

REPORT OF THE CABINET MEMBER FOR CORPORATE SERVICES

Land Purchase at Holgate Park

Summary

1. There is an opportunity for the Council to make a strategic purchase of land to assist with bringing forward developments on the York Central site and within the York Northwest corridor. The land is currently owned by Yorkshire Forward and alternative arrangements regarding their land ownership need to be in place prior to the end of this Regional Development Agency in March 2012.
2. The York Central site is of major strategic significance to the future prosperity of the City. The site will accommodate half of York's long term office growth, as well as over 1,000 new homes, and a significant leisure and retail offer, as part of a mixed-use urban extension.
3. The land that the Council may purchase is immediately adjacent to the York Central site, and provides an opportunity to unlock development of the site through forming a principal vehicular access, which would be essential to both the construction and occupation of the development. The land may also have intrinsic development potential, as well as allowing more intensive use of the adjacent carriageworks rail employment site.
4. Because of the strategic importance of York Central, it is recommended that the Council acquires this land. This will assist in bringing forward job-generating developments and simplify land ownership arrangements regarding the York Central site.

Background

5. The land owned by Yorkshire Forward is shown on the attached plan. It consists of what is generally known as the "5 acre site" (Site A) at Holgate Park, together with a disused canteen block and

associated landscaping (Site B). This site was acquired by Yorkshire Forward as a strategic land purchase to enable to support the development of York Central because of both its local and regional significance. Following the decision taken by the Government to abolish Regional Development Agencies, alternative arrangements are being put in place for the transfer of assets. It is intended that the remaining assets owned by Yorkshire Forward will transfer to the Homes and Communities Agency on 19th September. Informal discussions have been held between officers of the Council and Yorkshire Forward to explore the acquisition of this site prior to this transfer.

6. The principal benefit of this would be to enable the Council to have a land ownership stake in the future development of York Central, and the wider York Northwest corridor. This will allow greater influence in the development, to the benefit of the city. It will also build the case for the Council to implement innovative public finance approaches to enable development, such as Tax Increment Finance (TIF) or Asset Backed Vehicles (ABV). The acquisition would also maintain a public sector stake in the York Central development and simplify land ownership arrangements. This would reduce the likelihood of commercially orientated third parties prejudicing or complicating the wider development through introducing uncertainty, conflicting aspirations, artificially inflated land values, land assembly issues or 'ransom strip' situations.
7. Members will be aware of the strategic significance of the York Central site in terms of its potential contribution to the future economic prosperity of the City. This is clearly identified in the Local Development Framework draft core strategy, which establishes that the site will accommodate around half of the cities long term office growth, forming a new business district to meet modern business needs and drive growth in the City. The site is also identified as meeting a significant proportion of the City's housing growth and accommodating a range of retail and leisure uses. A planned approach to the development of York Central, in association with the British Sugar site through the York Northwest corridor, is envisaged to ensure that these sites are considered in a strategic and comprehensive manner, whilst promoting local distinctiveness. Acquisition of this site will enable the Council to play a positive role through its economic development and asset management functions in achieving objectives set out in the corporate plan as well as the Sustainable Community Strategy.

8. In addition to providing access to York Central, the site is located immediately adjacent to York Business Park and residual site areas could have commercial development value in their own right. The land is also adjacent to the Carriageworks building, which is owned by Network Rail, who have aspirations to make more intensive use of this important rail employment asset, facilitated by improved rail access over the 5 acre site.
9. The site to be purchased is detailed on the plan at Annex A and comprises 2 areas
 - Site A – net area is 1.8 hectares (4.4 acres). The site is cleared and is flat and ready for development. It should be noted that;
 - The site is contaminated (including blue, white and brown asbestos, sulphate, arsenic and mercury) and has been capped with 150mm of hardcore and 600mm clay. A report has been commissioned on the condition of this cap and the acquisition price will be altered to reflect the condition of this cap
 - The culverted Holgate Beck also flows under the site. As this will have some affect on the proportion of the site that could be developed (depending on the proposed uses) the acquisition price has been revised to reflect this.
 - Site B – net area is 0.5 hectares (1.2.acres). This site comprises the area behind the Fox Inn which is grassed and has a cycle and footpath running over it and also the former Works canteen block. No information has been provided concerning the construction or condition of this building. It is therefore assumed to be in a very poor condition and, following acquisition, a report will be brought recommending demolition of the building.
10. Negotiations have taken place with Yorkshire Forward to acquire the freehold of the whole site and provisional terms have been agreed, subject to;
 - Report on legal title (initial findings show that there are no significant concerns)
 - Report on the condition of the cap (see paragraph 4 above)
 - Contract

The details of the terms are contained in **confidential Annex 2**. It is the Corporate Landlord's opinion that the proposed acquisition price equals the market value for the site and this is confirmed by the report obtained from an independent valuer (a summary of this is detailed in **confidential Annex B**). It is also the view of the Corporate Landlord that site A would be of interest to a number of developers and occupiers as an employment site.

11. Timescales for disposal of the site will relate to the development approach taken as well as commercial considerations. This may be dependent on a range of factors, including securing of planning consent for York Central (unlikely before 2013), the lifetime of any York Central finance vehicle such as TIF or ABV, the commercial development of the sites themselves, or anticipated improvements to the carriageworks site (from 2015). It is considered unlikely that the sites would be wholly disposed of before 2016.

Consultation

12. Internal consultation has taken place with officers within the council. In addition, Network Rail, one of the key land stakeholders in the York Central site, has been made aware of the Council's interest in land purchase and are supportive of this.

Analysis/Options

13. There is an opportunity to acquire this site from Yorkshire Forward prior to its transfer to the Homes and Communities Agency. The report above outlines the strategic significance of this site to the future economic prosperity of the city and the reasoning behind the Council seeking to acquire it.
14. The alternative option is to not acquire the site at the present time which would enable the transfer to the Homes and Communities Agency to go ahead. This option is not recommended because:-
 - a) It would introduce a new landowner to the consortium of stakeholders seeking to bring forward the York Central site which could possibly result in fragmentation.
 - b) It would not enable the Council to use its economic development and asset management service to play a significant role in achieving development and jobs on this major site.

Corporate Objectives

15. The proposal would contribute significantly to the **Jobs and Economic Growth** objective by supporting the development of a key employment site in the City.

Implications

16. **Financial** - the land at Holgate Park will be included in the capital programme as an additional scheme in 2011/12 and will be funded from an increase in borrowing. The resultant finance costs will be funded from the treasury management budget with a permanent increase in 2012/13 until the asset is sold. Any sales proceeds of the land will be used to repay the debt first. The finance costs will be approximately £110k to £135k depending on the purchase cost of the land.
17. The cost of the demolition of the building is approximately £50k. This will also be an addition to the capital programme, being funded from borrowing with a permanent increase in the treasury management budget in 2012/13 of approximately £4.5k.
18. Further revenue implications in relation to the costs to maintain the site are £5k. This will be funded from the Commercial Portfolio Budget.
19. **Property** – as detailed in this report the Corporate Landlord's view is that acquiring this site will result in a number of strategic opportunities for the Council in engaging with other stakeholders in the area for the bringing forward of the development of York Central. Site A could be developed with or without the development of York Central as an employment site. The acquisition price represents market value and the Council should be able to sell either or both sites for at least the figure paid for acquisition.
20. **Legal** - The Council has the power, under section 120 of the Local Government Act 1972 to acquire land for the benefit, improvement, or development of the area. Subject to a formal report on title and formal conveyancing process the land may be acquired on this basis.

21. Equalities and Human Resources-

There are no implications

Risk Management

22. The main risks are:-

- a) Financial – Unable to recover the cost of acquiring the site on its subsequent disposal. It is considered that the price being paid is the market value but the market could drop in the future or unforeseen costs could be incurred in maintaining the site until disposal. These can be managed by demolishing the one building on the site (which will need to be separately funded), carrying out a survey on the cap which has been placed on it and carrying out regular inspections of the site.

The net risk score is 9

- b) Bringing forward development on this site – the main barriers to development will be
- No interest in the site from occupiers (unlikely as a number of business occupiers in the area and the site very accessible)
 - Unable to obtain planning permission for use (unlikely as a designated employment site)
 - Very high construction costs making schemes unviable (possible but ground condition information is available and a number of other developments have taken place recently in the same area.)
 - Worsening economic position reducing demand and increasing development costs

The net risk score is 14

23. Recommendations

That Staffing Matters and Urgency Committee:

- a) Agrees to delegate to the Director of City Strategy authority to complete the purchase of land from Yorkshire Forward at Holgate Park at a purchase price not exceeding £1.5 million.

- b) Approves the purchase of the land at Holgate Park as an addition to the capital programme budget, to be funded from borrowing.
- c) Approves the demolition of the building on the land at Holgate Park at £50k as an addition to the capital programme budget to be funded from borrowing.
- d) Approves that the revenue implications associated with the borrowing be funded from the treasury management budget with a permanent increase in 2012/13 until the asset is sold. The maximum increase in the treasury budget being £135k depending on the purchase price.
- e) Approves that the revenue implications associated with the demolition of the building be funded from the treasury management budget with a permanent increase in 2012/13 of £4.5k.

Reason:

To support corporate objectives with respect to jobs and economic growth and to assist in bringing forward job-generating development on this site of strategic significance.

Chief Officers Responsible for the report:

**Roger Ranson
Assistant Director of Economy
and Asset Management
City Strategy**

**Report
Approved**



Date 25th
August
2011

Specialist Implications Officer(s)

Louise Branford White – Technical Finance Manager

Philip Callow – Head of Asset and Property Management

Brian Gray – Senior Legal Assistant

Wards Affected:

Holgate

For further information please contact the author of the report

Background Papers**Annexes:**

Annex 1- Site Plan

Annex 2- Confidential

Contact Details

Background Papers: None

Annexes:

1 – Site Plan

2 – Confidential – Details of acquisition terms and summary of independent valuers report