



COVID REVIEW OF MAJOR PROJECTS

Corporate Scrutiny Management
Committee
7th September 2020

REVIEW METHODOLOGY

The 5 year approved capital programme from 2020/21 – 2024/25 totalling £600.615m has been reviewed and split into 4 broad categories:

1. Major projects
2. Medium / smaller projects
3. Routine maintenance / rolling programmes
4. Projects nearing completion or substantially complete except for retention payments

Schemes in categories 1 and 2 with a value of over £1m were reviewed.

Evaluation methodology agreed in consultation with Exec Members in line with COVID Emergency decision making powers. Each review considered

The Strategic Business case – has COVID changed the desired outcomes of the project?

Financial Business Case – What is the impact of COVID on key financial assumptions/costs

Delivery – What is the impact of COVID on implementation and delivery of the scheme?

Assess future options - with a view to deciding to :-

- CONTINUE
- PAUSE
- REVIEW
- STOP

Today's meeting considers

1. the review process for Guildhall and York Central
2. Seeks input to the review of Castle Gateway to feed into Executive decision making



GUILDHALL

- MAJOR PROJECT
- Council responsible for project delivery and in receipt of grant funding
- Project nearing completion
- CONTINUE
- Update Exec Q2 Finance report

THE GUILDHALL COMPLEX, YORK
City of York Council

Planning & Listed Building Consent

16/01971/FULM & 16/01972/LBC

16 February 2017

GUILDHALL - STRATEGIC REVIEW

1. The key project objectives agreed by Executive were :
 - To secure the future of this Heritage Asset – through a once in a generation refurbishment and redevelopment with complete renewal of services and green energy installation
 - To secure community / Civic and Council use for the future
 - To provide a high value business venue at the heart of the City – generating significant GVA / job creation potential
 - To generate income to contribute to the financing costs
2. Project objectives remain valid and it is likely that the requirement for flexible business space to support Covid economic recovery will be crucial for the City.
3. Construction contract already in place - ongoing construction work supports the local economy
4. The Council's long term commitment to stewardship of the property remains

GUILDHALL — FINANCIAL BUSINESS CASE

- The business case approved by Executive assumed rental income from the business space and restaurant unit to cover a proportion of the borrowing costs
- Lease for office elements of scheme currently in final stages of negotiation with values in line with approved business case
- A review of the potential to re-purpose the restaurant space as office concluded that the additional costs / borrowing requirement would increase risk and would outweigh potential returns in the short to medium term
- The option to omit the restaurant space would have incurred direct contract costs / jeopardised grant funding and compromised future development
- A soft market review of the restaurant space suggests that the market may be challenging in the short term, but that this is a prime riverside opportunity in the City.

GUILDHALL — STATUS REVIEW

- As at March 2020 the Guildhall project was in week 25 of the construction programme. The works to stabilise and underpin the tower were at a critical stage. A decision to stop or pause works would have triggered:
 - Direct contractual implications – a contract entitlement - on contract value of £15.4m
 - Significant risk to the achievement of the strategic objectives of the project
 - Significant immediate risk to the structure and fabric of the complex – with further deterioration of the structure very likely where as a result of starting the underpinning work the movement of the tower had accelerated
- Impact of pause or stop would have been to incur significant direct costs and risk further increase in contract costs to complete.
- Vinci Construction were able to manage the works effectively whilst observing social distancing and the site remained operational throughout the lockdown period with good progress being made
- **Decision to CONTINUE**

PROGRESS REVIEW

- The project had already encountered significant issues over the period October to February with :-
- The discovery of unknown structural issues to the tower substructure and ground obstructions to the piling
- The high river- levels in Dec 19 / Jan 2020
- During May / June further issues were encountered with Archaeology.
- The Project is behind programme as a result of the above factors . However we are working with the contractor to make Value Engineering savings and evaluate mitigation measures to recover programme time
- Underpinning to stabilise the tower has now been successfully completed and with the demolition work undertaken during lock down and the piling for the new build elements now complete – progress over the last 2 months has been ahead of programme
- Work to the south range to provide new facilities to the Guildhall has progressed well and the strip to the Victorian block and preparatory work for installation of new drainage / services is almost complete.
- Works to the Guildhall roof are underway with the oak structure in near perfect condition. The scaffold to the river elevation has allowed detail inspection of the stonework which is generally in sound condition, with only limited repair works being necessary.
- The revised target completion date is July 21 and an update report will be made to Exec in November, advising on programme and budget, as part of the Q2 monitor.



YORK CENTRAL

- MAJOR PROJECT
- Council working in Partnership to enable project delivery
- CONTINUE
- Exec JULY 2020 report

YORK CENTRAL - STRATEGIC REVIEW

Key brownfield regeneration site – integral to the regional Economic Strategy and York's Local Plan – A central and accessible sustainable location adjacent to national rail connections, to enable the partnership to deliver homes and jobs over the next 20 years:

1. Housing – up to 2500 homes including 20% affordable
2. Commercial space – over 100,000m² with up to 89,000m² of office space for 6,500 jobs – but with built in flexibility between housing / commercial uses to secure optimum mixed use
3. Transformation of National Railway Museum through delivery of £55m Masterplan
4. Creation of new Public Spaces a new Park/ Open space
5. Improved accessibility into and through the site, linking to adjoining neighbourhoods

All **strategic objectives** still valid and if anything are more essential to the future of York's economy and the place shaping for a post Covid world

YORK CENTRAL – FINANCIAL BUSINESS CASE

After decades of stalled activity a public sector investment proposal developed by YCP has now secured funding to unlock the site by investing £155m in the enabling infrastructure. The Council has supported the project development from the £10m York Central budget allocation.

CYC will have made an up front investment of £8.4m to attract external grant funding of £103m and GVA for the city of £1.6bn

| Funding Source | Budget |
|--|----------------|
| | £'000 |
| CYC | 4,662 |
| CYC Borrowing – Enterprise Zone | 35,000 |
| MHCLG funding | 77,100 |
| YNYER LEP | 3,110 |
| WYTF Contribution | 23,500 |
| Balance – Developer Contributions, Land Values, Cost Control | 11,628 |
| Total Funding Available | 155,000 |

| Spend to date | £,000 |
|---|-----------|
| Total Infrastructure costs | 155,000 |
| Total CYC approved project spend (including July 2020 Exec funding) | 16,924 |
| Grant funding | 8,516 |
| CYC capital | 8,408 |
| External grant funding | 103,000 |
| GVA | 1,600,000 |

YORK CENTRAL — FINANCIAL BUSINESS CASE

Impact of Covid

- Costs — recently confirmed costs for enabling works package are in-line with previous expectations. Second package is currently out for pricing confirmation which will provide further intelligence
- External Funding — all existing funders remain committed to the project
- Demand — market intelligence and ongoing soft market engagement advises:
 - York housing market very buoyant
 - Commercial and residential investor interest remains high
 - Progressing discussions about potential Government Hub as early occupier of commercial space
 - Progressing discussions re CYC housing development
 - Market intelligence suggesting that York Central well placed to respond to longer term potential market changes in office design and unlikely to be hit by immediate short term impact of COVID — this risk rests with land owners but will need to be evaluated before any EZ backed borrowing is agreed

YORK CENTRAL - STATUS REVIEW

- Strategic objectives / drivers remain valid for York Central which is key to City's ambitions for Economic Development and Local Plan
- Enabling infrastructure requirement that unlocks the site for development will not change
- The Outline Planning Approval has flexible parameters for development over a 10 – 15 year delivery timescale. Short to medium term impact of COVID can be responded to through the flexible use / mix types
- Impact of pause or stop would undermine the hard won confidence in delivery at this crucial time – where investors are likely to be seeking attractive / deliverable locations
- Pause or stop would have endangered confirmation of the £77m MHCLG grant funding; the dependent £23.5m WYCA funding; future EZ funding availability; potential loss of contractor; programme delay; and increased cost inflation
- Decision to **CONTINUE** with planning – Reserved Matters Application developed in detail with majority of costs incurred – application in conformity with Outline Approval
- In light of the above and ongoing political commitment, July Executive decided to **CONTINUE** with funding

PROGRESS REVIEW

- The Outline Planning Approval Decision for the scheme was issued in Dec 2019
- A Construction Partner was procured to provide Early Contractor Involvement – Design / programming / buildability advice.
- The Reserved Matters Application for the new access into / through the site had been developed and was submitted in April 2020 – determination is pending.
- Since that time the £77m of Government Grant funding has been confirmed for the project
- The cost and provisional programme for enabling works has been confirmed
- The cost for the main contract works is being confirmed by the contractor
- A planning decision on the RMA is expected in October
- Construction enabling works are expected to commence in November
- A&G to review current Risk Register
- Following MHCLG funding announcement CYC will review project governance arrangements with the partnership.



CASTLE GATEWAY

- MAJOR PROJECT
- Council is landowner and scheme promoter - responsible for delivery with some grant funding secured
- Delivery Finance not yet committed
- Initially PAUSED subject to
- REVIEW
- EXEC October 1st 2020
- **Pre decision Scrutiny**

AIMS OF THE MASTERPLAN AND HOW THEY ALIGN WITH COVID-19 PRIORITIES

1. Focus on sustainable transport – pedestrian and cycle routes
2. Reduces vehicle journeys inside inner ring road through closure of Castle car park
3. Replace some car parking capacity and maintain revenues
4. Creation of new public realm
5. Enhanced cultural and heritage offer, potential event space – building on the City's USP
6. Regenerates rundown parts of the city
7. New city centre homes, including affordable homes
8. Helps reinvigorate economy by supporting jobs in construction sector

BUSINESS CASE REVIEW

1. Is the previous delivery strategy viable or the best route to delivery?
2. Is there still a need for a new Multi-Storey Car Park in the city centre with renewed emphasis on active/sustainable transport and potential reduced parking income?
3. How have the risks and commercial returns changed?
4. How will partner organisation schemes and private sector projects be affected?
5. Should the immediate focus switch to prioritising delivery of the public realm at Castle and Eye of York?

CURRENT STATUS

Phase one

Castle Mills

Planning application submitted

Procurement of a construction partner is on hold pending the review

Phase two

Castle and Eye of York

Undertaken a high level design of low, medium, and high cost options

Future decision required on which design option to pursue through to planning and funding strategy

Phase one

St George's Field

Planning application submitted

Procurement of a construction partner is on hold pending the review

Phase one

17-21 Piccadilly

Undertaking RIBA 2 designs and high level costings

Future Executive decision needed as to how to proceed

CURRENT STATUS – PROJECT SPEND TO DATE

2015 – 2020

| Project element | Spend |
|--|--------------|
| Castle Gateway masterplan & project delivery | £907k |
| Castle Mills | £876k |
| St George's Field | £616k |
| 17-21 Piccadilly | £45k |
| Castle and Eye of York | £13k |
| Total | £2.4m |

REVIEW OF INDIVIDUAL COMPONENTS — CASTLE MILLS

Castle Mills

106 apartments

20 of which new council housing

Pedestrian cycle bridge over the Foss

Riverside park at the rear of the Castle Museum

Total scheme costs: £33.2m

West Yorkshire Transport Funding: £4m

Commercial return: £38.1m

Anticipated profit: £8.9m

Abandon

Don't deliver the masterplan and sell the site on open market

£1.7m capital receipt if restricted to residential; £5.6m unencumbered

Lose WYTF; no public benefits; no control of delivery or quality

JV

Seek delivery partner to fund construction; CYC contribution would be the land; developer retains the profit

Delivers the masterplan without CYC capital investment BUT significant extended timescales, loss of control, no profit

CYC deliver

Delivers masterplan, returns maximum profit, invests in economy

BUT high short term borrowing and carries developer risk

REVIEW OF INDIVIDUAL COMPONENTS — ST GEORGE'S FIELD

St George's Field MSCP

372 space multi-storey car park

25 coach parking spaces

Replaces Castle Car Park and offsets revenue

New access road required to cross new flood wall

£500k Yorkshire Water sewer diversion

Total scheme costs: £14.2m

Cross subsidy from other project elements:
£8.9m

**Deficit to be funded by long term
borrowing: £4.7m**

Review

Expensive to deliver due to site constraints

Requires all the profit from Castle Mills plus long term financial borrowing of £4.7m to fund the viability gap

Previously assumed that it would generate £800k annual parking revenue

Will long term car parking revenue reduce due to COVID-19?

Will car parking strategies change due to COVID-19?

Does the capital cost still warrant the investment?

Difficult to review at this stage

REVIEW OF INDIVIDUAL COMPONENTS – 17-21 PICCADILLY

17-21 Piccadilly

Circa 25 apartments

Ground floor commercial spaces

Early design stage so uncertain costs and profit

Estimated land value of £1m if sold

Potential commercial return of £2.2m if CYC develop

Total scheme costs: £5.9m

Commercial return: £8.1m

Anticipated profit: £2.2m

Review

Currently undertaking RIBA 2 designs and costings and pre-app planning advice

This will allow a more informed decision on the potential land value and commercial return

The site doesn't have the same strategic importance or public benefits as Castle Mills

REVIEW OF INDIVIDUAL COMPONENTS — PUBLIC REALM

Castle and Eye of York

Replace Castle Car Park with new public realm

Different options from low cost through to high quality being explored

Current approach requires St George's Field MSCP to be built and operational before the project can begin

Review

Potential to be a key centre piece of city's economic recovery; investing in public realm and sustainable transport; create a major event space; increasing visitor numbers and spend; could be delivered in 2022

Potential external COVID recovery funding streams focused on projects of this type (LEP funding unsuccessful at final stage but on the reserve list and others expected)

If St George's Field MSCP did not proceed profit from Castle Mills could be used to fund the public realm if funding isn't secured

If prepared to take a risk on losing uncertain future parking the project could be brought forward at pace

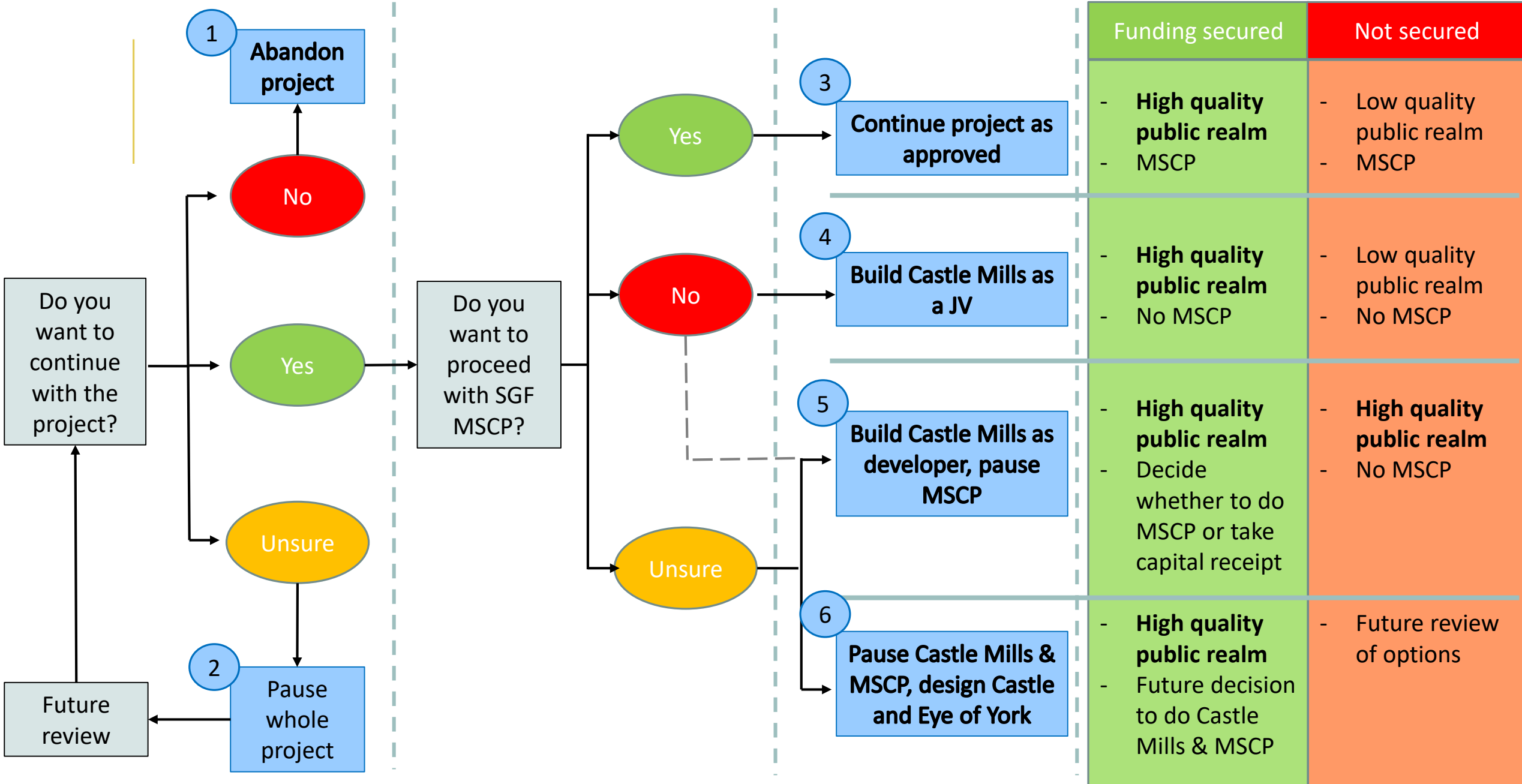
Commitment to designing High Quality public realm now would leave the council best placed to secure funding for minimal abortive costs - £300k to secure £10m....

Project principles review

Car parking review

Delivery review

Outcomes



Project principles review

Car parking review

Delivery review

Outcomes

1 Abandon project

No

Yes

Unsure

2 Pause whole project

Do you want to proceed with SGF MSCP?

Yes

No

Unsure

3 Continue project as approved

4 Build Castle Mills as a JV

5 Build Castle Mills as developer, pause MSCP

6 Pause Castle Mills & MSCP, design Castle and Eye of York

| Funding secured | Not secured |
|--|--|
| - High quality public realm - MSCP | - Low quality public realm - MSCP |
| - High quality public realm - No MSCP | - Low quality public realm - No MSCP |
| - High quality public realm - Decide whether to do MSCP or take capital receipt | - High quality public realm - No MSCP |
| - High quality public realm - Future decision to do Castle Mills & MSCP | - Future review of options |

Do you want to continue with the project?

Future review

Do you want to proceed with SGF MSCP?

Yes

No

Unsure

Continue project as approved

Build Castle Mills as a JV

Build Castle Mills as developer, pause MSCP

Pause Castle Mills & MSCP, design Castle and Eye of York

Funding secured

Not secured

- High quality public realm
- MSCP

- Low quality public realm
- MSCP

- High quality public realm
- No MSCP

- Low quality public realm
- No MSCP

- High quality public realm
- Decide whether to do MSCP or take capital receipt

- High quality public realm
- No MSCP

- High quality public realm
- Future decision to do Castle Mills & MSCP

- Future review of options

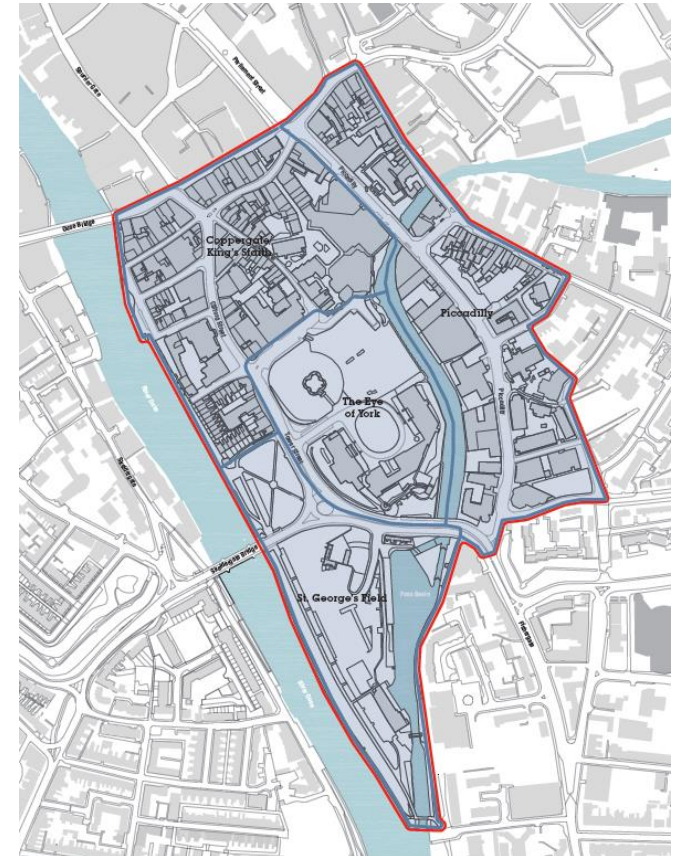
OPTION 1: ABANDON PROJECT

Retain Castle Car Park and sell Castle Mills (£5.65m) and 17-21 Piccadilly (£1m) unencumbered

- Generates capital return (Approx £6m depending on market)
- **But abortive costs of c. £2.4m**
- No capital cost
- No revenue lost

But...

- Does not achieve the ambitions of the masterplan
- Cars remain inside inner the ring road
- No improvement to sustainable transport links
- Higher values from sale of sites likely to deliver student accommodation or hotels



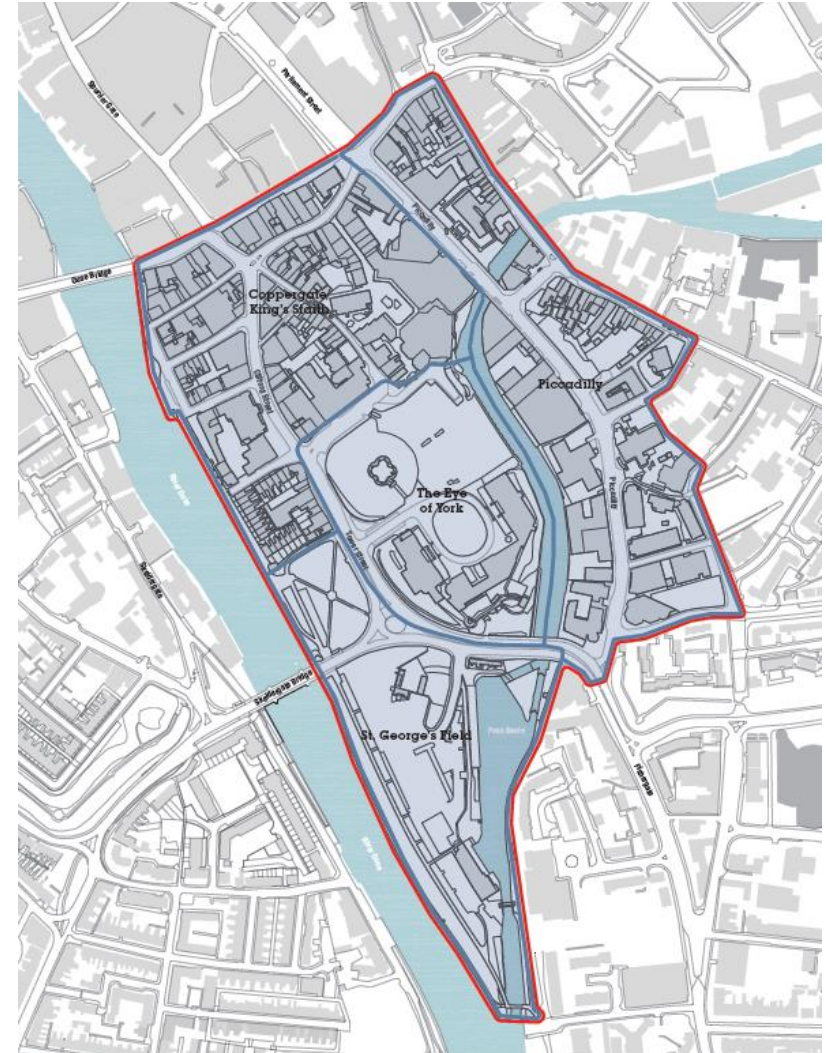
Alternatively, sell Castle Mills and 17-21 Piccadilly and use capital receipt to fund low cost public realm at Castle Car Park

OPTION 2: PAUSE WHOLE PROJECT

Secure planning for St Georges Field MSCP and Castle Mills – Sept 2020, no additional cost

Review in a years time

No abortive costs, but ongoing funding of major projects team to be applied to other budgets



OPTION 3: CONTINUE AS PLANNED

Proceed as previously planned with all elements of the project

Council to act as developer for Castle Mills and St George's Field MSCP

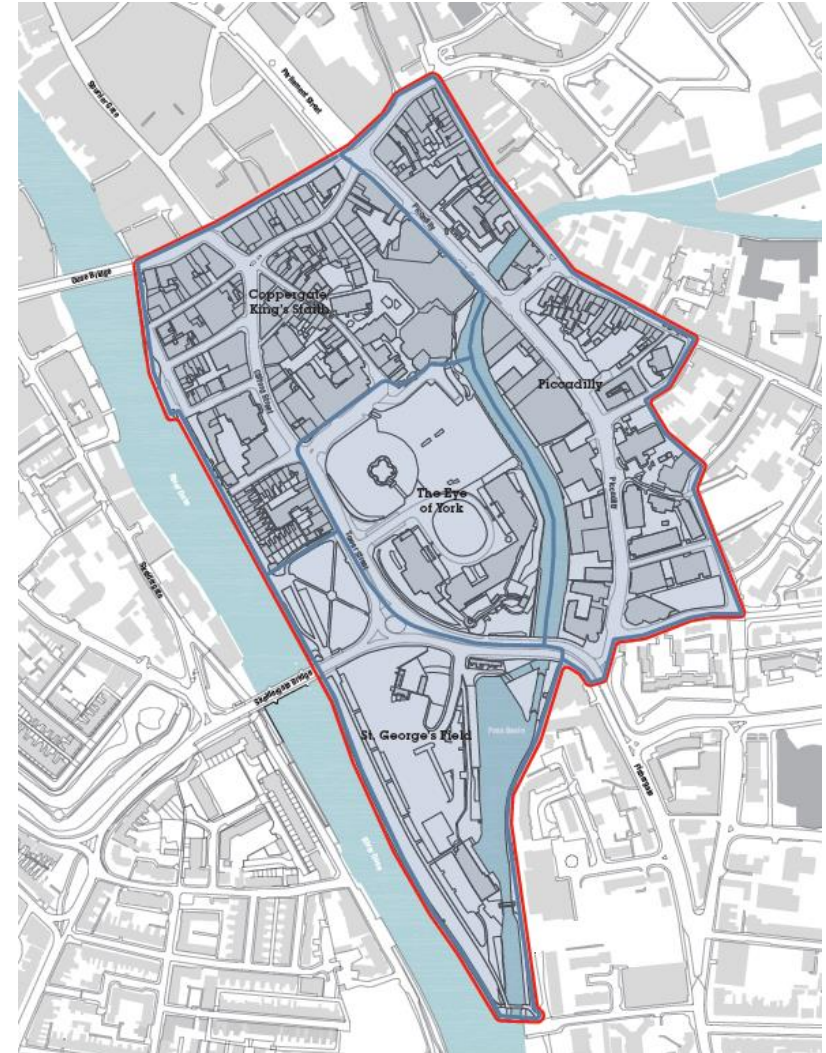
Proceed with paused procurement to undertake RIBA 4 design and provide a tender price for construction

Anticipated short term borrowing for phase 1 of £46m to be repaid by sale of Castle Mill apartments

Council to fund anticipated £4.7m shortfall

Design up high quality public realm to try and secure external funding

Significant short term borrowing; council investment required; council carries all developer risk



OPTION 4: JOINT VENTURE — NO REPLACEMENT CAR PARK

Do not build St George's Field MSCP but proceed with closure of Castle Car Park

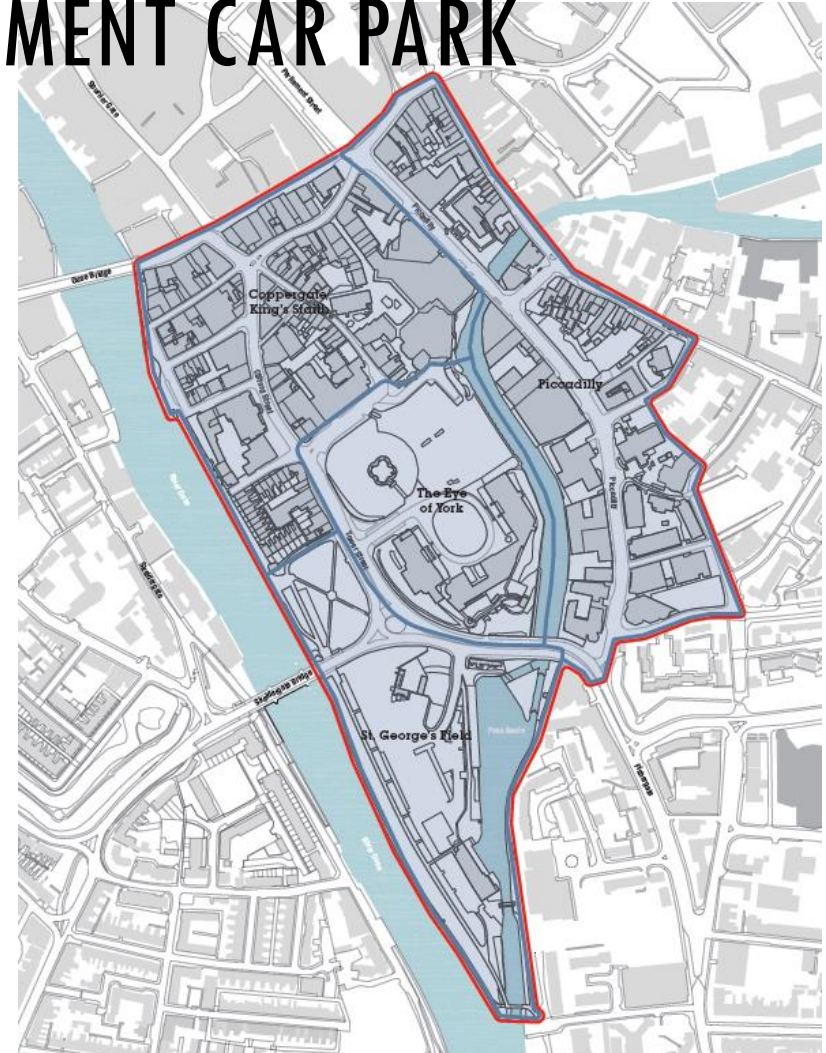
Seek a joint venture partner for Castle Mills

No direct council investment required but no profit

Design up high quality public realm to try and secure external funding

No route to fund the public realm if external funding isn't secured

Securing JV partners is a long complex process likely to take in excess of 12 months followed by a review of the proposals, concedes control of delivery, and there may be little appetite in current market



OPTION 5: BUILD CASTLE MILLS – PAUSE ST GEORGE’S FIELD

Proceed as planned at Castle Mills, with CYC acting as developer (c. £32m investment to secure c. £9m profit)

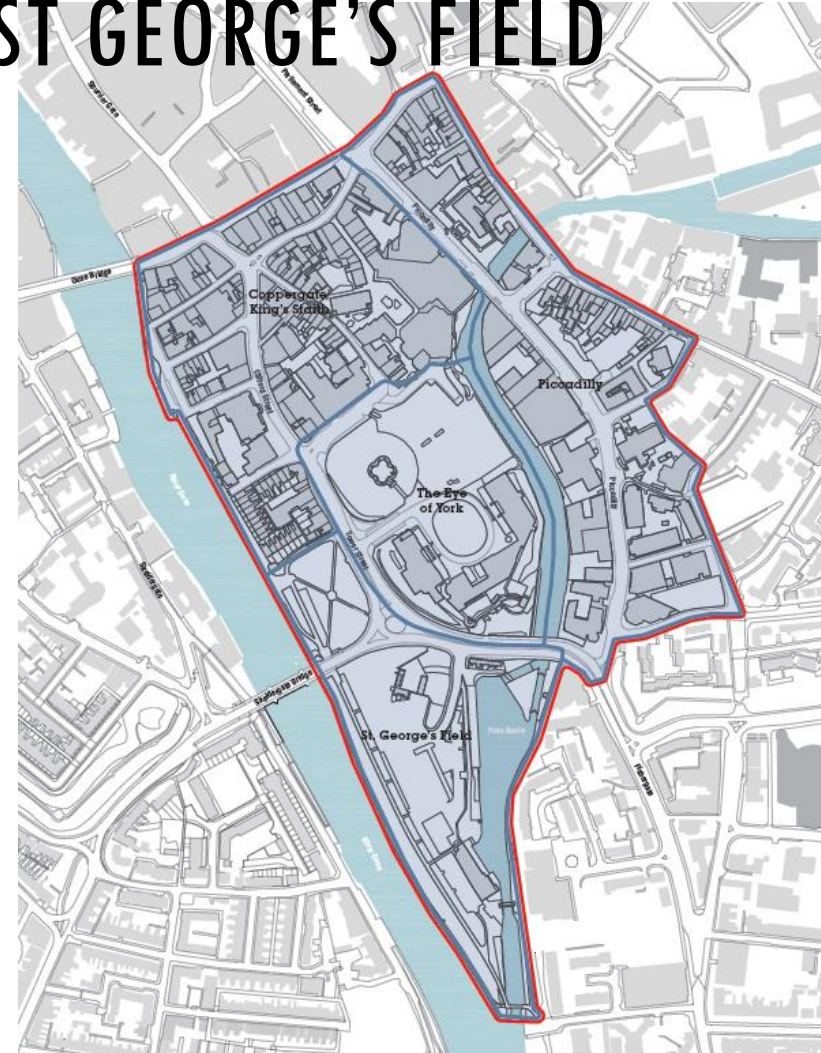
Delay a decision on St George’s Field until next summer

Design up high quality public realm to try and secure external funding

If external funding isn’t secured for public realm the profit from Castle Mills could be used instead, rather than funding the multi-storey car park

Decision to proceed with Castle Mills will only be made once actual tender prices are known next summer

Allows the project to continue at pace but with phased decision making



OPTION 6: PAUSE CASTLE MILLS & ST GEORGE'S FIELD; PROCEED WITH PUBLIC REALM DESIGN

Delay a decision on Castle Mills and St George's Field until next summer

But still design up high quality public realm to try and secure external funding

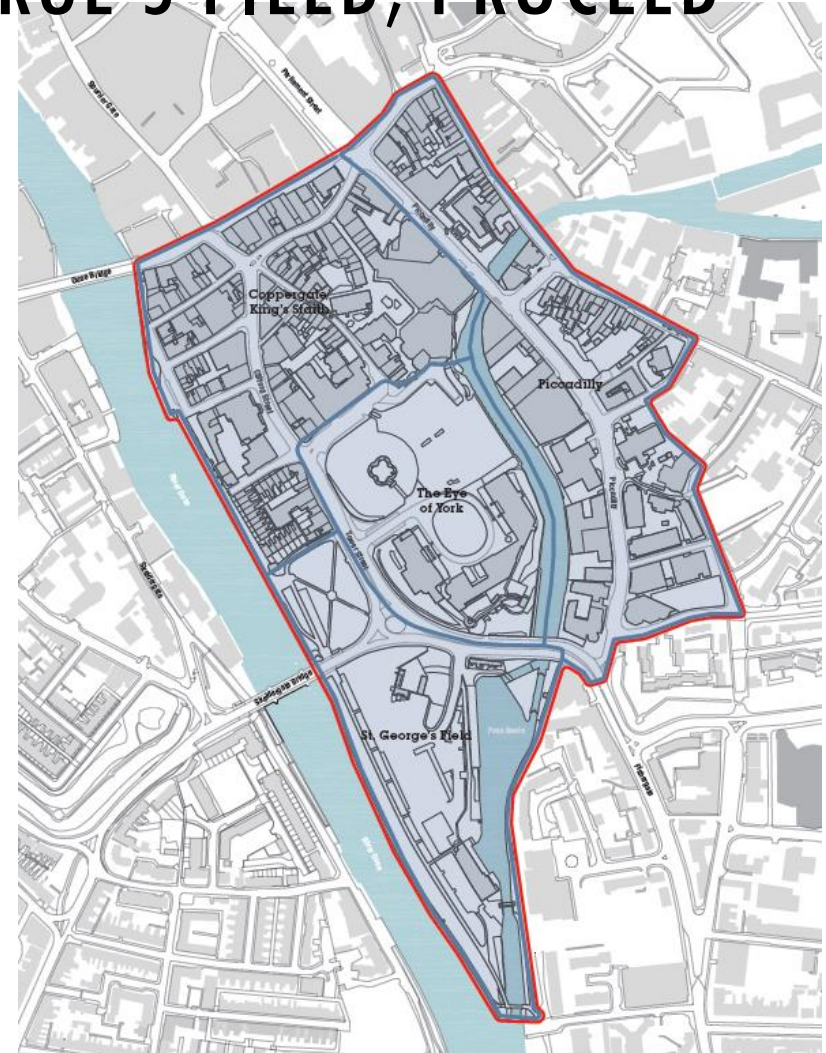
Minimum short term investment and allows informed decision making

Would cause a significant delay to the project and investment in the local economy

Lost opportunity to deliver city centre social housing

Loss of momentum and potential cost inflation

Possible loss of grant funding



NEXT STEPS

Decision as to how to proceed to be taken at 1st October Executive

Seeking the views of scrutiny to inform that decision