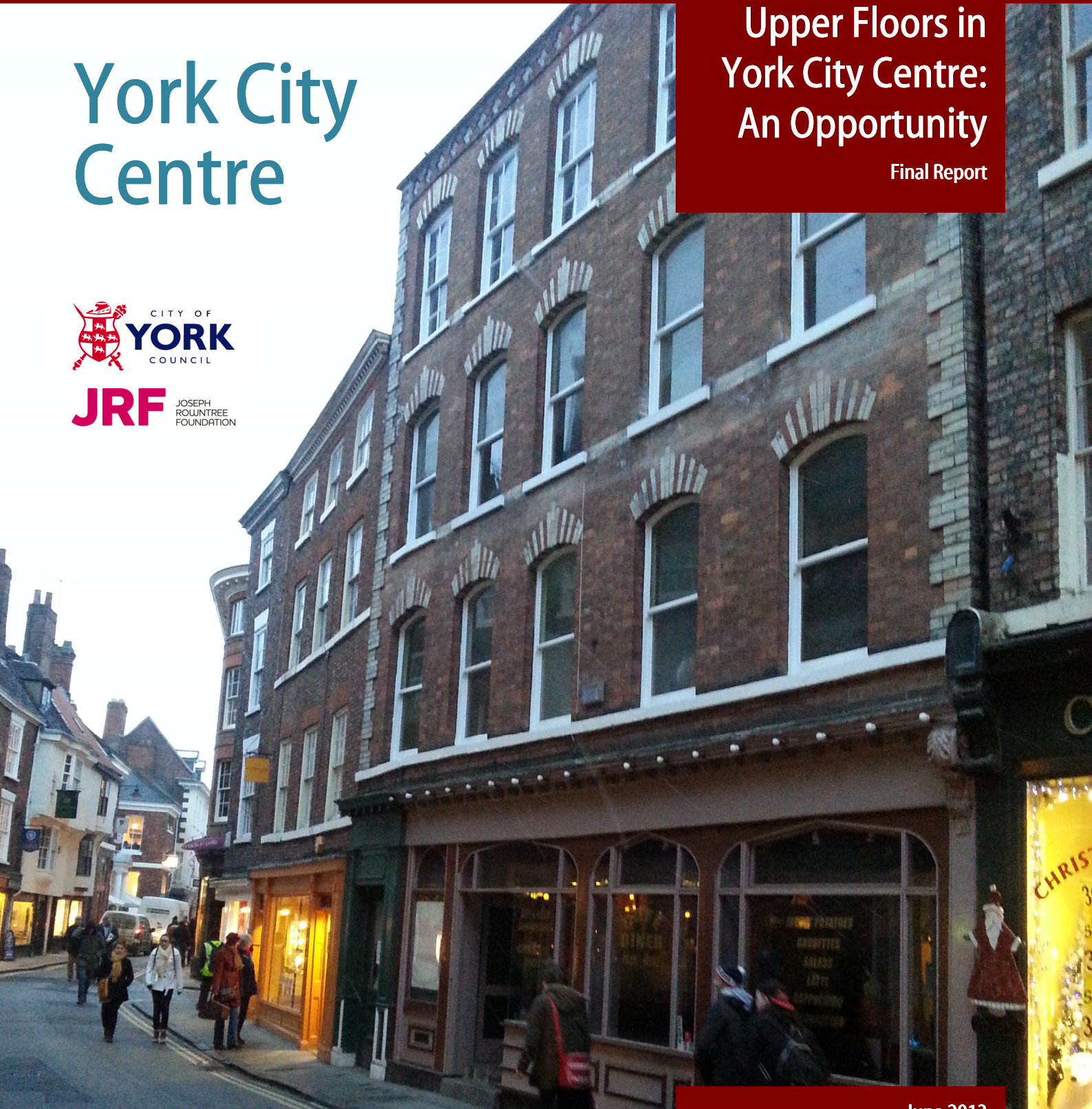


NORTH of ENGLAND CIVIC TRUST

# York City Centre

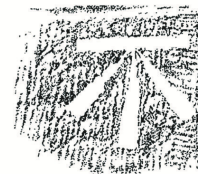
## Upper Floors in York City Centre: An Opportunity

Final Report



June 2013





NORTH of ENGLAND CIVIC TRUST

# Upper Floors in York City Centre: An Opportunity

Final Report



Supported by financial  
assistance from

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# Upper Floors in York City Centre: An Opportunity

## Executive Summary

- 1.1 This short report summarises an initiative by the North of England Civic Trust (NECT), an independent charity, into the extent, causes and proposed responses to vacancy above shops in the city centre of York.
- 1.2 NECT was founded in 1965 and has been active in civil society for nearly fifty years. A projects-based organisation rather than a lobbyist, it combines consultancy, training and its own capital projects, so that its advice is based on first-hand experience of historic property based regeneration. Inspired by the Living Over the Shop concept in the 1990s (which had its origins in York), NECT's director was heavily involved in demonstrating its potential through feasibility studies for a range of properties. In Newcastle upon Tyne, NECT became a founding partner in the Grainger Town Project whose primary achievement became the reversal of post-war decline in the city centre, once again making it a place to live. As part of a rich mix of employment, cultural and economic revival, the Project triggered a full spectrum of residential developments of upper floors, from social housing to the first £1m flat. Alongside such regeneration schemes that were the mainstay of public sector funded programmes up to five years ago, NECT has been equally active in market towns and secondary shopping areas where modest private investment has yielded sustainable results. It is the economic and social reality of this pattern of achievement that led NECT to focus on York.
- 1.3 NECT's initiative to evaluate the potential of York city centre's upper floors ran from October 2012 to June 2013 with financial support from the Joseph Rowntree Foundation and the City of York Council, backed by Council officer time and the support of other organisations including York Civic Trust. Its aims were to undertake a mapping audit of the centre of York to attempt for the first time to quantify the extent of vacancy of upper floors, to analyse why this vacancy exists, the possible reasons for it, what could be done to reverse it, and how a strategy might be developed to put it into action. The Trust undertook much of the work itself, drawing upon its experience outlined in 1.2 in regeneration programmes and grant schemes in conservation areas, augmented by essential local property market advice from Barry Crux & Company and the Council's housing, planning and economic development teams.
- 1.4 The terms of reference NECT set out for the initiative were:
  1. Determine the extent of the problem of disused upper floors in the historic centre of York
  2. Understand the causes of the problem and what is needed to overcome them
  3. Consider development options
  4. Test the proposals on pilot properties to assess viability



5. Set out the benefits to property owners and the city of bringing upper floors back into use
6. Formulate an outline implementation strategy setting out priorities, including delivery and finance
7. Evaluate the results and feedback as evidence to support developing the pilot into a full programme.

1.5 These are the headline findings and proposals.

1.6 York so far has largely escaped the ravages on UK high streets more evident in other historic towns and cities which have suffered deep and prolonged vacancy of retail premises, exacerbated by the current economic situation. The apparent resilience at ground floor level disguises the impact overall when upper floors are taken into account.

1.7 In the study area shown on the map at the end of this summary, there is:

**an estimated total of 4m sq ft (370,500 m<sup>2</sup>) of floorspace above the ground floor.**

1.8 Based on a visual survey, moderated by knowledge of ownership, margins of error and compensating for some inefficiency in conversion of older property, the study concludes there is:

**about 360,000 sq ft (34,000 m<sup>2</sup>) of upper floorspace that could be more productively used.**

1.9 This could be either by introducing a use or changing to a more productive use. Even when applying an additional pessimistic factor in converting that floorspace into useable accommodation, it represents an opportunity in the city centre to house up to 1,500 people or provide office space for 2,000 workers.

**This equates to about 800 1b2p flats, which even if partially delivered would significantly contribute towards achieving the Council's affordable residential target for Guildhall Ward.**

1.10 Translating floorspace into potential only gains substance when backed by express commitments from those who can make things happen. Though city centre regeneration is seen as physical co-ordination of investment and outputs, it must begin with policy co-ordination across all relevant sectors.

- ◆ **Set broad targets for affordable housing, market housing, employment uses, culture and tourism.**
- ◆ **Allocate resources in the Council to contribute to a delivery programme.**

1.11 This exercise was to undertake an independent audit and overview; therefore, to draft an action plan would have been premature without the frameworks in place to deliver it. Surprisingly, the study found



that there is no baseline, comprehensive, up-to-date, readily accessible and searchable online database for those seeing to rent or invest in the city centre – a ‘gateway’ into York city centre property.

◆ **Develop/improve a searchable database of all available city centre property.**

1.12 It was apparent from consultations with owners and investors that guidance on what could or could not be undertaken to properties was unclear, and that access to preliminary guidance could reduce the perceived risk of abortive work, thereby encouraging investment.

◆ **Publish a city centre property owner’s and investors’ guide to development potential and planning guidelines.**

1.13 The study has found that the problem is not specific to a particular location or type of property, though broadly the pattern falls into two areas:

- ◆ larger premises owned by national portfolio investors and let to national retailers, which predominate in the area around Coney Street, Davygate and Parliament Street,
- ◆ smaller, older properties owned by regional and local private investors let to regional and local independent traders, professional services and other businesses, which predominate in the area around Stonegate, Petergate, Fossgate and Goodramgate.

1.14 Each will require an appropriate approach to negotiations and proposals. Indications are that wherever lines of communication and decision-making are shortest, which tends to be with private investors, flexibility is not hampered by bureaucracy or scale.

1.15 The study has found that York city centre is a relatively stable and therefore conservative property market, so trends of opportunity or risk are less apparent. In particular, the traditional divide between commercial and residential markets is quite entrenched, so that unlike other more entrepreneurial cities, changing attitudes is as much a challenge as introducing physical development. That was one of the reasons why the Portas Pilots scheme was introduced but can only work where there is cross-sector willingness to break with convention.

1.16 This is not a crisis (yet); a strength of York’s economic diversity is its resilience to the property trading decisions taken beyond the reach of influence at a national level. But the trend within the national context is no basis for complacency and it could take only one factor – such as adverse market reaction to Monk’s Cross – to tip the balance and undermine confidence. So far, the trends in York are hidden: a gradual reduction in commercial lease term reflecting tenants’ uncertainty, a reduction in goods stored



on the premises so that upper floors are less used, limited supply of city centre affordable and market housing.

- 1.17 As typically 90% of city centre retail property value is the ground floor there is little incentive to invest in a change of use for the upper floors, especially to split the property into separate tenancies, and even more so for different sectors; this is particularly true if introducing residential over commercial, which is the biggest psychological hurdle. Severe cut-backs in public sector regeneration/economic development grants and the current inability of investors to access lending means capital schemes are rarer. Though York has a strong independent property market – perhaps because it does – it is more prone to being fragmented and risk-averse than one dominated by companies with the capacity for strategic longer-term investment risk. This needs the incentives and mitigated risk that come from collective action.

◆ **Set up a York Forum as a cross-sector partnership involving stakeholders to lead an initiative, working in collaboration with the Council but able to access a wider pool of funding such as Townscape Heritage Initiative, Heritage Enterprise Fund and ethical lenders, plus more attractive to help-in-kind and corporate social responsibility, managing funds and overseeing delivery of supported investment in the city centre.**

◆ **Set up a York Fund to give weight to the Forum and its programme by providing a one-stop-shop support service covering advice, incentive seed funding development grants (repayable if a scheme does not proceed; counts towards and is rolled into loan finance for schemes that do proceed) and low interest development finance for schemes by any sector that meets objectives.**

- 1.18 Increasingly, the public funding that is still available includes a requirement for outputs other than floorspace, especially employment or employability, which can be incorporated partly through training in capital projects. The Council's proposals for the Guildhall and riverside fit this strategy well and offer 'hub-and-spoke' potential for SME use of upper floors in the surrounding area. Live/work units and other models appeal to a younger market, helping graduate retention. Clustering strengthens the sense of security and enjoyment of a city centre neighbourhood around business and residents.

◆ **Set training/'civic' objectives that improve scoring and access to funds and support.**  
◆ **Consider maintenance days / shared costs / a 'cherry-picker' scheme for economy of scale of routine property maintenance.**





- ◆ **Promote a skills training scheme and training-and-works contracts linked to grants/loans on capital works, planned maintenance and repairs that would deliver training outputs including university and college student projects, NVQs and apprenticeships covering historical analysis, surveys, professions and traditional trades. Delivery linked to maintenance contracts of all property portfolio types: private, Council, housing providers, York Conservation Trust.**



# Upper Floor Opportunity Sites in York City Centre

This diagram is based on a visual survey in autumn 2012 and is an unmoderated snapshot for illustrative purposes only. The floorspace figures discussed above have been moderated from this survey by using knowledge of ownership, margins of error and compensating for some inefficiency in conversion of older property.

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Client

North of England  
Civic Trust

Job Title  
York Upper  
Floors Study

York Upper Floors  
All Categories

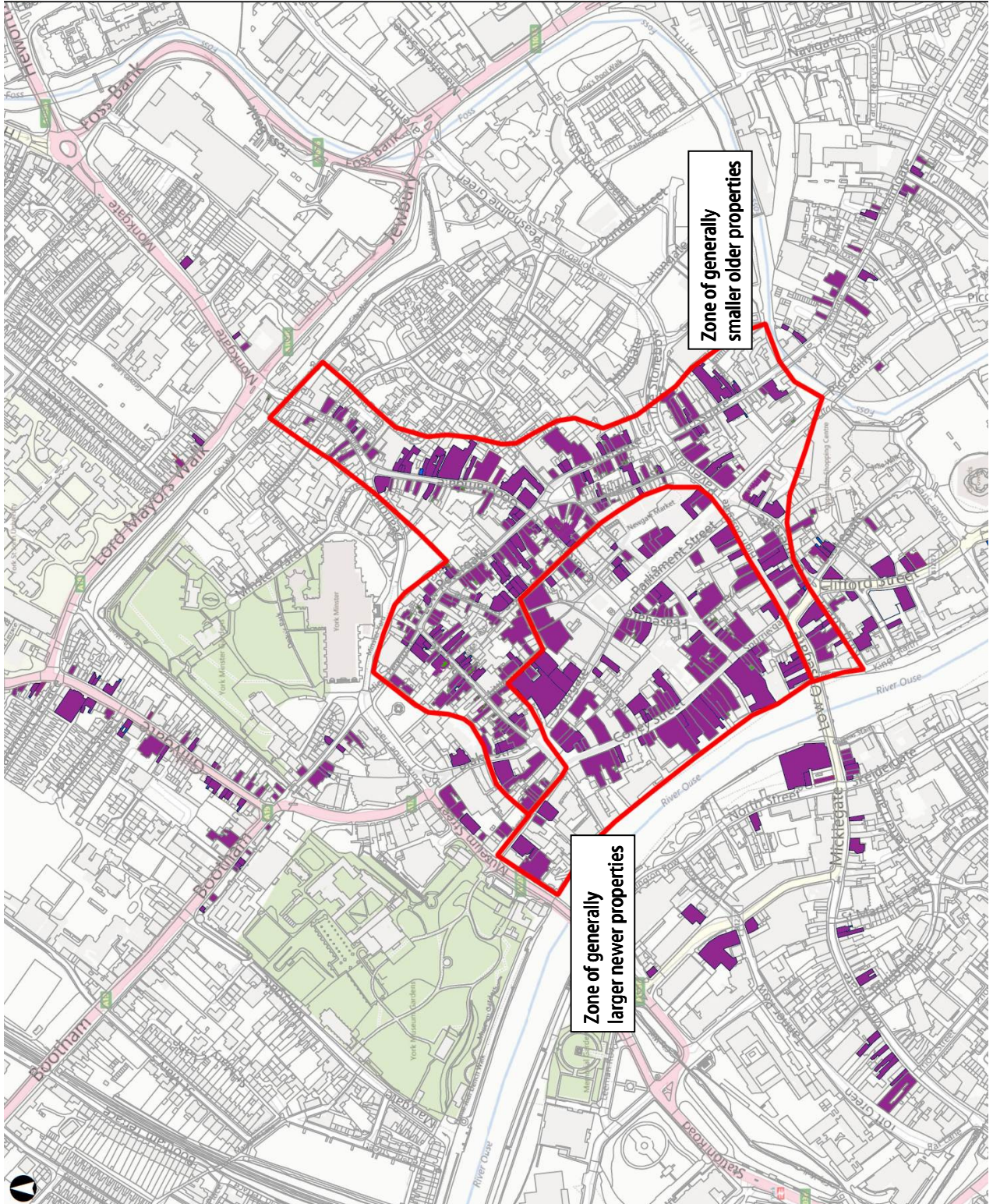
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Figure 7

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Zone of generally smaller older properties

Zone of generally larger newer properties



# Strategic Context

## Introduction

- 1.19 The national agenda is strongly dominated by the impact of the global recession, increasing competition and a general economic downturn since 2008. Since 2010, the policies of the coalition government have been driven by tackling the budget deficit, cutting public spending and a push for economic growth. This has been strongly reflected in changes to the national planning system, a reduction in public services (eg. closure of Yorkshire Forward) and an increased contribution of the private and third sectors to public life.
- 1.20 The impact of this on relevant national and local policy areas is set out below, under the following headings. In each, issues relevant to upper floor vacancy are highlighted:
- ◆ town centres
  - ◆ economic regeneration
  - ◆ housing
- 1.21 This is preceded by some contextual information on York.

## York context

### *York's Story of Place, 2010*

- 1.22 *York's Story of Place* A high-level summary of York's evidence base for Sustainable Community Strategy (December 2010) gives a summary of York:

*"York's history has provided a complex mosaic of buildings and streets unique in character. ... Much of the unique attractiveness of the city as a place to live, work and visit arises from its historical and cultural assets and the special relationships between its buildings, streets, squares and open spaces. Design and conservation issues are a very important consideration for the City of York and maintaining its special character is paramount."*

### *Heritage Evidence Topic Paper, 2011*

- 1.23 The September 2011 evidence topic paper on *Heritage*, produced for the Local Development Framework, ascribes six principal characteristics which capture the fundamental qualities of York and set it apart from similar historic cities. These are repeated in the Conservation Area Appraisal (see below).



- 1.24 The paper says that, in York as a whole, there are 1,581 listed buildings, of which 70 are at Grade I, 170 at Grade II\* and 1,341 at Grade II.

### ***Conservation Area Appraisal, 2011***

- 1.25 The *Central Historic Core: Conservation Area Appraisal* (2012) is a thorough evaluation of the special architectural and historic characteristics of the city centre to be protected and enhanced through planning. It sets the unique place and survival of York in the history of British urban development, “creating a townscape of richness and variety unequalled in this country”. It ascribes six principal characteristics which capture the fundamental qualities of York and set it apart from similar historic cities:

- ◆ **Strong urban form:** a remarkable survival of long, narrow medieval plots rebuilt over many centuries and relatively unscathed by post-War change, formed into large, enclosing urban blocks at 3-5 storeys with lower extensions and yards accessed from the front or side. Framed shopfronts usually associated with smaller premises and providing visual support to the building above, important to the authenticity of the historic form and the quality of the city centre experience. A rich, highly attractive, diverse, contrasting and surprising townscape with interesting juxtapositions and a variety of view types.
- ◆ **Compactness:** a contained, dense, walkable city centre with a concentric form of around 10km (6 miles) diameter, and flat terrain with important views.
- ◆ **Landmark monuments.**
- ◆ **Architectural character:** a rich diversity of age (14th-21st century), form and construction with a wealth of elemental articulation and craftsmanship limited to natural materials and techniques, and narrow building plots, all predominantly at a human scale.
- ◆ **Archaeological complexity:** a deep, layered wealth of archaeological evidence stretching back 2000 years, exceptionally well preserved in places and including extensive built as well as below-ground survival, much of which is undesignated.
- ◆ **Landscape and setting.**

- 1.26 It highlights the following relevant threats and opportunities:

- ◆ buildings at risk and underused upper floors where concerted action is required,
- ◆ unsympathetic shopfronts and associated signage and uncontrolled sale and letting advertising,
- ◆ a need for policy direction to regulate retrofitting of existing buildings to reduce carbon emissions,
- ◆ new architecture to a befitting standard, requiring encouragement, education and co-operation.

- 1.27 The appraisal concludes with the need to:



- ◆ Recognise in policy and in action that the future economic prosperity and growth of the city centre is founded on conserving, enhancing and celebrating the significance of the Conservation Area and the six principal characteristics, and work in partnership to achieve this.
- ◆ Maintain and foster the remarkably rich mix of uses and the continued presence of substantial residential communities, which are fundamental to the historic core's social and economic strength and as essential to its special character as the medieval walls and Georgian buildings.
- ◆ CYC should identify conservation as a 'first tier' consideration, maximising the potential of the historic environment by using existing resources more intelligently, better coordinating its activities, and seeking new sources of funding and partnerships wherever possible.

1.28 One of its action points is to *"develop a strategy and working practices to better co-ordinate council activity in order to use its resources more intelligently, make better use of existing partnerships and develop new ones with the people of York"*.

### ***Sustainable Communities Strategy 2011-2025***

1.29 York's 2011-2025 *Sustainable Communities Strategy*, developed by York Without Walls, the local strategic partnership, summarises that York is a vibrant, well-connected city with a strong economy, low unemployment, a growing population, and an international brand, but that it has challenges to meet. Selected relevant objectives are:

- ◆ **The Sustainable City:** Change the way we live and work in York by promoting and embedding sustainable lifestyles that will have a positive effect on the natural and built environment
- ◆ **The Thriving City:** Facilitate the growth of established businesses as well as encouraging new enterprises in York.
- ◆ **A City of Culture:** Improving our cultural offer through investment in the built fabric of our cultural institutions, heritage assets, our public realm and our intellectual and artistic skills.
- ◆ **The Safer City:** Balancing the need to create a thriving night time economy in order to achieve economic growth with the need to reduce alcohol related violence in the city.

1.30 The strategy says the main priorities are economic growth and improving the environment for it. Inward investment needs to remove barriers to growth, provide support for new investment (as well as the skills labour, good housing and transportation it needs), and, most importantly here, investment in quality of place and maximising assets to catalyse for private sector investment, including maximising brownfield sites. It says the city particularly suffers from a lack of a concentration of high value office space, and a lack of suitable premises and spaces for germination and development of creative industries.



## City Action Plan 2011-2015

1.31 The *City Action Plan: The Strategy For Growth 2011-2015* sets out more detail under the sustainable communities strategy, which could be used to support re-use of upper floors, including:

- ◆ **Enabling Growth, Action (4) (k):** Encourage business start-ups and growth through the development of easily accessible business support services and networks and increased access to finance, premises, new markets and innovation capital.
- ◆ **Creating the Environment for Growth, Action (1) (b):** Interventions for start up units and low cost workshops, including being more creative in promoting temporary solutions.
- ◆ **Action (1) (h):** Production and implementation of masterplans for specific zones such as the Cultural Quarter, the Minster Quarter, Micklegate and Castle Piccadilly.
- ◆ **Action (1) (j):** Maximise the supply of decent environmentally sustainable homes that people can afford, including making best use of the existing housing stock.
- ◆ **Action (1) (k):** Maximise the potential and expertise of internationally significant house builders, charities and educational institutions to enhance development of appropriate and sustainable housing.

## Views of York, 2012

1.32 Recently published by York Civic Trust, *Views of York* uses a wide variety of paintings, engravings and maps of the city by fine artists through the centuries to illustrate its history and character. It describes the historical forces which have guided development seen today, highlighting the importance of profitable commerce and landowning in shaping the legacy of buildings and layout in the city centre. It also includes a history of conservation in York, setting this study in long term context.

## Town centres

### Government policy

1.33 One of the government's policies to boost England's economic growth is to "*improve high streets and town centres*" ([www.gov.uk](http://www.gov.uk)).

1.34 It says high streets are important hubs of social interaction and cohesion, providers of local jobs, and visible indicators of how a local economy is doing. It recognises the challenges town and city centres face from out-of-town shopping centres and the growth of online retailing, and thus the need to offer an experience that goes beyond retail:



*"The high street should be a destination for socialising, culture, health, wellbeing, creativity and learning, with schools, doctors' surgeries and offices along with shops. Our high streets should be social places that make creative use of public spaces and with a vibrant evening economy."*

### **Portas Review**

1.35 As a result, the 2011 review of high streets was carried out by retail expert Mary Portas. The Portas Review (*An independent review into the future of our high streets*, Mary Portas, December 2011) identifies problems such as town centre vacancy rates doubling 2009-2011, and more than 50% of total consumer spending is now away from high streets.

1.36 Six of its 28 recommendations focus on the role of property owners. The review says landlords, whether absentee or not, should

*"take the long term view that value in their asset is intrinsically linked to the attractiveness of its location – 'All landlords should be long-term investors in communities, never just extractors of value'".*

1.37 The report highlights the negative impacts of empty property, saying

*"the decision to leave property empty is not just a private matter for the landlord. Its affects us all."*

1.38 Portas queries whether empty property rate relief should be removed unless landlords are actively investing in the property, or imposing penalties for landlords who leave a large proportion of their portfolio vacant. She also suggests educating landlords in the implications of maintaining and promoting space and concludes that, in the long run, value would go up as a result of action to bring space into use. The review suggests empty upper floor space to experiment with new ideas for the high street, or for social and community space such as space for schools, community-run gyms and nurseries.

1.39 The Portas Review led to over two dozen Portas Pilots and Town Teams which are now exploring new ways of transforming the high street. Around 330 Town Team Partners have also been created, including City Team York, which has received £10,000 to concentrate on its markets as a way of helping start-up retail businesses.

1.40 The Future High Streets Forum has recently been set up to better understand the competition town centres face and to drive forward new ideas and policies, and a Future High Street X-Fund is due to support schemes to rejuvenate town centres.



1.41 In recent months, there has been criticism in the national and industry media that government action has little actual substance and that Portas Pilots are not yet making good progress in tackling the problems their bids identified.

### ***City Centre Area Action Plan, 2008***

1.42 As part of its LDF, CYC's has published a *City Centre Area Action Plan* (Issues & Options stage, 2008) which when adopted will become a key driver for planning and development. It follows three themes:

- ◆ economic vitality: 30,000 jobs, varied retail, over half of York's office space and 4m visitors a year,
- ◆ historic environment: layers of history, over 750 listed buildings, and rich archaeology,
- ◆ community life: 6,000 residents, and the main source of York's community and leisure activity.

1.43 The vision includes ambitions to improve the range and quality of office accommodation and provide a wide range of homes to suit the many needs, including affordable housing. It explores options including:

- ◆ restrict non-retail uses in some parts of the city centre to reinforce the retail economy,
- ◆ encourage new retail by infilling or redeveloping the central area rather than other areas,
- ◆ options to encourage and control hotel development in the city centre including small scale hotels,
- ◆ options to protect existing offices or allow changes of use away from offices,
- ◆ encourage new large-scale and small-scale office development, and focus it in the Toft Green area,
- ◆ encourage the universities to provide space for students to showcase their creative talent,
- ◆ support new housing and commercial development which does not require parking,
- ◆ explore how new local services such as food stores and health/sports facilities can be delivered,
- ◆ pursue greater diversity in new development to promote the evening economy,
- ◆ housing for a range of people, or encouraging housing for some only, eg. older people or families,
- ◆ achieving affordable housing, eg. reducing thresholds or targeting provision to specific locations.

1.44 It considers five possible focus areas, one of which is the Gateway Streets such as Goodramgate, Fossgate and Micklegate, citing vacancy as problem and aiming to ensure prosperity is experienced outside the core.

1.45 The draft APP only mentions upper floors once, with an option to target affordable housing to re-used empty property and vacant space above shops. It also suggests retaining redundant places of worship for cultural and/or community uses.

1.46 Consultation results on the Issues & Options stage of the AAP have not been seen for this study.





## **York Retail Policy**

- 1.47 A 2008 *Retail Study* for CYC recognises that retail spend in the city centre is closely linked to leisure and cultural activity, and sees the need to balance national comparison retailers with protection of independent retailers and the historic environment. Recommendations include exploiting the riversides for improved retail and leisure development, and protecting independent retail on the gateway streets.
- 1.48 Following on from this, the 2010 evidence topic paper on *Retail*, produced for the LDF, sets out the need to support and grow city centre retail (notably into Castle Piccadilly) but by concentrating on viability for the local market rather than necessarily respond to competition from other centres. It demonstrates a need for new retail sites outside the sequentially preferable city centre but recommends concentrating on the central shopping area until 2017.

## **Economic & Retail Growth Analysis & Visioning**

- 1.49 Taking retail policy further, and tying it to a wider economic vision for the city centre, the *Growth Analysis & Visioning* project, commissioned in 2012, sees that the importance of keeping the city centre as vibrant and vital as possible in the face of new out of town pressures and a changing economy. It recognises that the city centre is a more diverse economy than previously thought and understanding of it is limited. The study is looking at new ways of considering commercial, leisure and retail growth, and understanding better the area's property market dynamics. The work is specifically looking at:
- ◆ the quantitative and qualitative need for floorspace for all foreseeable types of economic activity,
  - ◆ the potential market for office, retail, supporting services, leisure, tourism and residential uses.
- 1.50 The final report (January 2013) identifies:
- ◆ good growth forecasts and persistent residential demand,
  - ◆ relatively low grade city centre office floorspace which will need refurbishing to stay competitive,
  - ◆ new space demand in sectors which require bespoke and continually updated accommodation.
- 1.51 Several of its recommended actions could support concerted action to re-use upper floors:
- ◆ initiatives to support retailers and city centre services to adapt to changing competition, including changing accommodation in historic buildings,
  - ◆ a curator role which ensures the city centre is showcased, including housekeeping investment,
  - ◆ specific support for quality independent retailers and speciality shops,
  - ◆ provide credible locations for Grade A office space to accommodate growth in certain sectors, although it is questionable whether city centre upper floors could provide the quality of space



needed for the all of the sectors and demands which are expected to grow (eg. professional, scientific and technical, and information and communication).

- ♦ provide new housing to support economic growth.

### ***Alternative High Street: re-thinking the town centre challenge; Local Government Association, 2013***

- 1.52 This report questions using retail as the primary performance indicator of town centres, using the current economic time of uncertainty to advocate a rethink of what measures of success we should use for the high street in the future. Decline in retail does not equate to decline in the high street unless we remain wedded to the way things were. High streets as 'service centres' in the widest interpretation are seen as the mindset we should adopt.

### ***Townscape Heritage Initiatives (THI)***

- 1.53 Townscape Heritage Initiative (THI) is a programme funded by the Heritage Lottery Fund (HLF) to invest Lottery funds in privately owned buildings in conservation areas in need, including bringing empty floorspace back into use. HLF grants can be as high as £2m and require match funding. The HLF's published review of the THI programme showed that the economic condition all THI areas improves as a result of the investment due to a fall in vacancy rates, a rise in property values (especially for housing) and a halt to decline by encouraging non-grant recipients to invest. It predicts that the most successful THIs will be those which, amongst other themes, benefit from an existing upward economic trend (particularly in employment and income indicators), regeneration experience and confidence, and good housing demand (*THI Scheme Evaluation Five Year Review Report, 2008*).
- 1.54 The success and focus of THIs across the country suggests that a THI in part of York city centre could go a long way to tackling under-use of upper floors, for example in the gateway streets such as Micklegate, Gillygate and Walmgate, or another cluster of suitable properties within the core area.

### ***Living Over The Shop (LOTS)***

- 1.55 The problem has been noticed for many years, most publicly by the Living Over The Shops project operated from the early 1980s to the early 2000s, led by Anne Petherick at the University of York. This seminal initiative went a long way to identifying the causes of the problems – discussed more in the next section – and promoted the concept of a nationwide delivery mechanism to address the causes rather than just the symptoms of upper floor vacancy. This would concentrate on understanding the ownership pattern of commercial property, and the need to change perceptions amongst commercial owners. The LOTS initiative chose, with good reason, to concentrate at a national level, to gain economies of scale and address the problem by portfolios rather than place. The questions which Anne raised then are still relevant now:



*“Why does so much remain empty when there is an urgent need and demand for housing in many towns? Why, when there is recognition of the harm caused by depopulation, and of the need to revitalise our towns outside business hours? Why, when full use of such buildings can safeguard the existing building stock, improve town centre security, reduce the need for transport, minimise demand for green-field sites etc. etc.?”*

### **Heritage Works 2013**

- 1.56 A revised version of *Heritage Works* was published in 2013, an industry publication which sets out a toolkit of good practice for the use of historic buildings in regeneration. Produced by a consortium of the BPF, RICS, Deloitte and English Heritage, it shows how heritage-based regeneration can work in practice using a step-by-step guide for developers, owners, local authorities and advisers, and intended as the first-stop reference document for the regeneration of the historic environment. It can be applied to the theory and practice of tackling upper floors in York city centre.

### **New Ideas for Old Buildings, Heritage Lottery Fund, 2013**

- 1.57 English Heritage has long advocated the economic advantages of investing in heritage and has published annual reports on how ‘Heritage Counts’ to give substance to the claim. This report by HLF looks at the subject from the viewpoint of historic towns and cities – 56 in fact, including York. The case studies of Bristol, Manchester northern quarter and Norwich record the strong correlation between independent investors and historic, individualistic property that this synergy is good for their business and the economy, and that clustering is a strong model.

### **Economic regeneration**

- 1.58 According to *CYC’s Housing Strategy*, York is a broadly affluent city but 8 of its 22 wards do contain areas in the 20% most deprived in England. York’s economy has changed over the last 20 years from manufacturing to science and technology, financial services and tourism.

### **Yorkshire Forward, (2011)**

- 1.59 Research and analysis by Yorkshire Forward (*Re-balancing the Yorkshire & Humber Economy: Opportunities & Challenges*, March 2011) set out the net loss of jobs affecting the region due to a move from public to the private sector growth. It highlights York as a particular problem due to its recently strong reliance on the public sector for new job creation:



*“York, perhaps surprisingly seems destined for some great challenges ahead. Though the city, as a whole, cannot be said to be economically deprived, it has been highly dependent on the public sector for new job creation and this is now at risk.”*

1.60 It says that most of the region has its economic strengths in sectors which are not expected to grow.

### **York Economic Strategy 2011-2015**

1.61 York’s economic regeneration is guided by *Reaching Further: the York Economic Strategy 2011-2015*. It describes a city which is *“punching below its weight”* at 13th out of 64 UK cities but, despite poor growth predictions to 2015 of just 0.75% GVA, with an ambition to be *“raise its game”* to get into the top 5 and become an international and enterprising city. It recognises that both commercial premises and housing supply do not match current demand, hampering inward investment. The strategy includes:

- ◆ **strengths** include quality of life and historic environment, with one of the largest city conservation areas and highest concentrations of historic buildings in the country,
- ◆ **weaknesses** include a smaller than average number of early start-up businesses which make it to VAT registration level, and, despite high demand, space for businesses to start and grow in is constrained and in low supply,
- ◆ **opportunities** include capitalising on the city’s 7 million existing visitors a year to generate global demand for leisure and business tourism,
- ◆ **threats** include reductions in public budgets which mean the limited opportunities for public funds that would previously have been available to enable and promote local growth.

1.62 The strategy sets five ambitions for the future, including:

- ◆ **4.** A world class place for business, communities, students and visitors, by facilitating both better use of existing developments and infrastructure and the development of new spaces where necessary.

1.63 This ambition includes objectives to enhance the city centre and its opportunities for business and leisure, and integrate economic priorities with physical and infrastructure development. It recognises that, despite being a major attractor with a range of premises on offer, the city centre faces increasing demands on its physical environment and infrastructure, including the constraints of the historic environment, which create challenges for accommodating growth and reducing carbon emissions. The strategy aims to *“build on the unique historic environment of the city, unlocking the potential of existing sites while also bringing forward sites to accommodate this growth”*. It includes specific actions which include:



- ◆ **4 (a) (iii)** Identify and develop a range of employment sites to meet the needs of existing businesses and investors, from incubation and start up space to larger spaces, including advancing the Science City York Property Review.
  - ◆ **4 (b) (i)** Progress as a priority the city centre investment and action plan to strategically facilitate an ambitious vision of the city centre of the future.
  - ◆ **4 (c) (iii)** Ensure the quantity, range and affordability of the city's housing stock supports its economic needs and development.
- 1.64 Ambition 5, to develop a coordinated and efficient approach to investment includes actions to improve inward investment opportunities such as more clearly setting out the city's offer, coordinating interest and communication, and using innovative financing mechanisms. Overall, the strategy aims to achieve:
- ◆ 75 new start-ups each year from 2015,
  - ◆ 70% of businesses surviving 3 years.
- 1.65 The economic strategy is being developed through the retail growth analysis and visioning work (see from 1.48 above).

### ***New City Beautiful, 2010***

- 1.66 Published in 2010, *New City Beautiful: Toward an Economic Vision* was exploratory exercise which concentrates on macro urban design issues. It contains a range of proposals to enhance the city's environment to underpin economic objectives, including:
- ◆ increase city centre green space,
  - ◆ improve arterial routes into the city and enhance the public realm once there,
  - ◆ capitalise on the city's two rivers and their frontages,
  - ◆ identify an existing cardinal route through the city – the Great Street – to link together many of the other proposed ambitions, from one edge of the city to the other, to act as an anchor to quality and value, and to provide a spine off of which to develop new facilities such as incubator space.
- 1.67 In the city centre, the Great Street would run along Museum Street, Duncombe Place, High and Low Petergate, Fossgate and Walmgate.



## Housing

### *Government policy*

- 1.68 The government's aim is to improve existing housing whilst also providing new ones. Its overall policy goal is to "ensure everyone has an opportunity of living in a decent home, which they can afford, in a community where they want to live" (*Laying the Foundations: National Housing Strategy 2011*). This is in the face of the very low numbers of new-builds in recent years and a housing market greatly harmed since 2008.
- 1.69 New measures include:
- ◆ improving access to borrowing including loan guarantees and the Build To Rent Fund to support the rented sector,
  - ◆ financial incentives to deliver housing growth including the New Homes Bonus,
  - ◆ help for buyers (eg. the NewBuy Guarantee), and greater renter mobility and tenure flexibility,
  - ◆ replacing regional housing targets with a requirement to provide a 5 year land supply,
  - ◆ changes to the planning system and other deregulation designed to encourage new housing, such as making a change of use from office (Class B1) to residential (Class C3) permitted development for a period of three years.
- 1.70 At the same time, changes to the welfare system will impact on Housing Benefit and some people's ability to cover housing costs.
- 1.71 The government says there are over 700,000 empty homes in England and is taking various actions to reduce their number, including through the Homes & Communities Agency (HCA). It is also considering an empty homes levy.

### *Strategic Housing Market Assessment 2011*

- 1.72 York's *Strategic Housing Market Assessment (NYSHMA, Appendix 7: York-specific SHMA Analysis, November 2011)* says that York's population is growing, notably in the 20-35 age bracket, amongst students (with graduate retention quite high), and one person households.
- 1.73 The SHMA gives the following summary details at 2011:
- ◆ there were around 83,250 occupied dwellings in York.
  - ◆ gross new-build had dropped to reflect national figures (5,300 dwellings 2004-2010).



- ◆ vacancy is low “limited amounts of surplus stock available to meet current and future population and household requirements”.
- ◆ there is a high percentage of flats in York, particularly in the centre where there remains a high demand for them. The 2011 Household Survey indicates flats grew their share of the total stock profile in recent years due to new-build.
- ◆ 74 % of dwellings are owner-occupied, reflecting average figures for North Yorkshire.
- ◆ there is a higher than average social rented sector in the centre of York.
- ◆ CYC has identified a five year land supply of 4,343 dwellings for 2011/12- 2015/16.
- ◆ House prices are above sub-regional average, presenting an affordability challenge for first-time buyers.
- ◆ Demand for private sector rented dwellings is high, amongst students and others.
- ◆ Demand in the social rented sector is about average.

1.74 For the future, the SHMA says:

- ◆ population and households are due to grow,
- ◆ demand will be notably high in smaller property types, but medium and larger properties are also in demand,
- ◆ a net annual affordable housing total of around 790 dwellings per annum is needed,
- ◆ ‘intermediate housing’, such as shared equity schemes, could also increase in demand.

1.75 Assessment summary figures for Guildhall ward are as follows (2011):

Median House Price	Lower Quartile House Price	Median Income	Current Housing Need	Future Need	Supply (Re-lets)	Total Net Annual Need
£197,735	£164,995	£16,900	253	144	54	141

The assessment clarifies that, in practice, these need figures could be delivered in adjoining wards, so these ward figures are for illustrative purposes only.

### **York Housing Strategy 2011-2015**

1.76 According to 2009 projections in *Creating Homes, Building Communities: York Housing Strategy 2011-2015*, York’s population is 190,000. This is expected to grow significantly by 2020 partly because of an ageing population and increasing student numbers. It claims average incomes are insufficient to buy on the open market without large deposits, and says one factor limiting a growth in supply, which would relieve pressure on prices, is the sensitive nature of the city’s built environment.

1.77 The strategy has six strategic aims, including:



- ◆ **2. Make best use of the existing housing stock:** tackling long-term empty properties; and increasing the role of the private rented sector in meeting housing need (including through YorHome, a dedicated social lettings agency for the private sector).
- ◆ **3. Maximise the supply of decent environmentally sustainable homes that people can afford:** including increasing housing supply, especially the supply of additional affordable homes, ensuring a 5 year land supply whilst balancing the constraints of York's historic fabric and green belt, and encouraging a range of new homes across a range of tenures and prices, including a rise in smaller dwellings, small family dwellings and student housing.
- ◆ **4. Improve the condition, energy efficiency and suitability of existing homes and create attractive, sustainable neighbourhoods:** including help and advice on looking after older stock, improving their energy efficiency, and ensuring all neighbourhoods are attractive and desirable places to live.

1.78 There is also an aim to develop effective partnership working.

### ***York Private Sector Housing Strategy 2008-2013***

1.79 York's 2008 *Private Sector Housing Strategy* says that Guildhall ward has the highest level of private rented housing of any ward, is one of three wards with below average property condition, above average overcrowding, above average fuel-poverty, and has the highest levels of pre-1919 stock in the city. Micklegate and Hull Road wards are similar.

1.80 In the private sector, there are very low rates of empty properties – around 1% vacant for longer than 6 months. Almost eight in ten private sector homes are under-occupied, a very high rate, which means the city is not maximising its housing stock. The strategy recognises this is not an easy problem to solve, as it requires incentives for people – particularly older people – to move to smaller premises. Actions include:

- ◆ **Strategic aim 1 (1):** Maintain, and where possible improve, the overall condition of owner occupied dwellings in the city, with particular focus on the worst performing areas and dwelling types.
- ◆ **Strategic aim 2 (1):** Improve the condition of private rented homes in the city more in line with the city average for all occupied dwellings.
- ◆ **Strategic aim 4 (1):** Maintain, and where possible reduce further, the current low level of long term empty properties in the city.
- ◆ **Strategic aim 5 (2):** Improve joint working between key agencies delivering services relevant to this strategy (existing partnerships include with the Energy Savings Trust and the North Yorkshire Home Improvement Agency).

1.81 Other measures include to improve security, safety and energy efficiency.





### ***Strategic Housing Land Availability Assessment, 2011***

- 1.82 The *Strategic Housing Land Availability Assessment* was produced as part of the evidence base for the Local Development Framework. It prioritises new housing in York's main urban area. York's record of bringing forward new housing on previously developed land is above average – around 75% of all housing 1998-2008 was on brownfield sites, but it notes this has probably fallen since.
- 1.83 There is only one SHLAA site within the area for this study (1-9 St Leonard's Place) and the size threshold below which sites would be regarded as windfall rather than SHLAA provision is 0.2ha, so many of the upper floors to be identified for re-use would need to be regarded as windfall sites. An allowance for small windfall dwellings has been included in the SHLAA.



## The Extent of the Problem

### Perceptions

- 1.84 The Trust has not worked extensively in York before and so has been able to bring a fresh pair of eyes to the city centre in recent years. Our first reaction was that York was not a city suffering from a declining centre, and it retained a vibrant, economically active wealth of property, albeit with some problems in some places, which was no different than many other places.
- 1.85 Closer inspection and discussion, however, does reveal that the activity in upper floors is not always high. There were no lights on where they would be expected to be, curtains seemed to remain untouched, and top floors in particular appeared to have more than their fair share of vacancy and, in some case, abandonment. The reasons behind this, discussed in the next section, are many and complex.

### Survey

- 1.86 A large part of this project was to carry out a street survey of York city centre to try to quantify the problem of under-used upper floors.
- 1.87 The boundaries of the area to be surveyed were defined in collaboration with the Council, York Civic Trust and Barry Crux & Co. This is not to say that beyond the study area the problem does not exist – it does; rather, to concentrate on an area where the concentration of ground floor retail and the perception of vacancy was considered to be most intense.
- 1.88 The survey:
- ◆ was purely visual but the recorded plot-by-plot mapping was circulated to Barry Crux & Co., the Council, the City Team York Property Agent's Group and a large stakeholders' forum to check for any significant errors,
  - ◆ recorded the likely level of use of each floor above ground floor in every building on all streets in a defined part of the city centre,
  - ◆ was carried out in several separate surveying days over a number of weeks in the autumn of 2012,
  - ◆ considered the front elevation only, from the street, with no internal, rear or other private access,
  - ◆ was completed without publicity (although surveyors were happy to answer questions when approached during their work on site).
- 1.89 Factors taken into account included whether:



- ◆ habitation could be seen (eg. lights switched on, window signage, people visible in the window),
  - ◆ domestic trappings were visible (eg. clean curtains, windowsill in use, furniture visible),
  - ◆ windows were clean or clearly had not been cleaned for a very long time,
  - ◆ retail storage was visible,
  - ◆ the ground floor shop had internal signage to first floor retail,
  - ◆ a separate side door with doorbell or intercom was in use.
- 1.90 The study area is shown in the diagram in the Executive Summary. The possible levels of use for each floor were:
- ◆ in use (fully used and occupied),
  - ◆ under-used (some storage or occasional use),
  - ◆ disused (no obvious evidence of regular use),
  - ◆ abandoned (physical deterioration or clear evidence of long term disuse such as broken windows).
- 1.91 As the first survey of its type across the city centre, it had to be realistic, looking for general patterns that would provide an indicative overview that could be subsequently be followed up with focussed detail surveys where opportunities arose. The raw data was therefore subject to high levels of moderation:
- ◆ to apply a large margin of error to compensate for misreading the visual 'signs of life', and/or to discount floorspace that is only short-term vacant,
  - ◆ to cross-check the visual survey with knowledge by the Council and property professionals,
  - ◆ to recognise that city centres are volatile, constantly changing markets in which property-specific data rapidly becomes out of date (there can never be a definitive fixed record), but in which trends are slower to change and therefore provide a more reliable basis for policy and action,
  - ◆ to apply a pessimistic factor that acknowledges conversion of upper floors of some older, smaller properties may have low gross to net ratios of useable floor space.

## Results

### *Unmoderated results*

- 1.92 In the study area, the mapping indicates that there is a total of about 370,500 sq m of floor space above the ground floor. Generally, this is distributed over first, second and third floors, with some buildings rising higher and including attic floors, and some older properties and rear projections having less floors.
- 1.93 The results of the address by address survey were tabulated into a spreadsheet which was then imported into a GIS and presented as a map, identifying the use level of individual buildings, floor by floor. This map was not made public as it would have been too vulnerable to error and misinterpretation to



highlight individual buildings from a survey with the sort of limitations set out above. The map was used to inform discussions with stakeholders and was shared at a January 2013 forum event to discuss the findings (see appendix), and at a meeting of the York Property Agents' Group the same month.

1.94 Using the GIS also allowed floor areas to be calculated, giving overall square metre figures for the four different levels of use:

<b>Unmoderated survey results</b>	<b>Level of use</b>	<b>Area (sqm)</b>	<b>%</b>	
	in use	234,637	63	
	under-used	46,159	12	
	disused	84,980	23	
	abandoned	4,740	1	36
	<b>Total</b>	<b>370,516</b>	<b>100</b>	

1.95 This suggested that almost 136,000 sq m of floorspace – 36% of the estimated total floor area in the study area – appeared not to be fully used. Due to the limitations and caveats of the survey discussed above, this raw data needed to be moderated before being applied.

**Moderated results**

1.96 To ensure the integrity of the information used as a basis for the future, the results were moderated. Rather than changing the survey results – the raw data does provide a true perception of the survey carried out at a given point in time – the moderation was carried out as the application of formulas to translate gross floor space into a more meaningful understanding of its equivalent value in terms of how much residential or business use it could accommodate. This took account of generic design standards and advice by Barry Crux & Co and Purcell.

- ◆ A 50% reduction factor was applied to compensate for any margin of error in misreading the visual 'signs of life', and/or to discount floorspace that is only short-term vacant.
- ◆ An additional 50% reduction factor was applied to acknowledge conversion of upper floors of older and smaller properties may have low gross to net ratios of useable floor space. In addition, not all owners will be amenable to schemes of mixed use or occupancy. Furthermore, some properties will be subject to leases or other constraints that preclude any scheme in the foreseeable future.
- ◆ For conversion to residential use, if only 1 bedroom 2 person flats ('1b2p') are used as a guide, which is a type in high demand, the calculation is based on the following: assume 600 sq ft per flat and that the net lettable area of flats is only 60% of the gross floor area (i.e., 40% is circulation or



unlettable space caused by the constraints of conversion above separate ground floor uses);  
assume 2/3 of all flats are single occupancy and 1/3 are occupied by two people.

- ◆ For conversion to office use, the yardstick is 100 sq ft per person (9.3sqm per person). Office use generally makes more efficient use of floorspace, requiring less servicing and circulation but for the purposes of this preliminary exercise, the same precautionary factor of 60% net lettable floor space has been applied.

1.97 Applying these factors to moderate the data results in the following guide:

<b>Moderated equivalent use potential</b>	<b>Area (sqm)</b>	<b>No. office workers</b>	<b>No. residents</b>
unmoderated	135,880		
50% reduction	67,940	7,698	6,094
50% reduction	33,970	3,849	1,116

1.98 This suggests that there is the potential in the city centre to house 1,000 to 1,500 people in about 800 1b2p flats, or provide office space for nearly 4,000 workers.

1.99 The map was also moderated to concentrate on broad patterns, which have more relevance for policies and developing a strategic response, rather than individual properties whose circumstances are ever-changing.



## Understanding the Causes

1.100 A range of possible causes was discussed with stakeholders in the project. It is clear that there is no one single cause underlying the problem, but perhaps the problem is most obviously manifest where a combination of different factors conspire to prevent a demand for space being met by an evident supply. These factors can be grouped under the following headings:

- ◆ poor physical condition
- ◆ the nature of the floorspace
- ◆ physical access
- ◆ planning and listed building requirements
- ◆ other regulatory requirements
- ◆ construction costs
- ◆ parking, transport and residential amenity
- ◆ policy context
- ◆ market

### ***Poor physical condition***

1.101 It is difficult to conclude whether poor physical condition of upper floors is a cause of a symptom of their continuing low use. The situation is undoubtedly circular, in that low use leads to poor condition, which leads to low use, and so on. It is true that if space was in use, it would be in better condition, so the conclusion is more likely to be that poor condition does not begin as a root cause of the problem. It may well be a disincentive later on to bringing more productive use, as it increases refurbishment costs, but it is unlikely in itself to be a key reason for low use in upper floors.

1.102 *CYC's Conservation Area Appraisal* highlights that the fabric of the city is in generally robust order, but that the condition of unused upper floors in particular is of concern and requires concerted action.

1.103 *CYC's Private Sector Housing Condition Survey* in 2008 which concluded that there are above average rates of poor condition in the Guildhall, Micklegate and Hull Road areas, with poor performance in the private rented sector especially, and a concentration of poor conditions in pre 1919 housing and converted flats. Although the key messages from the survey are that the housing stock is generally in a good condition it should be recognised that significant resources are required to bring all the homes in York up to decent homes standard – most of this cost would be met by owner occupiers and landlords improving and repairing their homes.



### ***The nature of the floorspace***

- 1.104 The nature of the floorspace at hand may well be a key reason. The historic architecture seen in York can mean the top floor is smaller than the others, particularly if it is attic space, of which there is plenty in York city centre. Much of York is characterised by **small floorplates** which may not be popular in the commercial market in particular, even if they are more suited to residential space. It may also be complicated by an existing layout which is unsuited to modern needs, or which is convoluted enough to require unusually large amounts of circulation or leaves lots of space which is not truly habitable, such as storage. This is compounded where the upper floors are suited to multiple units of any particular use, which therefore requires large areas of shared circulation or several separate independent accesses (eg. from the front and the rear). This is particularly problematic in timber framed buildings, of which there are many in York, where the structure is peculiar to each building and so requires more bespoke solutions. All these reasons can therefore mean the ratio of **gross to net space** is low, increasing the need for what lettable space there is to create value. This means that floorspace which is inherently physically easier to use will be used, tending to bypass more difficult spaces to work with. This is not always the case: there are examples of floorspace which looks eminently reusable but which remains redundant due to other factors. Equally, in other places, there are seemingly convoluted and small upper floors which look happily in use from the pavement. So, although the size and configuration of upper floors will be in an issue, it is unlikely to be the only factor at hand.

### ***Physical access***

- 1.105 This is linked to the issue of physical access. This is almost certainly a key problem. Upper floors are, by their nature, not always easy to reach and the situation is compounded if independent access to upper floors has been removed or never existed. Because of the historic nature of the stock in York, there will be many cases where buildings were **not designed with independent access** to the upper floors. Many would have been built as a traditional live-work arrangement where the upper floors were only sensibly accessible from the ground floor shop unit, with the trader living on site. Equally, there will be many examples of buildings built originally as houses and, later on, the ground floors were converted to commercial use, severing or at least complicating access to the upper floors as a result. Such problems are inherent to these types of property, and York may suffer more than many because of the age and nature of the stock. But the same problem can arise where **independent access is removed** later on, a problem not unique to York and seen in town centres across the country in retail of all ages of property. This is driven by economic forces, as the value of zone A retail space – street-facing ground floor space, usually stretching back some 2-3m – is the most valuable, so there is a great incentive to removing barriers to its use for retail, and thus increasing the value of the retail holding. This problem can take various forms, ranging from simply blocking or disusing independent access from the street but leaving it in place,



through to wholesale physical removal of doorways and staircases, leaving the only access –if any – inside the shop at the back, or possibly with a separate emergency exist at the side or rear in a compromised fashion. Once done, this is economically very difficult to reverse, unless the value of the retail holding compared to the value of the upper floors decreases to the point where the loss of zone A frontage is acceptable to a development appraisal. This issue is likely to be very important for the future.

### ***Planning and listed building requirements***

- 1.106 There are differing views over whether planning, listed building requirements will be a key cause for the low use of upper floors, but the balance is most likely that they are no . Traditionally, there will be general perceptions that listed buildings are more difficult to work with as they are less easy to alter. But this is not always substantiated in reality, and, even where it is, then it can be due to misleading judgments between incomparable places – comparing York with places with low numbers of listed buildings rather than with comparably high listed building densities (eg. Newcastle, Edinburgh). As with the regulatory systems in general, the work of today’s historic environment regulators (local authority conservation officers, English Heritage, Planning Inspectorate) is much more about finding ways to bring development forward. The theme of **constructive conservation** – collaboratively finding positive ways of developing historic buildings – now drives English Heritage’s development advice service, whilst positively couched policies in development plans and the NPPF are replacing traditionally restrictive criteria-based policies. English Heritage has just published a new edition of *Constructive Conservation* (March 2013) which emphasises the balance between understanding significance and accommodating necessary alterations to ensure the continued use and enjoyment of historic buildings. Discussions with CYC conservation and design officers revealed their keenness to find solutions and prevent buildings from remaining under- or unused, and their frustration at seeing schemes with consent go unimplemented for other reasons. The officers could not cite any recent cases which had stalled due to listed building reasons alone, and recognised the need to accept some harm and reach compromises. The most problematic buildings to deal with in regulatory terms are those with timber frames, of which York has many listed examples, and comparatively many of those at Grade II\* or I. Although regulatory control will be an important factor in some projects, it is unlikely to be more of a blanket problem in York than other places with high listed buildings densities.

### ***Other regulatory requirements***

- 1.107 Other regulatory issues can be a problem due to the nature of high density city living and the specific layout of York city centre. For example, the narrowness of many streets, both vehicle and foot, can provide problems with overlooking and daylighting. It can also lead to areas with higher vehicle-generated pollution than others, requiring specific design solutions to allow residential use in particular.





The conservation and design officers noted that environmental health requirements were often applied with particular insistence, potentially causing conflict between environmental health and heritage protection.

### **Construction costs**

- 1.108 Discussion with the cost consultant on the NECT team suggests that the fact that construction takes place in York does not mean that costs per se are any higher than other places. It could mean that, depending on the site, preliminaries and other management costs could be slightly higher, for example to due scaffolding design or road closures caused by the layout of the city centre. Figures suggested were that preliminaries on a typical York city centre scheme might be 25% whilst those in Newcastle city centre might be 22%. This is a factor, but is unlikely to be a key one.

### **Parking, transport and residential amenity**

- 1.109 The requirements of everyday living will have some impact on the ability of schemes for upper floors to stack-up, both financially and physically. This may be a key factor, particularly where a property would struggle to provide the amenities the market would expect for a property of the value needed to make the development viable. The most obvious example is **parking**. Almost no city centre development in York, commercial or residential, is likely to benefit from on-site parking. Whilst this would not be a problem in regulatory terms, it may decrease market value compared to edge of centre scheme with parking sufficiently to make it unviable. This is dictated by a residential market dominated by a demand for private residential parking and, although it is less of a problem for sectors of the market which would not expect it, these are not always those who show demand for city centre living, such as the elderly and those on low income.
- 1.110 Other **residential amenities** are also an issue, for example where projects can provide little, if any, external space or have only-just-acceptable overlooking or daylight standards. They may not meet standards for access to neighbourhood retail, green open space, play areas, schools and other services. Combined with the regulatory impact of dealing with dense city living, the wider amenity agenda can be a key factor in causing ongoing low use of upper floor.

### **Policy context**

- 1.111 Overall, the policy context could be a key problem. The effective re-use of upper floors has the potential to meet many strategic objectives around economy, sustainability, culture and housing, but the **focus of attention on this topic is not in place** in the policy documents seen. For example, the capacity of upper floors is not specifically addressed in retail, housing or economic topic papers and strategies, even if it is mentioned coincidentally on occasion. It is particularly notable that the 2008 draft of the City Centre AAP



does not address the topic, eg. the economic drivers identified in Map 1 of the AAP does not delineate the use of upper floors from (what is predominantly ground floor) retail, leaving the issue hidden. The **Growth Analysis & Visioning** work does recognise that the city centre is not homogenous and begins to explore more 3 dimensionally its future potential, but it too does not specifically identify capacity in upper floors even if it does recognise the need to upgrade existing offices and fulfil residential demand. However, several of its conclusions can be read in the light of the opportunity set out in this study.

- 1.112 Nationally, the thrust of the Portas Review and the government's response to it also concentrate on ground floor shop premises, and on the worst impacts of long term vacant shop premises. It does not recognise well the often longer term, more **hidden impacts** which can result from vacant upper floors. Many of the arguments in the Portas Review could equally be applied to upper floors with similar positive outcomes to those which address street level shops.
- 1.113 **Low housing vacancy figures** in the private sector mean no priority is being given to this issue of empty property more generally. These low private sector vacancy rates – less than 1% – do not take account of empty city centre upper floors which are not necessarily identified as housing, and so the problem is going unnoticed. If the city centre is not perceived as a neighbourhood in its own right, then it may be missing out on the attention of a spectrum of public services, including housing provision, rather than those which are more obviously targeted at the core requirements of the central shopping area.
- 1.114 There is much to suggest that paying attention to spare capacity in city centre upper floors chimes with the objectives and some of the details of the **York Economic Strategy**. Despite its promising policy direction of, site-specific input into this study from CYC's economic function has been low, even if the strategic support for the initiative has been strong. There could therefore be some inertia from an economic drive which is concentrating on a different set agenda, and which may not have the capacity to respond to the issues around low use of upper floors.
- 1.115 There could be perceptions of the city centre as a wealthy place compared to the relative need of York's outer areas. The necessary prioritisation of public sector resources as a result of a national shift to private sector growth could also have a long term impact on the ability to focus policy and resources on the city centre.

## **Market**

- 1.116 The **general economic downturn**, allied to an upturn internet shopping, is changing patterns of behaviour in a way that many analysts consider irreversible. This is not a recession to be weathered but a structural change in retailing in particular and therefore what the High Street means in general.



- 1.117 York has largely bucked the trend so far and escaped the ravages on UK high streets more evident in other historic towns and cities which have suffered deep and prolonged vacancy of retail premises, exacerbated by the current economic situation. The strong tourism economy and catchment hinterland for sub-regional business and services has strong appeal for independent commercial investors and traders. However this **apparent resilience at ground floor level** disguises the impact overall when upper floors are taken into account.
- 1.118 York city centre is a **relatively stable, conservative property market**, with limited vacancy of commercial units and relatively short re-letting periods. Change of use is contemplated as a contingency, not an investment of choice. Trends of opportunity or risk are less apparent. In particular, the traditional divide between commercial and residential markets is quite entrenched, so that unlike other more entrepreneurial high streets, changing attitudes is as much a challenge as introducing physical development. That was one of the reasons why the Portas Pilots scheme was introduced but can only work where there is cross-sector willingness to break with convention. Market conservatism in York has helped stability, but if the changes across the UK are inescapable, the **inertia of a reactionary market as opposed to an innovative one** could leave York further behind its already out-performing competitor, Leeds.
- 1.119 This is not a crisis (yet); a strength of York's economic diversity is its resilience to the property trading decisions taken beyond the reach of influence at a national level. But the trend within the national context is no basis for complacency and it could take only one factor – such as adverse market reaction to Monk's Cross – to tip the balance and undermine confidence. So far, **the trends in York are hidden**: a gradual reduction in commercial lease term reflecting tenants' uncertainty (down to only 5 years), a reduction in goods stored on the premises so that upper floors are less used, limited supply of city centre affordable and market housing.
- 1.120 However, consultations for the study and the various reports referred to above show, **there is demand** for a range of uses, including:
- ♦ **market housing** – buying housing in York is relatively expensive which pushes up the demand for high quality rented accommodation, particularly for 1 and 2 bedroom flats (over 3 and 4 bed) when rent is priced between £450 and £600 per calendar month. York's good public transport network and relatively small size means parking is by no means an absolute requirement for a lot of potential tenants. such accommodation would appeal to young professionals or retired couples wishing to be close to the cultural amenities of the city centre (anecdotally said to include people relocating from Leeds).



- ◆ **affordable housing** – York’s city centre undersupply of affordable housing is well-documented. Buoyant market values would mean subsidy or other incentive to owners to provide affordable housing.
  - ◆ **some office requirements** – the city centre office market has been depressed for a number of years now and the demand for existing stock is relatively low, but this does apply to out of town locations as well. However relative to 2012, there is evidence of a greater number of enquiries from business wanting to re-locate to the centre of York, requiring good quality office accommodation of varying sizes ranging from 200 sq ft to 7,000 sq ft. York’s emphasis on science and research in recent years (£800 million invested in the last decade), evidently seen by the continual development of the universities and the development of York Science Park, will attract in time a greater demand for office accommodation. There is evidence of tenants indicating a wish to be located in the city centre due to proximity to the train station and client base. Although upper floors could struggle to provide high value offices in concentration, they could significantly help to provide space for small business incubation and growth.
  - ◆ **live/work accommodation and work-related accommodation** – at least two schemes have recently come forward related, as they often are, to manager accommodation in small hot food, leisure and retail units – a flat above a bar at the former Leila’s Tea Rooms, Fossgate, and a flat on the second floor of a restaurant with a first floor kitchen in Low Petergate.
- 1.121 The most successful, sustainable high streets are proving to be those that are **dissolving the barriers** between conventional sectors and traditional property tenure. If perceived as a neighbourhood, the high street would have residential, the amenities that support residential and the cultural and employment uses that can adapt to shifts in demand. Pop-up shops are a much-cited example of innovation, but York’s USP includes very specific market sectors which its solutions will need to exploit. In a city with a large concentration of independent investors and traders, collective sign-up will need a compelling argument and rallying co-ordination.
- 1.122 Although **tenure and conditions** are a generic problem with buildings in multiple occupation, a changing pattern could become an opportunity. Progress in adapting upper floors will be dependent on the current tenure situation. Retail units let to tenants that occupy the entire building are only going to be available to adapt upon lease renewal or if the tenant vacates. This is because most commercial leases have clauses within that do not allow the tenant in occupation to sublet only part only of the premises. However lease lengths are now a lot shorter than they were, say, 10 years ago and as a result there will be a greater opportunity to adapt premises when leases are ending, which is at a higher frequency than they once did. The common lease length is now 5 years as opposed to 10 or 15 years a decade ago.



# Development Options and Test Solutions

## Development Options

- 1.123 The exercise has upheld anecdotal evidence that the city centre of York does have wide underutilisation of upper floors above shops. The distribution and intensity is not concentrated on any one area or property type, nor is it a specific consequence of the higher than average presence of listed buildings. Two factors are probably the main reasons why the situation has evolved.
- 1.124 Many properties are narrow and as retail floor space and frontage are at a premium, there is a considerable financial and physical disadvantage in reducing prime rental income. This is not unusual in historic cities but is a more extensive characteristic in parts of York city centre. This is offset in some instances by access from the 'snickleways' or pedestrian alleyways, and from side lanes, rear roads and yards, but these are not always present. This is one reason why in the moderating of the mapping data a substantial reduction factor has been applied. Development options for York must explore alternative access even though upper floor accommodation will have a reduced rental value compared to those with main frontage access.
- 1.125 Even 25 years on from Ann Petherick's 'Living Over the Shop' initiative, the inherent division in the property market between residential and non-residential is a significant barrier to developing flexible approaches to mixed use development. Almost without exception, urban regeneration programmes begin with a need to change attitudes before they can effect physical change and therefore create value. There is not a strong culture in York of mixed use and so to introduce it is not a natural option. It is seen as an unnecessary complication and risk when ground floor commercial values are reasonably buoyant. If however, for example the Monk's Cross scheme or national retail trends resulted in York city centre having a 10-15% vacancy rate of shop units, triggering uncertainty and reduced values, such a sobering threat may well precipitate exploration of mixed use options, whether residential or commercial. Development options for the city centre should anticipate these trends and promote mixed use as adding value, not crisis management.
- 1.126 The exercise has established that there is demand for more accommodation in the city centre, especially residential, both market and affordable, and especially at the smaller end of the scale – primarily 1b2p but also 2b3p. That need has in the first instance led to a joint initiative by the Council, NECT and Fabrick housing to bid to for Empty Homes round 2 grant. The bid was for a scheme in one property to provide 18 units, but a shortlist identified a range of other properties that could be adapted to create housing; the shortage of time precluded negotiations with owners. NECT aims to follow these up to discuss with owners and agents what is needed for schemes to proceed: a change in the market, access to finance,



current ground floor leases to lapse in order to gain vacant possession to undertake works to the ground floor, a development partner, marketing of the development opportunity of upper floors by others, sale of the property with consents in place.

- 1.127 It has been surprising that the exercise has found little enthusiasm for creating new economic space. The Council's initiative for the Guildhall as a cultural industries hub suggested that there would be some demand to create business space for SMEs, including especially managed workspace and small units suited to business start-ups. Entrepreneurial development in other UK cities has shown diversification into many unconventional forms of tenure and development including live-work units, foyer schemes, youth enterprise and cultural partnerships. Several towns and cities promote new practises in which the line between development and operation is blurred: capital projects become training and employment programmes that create accommodation which then is used as a demonstration project base to promote those skills more widely. Many of these initiatives by intent or otherwise break down the silos of conventional thinking about markets, development and tenure. The impression is that York is more conservative, again, because there is a prevailing mood of conventional market stability: 'if it ain't broke, don't fix it.' It would be interesting to know the age groups of decision makers in York; politically, the Council has one of the youngest leaders in the UK, but what of the business, property and other sectors? Is York city centre excluding opportunities for young entrepreneurs because there isn't innovation in tenure or a peer network?
- 1.128 City centres are often the hole in the middle of a political doughnut in which the electorate are not as influential as in the adjacent inner wards. It can be a political no-man's land with no champion. It can be seen as everyone's and no-one's responsibility and so is treated differently to any other area. NECT highlighted in the forum meeting that vibrant city centres are those that are in themselves neighbourhoods with distinctive characteristics and the same level of services and amenities that residents and businesses would expect in any other area. If the aim is to increase a sense of well-being that attracts more residents to live in the city centre, development options should include provision for neighbourhood facilities as the balance shifts from predominantly commercial to a mix with residential.
- 1.129 As there are few vacant ground floor units, implementing schemes for mixed use/occupancy may largely have to await expiry of leases to free up the property for conversion. As there has been a shift in recent years towards shorter commercial leases of 5 years, turnover of leases creates opportunities for a rolling programme of negotiation and implementation. The exercise survey indicated that there are about 150-200 properties in the city centre study area with scope to improve upper floor use. This is not an unmanageable number to get to know the owners and assess the potential of every property. A strategy should be able to build up relationships with all owners and get an indicative sense of which properties have potential, what that might be, and what is needed to unlock it. That can be quantified in terms of



inputs and outputs so that when future opportunities arise, such as funding rounds or properties coming onto the market, the groundwork has been done to move quickly on the most deliverable schemes.

1.130 Ideally, this opportunity would be taken to sketch out how selected properties could be brought back into use, at what budget cost, and what the return on investment would be. Alternative layouts for commercial and residential uses should be considered. In parallel to understanding the physical potential is the addressing the perception of increased risk exposure by investing in mixed use, compared to simply maintaining the status quo, especially in the current economic climate. Success depends on owners and their financial backers seeing investment as having the security of market support, if not through a secure pre-let, then at least by the collective movement of a market through co-ordinated, planned action to improve the circumstances of the property, and thereby demand. Co-ordinated regeneration programmes succeed because of the momentum of confidence that things will change and owners need to invest to gain market share.

1.131 Development options therefore should include:

- ◆ Over-arching policy support, backed by tools such as planning and rates incentives
- ◆ Tracking and anticipating trends in city centres as they apply to York
- ◆ Changing attitudes to the city centre (investors and public), including towards mixed use and new forms of tenure
- ◆ A defined strategic plan – an explicit expression of intent
- ◆ The means of implementing the plan, either by providing support to others (including enabling works, infrastructure projects, public realm, parking/servicing) and/or undertaking delivery directly
- ◆ A body of stakeholder support, including residents, businesses and agencies
- ◆ Establishing a comprehensive knowledge of individual owners and properties, and the potential that each has so that opportunities can be acted upon quickly
- ◆ Access to resources, the minimum being to stimulate and support market forces, but ideally also to be able to intervene in the market with the means to unlock development and deliver schemes
- ◆ Financial mechanisms to assist development, ranging from development grants to soft loan bank replacement finance.

1.132 Delivery of capital schemes on individual properties could be through a range of means:

- ◆ Council – innovative development/infrastructure schemes such as the riverside/Guildhall, which open up access and create value by a bold approach to city centre enterprise; release of land for permit car parking and public open space



- ◆ Existing owners – who may require guidance, development appraisals, model mixed use tenure, support subsidy or low interest loans (LEP, business finance, trusts, dedicated new York scheme)
- ◆ Housing providers – support via HCA
- ◆ Developers (acquire, convert, sell/let)
- ◆ York Conservation Trust (specialist highest sensitivity schemes)
- ◆ Social enterprises (live-work units and other hybrid forms of tenure)
- ◆ Holiday lets (private, Vivat Trust)
- ◆ NECT and other third sector specialist providers (support via Tribal, HCA cities fund, trusts)
- ◆ Training providers (training & works contracts, CYC and public projects including infrastructure).

## Test Solutions

- 1.133 The original aim of this exercise was to focus in on one or two pilot schemes to test the physical and financial profile of what has inhibited upper floor use, and what is needed – for example the works needed to create separate use above a currently trading shop, or a calculation on level of subsidy.
- 1.134 A long shortlist of about 20 candidate properties was prepared, selected from the visual survey, the Council's records of planning history (e.g., schemes that had got to a pre app stage or received consent but had not progressed), knowledge of owners and intentions, and properties on the market.
- 1.135 The specific opportunity of bidding to HCA took priority, which galvanised consideration into meeting the specific criteria of the HCA, a housing association, and how individual schemes would yield viable, deliverable affordable accommodation by the completion date in 2015. A scheme to provide 18 1b2p units was submitted for a long-disused property above shops, only one of which was occupied, but which also closed down early in 2013, leaving the entire block vacant. This property had been identified as a high priority for consideration because of its circumstances, so it should prove to be a particularly appropriate test case, and the opportunity to go straight to bidding and hopefully delivery adds weight to value of the exercise.
- 1.136 Following the HCA bid, NECT returned to the other short-listed properties for which there was insufficient time to consider schemes or negotiate with owners. These included a range of properties typical of those across the study area in:
- ◆ Lendal
  - ◆ Stonegate
  - ◆ Low Petergate
  - ◆ Pavement
  - ◆ Micklegate
  - ◆ Coney Street
  - ◆ Market Street
  - ◆ Goodramgate
  - ◆ Coppergate
  - ◆ Spurriergate
  - ◆ Jubbergate
  - ◆ Parliament Street
  - ◆ Fossgate





- 1.137 They included listed buildings, some timber framed, some fully vacant and others with vacant floors above trading retailers, and others repossessed or going through similar uncertainty. Common to all was acceptance in principle of the need to fully let the properties but there was a full spectrum represented from stalled inaction to development proposals with consent awaiting funding confirmation, and some that during the study had been refurbished speculatively. Re-letting without change of use was the obvious first solution of choice but a significant number of owners and developers had made pre-planning application enquires or secured consent and registered providers for residential use above retail. Records held by CYC of enquiries and planning applications suggested consent is not an obstacle. The pattern was evidence of a trend, but one that faltered because of lack of funding or the ability of owners and housing providers to be matched up.
- 1.138 A further case study, by Barry Crux & Co, of a property in Castlegate is included below to illustrate how one private investor has considered both commercial and residential uses, and how that was reflected in the need for additional capital investment and yield.

**28 Castlegate, York, YO1 9RP**

The retail unit currently offers basement, ground and first floor accommodation. It is feasible to create an internal lobby on the ground floor to allow separate access to the first floor. The following was suggested to the landlord:

- ◆ Current situation with all 3 floors of accommodation let as a single unit equates to £30,000pa on a retail basis.
- ◆ Create two residential flats on the first floor; rental value could be £500pcm each. Thereby generating say £12,000 per annum. The rent for the retail unit would reduce to £26,500 pa, as this would be for ground floor and basement.
- ◆ From this it follows that total rental income could be £38,500 pa, an enhancement of £8,500 per annum. There would be management costs associated with the flats, reducing that income to about £10,000 per annum, but still increased total income by say 20%.
- ◆ The demand for the retail unit is likely to increase under the proposed alterations as there is less rent to pay and many retailers would not require the extensive accommodation on the first floor, when there is adequate space in the basement.

Unfortunately for this study, the owner has opted to let the whole property to a single commercial occupier, but this will be monitored.



## Benefits and Way Forward

### The special role of the Council

- 1.139 Developers/property owners will only invest in the creation of dwellings in the city centre if the quality of the environment is vigorously maintained, protected and where possible improved. As in any city, the local authority would be expected to use its powers and influence to 'lead by example' through policy, resources, its own properties and its status as a partnership builder. Managing the potential conflicts between the evening economy and residents, environmental health and a sense of public safety are all factors in which the Council is in pole position to address.
- 1.140 The Council as planning authority also has a unique position, being able to use some latitude of discretion in planning law to encourage investment through published guidance, fast-tracking delegated powers and some other decisions, and in responding to the market's needs.
- 1.141 A local authority is also a key gateway partner to the provision of affordable housing. Policy priorities need to be backed by procedures and allocated resources to play its part in a delivery plan.
- 1.142 The Council also has some latitude and discretionary powers on rates and other financial inducements or relaxations to encourage and steer a healthy balanced mix of economic and residential uses; these powers should be used and promoted to attract investment.

### Benefits

- 1.143 The following is contextualised in the Executive Summary at the start of this document.
- ◆ Stronger city centre economy from greater diversity of economic activity, increased resilience to trends towards online retail, safeguarding and enhancing property values especially where existing tenure arrangements have faltered, fulfilment of Council and other public policy objectives and targets, reduced sector vulnerability, increased economic and social capacity, presence of residents enhancing out-of-hours safe environment, a more entrepreneurial market appealing especially to younger businesses linked to graduate retention, sustainability through closer proximity between live and work accommodation especially for those on lower incomes, a more accessible city for all that is affordable and less car dependent, increase the appeal for holiday lets in the heart of the city alongside hotels and permanent residents.



## Way Forward

1.144 The exercise concluded with the following recommendations which are contextualised in the Executive Summary at the start of this document.

- ◆ Set broad targets for affordable housing, market housing, employment uses, culture and tourism
- ◆ Allocate resources in the Council to contribute to a delivery programme
- ◆ Set up a York Forum as a cross-sector partnership involving stakeholders to lead the initiative, working in collaboration with the Council but able to access a wider pool of funding, such as THIs, Heritage Enterprise Fund and ethical lenders, plus more attractive to help-in-kind and CSR, managing funds and overseeing delivery of supported investment in the city centre
- ◆ Set up a York Fund to give weight to the Forum and its programme by providing a one-stop-shop support service covering advice, incentive seed funding development grants (repayable if a scheme does not proceed; counts towards and is rolled into loan finance for schemes that do proceed) and low interest development finance for schemes by any sector that meets objectives
- ◆ Set training/‘civic’ objectives that improve scoring and access to funds and support
- ◆ Develop/improve a searchable database of all available city centre property
- ◆ Publish a city centre property owner’s and investors’ guide to development potential and planning guidelines
- ◆ Maintenance days / shared costs / ‘cherrypicker’ scheme for economy of scale of routine property maintenance
- ◆ Skills training scheme and training and works contracts linked to grants/loans on capital works, planned maintenance and repairs that would deliver training outputs including university and college student projects, NVQs and apprenticeships covering historical analysis, surveys, professions and traditional trades. Delivery linked to maintenance contracts of all property portfolio types: private, Council, housing providers, York Conservation Trust.



## Appendix

A forum event was held in York city centre in January 2013 to present the preliminary findings of this study and to discuss the way forward. The following attended the event:

- ◆ Ruth Abbott, CYC
- ◆ Peter Addymans
- ◆ James Bailey, CYC
- ◆ Peter Brown, York Civic Trust
- ◆ Martin Burgess, Northminster
- ◆ Sally Cawthorn, CYC
- ◆ Sir Ron Cooke
- ◆ Chris Cotton, Purcell
- ◆ Jamie Keith, Barry Crux & Co
- ◆ Simon Daubney, CYC
- ◆ Jane Gibson, Visit York
- ◆ Paul Landais-Stamp, CYC
- ◆ John Low, Joseph Rowntree Foundation
- ◆ Rachel Macefield, CYC
- ◆ Lucy Morris, Native Architects
- ◆ Michael Pavlovic, YACRO
- ◆ Cllr Tracey Simpson-Laing, CYC
- ◆ Katie Stewart, CYC
- ◆ Philip Thake, York Conservation Trust
- ◆ David Warburton, CYC





NORTH *of* ENGLAND CIVIC TRUST