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YORK COMMUNITY STADIUM – PRELIMINARY ECONOMIC IMPACT ASSESSMENT

Introduction

Five Lines Consulting has been commissioned by the City of York Council ('the Council') to undertake market and financial feasibility analysis on the Council's proposals for a new Community Stadium. Five Lines Consulting is part of a wider project feasibility team, which includes Gardiner & Theobald (as cost consultants), the Miller Partnership (architects and master-planners), and Walker Morris (legal advisors).

Over recent months, a considerable amount of research and analysis has been completed to shape the possible facility mix, as well as identify potential sites, for the development. In order to assist this process further, this letter report examines the potential economic, social and community benefits which could be generated by different sports, leisure and other facilities that could 'make-up' the Community Stadium destination. These facilities are as follows:

- The Community Stadium itself which would accommodate both York City Football Club and York City Knights Rugby League Club home games. It is assumed that the Community Stadium will have a range of hospitality and conference facilities.
- An athletics track (which could either be on the same site as the Community Stadium, or at another location within York).
- A 3G full-size pitch and four 'mini soccer' / 5-a-side pitches (also 3G).
- A closed circuit cycle track.
- Flexible office space (1,500 sq. m. of gross space).
- A branded budget hotel (possibly with 120 bedrooms).
- Private health and fitness club (2,000 sq. m.).

Purpose of this letter report

As a major community-based project, the proposed Community Stadium is likely have a positive impact which will benefit local people, businesses and visitors, as well as potentially the wider

Yorkshire and Humber economy (if of a significant scale with regional connectivity). These outputs and outcomes are considered in this letter report.

As aspects of the Community Stadium project still need to be confirmed (including the site, facility mix, and levels of investment), this economic appraisal can only be regarded as an initial view of possible benefits that could be generated by this project.

An overview of potential strategic, economic, social and other benefits

As a major community-based project, York's Community Stadium could generate a variety of potentially-important strategic, economic, social and other benefits. These include the following:

- The project could help build a sense of pride and involvement from the local community, particularly with regards to the supporters of York City FC, York City Knights Rugby League Club, and the City of York Athletics Club, as well as the wider communities (if the stadium is successful in actively engaging local residents).
- Increasing access to sports and leisure activities is a key priority of the Council and many of its partners such as Sport England and sporting National Governing Bodies (due to the widespread community health and well-being benefits). This is an important goal as the Active People Survey 2007/08 found that sports participation overall in York (local authority area) fell from 24.8% in 2005/6 to 19.4% of the population in 2007/8, which dropped York below the national average of 21.32%. The 'Evidence of Need' report (produced by Five Lines Consulting in March 2010) details those sports which either (1) have below national average levels of participation in York, or those where (2) there have been a growth in participation. If carefully planned and managed, the stadium could act as a catalyst for further raising interest and participation in certain sports (e.g., junior, youth and adult football, rugby league and rugby union, athletics, cycling, etc.). There is also an opportunity for the new Community Stadium to tap into the legacy effects of the '2012 Olympic and Paralympic Games' in London (and the increased awareness and interest in sport that this event will hopefully generate throughout the UK).
- Certain components of the new Community Stadium have the potential to generate a disproportionately positive economic impact. For example, the stadium and the wider facilities would be capable of hosting occasional major sports events and conferences, which – based on evidence from other UK stadia - can attract large numbers of visitors from outside of the region (although it should be noted that there is often a cost attached to attracting major sporting events, conferences and other peripatetic events to destinations).
- The project could become a national benchmark for the sustainable development and operation of community stadia. For example, there is a desire within the Council for the project to have a focus on energy efficiency and related carbon mitigation measures, air and water quality, protection of the local environment (i.e., green spaces, biodiversity, and

quality of life), resource efficiency (to minimise waste and encourage recycling), sustainable transport, and sustainable construction. In addition to being positive outcomes in their own right, this could result in significant 'free' publicity for York and the wider region because of the high impact and widespread coverage the new Community Stadium will generate in regional, national, international and 'on line' media, including TV / radio programmes, magazine articles, and newspapers. Furthermore, such a sustainable stadium could create naming rights and other sponsorship opportunities (e.g., pouring rights, advertising boards, etc.), as some companies may be willing to sponsor the stadium in return for it being named after them for a certain period of time. There are a variety of stadium naming rights deals in existence (e.g., Doncaster's Keepmoat Stadium).

- The Community Stadium will enable local and regionally-based elite sports people to train in state-of-the art facilities on their 'door step', rather than having to travel long distances to other facilities (e.g., Sheffield).
- York's visitor economy is of regional and national significance, and is therefore a key strategic policy priority for the Council and partners such as Yorkshire Forward. With the inclusion of new hotel, and conference and other hospitality facilities (within the Stadium), the project could serve to assist in diversifying York's visitor offer, which will help broaden the market profile of the city, strengthen year-round tourism demand (particularly if the new stadium attracts both leisure and business tourists), and generally support the on-going success of York's visitor economy.
- The new Community Stadium will create a number of opportunities for local people to become trained and skilled within specialist areas such as sports management and administration, sports development, marketing and promotions, and hotel management. There are many other educational and training opportunities, including forging effective links and learning opportunities with the two universities in York, local colleges and schools.
- A new Community Stadium funded wholly or (as is more likely) partly by the public sector would address an identified market failure, as the financial returns generated by community projects such as this are typically insufficient to attract significant levels of private sector investment. For example, both 'Sportcity' (in East Manchester) and Sheffield's various sporting venues and facilities (e.g., Don Valley, English Institute of Sport, Ponds Forge, etc.) required significant levels of public sector grant funding.
- A new Community Stadium would facilitate and contribute to learning, training and skills opportunities in the city and across the region. The Community Stadium Team is the Business Model Champion for the Sport and Active Leisure Diploma which is available to 14 to 19 year olds from September 2010. The diploma changes the current way sports education is delivered, as it is driven by employer needs. The team is working with schools, sixth forms and colleges to enable learning to take place in a range of contexts, to develop

knowledge, understanding and skills that are transferable across the industry. Initial forecasts show that 60 pre-16 students and 20 post-16 students may take up the diploma. Additionally, one of the project's key goals is to maximise skills opportunities and enable new channels of learning. These goals include applying for funding for an education coordinator, rolling out the 'Playing for Success' scheme for under-achieving children and young people, promoting adult learning, skills and training in a non-traditional environment settling as well as specifying clauses in contracts to ensure apprenticeships and work experience placements can be utilised as part of the Community Stadium Development.

- Once a site has been identified for the Community Stadium, there are possible regeneration benefits which could be created. Depending on the type of site identified, these benefits may include the redevelopment of 'brownfield' or redundant land, and bringing it back to economic use (through private and public sector investment). Given the likely scale of the development (which could be up to c. 40 acres), such a redevelopment could be significant.

In addition to the above, jobs will be created directly within the Community Stadium and the ancillary facilities, and employment will be supported in York and the wider region through the injection of additional income into the local, sub-regional and regional economies via the users of the Community Stadium.

Further to the direct and indirect employment supported by the on-going operations of the Community Stadium, a significant number of temporary jobs would be created and supported during the construction phase of its development. In the next section of this letter report, we provide an initial estimate of the possible construction and on-going economic impacts.

Preliminary quantification of the economic impacts

In order to support a case for grant funding (from the Council, as well as potentially Yorkshire Forward and other economic development / regeneration funding bodies), there is a need to quantify the possible economic impacts of the project. In order to illustrate the economic impact of the proposed Community Stadium, we have completed preliminary economic impact assessments on each of the facility mix options. We stress that this analysis is preliminary. As with other elements of this feasibility study, the economic appraisal will need to be revisited, reviewed and revised as the project progresses.

Most capital projects will have both positive and negative impacts. In light of this, there is a need to reflect this in order to assess the additional impact (or 'additionality' of the project). HM Treasury's 'Green Book'¹ states that an impact arising from an intervention (e.g., grant or other

¹ HM Treasury's Green Book sets out the core principles on which all public sector economic assessment should be based. It has been designed to help decision makers appraise and evaluate capital expenditure decisions more effectively

financial support) is additional if it would not have occurred in the absence of the intervention². Given this, the approach adopted for this preliminary economic impact assessment is in line with guidance provided within the Green Book.

To identify the potential 'Total Net Additional Effects' which could be generated by the new Community Stadium, the following have been investigated in relation to each of the facilities which could be part of any new Community Stadium destination:

- The **Gross Direct Effects**: This consists of total spending made by visitors to the facility (including visitor spending outside of the venue - in the local area - during their trip).
- **(Less) Leakage**: This reflects the proportion of the gross direct effects which benefit those outside of the area of benefit (which in this case is Yorkshire and the Humber given the potential scale and impact of the Community Stadium³).
- **(Less) Deadweight**: This reflects the outcomes that would have occurred without the development of the facility.
- **(Less) Displacement / Substitution**: Displacement and substitution are closely related concepts. Where the outputs of the proposed facility result in reduced outputs elsewhere in the area of benefit, displacement occurs (e.g., the displacement of certain events from other venues in Yorkshire and the Humber to the new stadium). Related to the displacement concept is substitution, which is the effect whereby a firm substitutes one activity for a similar one (e.g., recruiting a jobless person while another employee loses a job).
- **(Plus) Economic Multiplier**: Economic multiplier effects involve further economic activity (e.g., jobs, expenditure or income) associated with additional local income and local supplier purchases. The multiplier reflects therefore the income created across the regional economy through the injection of the facility's gross expenditure (as discussed above).
- The **Total Net Additional Effect** is then used to derive an indication of the ('in-direct') employment supported. This is achieved by adjusting the figure to take account of the proportion spent on salaries, wages and other payroll costs, and then dividing this by the average annual earnings in the region.
- **Direct and indirect employment** supported is then estimated.

² Source: English Partnerships (2004) *Additionality Guide – A Standard Approach to Assessing the Additional Impact of Projects* (prepared by AMION Consulting on behalf of English Partnerships).

³ It is important to note that the nature and scale of economic benefits will vary according to the geographic scope of the analysis.

As an ‘ex-ante’ assessment (i.e., before any intervention), and given the early stages of the planning and development of the proposed Community Stadium, assumptions have been used in relation to each of the above. We have sought to minimise potential optimism bias through conducting what we regard is a cautious preliminary economic assessment in order to illustrate the possible economic benefits which could be generated.

Gross Direct Effects

In order to estimate the possible Gross Direct Effects of the Community Stadium project, we have made the assumptions as detailed in the following table.

Table 1: Proposed Community Stadium Gross Direct Effect assumptions

Facility component	Assumptions	Outputs (£)
Stadium	<ul style="list-style-type: none"> Assumed ‘match day’ income – gate receipts, season tickets, programmes, general catering, and hospitality income. 	£2,013,948

	<ul style="list-style-type: none"> Assumed 'non-match day' income – conference and function income. This figure excludes non visitor-related income (e.g., central funding from leagues, sponsorship, pouring rights, advertising income, etc.). 	
Athletics venue	<ul style="list-style-type: none"> Assumed income from users of the venue (e.g., hire charges). Excludes Pavilion income. 	£18,000
Other community sports facilities (i.e., full-size 3G pitch, four mini-soccer 3G pitches, and closed circuit cycling track)	<ul style="list-style-type: none"> Assumed income from users of the facilities (e.g., hire charges). 	£234,805
Grade A office space	<ul style="list-style-type: none"> Assumed income from office tenants (e.g., catering within the site). Assumes 120 people spending an average of £10 per week (for 48 weeks each year). 	£57,600
Branded budget hotel	<ul style="list-style-type: none"> Assumed total budget hotel revenue (i.e., from guests spending on room rates, and food and beverage). Hotel total income assumes 120 bedrooms, 365 days per year trading, 80% occupancy, £35 average achieved room rate, and rooms income representing 90% of total income (with the remaining income being food and beverage revenue). 	£1,362,667
Private health and fitness club	<ul style="list-style-type: none"> Assumes a 2,000 sq. m. private health and fitness club. Assumed total income from members (i.e., membership, food and beverage, retail, guest fees, etc.). 	£1,000,000
'Off site' expenditure	<ul style="list-style-type: none"> In addition to the 'on site' spending by users and visitors, there is likely to be some 'off site' expenditure during their trip (e.g., spending by Community Stadium users and visitors in local bars, restaurants and cafes, shops, and evening entertainment, as well as on regional public transport such as buses and trains). At this nascent stage, it has been assumed that the total Gross Direct Effects are increased by 20% to reflect this wider spending. 	Above figures increased by 20%

Leakage

In considering the potential proportion of outputs that will benefit those outside of Yorkshire, we have reflected on the following:

- The primary users and beneficiaries of the Community Stadium project will be local residents, and – in relation to the office space – local businesses and other organisations (and the employees of these tenants).
- It is expected that the Community Stadium project will be planned to optimise local, sub-regional and regional benefits. For example, the Community Stadium’s supply chain (of supplies of goods and services) will predominantly be local and sub-regional.
- Given that York is located centrally within Yorkshire, the majority of staff would be expected to live in York and the wider region.

In light of the above, the leakage of the Gross Direct Effects outside of Yorkshire is likely to be low. To reflect this, this preliminary economic appraisal assumes a leakage rate of 10%. According to English Partnerships⁴, assuming such a leakage effect is reasonable where the majority of benefits will go to people living within the target area (which in this case is Yorkshire).

Deadweight

In considering the possible deadweight of this project, we have assessed the following:

- Without this project, York City FC, York City Knights Rugby Club, and City of York Athletics Club would continue to operate within their existing venues (or alternative facilities in the city), albeit with lower attendances in the case of the football and rugby league clubs, and lower members in terms of the athletics club.
- The Community Stadium has the potential to bring together – on a single site – a wide range of community sports and commercial facilities (some of which would be new to York) which could create a unique destination in the city.

Based on the above, we have assumed that the deadweight for this project will be 25%. The possible deadweight effect of the project should be examined - in more detail - when the facilities and their occupiers (e.g., office tenants) are confirmed.

Displacement and substitution

As with all major sporting and leisure venues of this type, there will be some displacement and substitution, as a number of users will be diverted way from existing sports facilities in the area

⁴ Source: English Partnerships (2004) *Additionality Guide – A Standard Approach to Assessing the Additional Impact of Projects* (prepared by AMION Consulting on behalf of English Partnerships), page 18.

(even though many of the facilities at the Community Stadium will be servicing an identified need which is currently not being met by the existing range of facilities).

Given this, a figure of 10% has been assumed to reflect the impact of displacement and substitution. This figure is at the low end of English Partnerships' benchmarks⁵ for the effects of displacement and substitution, recognising the assumption that there will only be limited displacement / substitution effects.

Economic Multiplier

Because of the likely economic connectivity and local linkages (e.g., employment of staff from the local area / sub-region), and the creation of local, sub-regional and regional supply chains, additional income will be generated by the Community Stadium within the local and regional economies.

Reflecting this, an economic 'multiplier effect' of 1.7 has been assumed. This assumes strong local supply linkages and income effects⁶.

Direct employment effects

This comprises the people that will be employed directly within the Community Stadium and the other facilities. At this early stage of the project, it is only possible to estimate possible direct employment, as detailed in the following table.

Table 2: Community Stadium direct employment assumption ('full-time equivalent' jobs)

⁵ Source: English Partnerships (2004) *Additionality Guide – A Standard Approach to Assessing the Additional Impact of Projects* (prepared by AMION Consulting on behalf of English Partnerships), pages 21 and 22.

⁶ Source: English Partnerships (2004) *Additionality Guide – A Standard Approach to Assessing the Additional Impact of Projects* (prepared by AMION Consulting on behalf of English Partnerships), page 24.

Facility component	Assumptions	Outputs (FTEs)
Stadium	<ul style="list-style-type: none"> Assumed employment within (1) York City FC, (2) York City Knights Rugby Club, (3) the Stadium Management Company, and (4) catering permanent, part-time, and casual staff. Based on initial estimates, it is possible that there would be 35 full-time equivalents ('FTEs') employed within the football club (i.e., 21 players and 14 other staff), ten FTEs within the rugby club. In terms of the Stadium Management Company, the financial modelling suggests a total of eight FTEs. Catering permanent, part-time, and casual staff. Although this is difficult to estimate at this stage, we have assumed 20 FTEs. 	73
Athletics venue	<ul style="list-style-type: none"> No athletic club FTEs (as it has been assumed that the club will continue to operate on a voluntary basis). 	0
Other community sports facilities (i.e., full-size 3G pitch, four mini-soccer 3G pitches, and closed circuit cycling track)	<ul style="list-style-type: none"> It has been assumed that members of staff which are involved with the operation of these facilities have been included in the Stadium Management Company staffing. Contractor employment is excluded (e.g., security, maintenance and cleaning). 	0
Grade A office space	<ul style="list-style-type: none"> Assumes 100% occupancy of 1,200 sq. m. of net lettable office space. Assumes 10 sq. m. of space per employee, which is a reasonable assumption at this stage (i.e., 1,200 sq. m. divided by 10). 	120
Branded budget hotel	<ul style="list-style-type: none"> Based on initial discussions with Accor, a budget ETAP brand hotel would require no more than ten FTEs (for a 120 bedroom hotel). Although there are clearly other options for the hotel (e.g., other types, sizes and quality of hotels which could form part of the Community Stadium destination), the above are regarded as useful assumptions at this stage. 	10
Private health and fitness club	<ul style="list-style-type: none"> Assumes 30% of total income spent on payroll and an average payroll cost – per FTE – of £17,500. This is an initial assumption. 	17

Indirect employment effects

In addition to those people employed directly within the Community Stadium and the wider facilities, there will be jobs supported within the wider area through the spending of users and visitors to the destination.

In order to estimate the potential Net Additional Effects which are spent on payroll (i.e., wages, salaries and related costs), a figure of 35% of the Net Additional Effects has been assumed. To then convert this figure into an estimate of indirect FTEs (which could be supported by the Community Stadium), the proportion of Net Additional Effects spent on payroll has been divided by an assumed average payroll cost of £25,000.

Construction employment effects

Temporary construction jobs would also be created, providing a valuable boost to the area's economy. Depending on how long it takes for the UK economy to fully recover from the recent recession, this may be a significant impact (particularly if construction sector output growth remains slow for sometime).

The construction employment effects will be related to the total cost of the development and the length of time the development will take to bring to fruition. Below are the build and fit-out cost estimates (excluding professional fees, contingency, VAT, inflation, etc.) for each component of the Community Stadium (as prepared by Gardiner & Theobald):

- Stadium: £10.00 million.
- Athletics track: £2.60 million (assumed to be 'on site' for the purposes of this economic appraisal).
- 3G pitch: £0.55 million.
- Mini soccer pitches: £0.74 million.
- Closed circuit cycle track: £0.85 million.
- Flexible office space: £2.31 million.
- Branded budget hotel: £3.99 million.
- Private health and fitness club: £3.00 million.

In order to illustrate the potential construction period employment effects, we have assumed that £80,000 represents one 'person year'. HM Treasury convention for economic appraisals is that ten person years of employment is treated as equivalent to one FTE. In addition to the direct jobs

created through the construction phase of the project, there will be indirect and induced employment resulting from the construction activity.

Potential outputs (by potential facility)

Based on the above assumptions, the following table illustrates the possible economic outputs which could be created by each facility. It should be noted that the possible outputs are annual outputs, with the exception of the construction outputs which are temporary (during the Community Stadium's construction period only).

Table 3: Community Stadium potential economic outputs (by facility)

Facility	Gross Direct Effects (£)	Net Additional Effects (£)	Construction Employment (temporary effects) (FTEs)	Direct Employment (FTEs)	Indirect Employment (FTEs)
Stadium	2,416,737	2,495,885	23	73	35
Athletics track	21,600	22,307	6	0	0
Full-size 3G pitch	113,406	117,120	1	0	2
Mini soccer pitches (3G)	168,360	173,874	2	0	2
Closed circuit cycle track	-	-	2	0	-
Flexible office space	69,120	71,384	-	120	1
Branded budget hotel	1,635,200	1,688,753	9	10	24
Private health and fitness club	1,200,000	1,239,300	7	17	17
TOTAL	4,424,423	4,569,323	42	203	64

So far, this letter report has (1) summarised the general economic and other benefits which could be generated by this project, and (2) provided an initial quantification of some of the possible

economic outputs. In the table below, we highlight other benefits which are specific to the potential facilities.

Table 4: Other possible facility-specific benefits

Facility	Other potential benefits
Stadium	<ul style="list-style-type: none"> • Raise York’s professional football and rugby league profile nationally, and - possibly - internationally. There are a host of benefits associated with this (e.g., enhanced media profile, increased visitors, etc.). • Increase the provision of high quality, flexible hospitality and conference space in York. This is a priority of Visit York, given the existing success of York as an association and corporate conference destination, and the increasing competition - across the UK and internationally - for these markets).
Athletics track	<ul style="list-style-type: none"> • Raise the profile of athletics locally, and nationally. Would be the leading venue of its type in North Yorkshire. • Could be used for community, club training and elite use.
Full-size 3G pitch / Mini-soccer pitches (3G)	<ul style="list-style-type: none"> • Facilitate increased participation – across different ages and community groups – in terms of football, rugby league, rugby union, and hockey. • Provide important facilities for school, college and university sports.
Closed circuit cycle track	<ul style="list-style-type: none"> • Enable York (and the wider region) to ‘tap into’ the growth in national interest and participation in cycling. • Could be used for community, club training and elite use.
Flexible office space	<ul style="list-style-type: none"> • Provide good quality, flexible office space, particularly for organisations that would benefit from being co-located with the Community Stadium (and other facilities) (e.g., sporting, health, and education oriented organisations).
Branded budget hotel	<ul style="list-style-type: none"> • Increase the provision of good quality, but ‘affordable’, hotel accommodation in York. • Would enable Community Stadium visitors to stay ‘on site’ (therefore helping to support local area economic impacts).
Private health and fitness club	<ul style="list-style-type: none"> • Increase the provision of good quality, but ‘affordable’, private health and fitness club provision in York.

Conclusions

By way of conclusion, we make the following remarks:

- The proposed Community Stadium has the potential to generate a variety of important strategic, economic, social and environmental benefits for York residents, businesses and visitors. Amongst other things, this report illustrated the scale of possible economic outputs (i.e., additional visitor-related income and jobs) which could be created / supported by the project.
- The report also highlighted areas where the project aligns with the strategic and policy objectives and priorities of the Council and its partners, including the goal of increasing sports and leisure participation across York (due to the many positive health and well-being effects associated with a more active resident population).
- Unsurprisingly, the possible economic outputs vary significantly according across the different potential facilities.
- Once the facility mix has been confirmed (and the site determined), there will be a need to complete a detailed appraisal to identify the complete range of likely positive economic, social and other impacts which could be generated by the Community Stadium project, as well as assess any associated negative impacts. At this stage, it would also be important to analyse how best to enhance the positive effects through the planning, development and operational stages of the project, as well as ways to mitigate any adverse impacts.

Yours sincerely



Rob Bailey
Director