

Executive

29th October 2015

Report of the Assistant Director for Finance, Property and Procurement

**Portfolio of the Executive Member for Finance and Performance and
the Executive Member for Economic Development & Community
Engagement**

York's Southern Gateway

Summary

1. City of York Council (CYC) are one of the principal land owners in the area around Piccadilly, the Eye of York, St George's Field and the Foss Basin. This area is being referred to as the 'Southern Gateway' and many parts of the area are underused, semi derelict or of poor quality. Many of the properties are for sale or owned by companies that are in administration and there is a risk that the area will continue to be blighted or that important sites will be developed in a piecemeal manner. The area is urgently in need of a fresh vision to improve the locality and create a socially and economically sustainable future. As the principal landowner, CYC will be instrumental in delivering a joined-up regeneration of the area which will maximise social and economic benefits for the City.
2. This report sets out proposals to kick-start development along Piccadilly whilst simultaneously exploring the potential use of other council assets in the Southern Gateway to improve and regenerate the area.

Recommendations

3. Executive is asked to consider and agree:
 - i. To progress to the development stage of the Southern Gateway project and to appoint a Project Manager using grant funding from One Public Estate to take this work forward.
 - ii. To commence a procurement exercise to identify a joint venture partner to redevelop 17-21 Piccadilly

- iii. To create a conceptual framework for development of the Southern Gateway area and prepare for a public consultation.
- iv. To develop a business case for development of the Southern Gateway which will involve undertaking feasibility work to assess the technical, planning and financial deliverability of development of the Southern Gateway. A report will be brought back to Executive to agree a future approach.
- v. To a budget of £185,000 to be financed from New Homes Bonus, with specific allocations from the budget to be confirmed by the Chief Executive and the Leader of the Council, to enable development of a fully worked up business case for the development of the Southern Gateway area.
- vi. To undertake transport modelling and review parking and access arrangements for the Southern Gateway area.
- vii. To explore potential delivery mechanisms and commence discussions with land owners in the area.

Reason: - To deliver early improvement to Piccadilly, to generate capital receipt, and to develop robust plans for the future regeneration of the Southern Gateway area.

Background

4. The Southern Gateway area covers the length of Piccadilly, the Coppergate Shopping Centre and the Eye of York and runs through to St George's Field and the Foss Basin. Much of the area is of low quality with significant dereliction and underdevelopment and yet the area has great potential in both its location and its historic built assets. The area sits largely within the city walls and within the Historic Core Conservation Area, at the confluence of two rivers, the Ouse and the Foss.
5. The area contains a substantial amount of public estate with three Museums/attractions (Castle Museum, Fairfax House and the Jorvik Viking Centre), three court buildings, many listed structures and a historic monument of international significance (Clifford's Tower). A map showing public ownership and setting out the extent of the Southern Gateway area is attached at Annex 1.
6. Piccadilly and the Eye of York have been the subject of previous unsuccessful redevelopment projects. A major retail led scheme was rejected in 2003 following a Public Inquiry. The land was subsequently sold to LaSalle UK Ventures who in 2008 entered into a partnership

agreement in with the Council to pool assets in an attempt to achieve a holistic scheme. High level proposals for the area were worked up but this fell away as the scheme was no longer felt to be viable.

7. In June 2014 LaSalle UK Ventures Property 8 S.A.R.L went into administration and officers were involved in discussions with the Administrators to explore future plans for the assets. The major creditor sold on their debt and we understand that the current creditor is preparing to sell packages of assets, including a package incorporating assets in the Piccadilly and Coppergate area. This raises the possibility that a holistic area regeneration may once again be possible.
8. In addition, in recent months there has been a lot of commercial activity in the area including the sale of Stonebow House, United House, the former fire station at Clifford Street, and the County Court freehold. Residential schemes at Piccadilly Lofts and behind Reynard's Garage are on the market, or under construction; the Primark store is due to open in the Coppergate Centre early next spring; and English Heritage Trust are currently working on proposals for a Clifford's Tower visitor attraction. Planning permission has been given to demolish 17-22 Piccadilly (Reynard's Garage) creating an opportunity for high quality development on the site.
9. As a principal land holder CYC has a major role to play to ensure that successful and sustainable area regeneration occurs, maximising economic benefits for the city. CYC has an opportunity to shape a new vision for the area, to exert influence on how commercial interests operate within the area, to capture planning gain to contribute to uplift the amenity and accessibility of the area, and to generate much needed financial returns from the proactive management of our property assets. Without any council intervention it is likely that a resurgent property market will lead to incremental development along Piccadilly which, though it may be an improvement on the current state of shabby dereliction, may not achieve any broader aims of improving the city centre – missing a once in a lifetime opportunity to regenerate this important gateway to the City to a high standard.
10. The initial development of the Southern Gateway was included in York's One Public Estate programme sponsored by the Cabinet Office and the Local Government Association, to explore more effective use of public sector assets. A grant of £70k has been made to fund a dedicated project manager.
11. Officers have undertaken preliminary visioning and evaluation work to explore a high level proposition for a scheme, which starts from the perspective of enhancing the heritage assets, improving the public realm

and linking the area back to the city centre to improve its economic buoyancy, in a way that is commercially viable and sustainable. Stakeholders are supportive of this holistic approach and are keen to see a vision developed.

Southern Gateway area

12. The Southern Gateway can be split into 3 different areas:

- 1) **Piccadilly** – the street has a high level of empty, unattractive and derelict buildings. Footfall down the street is small and the River Foss acts as a barrier to movement. Piccadilly would be vastly improved with better buildings and streetscape and better integration with the city centre and the Eye of York.
- 2) **The Eye of York & Coppergate** – The Coppergate Centre has struggled to generate footfall and to the south does not connect well with the Eye of York. The Castle Car Park sits in the shadow of Clifford's Tower and is an inappropriate setting for such a significant historic monument; however, it is one of the busiest car parks in the city and creates an essential income stream for CYC. The Coppergate Centre and the car park and access road are a barrier for pedestrian access to both Clifford's Tower and the Castle Museum. Despite the presence of beautiful buildings, cultural attractions and one of York's largest areas of open public realm, footfall into and utilisation of the public space is relatively low.
- 3) **St. George's Field & Foss Basin** - This is a strategically important site that is wholly under utilised, the car park having very low occupancy rates and the Foss Basin having minimal public use/access. With excellent proximity to the historic heart of the city, fantastic views, bounded by the Rivers Ouse and Foss, there is significant development opportunity. This must, however, be balanced against some of the development constraints, as the site lies in the functional floodplain and the Foss Barrier performs an important flood defence role for the City. Occupancy rates for the car park are low and the car park adds little to the surroundings. The inner ring road acts as a barrier to pedestrian and cycle movement and vehicular exit from the car park can be difficult in heavy traffic. The historic 'New Walk' and the tow path are attractive but benefit little from current uses of the adjoining area. The Foss Basin is underused and unattractive and the water asset is not embraced or exploited.

The Vision

13. The vision being developed for the area will help to achieve the effective regeneration of this strategically important location in the city and will co-ordinate development of wider socio-economic benefits. This is based on a mixed use, quality development with significant civic and public space.
14. The following principles will be used to shape the vision:
 - 1) To improve the quality of the Southern Gateway and contribute to the economic vibrancy and prosperity of the city.
 - 2) The area could include quality public space that will increase footfall, and create a culturally, socially and economically vibrant area of the city.
 - 3) Development will respect and augment the heritage and cultural assets
 - 4) Development will be environmentally sustainable
 - 5) Development will exploit and celebrate the important river setting.
 - 6) Provide new homes and release pressure on green belt land.
 - 7) Maximise financial return from CYC assets to reduce pressure on ongoing budgets.
 - 8) Improve quality of car parking provision and promote the use of sustainable modes of transport.
 - 9) Improve pedestrian and cycle routes and accessibility throughout the area with better access and permeability, particularly across the River Foss and Tower Street.
 - 10) Improve the setting of Clifford's Tower.
 - 11) Improve the quality of the streetscape particularly along Piccadilly.
15. It should be noted, however, that there are a number of significant **technical** issues which would need to be overcome and a lot of work is still needed to provide assurance that the vision is financially and practically deliverable.

Parking and Movement

16. The configuration of car parking that is of a suitable scale, quality and location and satisfies future parking requirements for the city centre is

fundamental to achieving the vision for the Southern Gateway area. A more effective car parking solution as an element of enabling development could free up prime parcels of land for a more appropriate and higher quality use.

17. CYC owns three major car parks in the area: Castle car park, Castle Mills car park on Piccadilly and St George's Field car park. Other car parks in the area include the NCP operated car park on Piccadilly and multi-storey car park in the Coppergate Centre.
18. A comprehensive car parking review is needed to improve and consolidate parking provision in the most appropriate areas in the city. The car parking review will be an enabler for development and could open up the regeneration potential of the area, creating potential financial benefits, including potential capital receipts or revenue income and safeguarding existing income generation which will benefit the wider City of York population.
19. High level engineering feasibility work has been undertaken which suggests that a basement car park under the existing surface Castle car park is technically achievable. Further work needs to be done to explore detailed costs and archaeological implications before this can be brought forward as a formal proposal. Further work also needs to be carried out to explore an alternative option for a multi-storey car park located on Piccadilly.
20. Improved accessibility across the area for pedestrians and cyclists is also a key part of the vision. Through provision of an additional pedestrian and cycle bridge across the River Foss, a new circuit can be introduced if appropriate anchors and environment are developed to encourage and attract people to the area. As part of the strategy, improved permeability and connectivity will be of vital importance. Improved quality of streetscape, public realm and traffic management measures will be considered.

Planning Issues

21. It has long been recognised that a comprehensive planning approach is needed to secure high quality regeneration in this significant and sensitive historic environment and draft policies to guide development of the area are contained within the Local Plan Development Control Draft 2005 and the Draft Local Plan, supported by other non statutory Planning Guidance and evidence base (see list in Background Papers).
22. A key challenge for the local planning authority is to ensure that the planning guidance for the area safeguards this important historic

environment whilst allowing stakeholders and land owners to make the most of heritage and commercial assets and the council to maximise planning gain to enable potential benefit for the city.

23. New planning legislation from April 2015 brought new permitted development rights (PDR) into force, including allowing change of use from offices to residential use which could lead to piecemeal development which may or may not improve the area.
24. However, past experience in this area has shown that the development of an overarching, time consuming and prescriptive master plan has been unable to respond to the challenges of the sensitive setting and balance these effectively with the commercial drivers that will enable regeneration within the constraints of fluctuating economic cycles.
25. There is ongoing dialogue with the local planning authority to review and develop the vision, objectives and development parameters for the Southern Gateway area. This work has been informed by review of the planning history and lessons learned from past regeneration proposals, existing planning guidance and the most up to date technical and evidence base work currently available.

The role of City of York Council

26. It can be seen from the description of the potential of the area and the issues to be overcome that the holistic improvement of the southern gateway is unlikely to be achieved without the full engagement of the Council as a major land holder. The Council has options as to how to exercise its role. It could :-
27. **Option 1** - Leave the market to drive change with CYC contributing with the sale for redevelopment of some of its own assets

Analysis – Given the past history in this area, this approach is unlikely to create a quantum of good quality development. Some sites may be improved but there is little chance of any significant uplift in the quality and effectiveness of the public realm, streetscape or transport/parking. Financially this will not maximise the value of CYC assets.

Option 2 - Develop a comprehensive masterplanning approach to create a regeneration scheme and use planning policy to control and steer development across the area.

Analysis – This approach would be time consuming and would potentially delay or discourage current development appetite and delay improvement in the area. A large scale planning led approach has also

failed in the past in this area. This would also delay any CYC capital receipts in the short term.

Option 3 - Work with private and public sector land owners to harness the momentum of current developments whilst using CYC assets to maximise development opportunities and establish a quality benchmark for development in the area.

Analysis – this could enable the creation of a flexible vision which would be able to flex with the market to accommodate commercial opportunities and blend long and short term goals whilst maximising the role of the council in creating more fundamental changes in the area. This will see early development of some CYC sites to generate early capital receipts but could also create greater future opportunities for both capital receipts and revenue income from assets that currently have a very low yield.

28. It is recommended that Option 3 be adopted with a blended approach to public and private sector development in the area, creating a flexible planning policy that will help to shape quality development without artificially prescribing a scheme which may or may not be viable.

Next Steps

29. In order to bring forward a more detailed set of proposals that identify clearly costed options for development further work needs to be undertaken to :-
- Establish a dedicated project team to lead the work. A project Manager will lead the project and pull together contributions from officers across Property, Planning, Legal, Finance and Procurement. A part time Project Officer will provide support to the wider team.
 - Undertake engineering feasibility
 - Undertake archaeological feasibility to develop a costed proposal for a dig.
 - Explore planning constraints and develop a suitable approach to planning issues.
 - Undertake a market assessment.
 - Develop a high level spatial plan for the area and a 3D visualisation for the area.
 - Undertake a Development Appraisal.

- Develop a comprehensive business case
- Explore a range of commercial delivery mechanisms.
- Prepare for a public consultation.
- Prepare a Conservation Statement for St George's Field & the Foss Basin.
- Undertake a development appraisal.

30. The cost of this work is estimated at £185k. It is recommended that Executive agree a budget of £185k to be financed from New Homes Bonus, with specific allocations from the budget to be confirmed by the Chief Executive and the Leader of the Council, to enable development of a fully worked up business case for the development of the Southern Gateway area. Development work will include:-

- i. Feasibility studies & engineering reports for St George's Field and Eye of York est. £80K
- ii. Specialist commercial advice for whole site - est. £30K
- iii. Legal advice to procure and establish a Joint Venture partnership for 17-21 Piccadilly – est. £50K
- iv. Project support officer (part time) £25K

31. The full sum may not be needed if early feasibility work indicates that a scheme is not technically achievable. If any part of a development scheme is progressed (including the proposed redevelopment of 17-21 Piccadilly) then the potential return will more than offset this early investment.

17-21 Piccadilly

32. Following the report to Executive in June 2015 identifying the dangerous condition of the former Reynard's Garage, planning permission has now been agreed to demolish the building on health and safety grounds and the demolition work is being tendered and work is expected to start soon. A modest planting scheme is required and hoardings will be constructed to the rear of the site to provide security for adjacent properties on Walmgate.

33. 17-21 Piccadilly continues to generate a lot of interest from commercial developers. A previous marketing of the site gave rise to a number of proposals for hotels which though they yielded the highest capital values

were not felt to be the most appropriate drivers of area regeneration for a council owned asset.

34. However leaving the site undeveloped is not desirable in the long term and it is possible to proceed with a plan to develop the building whilst the broader area regeneration planning is underway as long as the principles set out at Para 14 are applied .
35. The options for redevelopment of the site are :-

Option 1 Place the site on the open market

This would potentially generate a substantial capital receipt but CYC would not be able to specify a scheme or effectively apply the principles of the vision for the broader area

Option 2 - Procure a developer to purchase the site with a defined brief of what CYC would want to be developed on the site

This would potentially generate a decent capital receipt but would require CYC to specify clearly what proposal it wants to see ahead of any vision being defined for the area. A prescriptive scheme might also limit commercial interest in the site if that proposal was not deemed to be commercially viable or attractive to the market. Experience of trying to evaluate different schemes against both financial and qualitative criteria has been difficult in the past

Option 3 - Procure a joint venture partner to develop the site.

This would potentially generate a maximised balance of capital receipt and quality development, giving CYC more control on the scheme. It could potential lead to a long term revenue stream if CYC wanted to retain the long leasehold or freehold, maximising the financial value of the asset in the long term. It would bring in private sector expertise to design and deliver a viable and attractive scheme.

Option 4 – seek to develop the site ourselves

This would maximise all financial benefits to CYC but would bring risk of designing a commercial scheme without the in house resource to deliver at this time.

Option 5 – Do nothing

Await the development of broader plans for the area and devise a commercial approach at that time. This would ensure that the vision and the development were fully aligned but would potentially miss out

on immediate commercial opportunities and risk the loss of momentum on developments currently underway on Piccadilly.

36. Given our previous experience with this site and the centrality of the site to any future area regeneration options 1 and 2 do not afford sufficient control or flexibility. Option 4 is not considered viable at this time and option 5 though low risk is also low on ambition.
37. It is recommended that we proceed with **Option 3** to commence the procurement of a joint venture partner to jointly develop the site. This option will give the council more control over the nature of any development and will enable us to share in the uplift in development value from the site as well as benefitting from the land value. This will more than cover the early investment of £185k to explore further investment potential as set out in Para 30. It will also give greater certainty over the timescale for an eventual development on the site. Proposals for a future development would be brought back to members for agreement.
38. The development of 17-21 Piccadilly will hopefully kick start other private sector developments along the street and establish a quality benchmark for the area. Work on delivering this scheme will be undertaken first as we explore other development potential in the area.

Consultation

39. The proposed scope of regeneration set out in this report has been discussed with stakeholders and land owners in the area. As part of the next development stage it is proposed that this is formalised within the project board structure and that further dialogue is held with all interested parties to develop proposals. This report has been discussed with ward councillors from Guildhall and Fishergate Ward.
40. A comprehensive public consultation will help to shape and develop proposals but at this stage there is no outline “scheme” to consult upon. The next report to members will include proposals for a broad ranging public consultation on the business case, the social and economic benefits and issues and the spatial plans for a potential scheme.

Council Plan

41. Under the draft council plan objectives the project will assist in the creation of a Prosperous City for All, and be a Council that listens to residents particularly by ensuring that :
 - i. Everyone who lives in the city can enjoy its unique heritage and range of activities.

- ii. Residents can access affordable homes while the greenbelt and unique character of the city is protected
- iii. Visitors, businesses and residents are impressed with the quality of our city.
- iv. Local businesses can thrive.
- v. Efficient and affordable transport links enable residents and businesses to access key services and opportunities
- vi. Environmental Sustainability underpins everything we do
- vii. We are entrepreneurial, by making the most of commercial activities
- viii. Engage with our communities, listening to their views and taking them into account.

Implications

42. **Financial** - The One Public Estate Programme has provided grant funding of £70k to fund a project manager. In addition it is estimated that a sum of £185k will be needed to complete the work set out in Paras 29-31. This will be funded from the New Homes Bonus (NHB). Latest indications show that there is over £1m unallocated New Homes Bonus from 2016/17. Funding is needed to deliver the work in the development phase. If a commercially viable scheme is taken forward for any part of the Southern Gateway then this level of exploratory investment will be met from future capital receipts.

Human Resources (HR) –The role of Project Manager and Project Support Officer will be recruited for using normal CYC procedures

Equalities – As proposals for a scheme are developed a Community Impact Assessments will be undertaken

Legal – as proposals for a scheme are developed, detailed legal work will need to be undertaken to identify the most appropriate procurement route(s) and contractual arrangements to be put in place. In the first instance, detailed legal due diligence will need to be undertaken in relation to the 17-21 Piccadilly site as well as an analysis of the most appropriate legal structure to use to achieve the Council's aims for that site as described in this report.

Information Technology (IT) - There are no IT implications

Crime and Disorder - The detail design of any future scheme will need to look at making the riverside more publicly accessible and will require detail consideration of crime and disorder implications and there will be structured input from the Police Architectural Liaison officer

Property – All property implications are covered in the report

Risk Management

43. Failure to take action to shape the Southern Gateway may lead to uncontrolled and undesirable development along Piccadilly or a continuation of the sterilisation of the area. The project itself is still in the very early stages of definition and there are significant risks that the ideas outlined in this report may not be technically deliverable or financially feasible.
44. Procuring a Joint Venture partner will require significant officer time and resource. There is a risk of failing to attract sufficient interest in the market in developing sites through a joint venture partnership arrangement. There will be a need to protect the Councils financial interests within any partnership agreement.
45. All future plans will require planning permission. A full risk register will be developed by the project and will be regularly reviewed by the project board as the project progresses.

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Report
approved



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Wards Affected: Guildhall, Fishergate

For further information please contact the author of the report

Background Papers:

Local Plan Development Control Draft (2005) *Status: Adopted*

Planning Brief Castle-Piccadilly (2006) *Status: Non Statutory Draft
Supplementary Planning Guidance*

Planning Statement Reynard's Garage, 17-21 Piccadilly (2008) *Status:
Officer Planning Statement*

York Central Historic Core Conservation Area Appraisal (2011) *Status:
Evidence base for emerging Local Plan*

York New City Beautiful - Towards an Economic Vision (2010) *Evidence
base for emerging Local Plan*

City of York Strategic Flood Risk Assessment Revision 2 (2013) *Evidence
base for emerging Local Plan*

City of York Local Plan Publication Draft (2014) *Status: Work in Progress*

Annexes

Annex 1 – Site map showing ownership