "Get York Building" phase 1 and 2 and now these proposals.
10. Although renewed development interest in York is clear, the market cannot eradicate all financial viability risks for key sites. Many have progressed; including the Terry's which is going through planning. British Sugar access issues are resolved and again going through planning. Nestle and CYC officers are in positive and detailed discussion on the sale and development of Nestle South. In terms of York Central viability has improved dramatically and thus deliverability is a real prospect. Network Rail are confident about development and Phil Verster, Route Managing Director, LNE & EM stated;

"This is a critical development opportunity for the city and we are at a point where we have the best possible opportunity for success. We have a strategic plan that will allow development to happen on a systematic basis. Key to this is adequate road access which allows measured and achievable development."
11. York Central is a natural financial choice in terms of eventual returns to CYC in preference to any other brownfield site, noting that sites such as Terry's, Nestle and British Sugar are predominately housing sites and the market strength allows them to proceed unassisted. What is special about York Central is the mix of housing, whether social, private-rented or for sale, combined with self-sustaining retail and premium quality business space that the city desperately needs. Table 1 sets this out below;

“York Central also offers the largest scale opportunity to realise the commercial development that will deliver economic benefits to the city as well as direct revenues to the Council”

Table 1 – Approximate split of Housing vs Business/leisure/retail offers on Brownfield sites.

Site	Commercial Quanta	Housing
York Central	80,000 sq m ¹	1083 units ¹
British Sugar	Local centre uses only ¹	998 units ¹
Terry's	22,250 sq m ¹	395 units ²
Nestle	16,200 sq m ²	355 units ²
Hungate	18,500 sq m ²	720 units ²
Castle Piccadilly	25,000 sq m ¹	nil

What will York Central provide?

Concept and Principles

12. It is proposed that the EIF earmarking of £10m will address the remaining viability issue of creating suitable access into the site. The detail of what this is and where it connects into the site and the highway will be subject of a separate report.
13. Future reports in 2014 will detail the phasing of the project and early outputs. Additionally a framework to guide future development of plots on the site, all of which will be subject to a consultation process, will be made available.
14. The masterplan will incorporate high quality and sustainable new homes across a mix of tenures, strategic green infrastructure, linking with existing city corridors, community facilities and local services for the residential areas. The typical outputs are summarised below as a guide to what will be produced. Note – Phase 1 will provide for signalling and training centres with housing being part of Phase 2.
15. A phased approach to Housing;
 - a) Phase 1 - 0 units
 - b) Phase 2 - up to 333 units (start of housing development, resulting in up to 400 units within 2015, including the beginning of Phase 3)
 - c) Phase 3 - up to 250 mixed residential

- d) Phase 4 - up to 500 units
 - e) Phase 5 - up to 0 units
16. A phased approach to Business space:
- a) Phase 1 - Operational rail commercial space for Network Rail (underway)
 - b) Phase 2 - None
 - c) phase 3 - 93,000 sq m of office with ancillary bar, restaurant, retail and leisure uses
 - d) Phase 4 - None
 - e) Phase 5 - 35,000 sq m; including 5,500 sq m (150 bed) 4* hotel; 3,000 sq m A3/4 use; 26,500 sq m B1a office
17. Indicative development timeline
- a) Phase 1 – Operational Rail Development: Training and signal centre (underway), carriageworks commencing 2014
 - b) Phase 2 – Leeman Road Housing: Commence 2015
 - c) Phase 3 – Station Business District: Commence 2015
 - d) Phase 4 – Residential site areas: Commence 2018
 - e) Phase 5 – Commercial area front of station: Commence 2019

Jobs and GVA outputs

18. The total overall impact of the site on completion will be over 8,000 FTE (direct and indirect impacts through supply chains), and c. £599m increase per annum GVA (direct and indirect impacts).¹ Development of the site is likely to require over 6,700 construction jobs. These figures are on completion of the entire site; phased outputs are provided below:

Phase 1 – c. 600 FTE and £20.2m per annum increase in GVA

¹ Experian data using Regional Econometric Model for Yorkshire and Humber. Data drawn at Nov 2013.

Phase 2 – c. 1700 construction jobs for the residential site; temporary increase in GVA

Phase 3 – c. 4,761 FTE and £401m per annum increase in GVA

Phase 4 – c. 2900 construction jobs for the residential site; residual and temporary increase in GVA

Phase 5 – c. 2,664 FTE and £178.2m per annum increase in GVA

What will “earmarking” be spent on?

19. It is proposed that in developing the access solution, EIF funding will be used to address two elements;
 - a) There are a number of fee based services that are required in the normal process of supporting a scheme to get off the ground. These include CYC transport and highways work, asset management, procurement, legal services, finance and external consultants..
 - i) Asset management/procurement costs to deal with the mechanisms to secure arrangements between CYC and Network Rail - circa £110k
 - ii) Economic development costs to deal with the mechanisms to put in place the SPV’s to facilitate development – circa £100k
 - iii) The support services to deal with the financial and legal aspects of putting in place the mechanisms – circa £200k
 - b) The second part will be the construction of the access and the associated management that may well utilise the fee based services referred to above. The detail of this will be subject of a further report.
20. The split between “works” and “fees” will be typically 10 to 15%, based on schemes of a similar nature and value eg A59 Park and Ride scheme. This includes fees for front end costs from asset management, legal, financial and economic development as well as the traditional costs highlighted in para 12 above. This requirement is set out in table 2 below;

Table 2 – Breakdown of a 10% fee with contingency at 5%

Year	2013/14	2014/15	2015/16	Totals
Legal	£0.25m			£1m
Finance				
Procurement				
Technical Surveys				
Economic development		£0.25m	£0.5m	
Technical design				
Works supervision				
Commissioning and adoption				
Sustainable travel s				
Contingency (all years)	£0.5m			£0.5m
Total overall				£1.5m

How will we manage the impact on the road network?

21. Critical to the longer term success of York Central and other key development sites will be the ability to manage the impacts on the road network.
22. The demand, in city terms, will be met through a range of measures, including use of the planning gain process (section 106, future CIL's etc.), existing capital programmed activities such as The York Package (£83m), and existing priorities via the 'Get York Moving' £25m package of schemes, over the next 2 years. This will enhance our transport systems. These will deliver an expanded Park and Ride service, improving York's local bus services through Better Bus Area Round 1 and Round 2 Funding. The cycling network will also be improved. In addition we will be implementing behavioural change initiatives such as business travel and personalised travel planning.
23. A further ten year £83m 'York package' of schemes is being developed as part of the West York Plus Transport Fund. This will include improvements to the outer ring road, a new bus interchange and bus priority measures in the City Centre. All of these will be subject to continued monitoring and tight controls on achieving modal split for new trips. This work is progressing in line with requirements set by the West Yorkshire and York LTB (Local Transport Body). The "Project Mandates" for these key schemes have been submitted and will go through a "gateway" review

process. Funding bids are also being submitted to the North Yorkshire, York and East Riding LEP/LTB for further funding for the Outer Ring Road, improvements to the A1079 and improved connectivity between North Yorkshire towns and York.

Consultation

24. Technical input has been provided via the Corporate Management Team (CMT), directly from CEO, the Housing group (attended by Leader, Councillor Simpson-Laing and Councillor Merrett).

Implications

Financial

25. Allocation of the £10m, subject to a further report, will commit the majority of the remaining EIF budget, leaving a balance of £807,500.
26. A further report will be brought in early 2014, which will set out in greater detail the proposed areas of expenditure, and the wider financial arrangements associated with the proposal.
27. Approval is being sought to allocate £500,000 as part of this report, to undertake the initial aspects of the project.
28. A key part of this proposal will be to secure a return on the council's investment in this site. This will be negotiated in coming weeks, and reported to cabinet in the next report.
29. There are clearly significant financial risks to be considered as part of this proposal, and these will be addressed in full in the subsequent report.

Legal Implications

30. There are legal implications in terms of the additional workload that will arise out of finalising agreements with Network Rail. There are implications for CYC should it enter into any "profit-sharing" arrangement. This detail will be the subject of a follow on report.

Risk Management

31. As outlined above a more detailed report will come to Cabinet in the new year that sets out a full risk assessment, including financial risks, and delivery risks.

Recommendations

32. That £10m from the EIF is earmarked for York Central, with £0.5m allocated immediately to advance the scheme in respect of support/technical work, and the remaining £9.5m subject to a more detailed report back to Cabinet in early 2014.
33. That a further detailed report be presented to Cabinet, early in 2014, setting out the full financial implications, risks, technical details, aspects of phased development (and the mechanisms/legal relationship between CYC and network rail for a profit-sharing approach.

Reasons

- To facilitate the development of the York Central site by closing the final viability hurdle.
- To give certainty to Network Rail that CYC is committed to this expenditure in principle.
- To ensure that there is a level of detail agreed about project outputs/outcomes agreed before monies are expended.
- To allow preparatory work to commence

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Specialist Implications Officer(s) None			
Wards Affected: All			√

For further information please contact the authors of the report

Background Papers: None

Annexes: No additional papers