

## **Executive**

Report of the Director of City Strategy

### **Community Stadium – Business Case**

#### **Summary**

1. The purpose of this report is to present the Executive with the findings of the feasibility work for a community stadium. The report illustrates that there is a business case for a community stadium development in York that is cost effective, commercially sustainable and meets the project objectives whilst also maximising the potential for external funding, income generation as well as offering community access and benefits. However, it must be recognised that this is dependent on a significant funding gap being met by a commercial enabling development. Thus, successful delivery is dependent on commercial development and market forces. In the current economic climate this adds significant risk.
2. The feasibility work and demand analysis concludes that as a minimum the project can deliver a stadium and county standard athletics facilities. A strong case exists for the inclusion of additional components to which will offer social and economic benefits and ensure the stadium is commercially sustainable and will have a wider positive impact on the City.
3. As part of the site selection and costing exercise the facilities considered were determined as 'essential' or 'desirable'. Two different facility mixes have been established with the potential of other additional options. The costs, external funding opportunity and net revenues are summarised in Table 1 below.

**Table 1: Essential and Desirable facility mix costs**

<b>Facility Mix A (Essential)</b>	<b>Capital Cost (£000s)</b>	<b>Net revenue position for stadium management company (£000s)</b>
6,000 all-seat stadium	9,000	-220
Athletics off-site	1,238	-126
<b>Total</b>	<b>10,238</b>	<b>-346</b>
<b>Facility Mix B</b>		
6,000 all-seat stadium	9,000	-220
Athletics off-site	1,238	-126
3G Pitches	1,508	86
Budget Hotel	4,490	313
<b>Total</b>	<b>16,236</b>	<b>53</b>
<b>Additional Options</b>		
Flexible Office Space	2,600	18
Commercial Health and Fitness	3,000	200
Cycle Track	956	-57

All figures are indicative and do not represent a proposal

**Table 1 Assumptions:** Capital costs include fees / contingency and inflation, but not taxation. Revenue figures assume stadium management company costs included. Scope exists to reduce revenue and capital costs if the athletics and other sports facilities are provided off-site in partnership with the university.

4. Consideration has also been given to a lower specification core stadium. If the number of stands are reduced the cost becomes less. For example, Oxford United have only 3 sides to their ground. The final end stand is proposed to be completed when funds are available or the need arises. A cheaper solution would be for two main stands only. This could reduce the cost by c. 11% for the lowest grade option. Costs could be further reduced if the amount of seating was reduced. All these options run the risk of undermining the stadium commercial appeal. In addition the Football Stadium Initiative Fund (FSIF) funding requirement is for an all seated stadium.
5. Consideration also needs to be given to the 'do nothing' option. Clearly this would leave the City without all the advantages flowing from a community stadium development.
6. The revenue position for the two facility mixes is based on a detailed financial model. For Facility Mix A there would be an operating deficit of -£346,000 per annum. Facility Mix B, with its higher capital spend and inclusion of more commercially focused activities, would result in an operating surplus of £53,000. That represents a difference of £399,000 per annum. Expressed as a return on the additional capital invested, it would be c. 7%.
7. A three stage site selection exercise was undertaken in line with the sequential approach set out in national Planning Policy Statement 4 (PPS4). The work undertaken has identified a final short list of four sites. These are:

- Bootham Crescent
- Hull Road/Heslington East University campus
- Mille Crux/North of Nestle
- Monks Cross

8. Detailed development appraisals have been undertaken for each of the sites. The two facility mix models have been applied to each of the short-listed sites. A summary of the findings is set out below in Table 2.

**Table 2: Capital costs and funding gap for short-listed sites**

Facility Mix A	Bootham Crescent £000s	Hull Road £000s	Mille Crux £000s	Monks Cross £000s
Total costs	(13,188)	(11,988)	(16,988)	(11,488)
CYC Funding	4,000	4,000	4,000	4,000*
Other 3 <sup>rd</sup> Party Funding	330	3,330	3,330	3,330
<b>Funding Gap</b>	<b>(8,858)</b>	<b>(4,658)</b>	<b>(9,658)</b>	<b>(4,158)</b>
Facility Mix B				
Total Costs	(19,186)	(17,986)	(22,986)	(17,486)
CYC Funding	4,000	4,000	4,000	4,000*
Other 3 <sup>rd</sup> Party Funding	1,000	4,000	4,000	4,000
<b>Funding Gap</b>	<b>(14,186)</b>	<b>(9,986)</b>	<b>(14,986)</b>	<b>(9,486)</b>

All figures are indicative and do not represent a proposal

Figures in brackets are negative values (deficit).

\* Issues relating to the disposal of Huntington stadium are covered in the 'closing the funding gap' section paras 99 to 102 later in this report.

9. The current information available suggests that the principal stakeholders cannot directly fund the project from the budgets that are available. Therefore project delivery will be dependent on an enabling development to generate the necessary funds to facilitate the community stadium scheme. A more detailed analysis of issues relating to enabling development is provided in Annex 12. Projects have been delivered elsewhere with similar funding gaps using enabling development as the principle funding mechanism. Of particular relevance are schemes at St Helen's, Warrington, Southend, Chesterfield and Grimsby. Other options exist to reduce the funding gap which include value engineering, specification reduction and procurement strategy.
10. The most effective, timely, risk averse and deliverable method of achieving enabling development is through a single site solution (where the enabling development and stadium are considered as one application).
11. To achieve the necessary level of uplift in value to fund the project a strong and robust planning case. There are a number of principles that would need to be established to justify the use of enabling development and these are explored more fully in the body of the report. Under all options considered this development would likely be led by retail or residential development on a site that is zoned for another planning use. If the project is to be delivered, a policy decision will need to be taken to assess the impact of, for example, some form

of retail development or a relaxation of s106 contributions for residential development.

12. The potential site options are as follows:

- **Bootham Crescent / Dunscombe Barracks:** A split site solution that would require enabling development at Monks Cross South and a core stadium on the Bootham Crescent site and the adjacent MOD land with community sports facilities off-site. This would have complex land assembly issues, higher delivery risks and represent a higher capital cost than the single site options.
- **Hull Road:** A comprehensive single site development at Hull Road Sports Village. A good location with potential to link to the wider university campus extension. However, there is a higher planning risk as the majority of the land is in the Green Belt and therefore 'very special circumstances' would need to be demonstrated. Opportunity does exist for the outdoor sports facilities to be provided as part of the 'sports village' as a sub-option.
- **Mille Crux / Nestle:** A split site solution that would require enabling development at Monks Cross South with the Community Stadium and sports pitches to be delivered at Mille Crux. However the land assembly issues are complex including a potential land swap and there is limited scope for enabling development on-site. As with Bootham Crescent it would have higher capital costs and more delivery risks than a single site option.
- **Monks Cross South:** A comprehensive single site redevelopment of Monks Cross South which is not a green belt site. The Vanguard site already site has planning permission for business use and there is commercial potential/interest. There is an existing stadium on the site, a council asset, with the opportunity to incorporate community uses and it already has good transport links.
- **Off-site outdoor sports provision:** For all options, the possibility exists to provide off-site community sport facilities at the Hull Road Sports Village University which maximises potential for external funding, income generation and offers community access / benefits. Discussions with the University on this option are currently underway.

13. The next steps needed to take the project forward are to agree a preferred option / site and undertake further work to secure delivery which might include:

- Market testing
- Develop a procurement strategy that will enable the delivery of the stadium component uses on a prioritised basis to ensure the delivery of the highest quality, most commercially sustainable and greatest community benefit, which can be delivered using the most cost effective use of resources, in the shortest timeframe.
- Agreeing terms with the relevant bodies to the particular option, which could include the following:

– York University

- MOD
  - Project partners (Sports clubs) re governance and operation
  - Other appropriate landowners / developers
  - Other potential partners
- There will be financial implications to deliver this project. It is recommended that a procurement strategy be developed once a preferred site is identified. It is estimated that the total project costs for a project of this nature will be approximately 20% of the total capital cost. Until the exact proposal is known the amounts are difficult to quantify. For this reason it is proposed to proceed in stages. (further details provided in Finance Director's comments paras 129 –132. The first stage will work towards procurement and include the following key actions:
  - Negotiation with landowners / partners and developers etc
  - Land assembly
  - Legal support
  - Development of planning / development briefs
  - Initiation of 1<sup>st</sup> stage of procurement process
  - Undertake further feasibility work as appropriate
- Based on other key CYC capital projects the estimated cost for the pre-procurement and land assembly stage is c. £200K. It is proposed that the funding for these initial project costs could be met from existing unallocated Local Authority Business Growth Initiative (LABGI) money. £12k of previous LABGI allocations is available to use in addition to the £186k received in 2009/10 totalling £198k.

## Structure of Report

14. This report presents the business case for a community stadium. It is a summary of the findings as there are many complex issues associated with the project. Much of the detail is provided in annexes, which draws on more detailed feasibility work and studies that have been commissioned. Details regarding the different strands of work undertaken are provided in Annex 6.
15. The report looks at the case for uses and components that could contribute to a community stadium in York. A menu of essential and desirable components is established. These are applied to a short-list of potential sites and the options are appraised against the success criteria set for the project. Assessment of risks is undertaken with particular reference to capital cost, ongoing revenue commitment, funding, planning, land assembly, procurement, complexity, timescale and legal considerations.

### Annexes

16. More detailed information / evidence from the feasibility study is provided to support the report, set out in the following annexes:

<b>Annex</b>	<b>Document</b>
1	Bootham Crescent/Duncombe Barracks Appraisal Proforma
2	Hull Road/Heslington East Appraisal Proforma
3	Mill Crux/North Nestle Appraisal Proforma
4	Monks Cross South Appraisal Proforma
5	Option for off-site sport provision
6	Feasibility work undertaken
7	Comparator Study (from the Outline Business Case 23 June 2009)
8	Potential for a Community Stadium, Wider Stakeholder and Community Opportunities – full analysis
9	Detailed Strategic Fit Matrix
10	Economic Impact Assessment
11	Planning and Transport Issues (summary)
12	Principles & analysis of enabling development and relevant case law
13	Operating / Management Issues
14	Capital and Revenue Cost Table

## Background

17. In 2003, in a move to help to ensure the continuation of York City Football Club (YCFC), the Football Foundation (FF) through the Football Stadia Improvement Fund (FSIF) provided YCFC with a loan of £2M. With the council's commitment to work in partnership with the football club to deliver a community stadium an agreement has been reached with the FSIF, providing a suitable application is submitted by May 2012, the loan can be converted into a grant towards a new stadium (subject to compliance with FSIF funding requirements). Thus, if the project is not progressed to a well advanced stage by May 2012, the FSIF loan

and subsequent grant may be lost. As things stand , YCFC would then have to find the means to repay the loan.

18. Alongside this there is an overriding need to improve and develop other sporting / well-being facilities in the City, as set out in the council's strategy for sport and leisure. The council has seen an opportunity to work with YCFC, York City Knights and City of York Athletics to improve the range and accessibility of sports and well being facilities and to achieve results which benefit all parties to a greater degree than could be achieved working separately. The council has identified the project as a corporate priority and has allocated resources to assist in its delivery.
19. An Outline Business Case, submitted to Executive on 23rd June 2009, established the vision of a hub of sport, well-being and learning. It was agreed that more detailed feasibility work be commissioned to develop a robust and deliverable proposal which would be brought to Executive by July 2010. Details of the different strands of work undertaken that contributed to the feasibility are set out in Annex 6. This work provides an evidence base for the business case and options appraisal. It has been undertaken by the council's project team and supported internally by CYC's professional services and externally (where the relevant expertise was not available).

#### **What is a Community Stadium?**

20. There are many community stadiums across the United Kingdom. All have different ways of engaging with the community but are similar in that they provide facilities and services to local communities over and above their 'primary' sporting facilities (which are often provided to enable professional football, rugby league and/or rugby union matches to be played). A comparator study detailing stadium facilities / services was undertaken and presented in the Outline Business Case (Executive 23 June 2009). It has been attached as Annex 7 for information.
21. The goal of many of these stadia is to become an accessible hub in terms of geographic accessibility and affordability for the community. They range from a base for outreach community sports initiatives to full sports villages. These facilities are available to residents from all backgrounds and abilities (including young people and adults with disabilities), as well as local schools, universities and clubs. They can also provide facilities for elite sports people from the local area.
22. There have been a number of innovative new approaches to provide the 'community' element of the stadium. Healthcare and education provision have been used to generate an income stream and are provided as part of the wider stadium complex. Successful examples of this are with the PCTs at both Preston and Warrington and with higher / further education colleges at Headingly and Hull.
23. Many community stadiums have received support from councils. The Local Government Act 2000 gives councils wellbeing powers to use resources on projects with tangible community/economic benefits. This support has ranged

from assistance with infrastructure to direct funding. Where councils have got behind stadium projects, exciting community focused initiatives have been delivered with impressive outputs for the community. However, State Aid rules strictly prohibit councils from giving money (or state aid) to other bodies.

24. In a number of instances councils have supported projects with some of the indirect costs relating to land assembly, infrastructure and wider accessibility issues. St Helen's is an example where other types of support were provided by the council that amounted to £6M towards the project.

### **Potential for a Community Stadium in York**

25. A detailed needs analysis has been undertaken to determine the potential components that could make up the facility mix of the Community Stadium. This is essential from a project affordability and commercial viability perspective. Furthermore, a clear evidence base demonstrating need is also essential to make a robust planning case.
26. In assessing the potential options that could comprise a Community Stadium it is important to consider the criteria they will be judged against. The principles established for the delivery of the project are set out below. The targets of the Community Stadium sought by the Stadium Partnership Group and the council Executive that project might:
  - Provide a modern stadium shared between YCFC and York Knights RLFC that meets minimum league requirements
  - Provide a replacement athletics facility to a minimum of county standards
  - Maximise opportunity for the people of York and its visitors
  - Maximise community use including sport, education and health / well-being
  - Be commercially sustainable, the project must result in a viable business venture
  - Be an environmentally sustainable development
27. The work undertaken in evaluating the potential for the community stadium concludes that that the project offers a wide ranging wealth of benefits and opportunities for the community (these are explored in detail in Annex 8):
28. **Core Stadium:** The principal component of the project is the core stadium. As a minimum the core stadium should:
  - Have a minimum capacity of 6,000
  - Meet criteria for both football and rugby leagues at least one tier above current position
  - Be capable of being extended to 12,000 to allow for entry requirements for the higher tiers of the football and rugby leagues
  - Incorporate income generating uses
  - Designed to comply with FSIF grant requirements (which require the stadium to be all seated).
  - Not have an athletics track inside the main stadium



29. **Sport:** Promote a sporting culture to the community through the council's commitment to the support and development of a new home for YCFC and York Knights. Community sport facilities will advance and expand grass root sport development. A demonstrable need has been identified for the following sports to be incorporated:
- **Sports Pitches:** There is a demonstrable need in the city for additional 3<sup>rd</sup> Generation (3G) sports pitches, particularly focused around mini-soccer. The Football Foundation are supportive, particularly if part of a wider sports village / community stadium complex and have indicated funding would be available.
  - **Cycling:** With the York's Cycling City status and the lack of off-road facilities in the region, there is a case to provide a closed circuit cycling track as part of a wider sports village / stadium complex. Offering scope for cycling development, school's use, safety training, club training, time trials, as well as recreational cycling, running and triathlon. British Cycling are very supportive of the scheme and have indicated that funding would be available.
  - **Athletics:** Huntington stadium has the only synthetic athletics track in North Yorkshire and needs significant financial investment for modernisation and ongoing maintenance. Nationally, there is significant growth in participation rates in athletics (athletics field, athletics track, running track, running cross country/road, running road, running ultra marathon and jogging). There is a significant opportunity that the athletics facilities could be provided in 2012, contributing to York's Olympic offer and legacy. Though the athletics facilities could be part of the wider stadium development they could also be located off site:
    - **Provide the athletics facilities as part of the stadium complex:** offers considerable benefits in terms of the management of the facility and links between the other sporting uses.
    - **Provide the athletics facilities off-site:** opportunity exists to integrate a new athletics facility as part of Hull Road Sports Village.
30. **Associated Commercial Activity:** detailed feasibility and market testing has been undertaken to assess the uses that are compatible with the stadium but also offering commerciality. The exercise concludes that 3G Pitches, private health and fitness, pre-let commercial floor-space and a budget hotel are commercial uses that may compliment the community stadium development and bring essential revenue streams. The appropriateness of these uses to each of the short-listed sites is covered later in this report.
31. **Health and Wellbeing:** The provision of new, quality sporting facilities will increase sport and active leisure participation levels. All members of the community would be able to access the potential health and wellbeing facilities offered as part of a stadium development. These include:
- **Health care services:** After detailed discussions with the Hospital Trust (over the past 12 months) including possible service provision and

floor plans, it is recognised that, subject to funding, there is a potential opportunity to incorporate health services into the Community Stadium.

- **Independent Living Demonstration and Assessment Centre:** There is an opportunity for CYC to work with its partners to provide an Independent Living Demonstration and Assessment Centre as part of the stadium development. Locating the centre at the stadium will uphold and aid independent living, increase accessibility and promote a sense of inclusiveness amongst its users.
- **Stadiums and Health Initiatives:** The stadium could be used as a tool to deliver health initiatives to the community. Examples from around the UK include:
  - ‘FitFans’ Weight Management scheme in Hull, KC Stadium and Craven Park
  - Health Checks in Leeds, Carnegie Stadium
  - ‘Playing Safely’ Sexual Health Initiative in Oldham
  - ‘It’s a Goal’ Mental Health Initiative in Macclesfield

32. **Learning, Training and Skills:** Opportunities exist to use the project as a tool to encourage and deliver learning, training and skills.

- **Targeted Recruitment and Training:** The project can be used to secure commitment from developers to deliver apprenticeships, work placements and training to the community. Depending on the scale of the development a commitment to deliver approx. 617-1028 training weeks could be achieved.
- **Social Enterprise:** A social enterprise, similar to Krumbs Café or the Blueberry Academy could be included in to the stadium, increasing the learning and skills provision available to the community.
- **Institute of Sport:** York St Johns University would like to locate their Institute of Sport at the stadium. This would act as a central hub for sport within the city, embracing the Council of Europe’s definition of sport.
- **Training / conference venue:** CYC and other public bodies around the city and the region have identified the need for training facilities. Discussions with Hospital Trust, North Yorkshire Police and North Yorkshire PCT and York St Johns have shown that there is interest in using the stadium facilities as a training venue. Furthermore there is also the opportunity and support for creating a public sector training partnership through the stadium’s facilities.
- **Job Creation:** The stadium has the potential to create 220 direct and 81 indirect employment opportunities. This is explored further later in this report and in Annex 10.

33. **Environmental Sustainability:** The community stadium could be designed to incorporate environmentally sustainable elements and is likely to be able to

access other external funding streams. The opportunity also exists for York to set the benchmark in 'green' stadium design. Detailed work has been undertaken in exploring the scope for making this a highly environmental sustainable project. The more activity included on one site, the greater the scope for energy efficiencies and the use of green technologies. An outline business case has been established for environmental sustainability opportunities. This awaits completion as it relies on site specific data. Once a preferred site is agreed, the work can be finalised and opportunities for delivery and funding can be further explored. Further details are provide in Annex 8 para 73.

34. **Contribution to city and regional objectives:** The community stadium has a very strong strategic fit. It will enable the council and its partners to deliver many of their strategic commitments and priorities. It also facilitates further partnership working which could include a public sector training hub, health services and education provision. (This is covered in more specifically in Annex 9).

### **Conclusion of need / demand assessment**

35. The Community Stadium project presents a significant opportunity for York. Detailed and robust evidence demonstrates a need for a community stadium incorporating a wide range of facilities in York. It could deliver a diverse range of benefits and would be a significant and valuable asset to the City, incorporating significant community and stakeholder opportunities. It is clear from the work undertaken that the following components should be considered to be incorporated into the stadium subject to funding and site location:

- 6,000 all seat capacity stadium with the potential to expand
- Athletics track (on or off site)
- 3G pitches
- Cycle track
- Health and fitness facilities
- Budget Hotel
- Pre let commercial / community floor space

Note: some of the above uses may not be suitable for specific sites e.g. Health and fitness is already provided at Monks Cross South. This is covered later in the report.

### **Appraisal of Potential Options**

36. Each of the short-listed sites offer different funding and development opportunities. It is therefore important that some flexibility is provided when setting out the options that can be assessed. There is little point in providing a very prescriptive mix of component options. It is likely that the decision regarding the facility mix will be subject to a number of important factors relating to the preferred site, the procurement route, market conditions, land values and the success of potential external funding bids. Thus, a menu of capital / operating costs along with their economic and community impact is provided, so they can be judged against each another.

### Financial Analysis

37. A detailed financial model has been developed that illustrates different operating positions for the stadium and its component uses. The figures are based on best estimates from a wide evidence base of other stadia, sport facilities, the sports clubs current positions and market intelligence. They are provided as 'best estimates' and should be treated so. It is also important to add, that the model has been designed on the basis that the stadium would be financed, built and operated directly by a Stadium Management Company (SMC). This is the most transparent way to assess the real cost of all the components, establish where there are financial risks and which offer best / worst yields. It will also be useful to inform any future market testing or procurement exercise. It also identifies the capital funding gap.
38. The operating, management, maintenance and lifecycle costs are apportioned on a percentage basis to provide a reasonable indication of on-costs.
39. Table 3 (provided in Annex 14) illustrates the potential capital costs, external funding, net revenue position and annual return on capital. Before considering the possible mix of uses, an analysis of the capital and revenue is undertaken.

### Capital Cost Analysis

40. The principal and most expensive component of the project is the core stadium. Table 4 below sets out a range of capacities and specification costs. For the purposes of this feasibility cost of £9M for the core stadium has been assumed.

**Table 4: Stadium capacity and specification costs**

Capacity	Low specification (£m)	High specification (£m)
6,000	£9m	£13m
10,000	£12m	£17m
12,000	£15m	£25m

All figures are indicative and do not represent a proposal

Below are a set of assumption that relate to all capital costs:

- The stadium costs identified range from essential through to a higher quality specification. There are many different options that can be considered. Minimum would include 15 executive boxes / hospitality facilities, support facilities for professional sports teams and small element of car parking.
- All core stadium costs assume compliance with FSIF requirements, a minimum capacity of 6,000 (all seat).
- Commercial floorspace costs are based on a category A fit-out. Thus scope exists for reducing costs depending on the requirements of the potential tenants.

- Athletics costs are for the provision of an 8 lane county standard track.
- Pavilion facility costs are spread between the athletics and sport pitch costs for off-site sports provision costs.
- Health and Fitness assumes the capital costs for the development and fit-out of the facility but it to be run under management contract.
- Budget Hotel assumes the capital costs for the development and fit-out. The facility would be run under a management contract.

Note: some of the above uses may not be suitable for specific sites e.g. Health and fitness is already provided at Monks Cross South. This is covered later in the report.

### **Revenue analysis**

41. Commercial sustainability is one of the essential success criteria of the project. This presents a significant challenge, as the benchmarking exercise has shown, that most stadiums operate with some form of subsidy. There is no budget identified to provide ongoing revenue for the stadium's operation. The sports clubs have a limit on the amount they can pay for its operation, if running costs increase or income generation targets are not reached it will threaten the position of the sports clubs.
42. The design and feasibility work has been approached to ensure there is sufficient income generating potential in and around the facility to address any operating losses. This has involved the potential inclusion of the following components:
  - Pre-let commercial floorspace
  - Hospitality facilities / executive boxes
  - 3G sports pitches
  - Budget Hotel
  - Health and fitness
43. The components listed above represent opportunities to generate income net of cost and the needs analysis shows they can work as part of the stadium complex. Some of the components have the additional benefit of contributing to the wider community offering and strengthen the achievement of another essential criteria of the project. However, the appropriate stakeholder interest in the scheme will be site dependent.
44. There is a relationship with the level of revenue generated and the capital costs of the project. In assessing the options of what should be included in the stadium model, serious consideration needs to be given to their capital cost, operating costs and income generation potential against the ability to meet the project objectives.
45. The sports clubs have high expectations of the new facility and would like to see their revenue positions improve to assist in their sustainability and progression. The first call on any income generation must be the basic operation of the

stadium. Once these costs are covered, a profit share mechanism will distribute funds.

46. Potential options for governance and management of the facility are discussed later in this report and in Annex 13.

## **Funding**

47. **Council Capital Contribution:** £4M has been identified in the council's capital programme to support the delivery of the community stadium project. The main restriction over the use of this money is that it complies with the council's well-being powers under the Local Government Act 2000 and complies with the European State Aid regulations. Details regarding these issues are covered later in this report.
48. **Football Stadia Improvement Fund (FSIF) grant.** This will cover the £2M loan made to YCFC into a grant providing a suitable application is made by May 2012 which is compliant with the fund's conditions. The rolled-up interest on the loan will need to be repaid (an additional £231,330) on this date. There is a time limitation risk with this funding. The FSIF have re-affirmed that their funding criteria require the stadium to be all seated in order to receive the football league entitlement of £2M.
49. **Disposal value of Bootham Crescent:** Any receipt from Bootham Crescent would probably be cancelled out by existing debt that would have calls on any equity from the sale. Dependent on the market value at the time of sale, it is possible this could result in a small deficit, not a surplus.
50. If Bootham Crescent was not disposed of and the site used for the redevelopment of the stadium the outstanding debts would need to be funded from an alternative source.
51. **External funding opportunities:** Funds relating to other aspects of the project may be available although in the current financial climate public sector funding opportunities will be severely limited. Discussions have been on-going with the following relevant funding agencies and governing bodies. Estimates of available funding are included in Table 3 in Appendix 14 and come from the following organisations:
- Football Foundation – 3G mini soccer and full size sports pitches
  - British Cycling – Cycle Track
  - UK Athletics – County standard athletics facility
  - Sports England – Support facilities for sustainable sports facilities
  - Environmental sustainability grants – where there is a strong case to use some green technologies

If funds are available it considerably strengthens the business case for their inclusion as part of a sports village or stadium complex.

52. **Other partner funding:** YCFC are the only club with any significant assets. In current market conditions it is unlikely they or any other of the partners of the project will be able to make a capital contribution.
53. If outdoor sports facilities are provided off-site in partnership with the university, the opportunity exists for capital and revenue contributions towards the development, maintenance and ongoing operation of the facilities, strengthening the business case for the inclusion of a wider range of facilities.
54. **Funding conclusion:** The identified funding streams will not cover the cost of the simplest stadium development (a core stadium and replacement athletics track). The options to close the funding gap form the main focus of the remainder of this report, particularly the opportunity that may arise from the site selection exercise.

### Economic Impact Assessment

55. In considering the business case it is important to understand the economic impact the potential different uses/components will have and how they contribute to the key criteria for the success of the project.
56. The table below provides an initial quantification of the possible economic outputs which could be created by each facility/component. More details regarding the Preliminary Economic Impact Assessment can be found in Annex 10.

**Table 5: Community Stadium potential economic outputs (by facility)**

Facility	Gross Direct Effects (£000s)	Net Additional Effects (£000s)	Construction Employment (temporary effects) (FTEs)	Direct Employment (FTEs)	Indirect Employment (FTEs)
Stadium	2,417	2,496	23	73	35
Athletics track	22	22	6	0	0
Full-size 3G pitch	113	117	1	0	2
Mini soccer pitches (3G)	168	174	2	0	2
Cycle track	-	-	2	0	-
Flexible office space	69	71	-	120	1
Branded budget hotel	1,635	1,689	9	10	24
Private health club	1,200	1,239	7	17	17
<b>TOTAL</b>	<b>4,424</b>	<b>4,569</b>	<b>50</b>	<b>220</b>	<b>81</b>

All figures are indicative and do not represent a proposal

## Conclusion of economic and financial analysis of potential components

57. In evaluating a potential mix of uses for the delivery of the project, consideration needs to be given to the capital cost, the ongoing revenue position, yield and to what extent the uses contribute to economic and community benefits.
58. Table 6 below summarises an overall position for each of the potential components drawing on the information set out in this report. The scores used provide a simplified indication of the each components strengths and weakness.

1 = Weak  
 2 = Average  
 3 = Strong

59. It demonstrates that there is a stronger business case for the provision of some components compared with others. The more components provided, the greater the capital cost. As the capital cost increases either the socio-economic outputs will increase or the more chance there is for generating additional income.

**Table 6: Relative strengths / weakness of component uses**

	Capital Cost	External Funding	Revenue position	Yield	Economic Benefits	Community Benefits	Overall weighting (out of 18)
<b>Essential components</b>							
Stadium & site works	1	2	1	2	2	2	<b>10</b>
Athletics (on site)	2	2	1	1	2	3	<b>11</b>
Athletics (off site)	3	2	2	1	2	3	<b>13</b>
<b>Desirable components</b>							
Flexible office space	2	1	3	2	3	2	<b>13</b>
3G pitches (inc pavilion)	2	3	3	2	2	3	<b>15</b>
3G pitches (exc pavilion)	3	3	3	3	2	3	<b>17</b>
Cycle track	3	3	1	1	1	3	<b>12</b>
Hotel (Budget)	1	1	3	3	3	1	<b>12</b>
Private health & fitness	1	1	3	3	3	2	<b>13</b>

The scorings in this table are purely for illustrative purposes

60. To assure that the site selection exercise is assessed on a fair basis, two facility mix models are to be applied to each short-listed site. These are not proposals, simply examples of two options.

### **Facility Mix A** – essential components for the base model

- Core Stadium (essential)
- Off-site athletics (essential)



**Facility Mix B** – commercially / community focused model

- Core Stadium (essential)
- Off-site athletics (essential)
- 3G pitches (strong financial / community)
- Budget Hotel (strong financial / economic)

61. The following uses could also be considered. In all cases non essential components will require a site specific justification or access to additional funding (commercial or external agency / partner).

- Pre-let commercial floor space: if a long-term tenancy can be secured with the Hospital Trust or other public body there is a strong business case for its inclusion.
- Private Health and Fitness there are only a number of sites where this might be appropriate and will be dependent on market interest and competition.
- Cycle Track: This would be a strong addition to a sports village, however it generates minimal income streams.

**Site Selection**

62. A three stage site selection exercise was undertaken adopting the sequential approach set out in PPS4 starting with Areas of Search across the City, which identified a long list of sites, which has now been narrowed down to a short list. Detailed planning analysis, transportation studies and development appraisals have been prepared and developed at all three stages. These have involved CYC internal professional team and external specialist support. A summary of the methodology used and the wider planning and transport issues are contained in Annex 11.

63. When the outline business case was presented to the Executive in June 2009, it was clear that the project could not be delivered without some form of enabling development to close the funding gap. Due to the nature of the city, only two sites have been identified that can deliver all facilities on one site. The other sites would require the delivery of facilities on split sites. In all cases it is more cost effective to deliver some facilities off-site, notwithstanding the location.

64. Under all the sites and options considered, enabling development will need to be the principal tool in order to fund the project. To provide a commercially sustainable community stadium it is estimated, in the assessment below, that a funding gap exists. The feasibility and development appraisal work has established that it is possible to fund a gap of this magnitude through enabling development for this project. However, it must be stressed, compliance with the strict planning tests must be demonstrated. Furthermore, the greater the economic and social benefits / impact the stronger the planning case will be. Annex 12 provides details of the principles and analysis relevant to this project of enabling development and relevant case law.

## Analysis of Short Listed Sites

65. As part of the sites selection exercise two generic facility mix models have been applied to each site. These are not proposals. Facility Mix A: providing the essential components and Facility Mix B: providing a mix which offers wider community benefits and commercial sustainability. Any mix of the components set out in the appraisal of options section of this report (tables 3-6) above could be considered.
66. It is assumed for each site that the athletics and other outdoor facilities will be provided off-site. In each case the funding gap / scope for enabling development is identified. A more detailed information regarding each site and their development potential is set out in Annexes 1-5.

### SITE 1: Bootham Crescent / Dunscombe Barracks

67. This would have to be a split site development proposal. Due to the funding gap it would rely on funding from the Monks Cross south site as an 'enabler'. The stadium and some limited on-site commercials development would be delivered at Bootham Crescent and Dunscombe Barracks. There is no scope for on-site outdoor sports facilities.

**Table 7: Bootham Crescent/Duncombe Barracks Development Appraisal (Indicative)**

Bootham Crescent	Facility Mix A £000s		Facility Mix B £000s	
	Capital	Operator Revenue	Capital	Operator Revenue
Land assembly cost	(2,200)		(2,200)	
Stadium costs	(10,238)		(16,236)	
Project costs	(750)		(750)	
<b>Total costs</b>	<b>(13,188)</b>		<b>(19,186)</b>	
CYC Capital	4,000		4,000	
FSIF Grant	0		0	
3 <sup>rd</sup> party contributions	0		0	
External Funding sources	330		1,000	
<b>Total funds</b>	<b>4,330</b>		<b>5,000</b>	
Net Funding Gap (capital) / operating surplus (revenue)	(8,858)	(346)	(14,186)	53

All figures are indicative and do not represent a proposal

#### Assumptions

- Land can be acquired from the MOD for the Dunscombe barracks site
- Huntington site preparation costs included
- FSIF capital not realised as there will be no receipt for the asset

- Assumes that the football club will clear other outstanding debt before option can proceed.

### **Strengths / Opportunities**

- YCFC are principal land owner and are motivated to drive project forward.
- Likely to be popular with football fans.
- This is a brownfield site, and the sequential most desirable site in planning terms.
- This site has the best potential to offer a green transport plan.
- MOD have expressed interest in disposal / joint development of their site.

### **Weaknesses / Risks**

- Split increase planning risks, potential timescale risk and increase complexity.
- Equity of site would not be realised, thus debts remain outstanding.
- May undermine financial stability / sustainability of YCFC
- Four separate land interests – complex land assembly issues.
- Tight development site with potential residential amenity issues
- CPO not possible on MOD land and Monks Cross enabling land
- Limited revenue generation possibilities (non-match day income)
- Limited community opportunities
- Limited car parking / vehicular access
- Most expensive site to develop

### **Critical Success Factors**

- Capital receipt will not be realised for BC. Assumes debt free ground, which effects FSIF grant being realised.
- This option might place YCFC under additional financial pressure – threaten future of club.
- Split site relies on funds from separate site / planning / procurement process. High planning risk. Possible delay in delivery.
- Mix B revenue represents 7.5% return on capital difference between A&B.
- Mix A has a operational deficit (before sensitivity).
- Limited market interest in Hotel at BC. Potential to explore commercial Health and fitness under Mix B.

## **SITE 2: Hull Road / Heslington East**

68. This would be a single site comprehensive development. A number of options exist as to how the enabling and stadium facilities could be delivered. An independent developer has approached the council with a alternative option. The stadium and outdoor sports facilities could link into the University's campus extension (which is currently under construction). The enabling development would likely be focused on the land identified in the draft local plan as 'safeguarded' for future development.

**Table 8: Hull Road/Heslington East University Campus Development Appraisal (Indicative)**

Hull Road	Facility Mix A £000s		Facility Mix B £000s	
	Capital	Operator Revenue	Capital	Operator Revenue
Land assembly cost	(1,000)		(1,000)	
Stadium costs	(10,238)		(16,236)	
Project costs	(750)		(750)	
<b>Total stadium costs</b>	<b>(11,988)</b>		<b>(17,986)</b>	
CYC Capital	4,000		4,000	
FSIF Grant	2,000		2,000	
3 <sup>rd</sup> party contributions	1,000		1,000	
External Funding sources	330		1,000	
<b>Total funds</b>	<b>7,330</b>		<b>8,000</b>	
Net Funding Gap (capital) / operating surplus (revenue)	<b>(4,658)</b>	<b>(346)</b>	<b>(9,986)</b>	<b>53</b>

All figures are indicative and do not represent a proposal

### Assumptions

- Land is acquired from university and other parties for stadium site
- Huntington site preparation costs included
- University require some additional increase in footprint / density of their site as part of the proposal
- FSIF capital will be realised from disposal of Bootham Crescent.
- Scope to enhance receipts through joint disposal of Bootham Crescent and Dunscombe Barracks (c.£1M).

### Strengths / Opportunities

- Single site solution – less complex delivery.
- Option to be delivered as split site (using Monks Cross as enabler) if enabling development in green belt consider a higher risk.
- Excellent links for community sports / education with University
- Additional interest from independent developer for scheme involving site and land at North of Hull Road.
- Good access, adjacent to P&R (university now own freehold)
- Extension of sports village model / partnership with University
- Option to provide all sports facilities on-site

### Weaknesses / Risks

- Green belt status would add planning risk to proposal – national planning policy, exceptional circumstances need to be argued.
- Enabling development also in green-belt
- Transportation issues relating to A64 junction
- University objectives for increase in campus size may also impact on planning risk.

### Critical Success Factors

- Assumes 3rd party contribution from joint disposal of BC & DB (£1M)
- Green Belt status of land increases planning risk and potential delay (call-in)
- Requires leadership of University to deliver project.
- Mix B revenue represents c.7% return on capital difference between A&B.

### SITE 3: Mille Crux / Nestlé North

69. This would have to be a split site development proposal. Due to the funding gap it would rely on funding from the Monks Cross south site as an ‘enabler’. It would rely on a development agreement with Nestle (the principal land owner) and the Bio-Rad site (an old industrial site). The stadium would be located on the northern part of the site and allowing for on-site enabling development closer to the residential properties. Replacement pitches and allotments would need re-provided on the Nestle North site (Green Belt). Scope does exist to provide outdoor sports facilities on-site.

**Table 9: Mille Crux/Nestle North Development Appraisal (Indicative)**

Mille Crux / Nestle North	Facility Mix A £000s		Facility Mix B £000s	
	Capital	Operator Revenue	Capital	Operator Revenue
Land assembly cost	(6,000)		(6,000)	
Project costs	(750)		(750)	
Stadium costs	(10,238)		(16,236)	
<b>Total costs</b>	<b>(16,988)</b>		<b>(22,986)</b>	
CYC Capital	4,000		4,000	
FSIF Grant	2,000		2,000	
3 <sup>rd</sup> party contributions	1,000		1,000	
External Funding sources	330		1,000	
<b>Total funds</b>	<b>7,330</b>		<b>8,000</b>	
Net Funding Gap (capital) / operating surplus (revenue)	<b>(9,658)</b>	<b>(346)</b>	<b>(14,986)</b>	<b>53</b>

All figures are indicative and do not represent a proposal

### Assumptions

- Land acquisition costs to include Bio-Rad and Nestle land, as well as sports pitch / allotment re-provision.
- Huntington site preparation costs included
- FSIF capital will be realised from disposal of Bootham Crescent.
- Scope to enhance receipts through joint disposal of Bootham Crescent and Dunscombe Barracks (c.£1M).

### Strengths / Opportunities

- Equi-distanced between two existing stadiums
- Sustainable location, good scope for green travel
- Good community and commercial opportunities

- Opportunity to deliver on-site outdoor sports facilities and other community uses.

### Weaknesses / Risks

- Split increase planning risks, potential timescale risk and increase complexity.
- Four separate land interests – complex land assembly issues.
- Bio-rad site adds complexity and is higher value.
- CPO not possible to secure Monks Cross land.

### Critical Success Factors

- Split site relies on funds from separate site / planning / procurement process. High planning risk. Likely delay in delivery.
- Would require significant on-site enabling development to be deliverable.
- Assumes 3<sup>rd</sup> party contribution from joint disposal of BC & DB (£1M)
- Mix B revenue represents c 7% return on capital difference between A&B.
- Mix A has a operational deficit (before sensitivity).

## SITE 4: Monks Cross

70. This would be a single site comprehensive development. The site would include the Vanguard site and Huntington stadium. The new stadium and its supporting facilities would be built on the existing stadium site. Scope exists to build around the existing Waterworld facility. There is a scheduled ancient monument to the open land to the east. The wider site would be developed as part of a comprehensive scheme including enabling development. The Monks Cross Park and Ride site is directly adjacent to the site.

**Table 10: : Monks Cross South Development Appraisal (Indicative)**

Monks Cross	Facility Mix A £000s		Facility Mix B £000s	
	Capital	Operator Revenue	Capital	Operator Revenue
Land assembly cost	(500)		(500)	
stadium costs	(10,238)		(16,236)	
Project costs	(750)		(750)	
<b>Total Costs</b>	<b>(11,488)</b>		<b>(17,486)</b>	
CYC Capital	4,000*		4,000*	
FSIF Grant	2,000		2,000	
3 <sup>rd</sup> party contributions	1,000		1,000	
External Funding sources	330		1,000	
<b>Total funds</b>	<b>7,330</b>		<b>8,000</b>	
Net Funding Gap (capital) / operating surplus (revenue)	<b>(4,158)</b>	<b>(346)</b>	<b>(9,486)</b>	<b>53</b>

All figures are indicative and do not represent a proposal

\* issues relating to the disposal of Huntington stadium are covered in the 'closing the funding gap' section (para 100 later) in this report.

### **Assumptions**

- Option for land acquisition for open land to west (not included in costs)
- Huntington site preparation costs included (to allow for new stadium on-site)
- FSIF capital will be realised from disposal of Bootham Crescent.
- Scope to enhance receipts through joint disposal of Bootham Crescent and Dunscombe Barracks (c.£1M).
- CYC land included for stadium in addition to CYC capital contribution (£4M).

### **Strengths / Opportunities**

- Single site solution, Vanguarde site adjacent to stadium
- Strong planning case for enabling development – potential uplift in land value to deliver project with community facilities
- Good opportunity for community focus
- Opportunity to secure future of swimming and health and fitness at Monks Cross.
- Minimal land assembly costs
- Option to acquire land to west for sports pitches etc
- Commercial interest / scope for commercial support uses
- Good access / adjacent P&R
- No reliance on other planning permission or land assembly
- Existing stadium could form part of application site
- Lowest funding gap out of short-listed sites

### **Weaknesses / Risks**

- Quantum of development envisaged by developer could create planning risks
- Scheduled Ancient Monument on adjacent land. May add complexity, however initial feedback is that project could enhance access
- Increase in traffic movement has been previous concern

### **Critical Success Factors**

- Relies on negotiated approach with land owner / developer.
- Option for CPO to drive project forward possible as fall back.
- Assumes 3rd party contribution from joint disposal of BC & DB (£1M)
- Mix B revenue represents c. 7% return on capital difference between A&B
- Swimming / H&F future at Waterworld is an important consideration
- Huntington stadium would remain CYC asset

### **Timeline for all sites**

71. The project plan set out below summarises the key strand as work required to deliver the project for the different sites. They are shown as single sites (Monks Cross and Hull Road), Split sites (Bootham Crescent and Mile Crux) and Outdoor sports facilities at the university. The key issues relating to timescale are:

- The outdoor sports facilities could be delivered in the shortest timeframe. Outline planning permission already exists for the provision of these facilities.

Procurement could be straight forward and facilities potentially opened by 2012 for Olympics.

- All stadium options require a complex planning and procurement process. The dotted lines represent potential delays. The main areas where delays are possible are land assembly (agreeing terms etc), procurement (depending on the nature of what is being procured), planning (there is a chance applications may be called-in or there is a 3<sup>rd</sup> party challenge).
- The split sites have a critical dependency on funding from the Monks Cross site. It is likely the procurement for the stadium development could not start until the funds were in place. This would mean that at a minimum outline planning permission (but more likely full planning permission) would need to be secured for the Monks Cross Development.
- The earliest completion date for a single site development would be 2014. For a split site this would probably be 2015.

## **Conclusion of site appraisal**

### **Single sites (Monks Cross South and Hull Road)**

72. The single sites offer potential for an earlier completion date. The land assembly issues are less complex. They have the potential to be delivered as a single comprehensive development agreement. The risk for call-in / external challenge will depend on the nature of the enabling development. Both sites have potential planning risks relating to the quantum of development (Monks Cross South) and Green Belt (Hull Road). Monks Cross South has an existing stadium within its site, is not in the green belt, there is an extant planning permission for 500,000 sq ft of business use and the council own Huntington stadium, Waterworld and the adjacent P&R site.

### **Split sites (Bootham Crescent and Mille Crux)**

73. The split sites would take longer to develop than the single site options. The land assembly issues are more complex and there is greater risk of challenge. Both sites have a critical dependency on the Monks Cross planning permission and development agreement. Unless funds can be provided from another source, the procurement will not be able to begin for the stadium until there is some certainty regarding the funds. This will normally require outline planning permission for the enabling development (at Monks Cross South). This could add (at a minimum) one year to the timescale. Bootham Crescent is the tightest site to develop and has least opportunity to generate other commercial income streams.

### **Outdoor sports Facilities:**

74. If terms can be agreed with the university, it is possible that outdoor sports facilities could be delivered by 2012. This may offer scope for capital and revenue costs to be shared. Outline planning permission already exists for such uses. If the council's capital for the project is used to pump-prime this strand, it would simplify the planning issues for Monks Cross South (replacement athletics facilities) and enable a simple procurement to start.



## Project Timeline for short-listed sites and off-site outdoor sports options

Procurement / planning/ build	Qtr	2010			2011				2012				2013				2014				2015				2016			
		2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4	1	2	3	4
Feasibility	Single	█	▶																									
	Sports	█	▶																									
	Split	█	▶																									
Project Team Procurement	Single	█	▶																									
	Sports	█	▶																									
	Split	█	▶																									
Land Assembly	Single			█	▶																							
	Sports			█	▶																							
	Split			█	▶																							
Procurement	Single				█	▶																						
	Sports				█	▶																						
	Split																											
Outline Planning	Single																											
	Sports																											
	Split																											
Full Planning	Single																											
	Sports																											
	Split																											
Build	Single																											
	Sports																											
	Split																											

Single Site	Single
Sports Facilities	Sports
Split Site	Split

## Closing the Funding Gap

75. To deliver this project the funding gap could range from c. £4m to £15M. As stated earlier, there is considerable scope for closing this gap. As there is no certainty over the options and amounts that might be achievable, they have not been factored into the financial model. Furthermore, the measures that can be used will change with each of the options considered. Each of the potential options is considered below.

### **Commercial / enabling development**

76. The success of this project relies on the on finding a site which has scope to provide an enabling development to close the funding gap. Even the base option will rely on enabling development. It has been successfully used across the country as a means of funding stadium developments. In some cases the full capital value of the project has been funded as an enabling development. St Helens, Southend, Warrington, Chesterfield, Wakefield and Grimsby are just some examples where development that would not normally have been granted planning permission has been approved as a means of delivering a much needed wider public benefit i.e. a stadium. Independent commercial and planning advice, based on case law and practice elsewhere in the UK, has identified that there is scope to close the funding gap through an enabling development for this project and deliverer a facility mix offering a commercially sustainable facility with wider community use. Considering the sites under consideration there is scope to use enabling development as the principal tool in closing the funding gap for the delivery of this project.
77. In practice, it is impossible to use precise analysis of the financial contributions. Commercial reality dictates that that land owner and developer must see value in any project to make it deliverable. Thus the mix of proposed uses and assessment of land values must be balanced and judged against how proportionate any uplift is. Evidence suggests that such issues have been successfully resolved, by the significant number of other commercial driven stadia projects.
78. The Vanguard site (30 acre site at Monks Cross) offers the greatest opportunity to provide enabling development for this project. It became available at the beginning of 2010, when HSBC's development option lapsed. It has an extant business use and the owner is keen to pursue a scheme for the site. Huntington Stadium is directly adjacent to it.
79. There are though significant legal issues associated with the use of enabling development. In principle the enabling development would secure the funding to establish the community stadium by means of a planning obligation. In order for such an obligation to be lawfully entered it would have to be shown that the obligation meets the tests set out in italics below:
- *“necessary to make the proposed development acceptable in planning terms”*  
- in order to bring a development in line with the objectives of sustainable development as articulated through the relevant local, regional or national planning policies.

- *“directly related to the proposed development”* – there should be a functional or geographical link between the development and the item being provided as part of the developer’s contribution.
- *“fairly and reasonably related in scale and kind to the proposed development”* – excessive levels of inappropriate development going beyond what is necessary to enable the stadium element weigh the balance against the grant of planning consent. Obligations should not be used solely to resolve existing deficiencies in infrastructure provision or to secure contributions to the achievement of wider planning objectives that are not necessary to allow consent to be given for a particular development.

80. There is no case law as yet directly on these provisions. However, a recent Compulsory Purchase case suggests that the Courts will require there to be a real connection between the off-site benefits and the development other than the simple fact that one would subsidise the other.

81. Further, it appears from the cases where sports stadia have been the subject of enabling development that, in order for weight to be attached to enabling development, it is necessary to clearly demonstrate that:

- there is an overriding or urgent need for the facility or that it will have regeneration benefits;
- that there are negative consequences of not providing the new facilities which outweigh the harmful consequences of the inappropriate development and tip the balance in favour of the development;
- that the need can only be met through the enabling development
- that there is certainty that the scheme is deliverable
- the scale of enabling development proposed should not exceed what is necessary to fund the development of the community stadium.

Once there are identified sites and outline proposals for the enabling development further advice will be required as to the extent that those proposal meet the legal tests for use of a planning obligation.

82. In assessing the material planning considerations, a key issue will be whether the overall need for the community stadium outweighs the objections to the enabling development. In making a case for an enabling development a clear need for the project has been established. This will be more convincing the greater the community benefit and social / economic impact of the project and if it can be demonstrated that there will be negative impacts if the project is not delivered. Thus, the greater the outputs the greater the chance of increasing the financial contribution. The amount that can be achieved is dependent on the site, the existing / zoned use for the site, the quantum / extent of development, assessment of planning harm against the socio-economic benefits the stadium offers.

### **Naming rights / Sponsorship**

83. There is considerable scope for attracting funding for either capital or ongoing revenue payments for sponsorship or naming rights. The level of funding is

likely to increase the wider the community and commercial impact. An assessment of the types of funding that might be assessed has been undertaken as part of the comparator exercise.

- 84. If there proves to be a business case for increasing the 'green' aspect of the development the naming scope may increase. Opportunities also exist through ESCOs (Energy Service Companies) now the government has published its proposals for feed-in tariffs. This would be again be dependent on the specific site.
- 85. Commercial opportunity also exists for advertising, pouring rights and other smaller revenue generators. These could offer between £50K and £300K per annum. (The financial model has assumed £150K per annum, however scope exists to improve this figure).

**Borrowing**

- 86. Prudential borrowing could be considered as an option to help address the funding gap although the approval of such funding would need to meet the strict criteria of being affordable, prudent and sustainable. Therefore the use of prudential borrowing could only be considered if there is a strong business case and the risks could be sufficiently mitigated to not place the Council at risk of carrying the revenue costs of borrowing without a matching income. Below are a range of examples for prudential borrowing for a payment period of 25 years.

**Table 11: Prudential borrowing rates over 25 years**

<b>Amount borrowed (£s)</b>	<b>Annual repayment (£s)</b>
2,000,000	£136K
4,000,000	£272K
6,000,000	£408K
8,000,000	£544K

- 87. The table shows for every £1m borrowed there is a annual cost of c£68k (£6.8k for every £100,000 borrowed). It could be used particularly as a means of strengthening the commerciality of a facility mix, in particular if there is a strong case for the provision of pre-let commercial floorspace, offering a guaranteed revenue stream and good community / economic outputs.
- 88. Borrowing could also be considered to 'pump prime' a development partnership or joint venture where the funding from elements of the enabling development might only be able to be delivered until a later phase (for example housing).

**Reducing specifications / value engineering / procurement strategy**

- 89. The estimated costs used are not bare minimums because our estimations include allowances for some reductions. Evidence suggests that in the current competitive construction market a number of stadium contracts have been completed close to the £1,000 per seat benchmark. (Chesterfield Stadium contract awarded last year). However, care must be taken when using figures from other schemes as it is not always exactly clear what these include.

Construction deflation is expected to continue for the next two years, thus they maybe be scope for savings.

90. If necessary, scope exists to examine the option of building a number of stands around one of the existing stadiums in phases (this would be easiest at Huntington stadium, using the existing main stand as a base). This would reduce the cost, but may impact on the ability to meet the FSIF's funding requirements. Thus, care must be taken to ensure the £2M grant award is not jeopardised.
91. The concept of value engineering through the procurement process also offers some potential to either reduce costs or improve the specification / range of facilities provided. Such benefits are usually maximised when the specification is not too clearly defined. The less tightly defined the specification the greater the scope for cost reduction or 'value engineering'.
92. If there is a commercial offering as part of the development package the procurement process may provide opportunity for bidders to put forward different ideas of how the project might be delivered for a more competitive price. For example a mix with private health & fitness, a hotel and commercial floorspace may attract greater market interest, offering more scope for cost reduction. This may also include options for the stadium's operation / management (covered below).
93. If procured as part of a single site comprehensive redevelopment with a significant enabling development it would be developer led. The larger the project, the greater the scope for other economies in scale. This would be particularly the case if the mix of facilities was more commercially attractive (covered above).
94. The level of savings this could offer is very hard to predict as it is very much dependent on the facility mix (the bigger the spend the greater the opportunity), the market at the time of going to tender, the site chosen and the level of associated commercial development / opportunity.

#### **Disposal of Bootham Crescent**

95. Three of the four options for the site selection involve the disposal of Bootham Crescent. Assuming current market conditions , S106 contributions and YCFC's debts / call on capital receipts, there may not be a surplus from the sale.
96. Discussions with the MOD have been initiated regarding the possible disposal of part or all of the Duncombe Barracks site. Subject to the retention or satisfactory re-provision of the facilities on site and the MOD approving a appropriate business case, scope exists to include this land as part of a joint disposal. This may bring some small benefits and could potentially enhance the value of the overall site.
97. If linked to the development of a new stadium elsewhere, an argument may be established to reduce the social housing and other S106 contributions for housing use. This has been used at the recent planning decision at St Helens

that involved split sites, as the 'gain' was needed to fund the wider community benefits that outweighed the social housing need.

98. This could possibly add value to the capital receipt, but is subject to further feasibility and discussion with key stakeholders (this figure has been included as a third party contribution in the development appraisals above).

### **Disposal of Huntington Stadium**

99. In previous reports the position regarding the disposal value of Huntington stadium has been unclear. This is partly due to uncertainty over the location of the new stadium, and whether might involve the redevelopment of the existing facility for that purpose. Like Bootham Crescent one of the site selection options involves the re-provision of the new stadium at Huntington Stadium (or land adjacent to it).
100. There is a restrictive covenant affecting the land which purports to restrict its use for leisure and recreational purposes. There is also a right for the original vendor to repurchase the site if that use were to change. This adds to the complexity and may require either a legal or commercial solution if the Council's options are not to be limited.
101. If developed in isolation Huntington stadium is unlikely to achieve its full market potential. It is potentially more valuable as part of a wider redevelopment of the adjacent Vanguard site than on its own. Under both disposal options, it is unlikely the site will realise a significant capital receipt. The development appraisals undertaken identify three possible options for this site:
- a) Redevelopment for the new community stadium. This would mean that the value of the site would not be realised by the council. However, it would remain as a council asset and would have a greater value if included other associated uses (particular pre-let commercial uses).
  - b) Disposal in isolation and used as part of an enabling development for a split site development. Any uplift in value would be secured using an S106 agreement and funds transferred to build the new stadium at another location (see next section).
  - c) Disposal as part of the wider redevelopment of the site and the stadium being built as part of the wider development scheme, but elsewhere on the site.
102. The council's £4M contribution to the project is included under all options, it is an essential element in driving the project forward. It could be used to 'pump prime' the re-provision of the athletics and provide temporary relocation costs. However if the stadium were to be built at Huntington as part of the Monks Cross South redevelopment, the value of the stadium would not be realised as a capital receipt within the council's overall capital programme. There is scope to consider options for the repayment of the capital under this scenario, possibly through a precept payment to the Stadium Management Company over a long-term period.

### **Operating / management arrangements**

103. The financial model has assumed the operation of the facility by a stadium management company being operated directly so all associated costs can be identified. There are a number of alternative options for the management of the facility. These will be dependent on the mix of facilities, level of associated commercial activity and site.
104. There scope for efficiency savings, however these are difficult to estimate until a proposal has been finalised. It is possible that capital contributions can be achieved as part of a long-term management contract. As the project develops all options should be carefully considered. Details regarding governance and management issues are discussed later in this report.

### **Funding gap conclusion**

105. The delivery of this project is entirely dependent on the ability to close the funding gap (between £4 to £15M). The principal tool in delivery this will be enabling development,. Thus the project success is reliant on site selection and external market forces.

## **Other Key Considerations**

### **Governance, operation and management**

106. A number of options need to be considered for the operation of the stadium following construction:
- Who will own the stadium?
  - Who will occupy the stadium?
  - Who will manage the stadium?
  - How is use of the stadium regulated?
107. These matters need to be addressed prior to the procurement process beginning. However the options will be different dependent on the size and nature of the facility the number of partners involved, how it was procured and the extent of influence / control the council requires. Detail regarding these matters is included in Annex 13.

### **State Aid**

108. Consideration needs to be given to the council's role in this project and the whether its actions / assistance is captured by the State Aid Rules. Generally speaking State Aid is unlawful unless covered by one of the limited exceptions allowed by EU law. In relation to this project, state aid can arise under the following circumstances:
- £4m development costs from the Council to the developer
  - Benefit of the new stadium to commercial users e.g. the Clubs
  - Benefit to the Clubs of the Council injecting money into the refurbishment of the current stadium
109. In order for there to be a State Aid, all components of the State Aid test in Article 87(1) of the EC Treaty must apply, namely:

- The measure is granted through state resources;
  - It confers an economic advantage to an undertaking;
  - The aid is selective and favours a particular undertaking or category of undertaking; and
  - The aid has the potential to distort competition and affect trade between Member States.
110. The council's contribution to the development should not constitute State Aid if it is given as part of an open and competitive procurement process which complies with the Procurement Regulations, and which details that the funding is available from the Council., Such a process should ensure that the aid is not selective and will not distort competition/affect trade.
111. If the Council allows the Football and Rugby Clubs to use the facility on proper commercial terms then no economic advantage will be conferred on to the clubs and there will be no distortion of completion or affect to trade and so no state aid. However, a lease at undervalue would be a subsidy which would give them an economic advantage.
112. There is also an argument that as the Clubs are so small in scale, the potential state aid can be held to be so local that it does not have the potential to distort competition or affect trade between member states. As such this could be said not to be state aid and will not need to be notified to the Commission.
113. In summary therefore although there are potential State Aid issues the risk of these arising can be minimised if not removed entirely.

#### **Compulsory Purchase Order (CPO)**

114. If a project of this magnitude is to be successfully delivered, potential developers / bidders will require some assurance that the procurement process will result in a deliverable scheme. Thus, it is necessary to provide some degree of certainty over land assembly.
115. To this end, the council would have the option to seek to exercise its powers to compulsorily purchase sites should that be necessary. Whilst at the stage that a procurement is commenced the council does not need to have selected a specific site. This could be explored with bidders as part of the process.
116. There are a range of compulsory purchase powers potentially available to the council. In order to exercise then the council would need to show that the purchase was within the particular power being used, that the public benefit outweighed the interference with individual property rights, the acquisition of the land is necessary, the site is the most appropriate one and that planning permission is obtainable.
117. Compulsory purchase can be a lengthy process and where there are objections would normally involve a public inquiry.



118. Whilst the details of any proposed approach would require careful consideration it is likely that a comprehensive single site development of the Project using CPO powers for site acquisition could be justified. By way of contrast the position on any split site development would be significantly more difficult given the Supreme Court decision referred to earlier.

### **Procurement Strategy**

119. The project will undoubtedly require the use of an EU compliant procurement procedure. A number of different procedures may be available. Decisions regarding the procurement route will be informed once more is known about the site, land interest and mix of potential uses.
120. However, it is vital that at this stage the council respects the principles of transparency and non discrimination – particularly in respect of any discussions with potential developers or service providers.
121. If there is a strong response to the initial stages of the procurement process, this will be a good indication of the potential success of the project and the likely delivery of wider community benefits. If there is a poor response, the opportunity to rethink the options exists.

### **Deliverability**

122. If the Council is to maximise the community opportunity from this scheme, advice suggests a single site comprehensive redevelopment appears to be the strongest option.
123. In all circumstances, the most reliable means of securing and delivering the project would be for the council to drive forward this as a regeneration project. It would likely fall under EU Procurement Regulations and be subject to competition.
124. It may be possible to reach agreement with existing land owners / developers and deliver the project as some form of joint venture, however there are risks in demonstrating best value and maximising the potential benefits the scheme may offer. It is possible that this may create planning problems over the justification for the enabling development, particularly if there was limited control or lack of certainty regarding the deliverability of the 'gain'.
125. A single site is the safest and simplest solution. It strengthens the planning case, providing better justification for the use of enabling development. A split site (Mille Crux or Bootham Crescent) would be far more complex, involving more land owners and increasing deliverability and planning risk. If a split site project is pursued, a single developer and linked application may assist in mitigating some of those risks.
126. As set out above, the council should be prepared to use Compulsory Purchase Order powers (CPO) to secure the land assembly for the procurement exercise. It is desirable to have 'options' on all non CYC land and work with 3rd parties by agreement.

## **Corporate Priorities**

127. The provision of a new community stadium for the City is a priority action in the Corporate Strategy 2009-2012 which states: "We will develop proposals to complete the building of a Community Stadium for the City that will provide high quality sport recreation and other community focused opportunities." It is also identified in Active York's 'Sport and Active Leisure Strategy' which was signed up to at the Leisure and Heritage EMAP in June 2005. The facilities section of this strategy was updated in May 2007.
128. As set out above in the section, the project has the potential to deliver significant outputs that will contribute to the wider objectives of the Corporate Strategy, the Sustainable Community Strategy, Strategic Partnership and key organisations across the City and region.

## **Implications**

### **Financial**

129. The majority of the financial issues around the costs of the Community Stadium are contained in the main body of the report which sets out a range of options and associated costs. It should be noted that the report highlights that a funding gap of between £4m - £15m exists before any enabling development is considered and therefore financial shortfall remains a significant risk for the project.
130. Currently the Capital Programme contains an approved amount of £4m toward the development of a Community Stadium, with a total cost of between £10M and £20M (dependent on the option chosen). This funding can only be used on the basis of a robust business case and will then be deemed to be capital.
131. Further funding is therefore requested as a result of this report in the form of revenue funding which allow the project to progress towards the procurement stage. £12k of previous LABGI allocations is available to use in addition to the £186k received in 2009/10 totalling £198k. Members are therefore asked to approve the use of £198k of LABGI funding to progress the scheme towards the procurement stage. It should be noted that there is a risk that if the stadium does not progress the LABGI funding will not produce an output.
132. The likely total cost of design, procurement and project management of the community stadium is likely to be in the order of 20% of the total cost. This amount is included in the total capital estimates set out for the different options within this report.

### **Equalities**

133. Consideration is being given to the impact the project will have on equalities. As part of the detailed feasibility study the Social Working Inclusion Group was encouraged to comment on the project at an Equalities Impact Assessment Fair.

The Equalities Impact Assessment will be further progressed once a site and proposal has emerged.

## **Risk Management**

134. The successful delivery of this project is subject to a number of key risks. There is scope to deliver an impressive community focused facility that will have local and possible regional importance. All options require some degree of enabling development. Thus, there are critical dependencies with the planning system and market forces. Throughout the course of the project risks have been updated using the Council's Risk Management System 'Magique'. The key risks are summarised below:
135. **Financial:** The figures, costs and values used in this report are only intended for illustrative purposes to provide an idea of the potential capital and revenue costs of the options. Capital costs, maintenance and lifecycle costs have been provided by Gardiner & Theobald. A detailed set of assumptions is set out in the Master Planning Design and Costing Report undertaken.
136. The revenue figures provided are also estimation based on market intelligence, benchmarking and other data. A detailed financial model has been developed by Five Lines Consulting and a sensitivity analysis has been undertaken looking at different operating scenarios.
137. There is a considerable risk that if the stadium operates at a loss it will place a financial pressure on the sports clubs. This may have a future impact on the council. There is no budget identified for the ongoing operation of the stadium, thus it must be a commercially sustainable facility with sufficient operating surplus to allow for fluctuations in costs / income.
138. **Funding:** The figures and values identified as capital contributions are based on best estimates. Where partner contributions are mentioned – these are based on discussions with the relevant bodies. A financial review of the partner organisations has been undertaken, but this does not constitute formal due diligence. All land values are estimates and have been provided by Savills and the council's Property team. Market conditions are difficult to predict and significant risk is attached to any valuation.
139. All assumptions regarding funding from external agencies is based on preliminary discussions. The mechanisms / amounts available will be reliant on the specific nature of the options pursued and the contribution they make to relevant objectives. Any reliance on external funds has a high risk associated with it.
140. The FSIF funding criteria require an all seat facility and an application to be made by May 2012. There is a risk these requirements might not be met (though all efforts will be undertaken to do so). This would not be critical to the project, although the specification of the facility would have to be significantly reduced and larger areas of terracing introduced etc.

141. **Planning:** The project is reliant on the planning system as one of the primary tools for delivery. This has been the case with many stadium schemes across the country. However, care must be taken in how this is managed. The planning risks increase if a split site is preferred to a single site. If the level of inappropriate or harmful development increases so does the risk of call-in or third party challenge.
142. Enabling development schemes and major projects in general can often provoke interest and objection. A key risk for any scheme promoted by or on behalf of a local authority is that the planning determination process is said to be biased on predetermined. If this project is taken forward the council must ensure that any risk of third party challenge is minimised. Further legal advice on this matter will be sought.
143. **Partnerships:** Many of the concepts that make up the options are based on discussions with potential partners. There is a risk that as the project progresses the position of these bodies may change. This will impact on the nature and make-up of the options. If a preferred site is chosen and the decision to progress with the project is taken, it will be possible to develop these partnerships in further detail. At that stage heads of terms / memorandums of understanding should be prepared to firm-up potential opportunities.
144. **Legal:** There are numerous issues and risks that affect the council, its role and powers. Detailed consideration needs to be given to this, as the project progresses. In particular, the issue regarding overall responsibility if revenue targets / commercial performance is not achieved must be considered and addressed. Detailed legal comments are set out below and incorporated throughout this report.

## **Legal**

145. Legal comments have been included at relevant sections within the report. From a corporate point of view it is evident that the social and economic benefits to the residents of York associated with a Community Stadium would satisfy the tests for the Council to use its well being powers in support of the project.
146. There are though still areas of legal uncertainty – particularly in relation to the use of planning obligations to secure the enabling development. Further legal advice will be required once more detail is available in respect of the proposals.
147. At this stage only limited information is available in respect of legal and title issues affecting land that might be required for the development. Again further advice will be required.

**Human Resources** – There are no implications.

**Crime and Disorder** – There are no implications

**Information Technology** – There are no implications

## **Property**

148. As with some of the other areas highlighted, such as finance and planning, getting the right structure for the various property transactions will be a key area for delivery of this proposal, especially as the Council have ownership, and therefore control, of only part of one of the sites. As stated there are a number of factors outside of the Council's control which will have an effect on the deliverability and affordability and timescales of each option - these include:
- the willingness of land owners to sell their sites (CPO should only be seen as a last resort once all other methods have failed - we will need to show we have tried negotiations etc before any CPO is confirmed)
  - the state of the market which will affect acquisition and disposal values
  - the planning uses permitted on each site
  - any legal issues associated with each site which could have an affect on value/disposal/use etc. - such as the restrictive covenant on the Council's site
  - the timing of any sales/disposals
149. It is suggested that the next step, once the preferred option or options are chosen that a detailed look is taken of all property issues so a better understanding can be obtained of all factors, risks and outcomes.
150. In respect of the site the Council owns, it is suggested we carry out a full assessment of all factors such as legal, value, planning to obtain a full report on the site - we will need to do the same with the other sites which are contained in any option going forward.
151. Due to the complicated nature of the land transactions for each of the options and the risks, some of which are outlined above, it would be the Corporate Landlord's view that at least 2 options are chosen so that full investigation can be carried out which may eliminate one of the options for reasons stated above.

## **Recommendations**

1. Members consider the options and findings of the Business Case and identify a preferred site for the location of a Community Stadium and associated community facilities.
2. Subject to 1) above, the Director of City Strategy to develop a procurement strategy that will enable the delivery of the community stadium and its component uses on a prioritised basis to ensure the delivery of the highest quality, most commercially sustainable and greatest community benefit, which can be delivered using the most cost effective use of resources, in the shortest timeframe.
3. The Executive are requested to recommend to Full Council the approval of the use of LABGI money to the value of £198k to progress the scheme towards the procurement stage, with further costs being reviewed as the project commences subject to a future report back to the Executive / Full Council.

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**Wards Affected:** *List wards or tick box to indicate all*

All  *tick*

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### Background Papers:

- Community Stadium Report to Staffing and Urgency Committee 21<sup>st</sup> May 2008
- Staffing and Urgency Committee Minutes 21<sup>st</sup> May 2008
- Deloitte report on community stadium for CYC 20<sup>th</sup> June 2008
- Active York's Sport and Leisure Strategy
- Executive Report 15<sup>th</sup> July 2008
- Executive Report 9<sup>th</sup> September 2008
- Executive Report 20<sup>th</sup> January 2009
- Executive Report 28<sup>th</sup> April 2009
- Executive Report 23<sup>rd</sup> June 2009
- Executive Report 16<sup>th</sup> February 2010