CITY OF
YORK
COUNCIL

Economy and Place Scrutiny Committee **16 January 2019**

Report of the Head of Economic Growth

Economic Health of York City Centre Draft Final Report

Summary

1. This report provides information on the work carried out as part of a full Committee review of the Economic Health of York City Centre.

Background

2. In June 2018 the Committee welcomed the Executive Member for Economic Development and Community Engagement to its meeting and also received a presentation from CYC Head of Economic Growth which updated Members on the Economic Strategy 2016-23.

3. During the meeting Members expressed concerns at the number of empty shops in the city centre, particularly a cluster of empty shops on Coney Street, but accepted that addressing this problem was complicated. However, it was agreed that York was doing well against national trends and across the city only three Council-owned properties were currently vacant.

4. The Committee Chair subsequently had a meeting with the Head of Economic Growth and the Assistant Director for Transport, Highways and Environment and agreed it would be useful to undertake a full Committee review of the city centre economy, the immediate problems it is facing and what measures could be taken to resolve them.

5. In July 2018 the Committee considered a scoping report on the economy of York city centre and themes that can be investigated to influence the city centre economy.

6. Members considered that this was a topic worthy of further investigation and agreed to undertake a full Committee scrutiny review and further agreed the following remit:

Remit

Aim:

To understand the economic health of York city centre and where the Council can influence the city centre economy.

Objectives:

i. To examine all the available evidence about York city centre as a retail location and how this has changed in recent years;

ii. Consider the factors that influence the city centre economy and what role the Council has to play;

iii. Understand the global trends that underpin changes in retain and the city centre environments and how these might affect York;

iv. Identify the Council's priorities with regard to the city centre economy.

7. It was also agreed that while this is a full Committee review a minimum of three Committee Members would be available to attend additional sessions outside the Committee meetings to provide flexibility in progressing the review.

Information Gathered

8. In September 2018 the Committee received a briefing from the Economic Growth Team to establish an evidence base for the scrutiny review.

<u>Employment in York city centre</u>

9. In 2016, there were a total of 20,500 people employed York city centre, around 18% of all jobs in the city. Over the past 15 years, a net 4,250 jobs have been lost from the city centre, although the overall total number of jobs in the city was static. Public administration was the biggest loser among sectors in that period, with over 1,700 jobs lost, 50% of the 2003 total. Retail was the second biggest loser, with a 20% reduction in employment and 1,100 jobs lost. In the same period, employment in the food and drink service sector increased by over 1,000, a 40% gain, while the cultural and creative sectors gained a total of 800 jobs, a remarkable 700% increase.

10. What we see is a pattern of retail space being converted to bars and restaurants, public sector employment declining significantly, in part through transferring employment to independent trusts in the creative and cultural sector, and a general reduction in office based jobs as premises undergo change of use to hotels and residential.

Visitor numbers and tourism

11. The latest Visit York figures show a total of 6.9m visitors to the city per annum, spending a combined £564m in York. Over the past 5 years, the total number of visitors has increased by nearly 500,000 and total spend is up by over £100m. The York Tourism Strategy, which is due to be reviewed by the new Head of Visit York, sets a target for the sector to become a £1bn contributor to the York economy.

12. In late October 2018 York was announced as the second most visited city in the UK according to research conducted by Snaptrip, a holiday marketplace company. The city surpasses larger cities such as Manchester, Birmingham, Edinburgh, Leeds and Newcastle with only London proving more popular.

Recent York retail studies

13. To prepare for the development of previous versions of the Local Plan, in-depth studies of York's retail sector were prepared by Deloitte (2014), WYG (2013), GVA (2008), Roger Tym & Partner (2004), and CB Hillier Parker (2001). These reports document a changing retail landscape over the past 17 years, with the predominant themes being the changing mix of food/comparison goods/leisure, the rise of Leeds as a regional retail hub and the decline of smaller centres as retail locations, York's tourism offer and its attraction to retail, and the growth of out-of-town centres.

14. In the 2008 study, which focussed on recommendations for the then plans for Castle Piccadilly, the main emphasis was on the role of department stores, the need for modern retail units to compete with other cities, and the extent to which York residents were shopping in other centres. There was no recognition of the imminent growth in online retailing and the impact that this would have on the high street. In the 2014 Deloitte study, the threat of online is touched on, with a forecast that 20% of all purchases would be online by 2028. The speed of change and the challenges in forecasting are clearly demonstrated here – 20% of purchases were online for the first time in November 2017.

15. While these reports provide useful accounts of the health of retailing across York, they have not proven to be as helpful in predicting what might be needed in terms of space and infrastructure to support the city centre as a retail environment.

<u>Centre for Cities – Building Blocks report</u>

16. The influential think tank Centre for Cities recently published a report on the role of commercial space in shaping city centre economies. The report used rates data to look at the mix of retail, office, food and leisure, industrial, warehouse and other uses in cities, drawing conclusions about the best mix to support a thriving retail offer. On the basis of cities such as Manchester, Leeds and Nottingham, the report suggests that "the strongest city centres have a large share of office space compared to other types of commercial property. This office space tends to be of higher quality, and these city centres tend to have a lower share of high street vacancies. This is because the office space leads to footfall on the high street."

17. However, the report and its associated data set shows that the two cities with the lowest vacancy rates are Cambridge (6.92%) and York (7.03%), with city centre economies driven by tourism rather than office occupancy. In York, 50% of our city centre commercial space is retail (41%) or food and leisure (9%), supported by 28% office space which is higher quality than the national average.

18. This mix demonstrates the challenges that our city centre faces. As our Economic Strategy recognises, York has high levels of employment in low paid work such as retail, food and leisure, and tourism. To make housing in the city more affordable for residents, we need to grow more high paid jobs and support lower paid industries to be commercially successful so that they can increase pay. Our current strategy focuses entirely on growing more jobs in better paid industries, while our city centre economy is driven by tourism, retail, food and leisure.

<u>Vacant premises in York City Centre</u>

19. Despite recent headlines and the very noticeable cluster of vacancies in Coney Street, as noted above, York has the second lowest vacancy rate of all UK cities. Looking at the vacancy rate recorded by our Business Rates team over the past 7 years, the level of shop vacancies is currently lower than it has been for the last 3 years. There are, however, two "problem areas" – Coney Street and Goodramgate – where vacancies are clustered.

20. Coney Street is our classic high street with large big-name shops and the highest rents as demonstrated in the rent hot spot map from the Deloitte 2013 report. Much of the street is owned by pension funds and corporate landlords as part of large portfolio holdings, meaning that ownership is remote and unresponsive. The public realm is difficult, with a tall, narrow street which needs to accommodate delivery lorries and is thus hard to turn over to street cafes and other leisure uses. The rental market is currently adjusting to much-publicised Next CVA arrangement which is forcing down rents. Beyond working on the public realm, there are limited options for us to intervene on Coney Street.

21. In Goodramgate, rents are approximately 1/3 of the per sq ft rates in Coney Street, and the street is on the edge of the core retail area. There are also problems with public realm because of the need to provide car access for disabled parking, and there is a cluster of vacant shops. There is probably more scope for intervention here, and there are some encouraging signs, including the establishment of an independent traders group and some new occupiers.

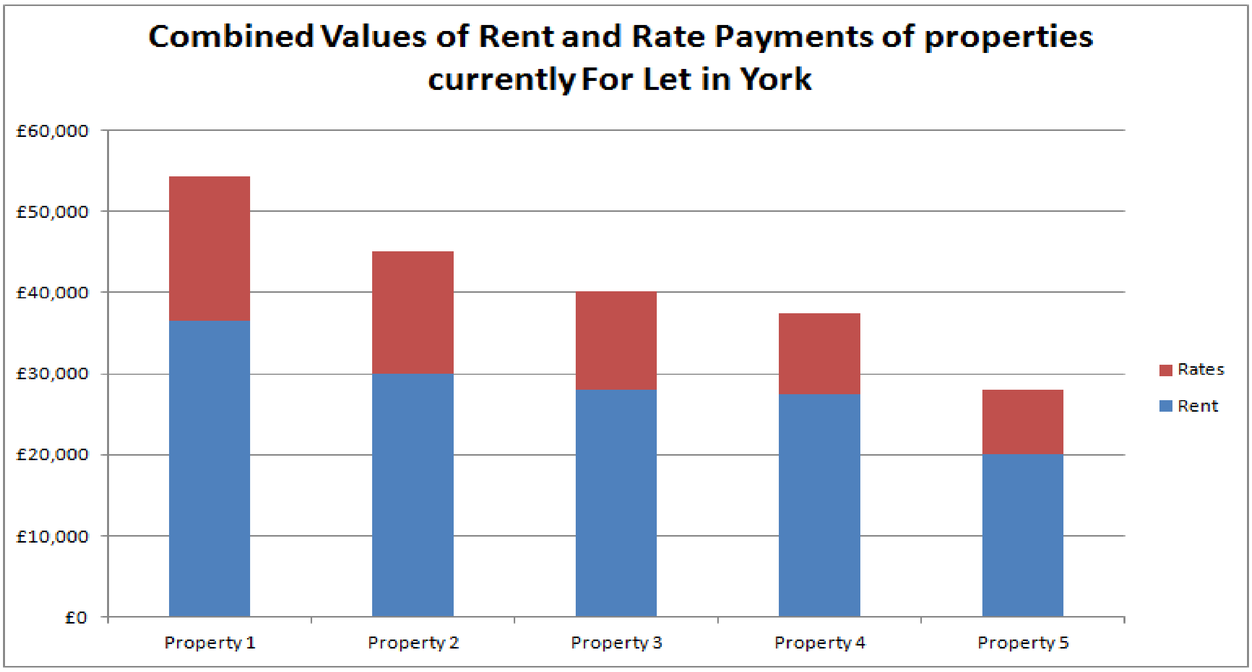
22. In terms of our own retail portfolio, there are currently no city centre vacancies. The recent purchase of Back Swinegate is providing a good return, and there is clearly an option, funding permitting, to extend Council ownership to both generate further rental income and provide more options for regeneration.

23. Beyond these ongoing issues and challenges, there are several "problem occasions" when the city centre environment must accommodate competing interests. On race days, there is often an influx of race goers seeking to extend their day out. In the run up to Christmas, the city centre can be difficult to move through because of sheer weight of numbers. On weekend evenings, particularly Saturdays, the popularity of York as a venue for stag and hen nights can conflict with the needs of families. And as we saw over this summer, we are very reliant on rainfall to keep the streets clean, so when it doesn't rain, the streets can get dirty. Much of the negative media coverage of the city centre is as a result of these factors.

<u>Business Rates</u>

24. Much has been made of the cost of business rates for city centre retailers, and current campaigns by retailers and politicians are promoting a fundamental review of the rates system. This is currently based on the rental cost of premises, providing significant financial challenges for shopkeepers in the city centre. The way that rates are

calculated means that they can add nearly 50% to the cost of premises – the rates on a shop with rental costs of £50,000 would be around £22,000 to £24,000 depending on the tenant, equivalent to the costs of a member of staff.



25. In late November 2018 the Committee met with representatives from key stakeholders in the city Including Make It York, York Business Improvement District, Indie York, York Retail Forum and York Food Festival.

<u>CYC Economic Growth Team</u>

26. To progress the review and gather information on the needs and aspirations of city centre businesses the Economic Growth Team sent out 125 questionnaires to businesses and held 17 feedback sessions. The aim was to discover the views of local businesses and develop an understanding of what it is like being a retailer in York, and find out how the Council can work further with businesses and adapt its approach to support retailers in the city.

27. Many of the businesses surveyed praised the work of Council partnerships, such as York BID, and the work of Indie York in promoting local businesses. However, there were concerns about a perceived lack of clarity and consistency around accessing information around Council policies, particularly planning and licensing, and a seeming lack of communications between Council departments. The key issues identified were:

- Business rates
- Lack of communication/consistency
- Stag and hen parties
- Change in retail day
- Markets
- Circular economy
- No clear City vision
- A boards
- Pedestrianisation

Make It York

28. The Managing Director of Make It York told the Committee that there were many reasons to be optimistic about the future of York:

- 2018 YTD footfall figures up 2.7% on 2018 (v UK average decline of 2.5%)
- Retail occupancy is 91.8% compared to a national average of 89.9% and a northern average of 85.2% (LDC 2017)
- The city has developed Christmas really well : “Britain’s most festive city”
- Tourism numbers are positive across a range of measures
- Unprecedented calendar of events and festivals during 2018 (Bloom!, Shakespeare’s Rose theatre, Mediale, Hot Air Balloon fiesta etc.)
- BID making significant contribution to street cleanliness, safety, way-finding, Christmas lights etc.
- A significant ‘indy’ sector with an infrastructure for promotion and marketing
- Pipeline of retailers interested in York with around 30-40 a month expressing an interest.
- And some of them do land... Flying Tiger, Flight Centre, The Entertainer, Wild and Westbrooke
- It has the England’s best Visitor Information Centre (Visit England 2017/18)

29. But while there were reasons for optimism, there was no place for complacency and several challenges need to be faced:

- Respond to the Grimsey challenge (vision, leadership) – see paragraph 47.
- Be less tolerant to poor behaviour (gag mag sellers, public drug taking, illegal van parking, ASB etc.)
- Fulfil the commitment on way-finding
- Continue with proactive approach to new retailers
- Create a new plan for the development and future-proofing of the Shambles Market
- Resolve to address the car parking issues
- Complete and commit to a city events strategy... with clear guidance and free of politics
- Embed an ambitious city tourism strategy within the city's economic development plan... and see it as an asset not a burden
- Ensure there is an holistic view of where future events/festival space is going to be in the city, given all the new developments
- Ensure that the core city centre doesn't get subsumed by the new developments i.e. it needs attention and investment too

<u>York Business Improvement District</u>

30. The BID's long-term economic master plan for the city centre Includes:

- Infrastructure for business growth
- A great city centre for all ages to live, work and play
- A green city that rises to the challenge of technological change
- A city with agile decision-making bodies
- A focus on communities

31. And economic plan priorities from a BID perspective are:

- Plan for large vacant units and absent landlords
- Improved car parking technology / cycle lanes / public transport
- Care over the appearance of the city centre
- Preparing for how retail will look in 10-15 years

- Plans to improve footstreets (including clarity on enforcement)
- Help businesses to be found

Indie York

32. Indie York, or York Independent Business Association, was set up after the Boxing Day floods of 2015 to get the message across that York was still open for business. It has grown to an organisation of around 200 independent businesses with a business address within York Ring Road.

33. The Association has an interactive website and city map on which every business is numbered in a red dot and highlights clusters of the city's independent strongholds, including Fossgate, Goodramgate, the Minster Quarter, Micklegate, The Shambles and Shambles Market, and the Fifth Quarter, as well as Fulford, Acomb, Fishergate and Bishy Road,

34. The Committee was told that in York in excess of 65% of businesses are independent and helped give the city its USP (Unique Selling Point). The aim is for independent businesses across the city to work together to market independents for residents and visitors, direct people to independent businesses and give members a collective voice.

35. However, the Committee was told that Indie York was financed through the £50 per member annual membership fee so was surviving on very little at the moment. The organisation would welcome any support it could get from the Council to help funds its activities, website and publication of its city map.

York Food Festival

36. York Food Festival run events throughout the year celebrating local and regional food and drink, with the main 10 day festival held at the end of September. It is a not-for-profit organisation and any money generated from ticket sales goes back in to the festival to improve it year after year.

37. Its aims are:

    - To promote local food producers, independent restaurants and retailers in York.
    - To provide educational and fun workshops and cookery demonstrations to encourage people to eat healthy, homemade and locally sourced food.

- To establish York as a culinary hotspot and a place to visit all year round (not just for the festival), building on: York's history as a chocolate city and historic market; the city's talented food specialists and the qualities of Yorkshire food.

- To transform the city streets throughout the days and in the evenings during the festival with a wealth of activities for all ages to enjoy.

38. Issues raised by York Food Festival at the meeting included the city centre infrastructure and problems faced, particularly in Parliament Street, around waste, electrical supplies and drainage. They suggested that the city would also benefit from a flexible structure that could stage events but does not block the space permanently.

39. As mentioned in paragraph 6 of this report, Members agreed that while this is a full Committee review, a minimum of three Committee Members would be available to attend additional sessions outside the Committee meetings to provide flexibility to progress the review. Such a meeting was held on 11 December 2018 and was attended by Cllrs Pavolvic, Steward, D Myers and Craghill (as substitute for Cllr D'Agorne).

40. The aim was to consider the information gathered and to agree some draft recommendations for further discussions by the full Committee.

41. The group also considered CYC's Discretionary Business Rate Discount Policy and considered that this was an issue that warranted more in-depth scrutiny.

Consultation

42. To progress this review the Committee has been guided by CYC's Head of Economic Growth and has consulted with representatives from Make It York, York Business Improvement District, Indie York, York Retail Forum and York Food Festival.

Analysis

43. A steady stream of high-profile retail failures is focussing national attention on "the future of the high street". Across the western world, the rise of online retailing and changing shopping habits are bringing change to town and city centres, local shopping parades and out-of-town shopping centres. In the USA, shopping malls now have an overall vacancy rate of 20%, with department stores closing and traditional retail

companies going bust. In the UK we have seen a wave of closures and business restructures from household names such as Woolworths, BHS and House of Fraser, and national high street vacancies are at an overall rate of around 12% and rising.

44. In York, there is a cluster of empty shops in Coney Street, the main shopping street in the city and the heart of the prime retail area, which provides a very visible reminder that York is not immune to these global factors. However, our vacancy rate is currently around 6%, half the national rate, and a recent report from Centre for Cities looking at the health of city centres identified York as second only to Cambridge in terms of overall city centre occupancy of commercial space.

45. In difficult times, York is faring well in comparison to other UK cities, and bucking a regional trend which sees Yorkshire and Humber as the only part of the UK with declining retail health (LDC 2018).

46. However York has one of the lowest vacancy rates in the UK, and a steadily growing tourism industry which is bringing increasing numbers of international visitors to the city. Employment in the city centre remains constant, but there are high numbers of jobs which are relatively low paid, bringing particular challenges to York due to our relatively high cost of living.

47. The Grimsey challenge, as mentioned in paragraph 29, follows an independent review of the UK's town and city centres by Bill Grimsey, a former chief executive of Wickes, Iceland and Booker. The review concludes that, amid an ongoing shift to online shopping, bricks-and-mortar retailing can no longer be the anchor for thriving high streets, which must become community hubs that include offices, housing and public open space as well as shops and that stronger local leadership is needed to give high streets a renewed sense of purpose and identity.

48. The information gathered during the round table discussions with city stakeholders led to several shared ambitions for the city:

49. <u>Strategy</u>

York needs a long term plan for the city centre to enable it to continue to thrive. This needs to take account of:

- Global/national trends on the high street e.g. if more department stores and banks close, what use could those empty premises be put to?

- Events/markets in the city centre – ensuring we have the right balance of events for visitors and locals, and that the opportunities to trade on those occasions are also available for York businesses

- Getting people to the city centre, and helping them find what's available – car parking, way-finding, public transport, park & ride.

50. <u>Attractiveness</u>

It is important that we think about the city centre in the same way that we have been planning for York Central, Castle Gateway, etc. Issues which need urgent attention include:

- Parliament Street as an events space, given the condition of the paved surfaces, trees, etc

- "Poor behaviour" in the city centre must be challenged.

- Shambles Market – what is its long term future? Can we keep it lively and help it to animate the city centre?

51. <u>City Centre as a business location</u>

The city centre is increasingly dominated by visitors, particularly at the weekends. It has a strong independent retail and tourism offer, and the success of these businesses, the employment they provide, and the opportunities the environment presents, are perhaps the most important contribution the city centre makes. We need to consider:

- Business rates and rates relief – implementation of our existing policies and consideration of new approaches to support the growth of local businesses through rates relief

- Better regulation – need to better align application processes for planning, environmental health, licensing, etc to make compliance easier for small businesses

- Supporting our independent offer – work with traders groups to help the indie sector to grow and become more sustainable.

Options

52. Having considered the information above the Committee is asked to agree whether any additional information is needed to complete this scrutiny review, or not.

Draft Review Recommendations

53. At the informal meeting on 11 December the sub-group of the Economy and Place Scrutiny Committee made the following recommendations for consideration by the full Committee:

    i. That the Committee receives a full report on business rates and rate relief to access the effectiveness of the Council's existing policies and consider new approaches to supporting the growth of local businesses through rate relief;

    And that the Council:

    ii. Fully supports the work and ambitions of Indie York in helping further develop and grow the independent business sector in the city and that the Council makes a grant of £10,000 to Indie York to help progress this work;

    iii. Makes a bid to the £675 million Future High Streets Fund to secure funding to help York to respond and adapt to changes facing city centres and enable the city to prepare a long-term strategy to make its high streets and the city centre fit for the future.

    iv. Develops an easy but comprehensive and consistent guide to help businesses access relevant information around Council policies effecting businesses, such as planning and licensing issues and alike. This could take the form of a booklet which could attract sponsorship.

    v. Examines ways of extending the city's traditional festivals venue in Parliament Street to open up other areas to visitors, particularly across the river into Micklegate, and reduce pedestrian congestion in parts of the city centre at peak hours.

    vi. Works with traders to develop a city-wide loyalty scheme to make it easier for businesses to reward customers with an attractive discount offer for shopping locally while encouraging business growth and customer retention across a city-wide customer engagement platform.

vii. Incentivises ways to further encourage more people to use Park and Ride and work with bus operators to extend the operating hours of Park and Ride to help reduce vehicle congestion in the city.

54. Further, the Committee reaffirms recommendations made by Economy and Place Policy Development Committee following a scrutiny review into the Impact of the Arts and Culture Sectors on the Economy of York which were agreed by Executive on 25 January 2018, namely:

i. The Council should work with BID to explore all means available of achieving improvements to the public realm in the city, particularly Parliament Street;

ii. The Council should seek ways of protecting and utilising the city's stock of historic buildings to attract more growing business, rather than increasing residential use, by encouraging imaginative approaches to redevelopment through the Local Plan and master-planning frameworks, and through its Asset Management Strategy and the future development of its commercial portfolio.

iii. That Make It York concentrates its focus on higher quality events and festivals in the city centre to protect the York festival brand and maximise their GVA.

iv. That Make It York works with BID and other interested parties e.g. York Civic Trust, to devise a comprehensive 21st century system of way-finding within the city using all available methods and technologies.

Council Plan

55. This report is linked to the Prosperous City for All and A Council That Listens to Residents priorities of the Council Plan.

Risks and Implications

56. Any risks and implications arising from this report will be indentified once the full Committee has considered and agreed the review recommendations.

Conclusions

57. How York responds to changes in retailing, and how we adapt our city centre to provide the best environment for businesses, customers,

residents and visitors, is one of the most important challenges that we face.

58. York's city centre is used by a wide range of people for many purposes. Underpinning its success, however, is the strength of our tourism industry and the money that visitors bring and spend in our shops. Despite the cluster of empty shops on Coney Street, our city centre is performing better than any other city with the exception of Cambridge. However, the pace of change in retail is accelerating, and the future success of York is not guaranteed. The areas where City of York Council can influence its development include:

- the public realm,
- our own premises,
- the rates system,
- promotion of the city centre
- transport and the highways
- the planning system

59. Many businesses recognised that stag and hen parties provide a high income for licensed premises in the city. However, they have a detrimental effect on retail at weekends, with Monday becoming the main shopping day for locals in York instead of Saturday.

Recommendations

60. Having considered the information in this report, Members are asked to:

    i. Identify whether any additional work is required to conclude this review;

    ii. Amend or make additional recommendations to the draft recommendations at paragraph 53, above.

    iii. Agree the draft recommendations at paragraph 53

    iv. Agree that recommendations (ii) to (vii) in paragraph 53 be referred to the Economy and Place Policy Development Committee for further consideration.

Reason: To complete the full Committee review in accordance with scrutiny protocols and procedures.

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Report Approved ✓ **Date** 4/01/2019

Specialist Implications Officer(s)

Wards Affected: **All** ✓

For further information please contact the author of the report

Abbreviations

ASB – Anti Social Behaviour
BID – Business Improvement District
CVA – Company Voluntary Arrangement
CYC – City of York Council
YTD – Year to Date