

Business Case for the acquisition of Unit 4, Birch Park, Huntington Road, York.

Background

City of York Council (CYC) currently own Unit 5 Birch Park, which is currently leased by York Museums Trust (YMT) for use as storage facility. An opportunity has now arisen to acquire the next door unit.

Proposed Terms

Terms have been provisionally agreed, subject to member approval, for CYC acquiring the freehold interest in Unit 4 Birch Park for the sum of £525,000. It is proposed that this will be funded through prudential borrowing.

YMT are prepared to lease the building for 15 years on a full repairing basis, at an annual rental of £49,0000, which reflects the repayments necessary to pay back the amount borrowed by CYC over the 15 year period. However, if the finance comes forward during the term of the lease YMT would wish to reserve the right to pay off the loan and occupy for the remaining term rent free. The intention would be, at the end of the term, to renew the lease at a peppercorn rent in line with other buildings leased by YMT from CYC.

Reasons for Acquisition

YMT are very keen to acquire the property at Birch Park for a number of reasons:

1. The Trust have been seeking for many years to expand and improve the quality of their collections stores. The existing store at Birch Park has been the subject of two failed Heritage Lottery Fund bids to fund an extension. The extension had it of been successful would have cost more and delivered less floor area than the current proposed purchase.
2. CYC already own the adjacent plot enables greater development potential in the future.
3. There are urgent and increasing pressures on Trusts storage capacity due the gift of a major and valuable ceramics collection to the Trust and the need to rationalise the city's archaeological remains currently held by York Archaeological Trust.
4. YMT currently spend well over £50k per annum on renting stores. This will have to increase again if this purchase falls through. There is potential to consolidate onto the Birch Park site to considerably rationalise, and possibly eliminate, this annual spend.
5. YMT already have a verbal commitment from the Museum Libraries and Archives Council to put substantial sums next year into the fit-out and development of the Birch Park site should we be able to acquire it.

Financial Case

The net cost to the Council of this acquisition is nil in revenue terms.

The grant given to York Museum's Trust is £1,506,710 for 2010/11. The agreement is that this will continue although there is some uncertainty as to whether there will be an inflationary uplift to the grant in 2011-12, or if it will remain the same.

CYC loaned the Museums Trust £255k for improvement works to the Hospitium in Museum Gardens in 2009-10. The agreement is that they repay £8330.67 per quarter and all payments to date have been honored.

YMT have the resources to pay the proposed rental to cover the repayments on the prudential borrowing, reinforced by savings that will be made on renting accommodation elsewhere.

Risks

YMT unable to meet the rental payments through loss of grant funding. This could be mitigated by selling the building and paying off any outstanding loan. In due course it is likely that the building will increase in value, thus helping to reduce the risk of financial loss being incurred by CYC.