

**Decision Session - Executive Member for
Economy and Strategic Planning**

9 September 2019

Report of the Head of Economic Growth

**Making York Central work for the local economy – brief to the York
Central master developer**

Summary

1. The recently-approved York Central outline planning permission sets out a vision to provide York with up to 88,000 m² of office space, up to 12,000 m² of retail/leisure space, a new hotel, 2,500 homes, new public space and an expansion of the National Railway Museum. The development is a key part of the city's economic strategy, which seeks to:
 - Build further strength in high value knowledge-intensive sectors
 - Enable young people to grow businesses and careers in York
 - Drive business growth from the research excellence of our Universities
 - Make a fresh, bold statement of our cultural identity
 - Increase average wages in the City
 - Create space for local SMEs as well as encourage inward investment

2. The manner in which York Central is developed, the opportunities that the site provides, and the look and feel of the area will drive how residents, visitors and investors experience York in coming years. Getting the development right, providing the opportunities that the city needs, and ensuring that the development has a strong offer for all of

York's people are thus critically important if we are to make the most of York Central.

3. City of York Council is a key member of the York Central Partnership, but is not a significant landowner in the development. The workspace, housing and public open space will be created on land currently owned by Network Rail and Homes England (the master developers). These developers will, in turn, bring forward detailed plans for the site and either sell on the developments or retain ownership and management. So while City of York Council has a keen interest in how the site is developed, what opportunities are provided, and which companies become the occupiers of the site, we have little direct control over these outcomes beyond our future response to detailed planning applications. However, the Council does have significant influence as it is contributing £35 million of EZ backed funding, £10million of prudential borrowed funding and would be the accountable body for £34m of WYCA funding and potentially £77.1m of Housing Infrastructure Fund investment if these funds are agreed.
4. This paper sets out a brief to the master developers in respect of the Council's aspirations as an influencer of landowners as a key York Central partner, identifying some basic principles about what we hope will be achieved, the mix of business space to be provided, the range of occupiers we hope will bring their businesses to York Central, and the environmental characteristics that our city needs.

Recommendation

5. The Executive Member is asked to:
 - a. endorse the Brief to the Master Developers and that officers and Members seek to influence the Council's partners to seek the realisation of this vision through the careful choice of investors, developers and occupiers for the site.
 - b. request that the Leader of the Council to write to the Government to seek exemption for York from permitted development rights for the conversion of offices to housing and hotel uses.

Reason: To support inclusive and sustainable economic growth in York.

Background

6. Home to world-class talent, superb infrastructure, leading academic institutions and unique locations, York is rightly recognised as a fantastic

place to live, work, learn and visit. The city has a strong economy, worth an annual £5.2bn to the UK, and is a key driver of regional growth with 9,000 businesses and 110,000 people employed across York.

7. 2017 saw 5,000 new jobs created in York, resulting in both the number of jobs and total employment being at their highest ever level. The city also has distinct strengths in a range of sectors including rail engineering, digital-tech, bioscience and financial and professional services. York's enviable connectivity as a major rail hub is matched digitally with the city having the fastest digital connections in the UK. In addition, just under half of York's residents are qualified to degree level or higher, meaning that the city has the highest skills levels of any city in the north of England.
8. Yet despite these strengths, there are a series of challenges facing the city:
 - Low productivity growth: York's GVA output per head is 92% of UK levels and in recent years the city has seen strong employment growth in sectors defined by low productivity and average wage levels. Retail and hospitality are big employers in York, providing the bulk of part time opportunities, but are not well-paid sectors.
 - Strong demand for workspace: York's walled heritage and comparative lack of brownfield sites has severely constrained the supply of quality modern office space. The demand for good quality workspace has been exacerbated by a general reduction in office space in the city centre as premises undergo change of use to hotels and residential. There is also a significant need for light industrial and studio space.
 - The affordability of housing: The average house price in York is nearly nine times the average wage, and housing completion is at just 55% of the Council's local plan target. High land values in such a desirable location limit the amount of affordable housing delivered. The cost of living in York continues to be a challenge.
 - Loss of office space: The current permitted development regime allows change of use from office to residential uses without a need for planning permission from the Council. This has enabled office blocks in the city centre, such as Ryedale House on Piccadilly and the former Aviva offices on Rougier Street, to be converted to hotel and residential uses.

9. York Central offers an opportunity to address these challenges, Situated to the west of the city's railway station, the 44 hectare site has been designated as a UK Government 'Housing Zone' and has also been awarded 'Enterprise Zone' status, which offers commercial occupiers significant incentives.
10. While the opportunity is provided by York Central, the key decisions in taking the development forward are in the hands of Homes England and Network Rail, who are jointly the master developer of the site. They will work with investors and developers to bring the site forward as the site must remain commercially attractive, this work will be guided by their Development Strategy which is currently being written. They have recently appointed a Project Director who is working jointly for the two organisations.
11. The city needs:
 - a mix of commercial space, including studio and light industrial as well as office
 - opportunities for new and existing York businesses to consolidate and grow
 - affordable housing suitable for young and growing families
 - a visible presence for our Universities, including facilities to support research and innovation in the city centre
 - the right employers to support graduate retention, but also opportunities for the many York residents without degrees to get better jobs
 - a new district which is clearly part of York, building on our international reputation as a beautiful heritage city
 - a development which exemplifies the city's commitment to be carbon neutral by 2030
12. To achieve what is wanted and needed by the city, it is therefore important that the Council expresses clearly what it requires from York Central. The purpose of this paper is to set out the principles of our brief to the master developer, focussing on the employment and economic development opportunities provided by the commercial space.

Analysis

13. Our economic strategy is clear in setting what is needed to grow high value employment in the city. We need more workspace for our key growth sectors which include companies in the technology, financial services, insurance, rail engineering and biotech sectors. We need to focus on graduate-level jobs, working with our universities to develop a compelling offer around people and place. This will lead to more jobs in better paid industries, lifting average wages in York.
14. While this is undoubtedly necessary to grow the economy, York Central also has the potential to provide opportunities for a diverse level of skill sets and businesses. With 48% of the population having university-level qualifications, York has a very highly skilled workforce, however this still leaves a majority of workers without high level qualifications. For growth to support all, there must be also be a combination of good jobs for non-graduates and new training opportunities for people to retrain for the jobs of the future.
15. There is scope to support growth across all sectors through providing new workspace. There are many companies here who are constrained by the space they occupy, for whom consolidation of multiple offices into a larger space would provide the space to expand into, together with opportunities to increase productivity. The Council will however need to consider carefully supporting such proposals as permitted development rights are seeing existing office space converted to flats and Hotels and the EZ envisages an expansion of overall commercial activity not simple displacement.
16. To this end the Executive Member is asked to consider recommending to the new Council Leader to write to government to exempt York from the permitted development rights regime.
17. For many young and emerging companies, the lack of affordable business space with easy in-out terms is a further constraint. These new companies provide opportunities for the employers of the future to establish here, together with scope for entrepreneurs to grow new businesses from scratch. York Central should aspire to not just be for established businesses and corporates.
18. Depending on the quantum and variety of commercial space developed, York Central will provide space for approximately 6,500 jobs. Officers anticipate that this will comprise a mix of corporate offices of around 500 people, smaller growth and consolidation spaces for businesses of the

100 person size, grow on spaces for emerging 20 person companies, and start up spaces for early stage 1-5 person businesses as shown in the following table.

Occupier sector	Number of employees	Total
Targeted larger companies	8 x 500	4,000
Smaller satellite offices and local consolidators	20 x 100	2,000
Scale ups	30 x 10	300
Start ups and coworkers	200	200

19. Rather than seeking to provide standard high quality office space for mainstream corporate occupiers, our experience with recent inward investors suggests that York is more attractive to niche smaller corporates who wish to stand apart from the crowd. Hiscox's recent move to York is a case in point, and it is this specialised corporate sector which we expect to be the main element in larger occupiers. We would suggest that the Council and the development partners aspire to 6 to 8 corporate occupiers, each employing in the region of 500 people in a new north of England head office.
20. This specialised Corporate occupancy would be complemented with a further 20 or so smaller occupiers, each of around 100 people, filled with a mix of businesses relocating from elsewhere in the local area to site, companies growing into larger offices, and smaller satellite offices of corporates. While York Central will be attractive to many York companies who are currently in older offices or split across multiple sites, it is important that the site doesn't simply fill up with existing York firms decanting into better space. For example, we know there is strong demand from existing rail engineering companies in York to take on space. However, any rail hub on York Central should add something to the city's offer, such as a rail innovation centre, or a start-up initiative,
21. Smaller occupiers – whether 10 person offices or coworkers – could also have an opportunity to be part of York Central. A key part of our economic strategy is the need to provide opportunities for younger people and businesses to be a bigger part of our future.

Target Sectors

22. York's economy is characterised by strong employment growth in a diverse range of sectors including bioscience, digital tech and financial and professional services. In looking forward towards the successful development of York Central, a new central business district for York, the

city's growth potential will not be met by just one sector but a range of sectors.

23. York Central can be the new physical home for the city's **rail engineering** sector. Steeped in the history of the railways, York is a key hub for the UK's rail industry and with the right support can continue to remain so as the railway network undergoes the most significant period of change in its history. The demolition of the former British Rail's Hudson House saw rail employment dispersed across the city and beyond. The development of York Central offers an opportunity to redress this, bringing companies back to York and rebuilding a rail hub.
24. York Rail Innovation Community (YoRIC), an industry-led initiative to bring together York's rail community to address specific industry challenges, has shown that there is appetite for a permanent facility in York to catalyse and support rail innovation. York Central can provide a physical hub for the industry to cluster itself around, creating a business ecosystem that drives innovation and positions York at the heart of the UK's rail industry. This would attract rail engineering businesses back to the city as well as enabling rail-based consultancies across York to consolidate their operations in a purpose built office development, freeing up space across city centre to enable backfill opportunities.
25. With the city's railway station and National Railway Museum in close proximity, coupled with a large number of nationally important rail infrastructure projects underway, the opportunity to grow and develop York's rail sector through York Central would be transformational.
26. **Digital/ICT** will also be a key sector to attract to the York Central development. York's connectivity strengths, highly skilled workforce, unique heritage/environment and world leading academic research in computer science makes it an ideal location to set up a tech business. A strong synergy currently exists between rail engineering and the digital tech sector with growing expertise around signalling innovation, all against a pressing national need to digitise the railway network.
27. Closely related to digital tech is **Financial Services**, and in particular **Fintech**. The UK is Europe's FinTech capital with the Northern Powerhouse punching above its weight in this sector. Given York's highly skilled and creative workforce, combined with the UK's second largest centre for financial services in Leeds on its doorstep, York Central should create opportunities for FinTech innovators who are seeking to establish a UK presence. York Central will also be a magnet for **Professional Services**, those businesses who are eager to make a

statement and to be different rather than being one of many as they would be if locating in either Manchester or Leeds. Commercial rents for Grade A office space at York Central will potentially still be comparably lower than equivalent space in the city centre of Leeds and Manchester, placing York Central at an advantage, with interested businesses able to create a purpose built building to reflect their company image, just as Hiscox did when they moved to York in 2015.

28. A recent review of existing **co-working and serviced office accommodation** in York and the broader region has shown that there is strong demand for this type of space, particularly for businesses and entrepreneurs in the creative and digital sectors. Existing spaces in York, which include The Hub, Hiscox Business Club, ACollective and Blake House are all close to capacity, despite issues around scale, quality and/or location.
29. Our **Universities** have also shown an interest in having a physical presence on York Central. Linkages have been made between STEM researchers at our Universities and the National Railway Museum who are interested in how this could improve the visitor experience, allowing residents and visitors to engage with the museum and York's railway past in new and creative ways. Universities' exemptions from business rates (they are charities and entitled to 80% mandatory relief) would however not make a large University building within the Enterprise Zone desirable from a Council or partner perspective as it is these business rates that are funding the enabling infrastructure and high quality public realm.
30. Thoughts should also turn to exploring **meanwhile** uses for the York Central site whilst it is being developed. For example, BioVale, an organisation promoting and developing the bio-economy across the region, have spoken of their interest in creating an affordable biotech hub for early stage start-ups and designers by utilising shipping containers and empty space. Taken from Open Cell in Shepherd's Bush, London, BioVale sees this concept as a way of offering a low cost environment for biotech prototyping, developing an early stage work link to the Biorenewables Development Centre in Dunnington. The bioscience sector is a key sector specialism for York, with over 9,000 jobs in agri-food and biorenewable activity. Having a visible presence for the sector at the heart of York Central would make a clear statement to all about the importance of this emerging sector, and its strength here in our city.
31. To summarise, we see the target sectors for York Central to accommodate as:

- Rail engineering and technology
- Digital and ICT
- Financial and professional services
- University-led innovation and training
- Bio-tech, particularly at start-up phase

Sustainability

32. York has a new commitment to being carbon neutral by 2030 and leading the charge in tackling the climate emergency. York Central planning approval and design guide has significant ambition required in future reserved matter applications however the Council should use its influence to seek to leverage additional funding both private and public to maximise the climate change opportunity for York Central to play in delivering these commitments, adopting exemplar standards of design and construction, and ensuring that the jobs and homes on York Central enable residents and workers to adopt low-impact transport modes. Walking, cycling and public transport must be the main ways of getting to, from and around York Central. The design of offices and homes needs to be focus away from car use. The rail connectivity of the site will help with this, but it is also important to make a strong positive statement before the development starts about what is expected.

Consultation

33. Initial consultations have been held with the inward investment teams at both Leeds City Region and York North Yorkshire and East Riding LEPs, and with the Make It York business team. Make It York have convened a meeting of their Ambassadors to discuss the approach and provide more detailed sector intelligence, and the Chamber of Commerce Leadership Group have also discussed the outline approach and are supportive. Further input from these partners will be sought as the development of an occupier strategy transitions into securing both investment and occupiers for the scheme.
34. Executive have already committed to continuing the My York Central consultation process, enabling communities and stakeholders to input as the overall scheme develops. This will include consultation around the commercial space and its occupiers.

Council Plan

35. The proposed approach supports the Council Plan priorities for a prosperous city for all and to be a council that listens to residents. As detailed above, the approach is to seek to maximise the opportunities for York people and businesses that will be created through York Central's commercial space.

Implications

36.

- **Financial** There are no financial implications
- **Human Resources (HR)** There are no HR implications
- **Equalities** There are no equalities implications
- **Legal** There are no legal implications
- **Crime and Disorder** There are no crime and disorder implications
- **Information Technology (IT)** There are no IT implications
- **Property** There are no property implications
- **Other** There are no other implications

Risk Management

37. There are no known risks.

Contact Details

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Report

Approved

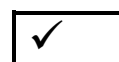


Date

11th July 2019

Wards Affected:

All



For further information please contact the author of the report

Background Papers:

None

Annexes

None

List of Abbreviations Used in this Report

EZ:	Enterprise Zone
GVA:	Gross Value Added
LEP:	Local Enterprise Partnership
SME:	Small or Medium sized Enterprise
STEM:	Science, Technology, Engineering and Maths
WYCA:	West Yorkshire Combined Authority