

North Yorkshire Council

CATTERICK GARRISON TOWN CENTRE REDEVELOPMENT PROJECT

1.0 PURPOSE OF REPORT

To enable to the Corporate Director of Community Development, in discussion with the Executive Member for Open to Business and Corporate Director of Resources, to agree the final terms of a Collaboration Agreement and Lease with the Defence Infrastructure Organisation.

2.0 BACKGROUND

2.1 In December 2023 the Executive:

- i. provided authority to enter into a Collaboration Agreement and Lease with the Defence Infrastructure Organisation to facilitate the delivery of the LUF Catterick Garrison Towns Centre Regeneration project; and
- ii. delegated authority to the Corporate Director of Community Development in discussion with the Executive Member for Open to Business and Corporate Director of Resources to agree the final terms of the Collaboration Agreement and Lease with the Defence Infrastructure Organisation.

2.2 The Executive noted that this delegation will include the final determination of the DIO's match funding contributions by way of capital costs and land value as well as securing sufficient on-going maintenance costs for the completed LUF project from the DIO's subsequent commercial and residential developments and comprised in the DIO's Phase 2 development.

3.0 DETAILED PRESENTATION OF THE SUBSTANTIVE ISSUE

3.1 The Council and DIO have now agreed the final forms of the Collaboration Agreement and Lease including how the DIO will contribute to the maintenance costs of the LUF project and how the parties will satisfy the match funding condition of the grant agreement with the Department of Levelling Up, Housing and Communities.

Maintenance Costs

3.2 In December 2023 the Executive noted that the parties were working together to finalise how maintenance costs for the Council's LUF project would be secured from the DIO to give the Council sufficient comfort that these costs will be forthcoming.

3.3 The original MOU facilitating the project envisaged that the Council would initially be responsible for the maintenance costs however, as the delivery of the LUF project has accelerated the ability of the DIO to deliver Phase 2; service charges and other contributions from Phase 2 would offset these costs going forward and reimburse the Council for costs incurred prior to Phase 2 becoming operational.

3.4 In accepting the lease of the LUF site from the DIO, the Council will be taking responsibility for the maintenance of public realm elements of the project, the park as well as the Community & Enterprise Building. The December 2023 Executive report noted that officers were working with the preferred operator of the Community & Enterprise building to, as far

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as possible, minimise any requirement for a maintenance subsidy through the design of the facility. This element of the scheme therefore sits outside the maintenance contribution arrangements with the DIO.

- 3.5 For the remaining elements (i.e., public realm and park) the Council has been working with its appointed consultant, Align Property Properties as well as its internal street services parks team, to further define the maintenance costs associated with the park and public realm elements of the LUF project. These costs are estimated as £60k per annum.
- 3.6 The final terms of the Lease with the DIO now includes the following provisions in respect of maintenance contributions:
- i. From the date of completion of the LUF scheme, the DIO will contribute towards the maintenance costs of the public realm and park elements of the LUF scheme (estimated at £60k per annum).
 - ii. Prior to the commencement of DIO's Catterick phase 2 development (comprising commercial and residential development) NYC will be solely responsible for all maintenance costs associated with the LUF scheme.
 - iii. On commencement of the DIO's phase 2 development until the completion of phase 2 including full occupation, the DIO will reimburse NYC for public realm and park maintenance costs incurred (including costs incurred prior to the commencement of phase 2).
 - iv. During phase 2 development, the DIO will use all reasonable endeavours to secure on-going maintenance contributions for the public realm and park elements of the LUF scheme from third parties by way of a service charge.
 - v. The DIO have also agreed to make interim payments at agreed intervals (second anniversary, fifth anniversary) should it not commence phase 2 within 2 years to ensure that the DIO's credit to the NYC is not excessive.
 - vi. On completion of and full occupation phase 2 (programme suggests circa 8/9 years) until the end of the lease (125 years), the DIO will no longer be responsible for making any further maintenance contribution payments to NYC however contributions from third parties by way of a service charge will continue.
- 3.7 It is considered that the above arrangements meet the expectations of the original MOU facilitating the project and are therefore acceptable to the Council.

Bridge Maintenance

- 3.8 There are four bridges within the lease plan located in the park which will also fall within the Council's maintenance obligations. Prior to the grant of the lease to the Council, the DIO will put the bridges in repair.
- 3.9 During negotiation of the lease, the DIO gave assurances that they would continue to maintain the bridges following lease completion by way of its framework contractor. As the lease negotiations neared completion the DIO stated that they were reluctant to enter into a formal written obligation to do so but would still be willing to carry out the works. The Council is therefore taking the risk that the DIO may not follow through with these assurances. Having discussed the extent of these obligations with the Council's bridge maintenance officer, it would seem that costs associated with maintaining these bridges are negligible.

Match Funding

- 3.10 The LUF bid costs comprised a combination of the LUF grant and a total 10% match funding provided by the other project partners. The DIO/MoD's contribution is by way of land value of circa 4 acres, representing the project site and estimated at £1.395m, as well as a further £335k capital expenditure on demolition and vacant possession costs associated with the

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scheme.

- 3.11 The Department for Levelling Up, Homes and Communities has confirmed that as long as the total of the DIO's contribution equates to 10% match, it does not matter if the proportion between land value and capital expenditure alters.
- 3.12 During negotiation of the collaboration agreement and on review of the DIO's title information, the red line of the lease plan has been altered. The Council is therefore obtaining an independent valuation of the revised site. The DIO is also in the process of finalising the costs associated with carrying out its demolition works and obtaining vacant possession. These costs must be made available to the Council on an open book basis.
- 3.13 It is therefore a condition of the collaboration agreement (to be satisfied prior to the Council instructing its contractor) that the DIO must ensure that the match funding condition of the LUF grant agreement is satisfied.

4.0 RECOMMENDATION

- 4.1 It is recommended that the Corporate Director for Community Development, in consultation with the Executive Member for Open to Business and the Director for Resources, provides the necessary authority for the Council to enter into the Collaboration Agreement and Lease with the DIO and facilitating the Catterick Garrison Town Centre Redevelopment Project.

BACKGROUND DOCUMENTS:

Executive report 12 December 2023

https://edemocracy.northyorks.gov.uk/documents/s25357/LUF_Catterick_Garrison_12-12-23.pdf

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