
Meeting of City Strategy Executive Member and Advisory Panel

6 June 2007

Report of the Director of City Strategy

York Eco Business Centre – Progress Report

Summary

1. This report is intended to provide Members with an update on progress following the decision at Executive EMAP in March 2006 to support the development of a managed workspace scheme at Clifton Moor under the capital programme and to lease new managed workspace from the developer Helmsley Group.

2. This report covers progress made towards the sale of the Amy Johnson Way site, the final design of the building, planning approval and the management of the facility. Images generated from a virtual three-dimensional model of the building are attached as Annex 1.

Background

3. At the March 2006 EMAP it was decided to:
- i) Agree to proceed with the scheme as outlined in the Report.
 - ii) Agree to authorise negotiations with The Helmsley Group and to finalise the details of the scheme.
 - iii) Authorise officers to prepare an SLA with York, Selby and Malton Business Advice Centres Ltd.
 - iv) Approve the use of £106k from the capital programme to fund the cost of selling Parkside and equipping the new facility.
 - v) Approve the use of £184k from the capital programme to be allocated towards the scheme to be used to repay debt and provide a revenue budget.
 - vi) Agree that the Economic Development capital programme be reduced by £446k to be used for other corporate capital projects.
4. The building to be constructed at Amy Johnson Way has been named the York Eco Business Centre as a facility to support business formation and growth in

the city and to emphasise both its energy-saving characteristics and the Council's commitment, together with the Eco Depot, towards buildings and design across the city which minimise energy use and their carbon footprint upon the local environment.

5. Since March of last year, a team made up of representatives from Helmsley Group, owner and developer of the building, DSP Architects, York, Selby and Malton Business Advice Centres Ltd (YSMBAC), CYC Economic Development and Resources – Asset and Property Management (APM) together with managers of the construction team have been working together to develop and finalise the building design to ensure it provides the maximum quantity of lettable space, best meets the needs of the business community who will use it and, is built from as many recycled or sustainable materials as possible using the minimum amount of fossil fuels in use. This report updates Members on the work of that team and other associated developments.

York Eco Business Centre design - accommodation

6. At Ground floor level there will be a Reception and display area for tenants and customers' products, manager's office, counselling offices and a training room for use by businesses as well as YSMBAC, the management company. Twenty workshop/studio units will surround a landscaped central courtyard ranging in size from 355ft² to 575ft² and totalling 8,125ft². In addition there will be utility areas such as a small kitchen, toilets and showers. The Reception and Information area which will provide counselling and meeting rooms, together with a public area for information about the building and tenant businesses' products and services, provides a further 1,035ft².

7. The First Floor level provides forty offices on the three sides of the building ranging in size from 150 ft² to 365 ft² and totalling 8,225 ft². To the front of the building at this level will be a café, which will be leased to a tenant business, and a communal area where tenants may meet, discuss ideas over coffee etc. or eat lunch. This area will also be open to neighbouring businesses to encourage wider community participation in the Eco Business Centre. There is also a small balcony to the front of the building which may be used in fine weather.

8. The Second Floor level provides a Terrace at the rear of the building with paving and a green roof. This is designed to provide some open air recreational space for tenants. This area will be planted, monitored and managed by a team from the University of Sheffield carrying out research into green roof design. The terrace was originally designed to carry the solar panels for heating hot water but the ground source heating will apparently be able to provide that throughout the year so the panels are no longer required.

9. The construction team expect to be on site by the middle of May and a completion date has been set for February 2008. During the period of construction pupils from Canon Lee School will have the opportunity to make regular, organised, trips to the site to see how the building is progressing and one of the local primary

schools will be invited to bury a time capsule in the central courtyard to mark the year of construction of the new centre.

Consultation

10. Consultation on the design of the building has been taken with colleagues within CYC; Asset and Property Management, the Sustainability officer and Audit and Risk Management. The Developer and owner of the building, Helmsley Group as well as the Architects, DSP, have been fully involved in discussions with EDU and YSMBAC as the management company and end-users of the building.

Options

11. Members decided in March 2006 to award a Service Level Agreement to York, Selby and Malton Business Advice Centres Ltd to manage the Eco Business Centre. Since then discussions have taken place within the Council following the loss of YSMBAC's business support contract with Business Link whether it was appropriate that any alternative should be recommended to Members. Two alternative models have been discussed:

- i). that York, Selby and Malton Business Advice Centres Ltd (YSMBAC) should manage the Eco Business Centre on behalf of CYC for 2 years until the result of the current tendering exercise by Yorkshire Forward is known.
- ii). that a tender exercise should be undertaken to seek a management company who could manage the centre and also provide a high-quality business advice service to tenants - crucial to the ethos of the centre.

12. The alternative to the recommendation made to Members in March 2006 on management of the Eco Business Centre is therefore whether to undertake a tender exercise with other management companies in the area and see whether they were able to provide a competitive quote to the standards of service provision required – which crucially must include business counselling and training services. While there are likely to be a number of possible providers there are however negative aspects to deciding not to proceed with YSMBAC as the management firm at this stage and going to a competitive tendering process instead.

Analysis

13. The management of the Eco Business Centre has, from the start, been linked to York, Selby and Malton Business Advice Centres Ltd (YSMBAC) which was established by the Council and partners to provide business support services to the York Community in the early '80s. YSMBAC currently manages the Young Business Project (housed at the Fishergate Centre) set up by the council for young business people from 16-30 in 1987.

14. The principal reasons for offering a two-year SLA to YSMBAC now are: a tender process is currently underway to appoint the regional provider of business support services and the result will not be known until later this year. While Business Link (York and North Yorkshire) hold public funds to provide business advice currently from their offices at Arabesque House, this could end in March 2008 just a month after the Eco Business Centre opens. There is a clear

commitment to review the situation after 2 years and YSMBAC's non-profit making status, limited by guarantee status and long-standing close relationship with CYC remains largely unchanged with continuing CYC representation level on YSMBAC board.

15. It would be beneficial to retain YSMBAC as the managing company for the centre for a number of reasons and Members' approval is sought to award a short-term SLA to YSMBAC for two years only on completion of the Eco Business Centre. This would cover the period until the regional business support contract through Yorkshire Forward is awarded and an official provider of business support services covering York is known.

16. After that period the question of the managing company must be reappraised to comply with European Union regulations and any subsequent contract to manage the centre could only be issued after a full procurement exercise.

17. The Eco Business Centre will become the new focus for the Council's support of new and growing businesses in the city, replace the Fishergate Centre accommodation for YSMBAC and provide new space for the Council's Young Business Project. The SLA will set out the terms and conditions for the space, management and letting principles, types of end-users, management costs/funding, performance and financial arrangements.

18. At the March 2006 EMAP, Members were advised that contingency arrangements would need to be considered to cover possible changes to the delivery of business support services - and possible changes to the activities of YSMBAC. In addition, Yorkshire Forward was embarking on a review of the delivery of the business support service – which could impact on the Business Link structure across the region. Further, our own York and North Yorkshire Business Link (with whom YSMBAC was contracted as a sub-franchisee to deliver start-up and small business support) was considering budget cuts that could impact on YSMBAC's budget and activity from 2007/08.

19. This has now happened and Yorkshire Forward has tendered for a region-wide supplier of business advice services to the community. By June the preferred bidder and a reserve will be selected to put forward a bid to run services across Yorkshire and the Humber area from April 2008. In the meantime, York and North Yorkshire Business Link have taken the business support contract for the North Yorkshire sub region in-house for this financial year and are providing services directly from their own offices at Monks Cross.

20. The loss of the Business Link contract has had an adverse effect upon the YSMBAC budget and upon the proposed management fee for running the Eco Business Centre from Spring 2008. The figures advised to Members in March 2006 while the Business Link contract was in place was YSMBAC charging a management fee of £36.1k for the same period for services provided by them per annum. This is on top of the £10,200 provided to YSMBAC within the economic development revenue budget to support the provision of services to start-up and small businesses.

21. These figures have necessarily had to increase as the supporting Business Link contract has been lost. The management fee has been set at £50k – meaning a rise of £13.9k per annum. Resources (APM) have advised that YSMBAC will be paying an economic rent for the space they will be using in the Eco Business Centre. A detailed Financial Implications section follows later in this report.
22. YSMBAC's current status is that they continue running the Young Business Project and they are still supported by the Council through City Strategy business support budgets to provide business support in the area. YSMBAC continue to have Council representation on their Board while they will have to seek out more commercial work to make up for the loss of other income from the Business Link contracts.
23. The additional management cost and more public space in the building in the final design (the reception/display and café/breakout areas), has meant an increase in rental levels from those advised to Members in the March 2006 EMAP report of between £1 and £2.25 per square foot. Rents however will remain competitive in the area and a reduction of 50p per square foot will be maintained for Young Business Project tenants up to age 30.
24. It is likely that smaller units in the centre would attract something of a premium, thus a small office unit would have a rental cost in the region of £225 to £240 a month plus rates and a small studio between £370 and £414 a month plus rates. Members will appreciate that while workshop/studio space is cheaper per square foot, workshop/studios are larger in scale. While workshop space is much more expensive than that at Parkside for example, it is around the level charged at Fishergate – although rates are no longer included.
25. Rates are to be assessed individually rather than on the whole building. Were the whole building to be assessed together, rates would be payable on any empty offices and secondly small businesses can claim small business rate relief of up to 50% on rateable values of less than £5,000 and on a sliding scale up to £10,000. Such relief would not be available to CYC if the building was assessed as a whole. This will mean lower rates costs to tenants.
26. CYC financial contribution to YSMBAC to support business advice provision in the local community remains in place and the close relationship has been emphasised through the involvement of YSMBAC at CEx level in the design and financial planning of the new centre over several years. Importantly too, YSMBAC carry the loyalty of existing Fishergate Centre clients as 'seed corn' tenants at the Eco Bus Centre - key to reducing financial risk of voids and they are currently managing the transfer of businesses from Fishergate to 35 Hospital Fields Road and then to the Eco Business Centre upon completion. YSMBAC will manage 35 Hospital Fields Road also, on behalf of CYC, providing business support to tenants.
27. Finally there is the importance of retaining YSMBAC involvement and commitment to marketing space at the new centre in the local business community over the coming months to minimise the number of voids in the building and financial risk to the Council.

28. This report asks Members to approve an Service Level Agreement (SLA) for York, Selby and Malton Business Advice Centres Ltd to manage the Eco Business Centre for a limited period of 2 years while the official business support position with government funds via the Regional Development Agency becomes clear.

Corporate Priorities

29. **The proposal meets the Thriving City objective in the Community Strategy 2004-2024:**

- To support the progress and success of York's existing businesses and to encourage new enterprises in order to maintain a prosperous and flourishing economy that will sustain high employment rates.

with strategic aims which include:

- To be a focus for high quality external investment and supportive of local business and small business development

The proposal also helps York meet the following objective from the Economic Development Group Service Plan:

- to generate business growth and start-ups in science and technology industries, tourism and other key business sectors in order to maintain existing jobs and provide higher quality, sustainable and higher paid jobs.
- to collaborate with regional, sub-regional and City Region partners in providing a complementary approach to infrastructure provision, including new/improved transport communication links, to underpin new and innovative business activity and jobs

Implications

Financial

30. There are costs involved in providing the management function at the Eco Business Centre borne largely through the rents but with Council support of £14.8k revenue support – which will remain unchanged. Management costs were estimated at £36.1k in the March 2006 Leader EMAP report. The loss of the contract held by YSMBAC to provide Business Link services has meant the cost of providing the management function at the Eco Business Centre has had to be reappraised. This has been set at £50k per annum – up £13.9k from the figure advised to Members in March of last year.

31. There are other costs such as pension, training costs and accreditations for Quality Standards or Continuous Professional Development to maintain the level of professionalism required to keep up to date and to provide best advice – these costs

will continue to be borne by YSMBAC Ltd. Comparable business centres in the city have two administration staff and a manager and they have neither the number of units (60) nor personnel (100) that the Eco Business Centre will have on site nor do they provide professional business advice and counselling services to their tenants.

32. While receiving a management fee for running the Eco Business Centre and providing business counselling and support services, YSMBAC Ltd will be paying rent for their own offices on a total area of 1,300ft² of £19.8k in the first year. This includes the training suite at £7.5k with little prospect of full recovery of that cost since the facilities will be available to tenants on a discounted basis. While management of the centre might be carried out from a distance, experience at the Young Business Project has shown that on-site services are very effective in providing the much needed support for early-stage businesses and has a marked improvement on the success and survival rate of businesses supported in this direct way by experienced and qualified business advisors.

33. If YSMBAC are involved in the running of the next business support contract, additional staff including a new CEO and additional advisors will be required but it will be on the basis of enhancing the services to York-based businesses and the Eco Centre will be the exemplar of how new businesses should be supported to become successful and aid the growth in the local economy and create job opportunities for others.

34. The additional management cost must be covered and will be borne by higher than previously planned rental costs to tenants – although there are also more communal areas in the final design that will provide benefits for all tenants. Rental levels have always been a focus in this project from the start – with the aim of providing affordable accommodation, but of good basic quality in a supportive environment. While proposed rents are higher by between £1 and £2.25 than those advised to Members a year ago, they remain competitive with workshop/studio space around the £12.50 per ft² level and offices around £17.75ft². Space at Fishergate currently costs £14.50 ft² although this includes business rates – which are expected to be around £5 per ft² before any small business rate relief is applied – which is claimed by individual small businesses.

35. It is difficult to provide exact comparator rents in the market place since some will include service costs, or rates, and premises vary in levels of service and quality, but typically they begin at around £25 including rates while smarter offices are between £25 and £30 per ft². Some premises which initially appear cheaper have no services included and these are charged separately. There are no premises in the city which provide specialist business advice services – core to the ethos of the Eco Business Centre.

36. A workshop or studio at the Eco Business Centre will cost around £390 per month including service costs but excluding rates for a 375 ft² unit or £240 for a small one-person office of 160ft² – again inclusive of service costs but excluding rates.

Human Resources

37. There are no Council HR implications, however proposed staffing levels at the Eco Business Centre have been set by YSMBAC at a modest level while still providing the level of service which will carry out the demands of the Economic Programme to support and develop small business formation and growth in the city. The YSMBAC manager will work at the EBC for three days a week devoting all his time to business counselling and management work. A full-time business counsellor will be employed who will devote 75% of her time to the tenant businesses and finally an administrator will be employed for 32.5 hrs per week who will devote all her time to the centre and its tenants. The total staffing cost is £64.8k however some of this will be borne by YSMBAC over the two-year period, keeping the charge to £50k.

Equalities

38. The York Eco Business Centre complies with current access requirements for persons with mobility disabilities with a personal lift at the front of the building from Reception providing access to the first floor and a goods lift to the rear of the building. The Service Level Agreement, (SLA) will set out a full non-discriminatory and equal opportunities consideration for access to all the services for users of the centre.

Legal

39. The Legal Services team has been working on land ownership issues in connection with the site. The industrial land of approximately 0.58 hectares (1.4 acres) which is to be the site of the York Eco Business Centre, originally formed part of a larger site which was leased to Severfield Reeve for 250 years. The Council retained an option however to take back the 0.58 hectares if it had a requirement to develop a new small business centre. The option was exercised and Severfield Reeve entered into documentation to transfer the land back, however it was never registered.

40. A further complication is that the original ground lease to Severfield Reeve included an option for them to acquire the freehold of the whole site (including the 0.58 hectares). Severfield Reeve have developed the rest of the site and have sub let it to Dowding Mills, passing on to them also the option to acquire the freehold of the whole site.

41. This has required the Council's solicitor to draft a deed of rectification and to agree it with the two sets of solicitors acting for Severfield Reeve and Dowding Mills. Although the parties have been cooperative and there has never been a dispute that the intention of the parties was always to exclude the 0.58 hectares, the process has been a lengthy one.

42. Agreement has been reached with the solicitors for both parties and documentation is now with them for execution.

Crime and Disorder

43. Security at the centre will be assisted by the design of the building and surrounding area – with primary access being through Reception during business hours. The premises will be surrounded by a secure fence and main gate which will be locked out of business hours. 24-hour access will however be required by tenants and this must be balanced against ideal secure conditions.

Information Technology

44. The Eco Business Centre will be provided with appropriate cabling to enable tenants to have full access to the Internet and there will also be a telephone answering service during business hours if a tenant is absent from their unit provided by YSMBAC.

Property

45. Planning permission for redevelopment of the Fishergate Centre to become a new centre for homeless people (replacing the current Peasholme Centre) was granted at Planning Committee on 26 April 2007. Existing clients of the Young Business Project in the 19 offices and small workshops there currently have known for some while that they might have to move to temporary accommodation before the Eco Business Centre was ready for use.

46. Refurbished accommodation has therefore been prepared for them by Asset and Property Management at 35 Hospital Fields Road and this is now ready for occupation as soon as it is required to allow the redevelopment of the Fishergate Centre to proceed. The Fishergate tenants are expected to be at 35 Hospital Fields Road for some 9 months, until early Spring 2008.

47. Once the Young Business Project clients have moved on to the Eco Business Centre in Spring of next year, the space will become available for use by businesses who are currently at the Parkside Commercial Centre in Terry Avenue. Some of these are likely to decide not to move to Clifton Moor on grounds of location or cost or because their businesses are judged to be inappropriate to accommodate adjacent to an office-based business – for example on noise, dust or fume-generating grounds. For these businesses who are not moving to the EBC, alternative, cheaper, accommodation will be provided for them at 35 Hospital Fields Road.

Planning

48. DSP Architects, acting for the Helmsley Group, designed the 2 storey Eco Business Centre which includes 20 workshops, 40 offices, car and cycle parking, ground source heating and a wind turbine. The planning application submitted by DSP was registered on 3 October 2006 and was approved on 14 December 2006 subject to conditions relating to construction of the centre and implementation of a green travel plan when the building comes into use.

Energy Efficiency and Sustainability

49. Exploratory bore holes have confirmed that the ground on site will be able to support and provide the full requirements not only to heat and cool the building but to provide all hot water needs too. Twenty bore holes will be drilled – each one 100m or 330ft deep, but just a few inches in diameter, beneath what will come to be the car park. Some will be marked to show their position to remind users of the building how it is both heated and cooled and is minimising the use of finite fossil fuels. While the system extracts heat from the ground, electricity is still needed to power the compressor, evaporator and pumps to send heat through the floors around the building.

50. The wind turbine at the entrance to the centre is likely to be connected to the electric pumps which will pump the ground source-heated water through the floors of the building (there will be no radiators). Currently were it connected to the national grid, each unit of electricity used in the building would be charged at a higher tariff. This position may change in future and the output of the turbine and its connection to the national grid can be reviewed.

51. Members can look at a computer-generated 3D view of the finished building in Annex 1. Recycled materials have been chosen for the building wherever possible – the front walls will be of stone, the upper floor of the building timber while the rear wall is lime rendered. The roof of the building is recycled aluminium from which rainwater will be harvested to provide the flushing of all toilets in the building.

Risk Management

52. The YSMBAC Ltd Board, which includes the Assistant Director for Economic Development and Partnerships, believes that for the financial year 2008/09 that even with the management fee proposed, the company will make a loss of just under £20k and this is with the benefit of other income streams providing services to business - mainly the tenants of the centre. The board has made a conscious decision to use its reserves in this way and expects to be back in the position of delivering a start-up contract when the decision has been made over the future of business support in the region. Thus the additional costs presented by the removal of the Business Link business support contract are being partly borne by YSMBAC Ltd whose contribution from reserves will be in the order of £20,000.

Recommendations

That the Executive Member be advised to:

53. Note the content of this report and the progress made towards the new establishment of the new Eco Business Centre;

54. Approve that a two-year Service Level Agreement to YSMBAC be issued to manage the Eco Business Centre.

Reason:

To update the Executive Member, and due to the uncertainty presented by the current tendering of the regional business support contract by Yorkshire Forward which will be settled within the proposed two-year period.

Contact Details

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Report Approved Date 29 May 2007

Bill Woolley
Director of City Strategy

Report Approved Date 29 May 2007

Wards Affected: *List wards or tick box to indicate all*

All

For further information please contact the author of the report

Specialist Implications Officers:

Finance : Patrick Looker, Finance Manager

HR : none

Equalities : none

Legal :Liz Ackroyd, Assistant Director of Resources, Audit and Risk Management

Crime & Disorder : none

IT : none

Property : Paul Fox, Property Surveyor and Ian Asher, Head of Strategic Business and Design

Planning : none

Energy Efficiency & Sustainability: Kristina Peat

Background Papers:

Papers held on file Eco Business Centre at the EDU.

Annexes

Annexe 1 Computer-generated views of the Eco Business Centre from a virtual model.