

Cabinet

3rd December 2013

Report of the Cabinet Member for Finance Performance and Customer Services

Sale of land at Holgate Park

Summary

1. This report sets out a proposal to sell land (known as the 5 acre site) to Network Rail for a substantial capital receipt and also the purchase of a site to the east of the former carriageworks on Holgate Road. The purpose of this proposal is to rationalise Network Rail operational rail facilities onto the 5 acre site freeing up land for development on the York Central site and also to ensure City of York Council retains a strategic land holding for a key access route into the York central site. The York Central site has been derelict for a generation. The sale will also generate a capital receipt.

Background

2. In July 2012 City of York Council acquired Sites A and B as shown on the Site Plan at Annex A from the Homes and Community Agency for a price as detailed in confidential Annex B
3. The reason for this strategic purchase was to assist with bringing forward developments on the York Central site. Negotiations have been taking place with Network Rail and other parties over the last 12 months and because City of York Council have been a strategic landholder they have been closely involved in these discussions.
4. This sale is a critical aspect to achieving this ambition to see York Central developed, not only does it release land to allow the final viability issues to be addressed, being the access onto site, it also allows network rail to consolidate its operational and employment activities with other operators on the “5-Acre site”.

5. This report is complementary to the Get York Building Phase 3 - Infrastructure Investment plan for growth report for York Central in that it will, subject to cabinet approval, see an investment of up to £10m from the Economic Infrastructure Fund (EIF) to create the access into it. The land transaction in this report is the enabler to achieve this, it provides land for network rail to consolidate operational, maintenance and thus employment activities on the “5-acre site” and in return provides a parcel of land for CYC to create the access into the site.
6. Clearly the sale itself is advantageous for CYC as there is an increase in value since purchase, CYC secures additional land to develop, thus it represents very good value for money for CYC. In parallel are massive economic drivers that come with the development of York Central, these are detailed in the Get York Building Report and summarised below;
 - a) The total overall impact of the site on completion will be over 8,000 FTE (direct and indirect impacts through supply chains).
 - b) Circa £599m increase per annum GVA (direct and indirect impacts)
 - c) Development of the site is likely to require approx 6,700 construction jobs over its life.
7. These negotiations have resulted in identification of a phased programme of site release, allowing incremental but comprehensive development of the York Central site. A masterplan and supplementary planning guidance to test and inform this approach will be produced over the coming months. A separate report to Cabinet sets out the emerging details of this approach, and outlines options for the Council to invest in the facilitation and acceleration of site delivery. Early phases of this emerging programme relate to rail consolidation and rationalisation, freeing land for subsequent redevelopment, whilst ensuring York’s position as a 21st Century hub for operational rail employment.

The Proposal

- 8 Negotiations with Network Rail have resulted in the following proposal

- City of York Council sell the freehold of Site A (2.1 hectares) to Network Rail (in order to enable early phases of rail consolidation and rationalisation).
- City of York Council purchase the freehold of Site C (1.1 hectares) from Network Rail
- Network Rail pay to City of York Council a capital receipt as detailed in confidential Annex B

- 9 The result would be that City Of York Council will own the freehold of Sites B (0.5 hectares) and C (see Annex A) which can then be held, in addition to land in Site A safeguarded from operational development and to be held by Network Rail, in order to safeguard two potential access routes into York Central from the A59.

Not all of site C would be required to deliver this road access option, and it is also therefore agreed that any surplus land to the west of an access road route which is not required will be sold back to Network Rail for £1 whilst any remaining surplus land on the east side of an access road would be retained by City of York Council and could potentially be used for commercial or residential uses depending on the shape and size of the remaining site and obtaining planning consent.

Consultation

10. These proposals have been developed in consultation with Council officers who are leading on the York Central development project and Network Rail. The proposal has also been discussed at the Capital and Asset Board on several occasions and has been approved by this Board.

Analysis/Options

11. There are 2 options. Option A is to proceed with this proposed sale and purchase. Option B is not to proceed with this proposal and to retain the freehold of Sites A and B.

Option A

12. If the proposal is progressed then

- Network Rail will be able to install a fan of rail lines across Site A to the carriageworks building which will enable full use of this building for operational rail uses. In addition further buildings and rail facilities will be able to be provided on the remainder of Site A. Various rail operational services will then be able to be relocated from their locations on the York Central site which will free up space on this site for development in accordance with the project plans being developed for this major employment site
- City of York Council will still have strategic land holdings in this location which can be used to provide one of the key access routes (via a bridge to be constructed) to York Central as highlighted in the project plan. There is also potential for a further employment or residential site which can be developed in the future.
- City of York Council will also be receiving a substantial capital receipt. In 2012 the Council paid the sum as detailed in Confidential Annex B for Sites A and B which was considered to be market value for these sites at the time. The capital receipt agreed for this proposal to dispose of Site A and acquisition of Site C is in excess of the figure paid for Sites A and B and is therefore considered to be very good value.

Option B

- 13 City of York Council is under no obligation to sell the site to Network Rail and therefore could decide instead to sell Site A on the open market for employment and commercial uses. However there is no certainty as to the level of receipt that would be obtained.

In addition Network Rail would not be able to bring the carriageworks building back into full use or relocate other rail operational facilities which would delay making the sites available on the York Central site and thus have an impact of the York Central project delivery and timetable.

An opportunity would also be lost in the Council being able to have control of Site C and therefore the timing and certainty of using this land for an access road.

- 14 Whilst Option B is a feasible option to pursue it is not recommended for the reasons give above whilst Option A allows the wider York

Central project to progress and also realises a capital receipt for the Council which could be used to contribute to accelerating and facilitating economic development elsewhere on York Central, pay back the funding provided to purchase the site in July 2012 or provide surplus capital funds.

Council Plan

- 15 This proposal will significantly contribute to the Council plan priority to **create jobs and grow the economy** as it assists in supporting the development of a key employment site in the City.

Implications

- 16 **Financial** – The capital receipt received can be used to repay the capital borrowed to fund the original purchase of Sites A and B and also provide a surplus which can be used to help fund the Council's capital programme
- 17 **Property** – all the implications are contained in this report. The Council will still be left with a substantial freehold land holding in this area which can be used to support the York Central project in the future or alternative uses.
- 18 **Legal, Equalities and Human Resources** – The Council has a general duty under section 123 of the Local Government Act 1972 to ensure that it receives the best consideration reasonably obtainable for disposals of land. In addition the Council must ensure that it complies with state aid rules. As a sale at less than market value may constitute state aid the Council must be in a position to demonstrate that it has achieved market value. Normally this would be demonstrated through an open marketing exercise. However, it can also be demonstrated through having an independent valuation. In this context the Council's own valuers are regarded as independent so long as undue influence on their valuation is excluded. The primary cost of acquiring the land is specifically recognised by the EU as being an indicator of value unless a significant time has passed between acquisition and disposal.

Risk Management

19. There are no major risks associated with the proposals set out in paragraphs 5 and 6 above.
- 20 If the proposed access route across Sites B and C does not progress because of design, planning or cost issues then the

Council could still dispose of this site for other employment or commercial uses as it has access to Holgate Road and is a level and rectangular shape which would be suitable for these uses. It also has potential, as part of the Local Plan development, to provide houses in this location.

Recommendations

21. That the Cabinet

- Approves the sale of Site A and purchase of Site C for the capital receipt as set out in Confidential Annex B.

Reason: To support corporate priorities with respect to jobs and economic growth, to enable the York Central project to progress and to provide capital receipts to fund the Council's capital programme.

Contact Details

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Wards Affected: Holgate			√
For further information please contact the authors of the report			

Background Papers: None

Annexes:

A – Site Plan

B - **Confidential** – Details of proposed capital receipt