York Central Enterprise Zone Application

A1. This application form must be signed by the Chair and Chief Executive of the Local Enterprise Partnership and by the Leader and Chief Executive of each local authority which has a proposed Enterprise Zone site. Without this your application will not be considered. By signing, the Local Enterprise Partnership and local authorities are agreeing to deliver the proposed Enterprise Zone together.

Name: Barry Dodd Job title: Chairman LEP: York, North Yorkshire & East Riding Signature: [signature]	Name: James Farrar Job title: Chief Operating Officer LEP: York, North Yorkshire & East Riding Signature: [signature]
Name: Cllr Chris Steward Job title: Leader Organisation: City of York Council Signature: [signature]	Name: Steve Stewart Job title: Chief Executive Organisation: City of York Council Signature: [signature]
Name: Stephen Hind Job title: Route Enhancement Manager – London North Eastern Organisation: Network Rail Signature: [signature]	Name: Paul Kirkman Job title: Director Organisation: National Railway Museum Signature: [signature]

A2. Please give one point of contact for queries:

Name	Tracey Carter	Telephone	01904 553419
Organisation	City of York Council	Email	Tracey.carter@york.gov.uk

A3. Where more than one Enterprise Zone application is being submitted per Local Enterprise Partnership, please prioritise and state clearly here whether this application is your first or second preference.

The LEP Board endorsed this Enterprise Zone application as its top priority at its 18th September Board meeting

A4. Have the land owners for the sites been consulted? Have they agreed the proposals? Will they support delivery?

Yes.

Network Rail is the primary landowner of the site. The relevant senior managers and project manager for the site at Network Rail have been involved in developing the proposition, and agree to the proposals and to actively support the delivery of a successful Enterprise Zone on the site.

The other bodies with a significant stake in the site are Science Museums Group and City of York Council, and both of these bodies have also been involved in the process, fully support the EZ proposals and will actively support delivery.

The Homes & Communities Agency is also actively engaged in the project and currently seeking final approvals for an enabling equity and land investment at the site to support delivery. It is has been consulted on the proposals and supports delivery.

"By working with City of York Council to have this area of land designated as an Enterprise Zone we hope to unlock the potential of the site, allowing new homes and investment in this key location. It has long been the aspiration of Network Rail, CYC and many local residents and businesses to see this under-utilised space developed to support the vibrant economy and to meet the ever-growing demand for homes in the city of York. We firmly believe that designation as an Enterprise Zone will give the boost which is needed to get this development underway. " Stephen Hind, Route Enhancement Manager, Network Rail

"For decades, York Central has been the big opportunity for the city to realise its full potential as a high-value economic hub. With the highest levels of skills of any city in the North, the development would drive quality jobs for this highly skilled workforce in York, but also for the region with opportunities for significant inward investment. Enterprise Zone status is pivotal to unlocking this, and as such, as a Council, we are giving our strongest backing to it." Cllr Chris Steward, Leader, City of York Council

Section B
Executive Summary

B1. Please give a short executive summary of your proposal here.

A developed York Central would deliver game-changing high value economic growth for the region. Unlocked by EZ status, the site would deliver a core 108,000m^2 (Net) of grade A office led commercial space for private sector growth, providing a net 6,627 FTE high value jobs in industries such as professional services, insurance and high value rail, and £1.16 billion direct GVA uplift from the commercial phases alone. With strategic alignment of planned transport improvements that would also be delivered as part of site regeneration, the benefits and job opportunities would be felt across the LEP and the North.

Given its location directly next to York Railway Station and the connections this provides, the site has huge potential to maximise inward investment to the UK through the Enterprise Zone (EZ) allocation. These existing transport connections would enable businesses locating on the site to get to London in 1 hour 45 mins (with reduced journey times once HS2 is complete), and under 2 hour 30 mins to Edinburgh, with direct connections on the doorstep to all Northern Powerhouse cities, and to every major city in England and Scotland. Through its excellent connectivity, pipeline of innovation and talent from its universities, and being the City with the highest skill levels in the North, York has long since had virtually all the ingredients to deliver significant inward investment, particularly in high value sectors like professional services, insurance and rail. The missing piece has always been available quality office space for businesses to locate. The 108,000m^2 of office led city centre commercial space city would therefore be a paradigm shift for the region, unlocking this pent up opportunity for inward investment.

Due to the excellent transport links, the EZ would also act for as a driver for sustainable transport in the region, with York Station as a multi-modal High Speed Hub. The wider site was also recently awarded Housing Zone status, with the infrastructure EZ status would enable facilitating the effective delivery of this too.

Much work and investment has already taken place to make the site deliverable, including land acquisition work by Network Rail; a relocation strategy for rail users currently on the site; an infrastructure delivery strategy to enable development platforms to be created; and £10m allocated towards unlocking the site by City of York Council. Whilst there remain issues around abnormal site costs and up-front infrastructure requirements that have long hindered development of this key site, our submission demonstrates, through robust financial modelling, that the award of EZ status would overcome these issues and facilitate full site delivery to immediate timescales. This would be achieved through retaining 100% of business rates for the site (an additional £104.6m which would have been returned to Government) and borrowing against this to deliver enabling infrastructure. With the rates retained from EZ, there is also sufficient contingency within the commercial case were there slower delivery or other issues arising.

The government's commitment to meet NNDR obligations of new occupiers would also play a significant role in de-risking the project for commercial investment, establishing viable headline rents and incentivising development at pace.

Having established firm project management arrangements, we are confident about deliverability of the site, with contingencies to mitigate risks, and we would be confident of commencing EZ status from April 2017.
Given the strategic importance of a successful York Central to the wider region, the opportunity has formed a central component of our recently submitted devolution bids for City of York, North Yorkshire and East Riding and Leeds City Region.

Section C
Strategy for delivering sustainable economic growth

C1. How does the proposed Enterprise Zone support the Local Enterprise Partnership's top economic priorities and key economic assets? Does it align with the Strategic Economic Plan?

York Central is fundamental to the LEP's economic priorities. The York, North Yorkshire & East Riding (YNYER) LEP has four clear ambitions to deliver in its Strategic Economic Plan (SEP), two of which are to:

- Create 20,000 new jobs
- Deliver £3 billion growth

Unlocking the York Central site alone would:

- Create 6,627 new FTE jobs
- Deliver £1.16 billion GVA uplift (967m of which within the YNYER LEP area)

To deliver these overall ambitions, our Strategic Economic Plan (SEP) acknowledges one of the key five priorities is "enhanced growth and opportunities in targeted locations", specifically "ensur[ing] our great quality of life, goes hand in hand with a great business location attracting entrepreneurs and the skilled employees they will need. We will target investment to realise strategic opportunities to unlock and transform growth in our local economy."

York Central is one of those once-in-a-generation strategic opportunities highlighted which would unlock and transform growth; not only providing jobs but transforming productivity with a shift towards higher value sectors for the region. The economic analysis and evidence highlights York Central as a key site in the Plan. Enterprise Zone status through the LEP is the key tool to deliver this.

York's connectivity on the East Coast Mainline and Transpennine rail routes is highlighted in the SEP as a key asset in building a successful business location; unlocking York Central site is pivotal to realising this opportunity. Similarly, the SEP highlights the decline in GVA per head and productivity in York as a key challenge and anomaly given the city's high skill levels. Analysis shows that unlocking 108,000m^2 city centre office-led commercial space suitable for high value sectors, which has long been lacking in the city, would single-handedly address York's challenges around increasing productivity.

Not only this, but unlocking York Central is also a top priority of the Leeds City Region LEP, as highlighted in its Strategic Economic Plan. This emphasises the site's importance across the wider Yorkshire and Northern geography, and the ability to benefit multiple LEP areas and priorities through allocation of Enterprise Zone status.

C2. Briefly explain the clear commercial proposition for your proposed Enterprise Zone.

The York Central site has long been considered a prime business location for high value sectors, unique within the North of England. There is considerable developer and occupier interest in the site, which is sustainable located in a high value economy, and benefits from the existing NRM (attracting 725k visitors pa) and Rail Station (with over 8m passengers pa). The previous hurdles of abnormal costs to unlock the sites would be overcome by EZ status.

Given its location surrounding York Railway Station enables unrivalled connectivity on the East Coast Mainline and Transpennine routes. These existing transport connections would enable businesses locating on the site to get to London in 1 hour 45 mins with 45 services per day, and with reduced journey times once HS2 is complete. It is also under 2 hour 30 mins to Edinburgh, and with direct connections on the doorstep to every major city in England and Scotland. The site is at the core of the Northern Powerhouse, under an hour from Newcastle, and once HS3 improvements are complete, under an hour from Manchester.

There is considerable pent up demand within York and its wider region too, as a city which has virtually all the ingredients to deliver significant inward investment, but which has been held back by available quality office space for businesses to locate. York is the city with the highest skill levels in the North (over 40% with a degree), and with two universities, two highly rated colleges and 24,000 students, there is a continual pipeline of innovation and talent. The City is regularly voted as the highest rated city in the UK for quality of life (e.g. Local Futures Inward Investment Guide). York has a strong and growing business base, with major offices for multinationals such as Aviva and Nestle, and the recent 500 jobs created by Specialist Insurance firm Hiscox, an exemplar of the draw the city has. There are also fast-growing knowledge and innovation sectors in IT, media, bioscience and rail technology sectors driving future economic growth.

Because of the historic nature of the city, development is highly constrained leading to a paucity of quality office space in the city which these sectors require for growth. This has led to the loss of a number of businesses due to the lack of suitable grow-on space and we are unable to meet demand for considerable inward investment enquiries.

The brownfield development, delivering 108,000m^2 of office led city centre commercial space city land would therefore be a paradigm shift for the region, unlocking this pent up opportunity for inward investment and business growth.

There is already demand expressed for the site for many growing businesses in the city to expand into, particularly within high value rail (e.g. engineering consultancy and software) and professional services.

On a broader UK and North of England basis, there is an acknowledged undersupply of high quality city centre office space within reach of London for reasonable cost. York Central addresses this by providing 108,000m2 of new office led high quality city centre commercial space for significantly lower costs than other city centre developments.

There is no comparable city centre office provision of this scale, or available sites, within 1 hour 45 minutes to London for similar rental values. This provides significant potential for foreign direct investment, particularly within targeted sectors.

The site has only been held back to date by market failure and the level of abnormal costs required to unlock development. The ability to retain the full share of business rates over this period fundamentally changes this, enabling sufficient upfront costs to be borrowed. This is set out in detail within the spreadsheet attached, and under C8.

“For high value businesses like Omnicom Engineering, and many other growing businesses in the city, York Central would be an exceptional business location with the rail links intrinsic to the site and ease of connectivity to London and other cities in the UK this provides” Stirling

Kimkeran, Chief Executive, Omnicom Engineering and Chair of York Economic Partnership

Whilst the EZ application is firmly based around enabling a critical mass of new commercial development at York Central, it is important to also acknowledge the housing related benefits of site development, which form part of the commercial proposition, and which EZ status would also help to de-risk and accelerate. York's housing market is also, excepting again the supply issue, very buoyant with the highest residential values/ sq m in the North of England (Centre for Cities 2015). The York Central site has capacity to accommodate in the region of 1,000 to 2,5000 homes, though previous consultation drafts of the Local Plan have allowed for only 400 homes due to the site's funding position and risk profile. Enterprise Zone status would allow the front funding of an infrastructure programme that, as well as delivering core commercial outputs, also enables and accelerates the housing component of this site.

C3. Briefly explain the evidence base you have to suggest that the proposed site(s) are commercially viable (for example, a commercial demand appraisal, soft market testing, enquiry schedules, evidence of demand and supply for similar space or assessment of current and future land values).

Extensive viability assessments have been undertaken for the site, informed by detailed market assessments by professional Chartered Surveyors. This has underpinned the scale and massing that the site could potentially deliver. Extensive soft market testing of national, regional and local developers was undertaken recently and enquiries continue to be received from developers, investors, agents and potential occupiers.

There has long been unsatisfied latent demand for grade A city centre office space in York due to a historic lack of suitable accommodation or sites in the city.

Colliers undertook a viability report towards the end of 2014 and states that 'in terms of supply remaining, there is an availability of 932,000sq.ft. It is considered that this is a misleading figure as most of this is small, second hand stock that is only suitable for small local businesses, or may not even be fit for purpose. Over 79% of the space has been available for over twelve months. There is very little available space for large scale inward investment and several modest lettings would reduce this limited supply significantly.'

In its 2015 report, Bilfinger GVA states that in York "the overall supply of Grade 'A' space is restricted and the amount of accommodation marketed to let or for sale at any one time is limited." While one may look at city-wide availability as a headline measure, GVA suggests that "[this] figure is misleading, especially when we consider what space might in reality be available to an inward investing occupier who is looking for high quality space." It explains that "indigenous demand for office space in York is considered to be relatively strong and the City benefits from a healthy level of inward investment enquiries; however this demand is not matched by an equivalent supply of modern space."

As a result, significant enquiries and occupiers have been lost from the city. For example, established York employer and national law firm Bond Dickinson had a 20,000sq.ft requirement for the city centre that could not be satisfied, despite wanting to remain in the city. The example of specialist international insurer Hiscox locating at Hungate, demonstrates that there is demand from high quality businesses. However, for Hiscox to establish a quality office within the city, they had to undertake a significant investment and construct their own premises due to a lack of suitable accommodation within the market.

Similarly, the lack of suitable space has proved restrictive for inward investment enquiries. In the financial year 2013/14, City of York Council reported Foreign Direct Investment enquiries for 27,000 sq.m. of grade A office space which it was unable to meet.

Soft market testing of the national and regional developer market demonstrates that York Central is an outstanding opportunity with pent-up demand from occupiers waiting for new high quality office space to be delivered. The centre is so constrained by heritage issues and highways that this is the only logical place to extend the city centre. However, the York Central site is not without its own constraints of up front infrastructure requirements to enable development and investment. If these constraints can be addressed, the site will be de-risked and attract significant demand from the developer market, investors and release space to satisfy pent up demand from occupiers.

Most recently, this work has also informed production of a site planning framework which is currently underway. On the site itself, the work undertaken for EZ submission includes bespoke viability assessment, and reveals a net development value uplift of £623m (£375m attributable to the EZ area), clearly demonstrating a viable development proposition through use of this funding mechanism. Sensitivity analysis has been undertaken on this modelling, and demonstrates a resilient proposition. EZ status would, through allowing upfront delivery of infrastructure, de-risk, accelerate and reduce cost within the development, improving viability and ensuring the deliverability and developability of the scheme. The timing of this proposition is also ideal in terms of market cycle alignment and partnership activity.

C4. Briefly explain any further evidence that supports your commercial proposition (for example does it build on a current business sector that operates within the LEP area, are the relevant skills available in the local workforce, are national and international trends in your chosen field positive, will it generate increased exports).

Economic analysis and soft market testing with businesses through the York Economic Partnership shows that York Central would unlock significant opportunities in key sectors where there are viable proposition for growth in the city, but are currently held back by suitable office supply:

Rail & engineering consultancy and software development

- Demonstrable inward investment demand through firms such as Parsons Brinkerhoff and Giffen Group locating in York from outside of the region in recent years.
- 10% of national employment in the rail industry and 67% regionally based in York, providing a cluster of businesses, and a pool of talent for the industry.
- York has the headquarters of major operators including Northern Rail, Virgin Trains East Coast & Network Rail, providing collaboration and customer opportunities.
- There are existing strengths in auxiliary industries such as rail engineering (Tata Steel, Siemens Rail) and transportation software (Omnicom, Funkwerk).
- Graduate and research expertise around complex systems analysis and computer science are very beneficial to auxiliary functions to the rail industry.
- York has exceptional rail connectivity, for excellent transport links with UK markets and other rail hubs.
- Increasing opportunities for the rail industry around the development of HS2, East-West Connectivity and East Coast Mainline improvements, as well as growing export opportunities.
- Rail engineering is part of the largest sector for FDI for UK regions outside of London, with UKTI are already promoting York as a distinctive hub for high tech office-based rail investment.

Financial & professional services, including Insurance

- Demonstrable inward investment demand through firms such as Hiscox locating in York from outside of the region in recent years.
- Over 2000 new graduates in York alone each year in economics or business related degrees provides a rich pool of talent. This is in addition to a highly qualified resident population with over 40% with a degree level qualification or higher.

- Less than 2 hours from the City of London (fastest in the North), with 35 fast train services a day. Also, direct connections to other key UK hubs of Manchester, Leeds, Edinburgh and Glasgow.
- The wider York region is the largest centre for financial and professional services in the UK outside London, providing a strong market and a vibrant business environment.
- Salary costs are lower than any other of the top 10 most qualified cities in the UK, and accommodation costs lower than competitor cities which offer similar level of skills, connectivity and quality of life.
- Potential for nearshoring, through 'London/South East' quality of business and life but at huge savings to businesses, helping to rebalance economy and creating capacity for new FDI in London.
- Key successful businesses in the city, including Aviva, Hiscox and Total Systems Services, with F&PS accounting for over 9% of York employment and 15% of its GVA, including emerging Insurance hub.

IT, digital and media

- Designation as UNESCO City of Media Arts.
- Home to a number of leading business efficiency and enterprise software solutions companies (e.g. Trustmarque, Mood International, Mitrefinch, Sawfish Software)
- Highly ranked computer science research department, with a specialism in enterprise software, with C.200 graduates and postgraduates each year, as well 700 graduating each year from York in creative disciplines creating a growing local network.
- Access to wider IT services and Computer Science graduate talent pool in Leeds
- York is one of only 3 Gigabit Cities in the UK, with city ultrafast (1Gbit upload and download) digital connections enabling IT & digital firms to access the highest possible connections at an affordable cost
- York's rail connectivity, with easy connections to London (1 hour 50 mins), Manchester, Liverpool, Leeds, Edinburgh etc. and quality of life make an attractive place to locate.

C5. Is the application for Enterprise Zone status scalable – could it be delivered with fewer sites?

☑ Yes ☐ No

The application is for a single site, so given the integrated nature of infrastructure required to unlock the development, the full EZ boundary would be the optimum size for enabling delivery and maximising benefits.

C6. Would any other forms of public sector support be required to deliver the application? Why? (NB – if support from UKTI is requested the proposal must have a commercial proposition that will allow it to be marketed to investors)

Given the scale and complexity of the development proposition at York Central, and broad base of public sector support for delivery of this key site, a range of complementary funding mechanisms have already been lined up for the site:

- City of York Council Economic Infrastructure Fund - £10m fund established and allocated to enable the sites development
- Homes & Communities Agency - £9.3m bid comprised of land acquisition and equity site investment, plus small element of revenue support for project delivery. Bid currently being progressed through internal HCA approvals.
- West Yorkshire Transport Fund - £27m allocation to deliver new site access to York Central and station gateway. Project mandated and currently working towards a gateway 1 (of 4) submission Q4 2015/16
- One Public Estate - £0.25m revenue fund to support project delivery - £50k allocated

It is likely, given the degree of commitment and delivery programmes, that many of these funding streams would continue to be delivered, though the core EZ financial modelling and associated sensitivity analysis reveals sufficient contingency were currently pending funding streams to become unavailable.

There is significant developer interest for the site, so it is not anticipated further public support would be required around this. We are already working with UKTI on propositions where York can benefit distinctive UK offers around high value rail technology and software companies and insurance. We would welcome continuing to do this, and build on this further with the opportunity provided by York Central's Enterprise Zone status to maximise FDI into the UK.

As well as public investment to unlock site infrastructure, identified above, the NRM has an ambitious redevelopment plan which will be funded through a combination of grant, corporate sponsorship and private NMSI funds.

C7. Explain briefly how the proposed Zone will be prioritised by the Local Economic Partnership in the future, for example any future economic strategies or growth deal negotiations.

York Central remains central to our Local Enterprise Partnership with full commitment to use future economic strategies and growth deals to maximise the potential enabled through Enterprise Zone status.

Firstly, there are complementary enablers which would facilitate rapid delivery of the site, and we have used our devolution proposition to outline the asks and offers which would enable this, especially in relation to a Public Sector Land Commission and the opportunity to set up Development Corporations.

Secondly, in maximising the impact of York Central Enterprise Zone for the wider region, there are a range of related transport improvements which will improve access to the employment site from a wide catchment area, such as York station gateway and interchange improvements, York-Harrogate-Leeds electrification, and smart ticketing across the North. Again, our devolution asks around multi-year consolidated transport budgets and for a Combined Authority to take an integrated approach to strategic transport for the region, and work with Transport for the North on smart ticketing plans would enable much of this. Subject to cost-benefit analysis of specific projects, we'd anticipate such improvements featuring as part of future growth deal negotiations were they not covered by the Devolution Deal.

Finally, benefits from the Enterprise Zone will maximised by delivery of Government's plans for York to be a High Speed Hub. As a LEP, we are committed to work with Government to ensure this is realised, and the area showcased as an early exemplar of the regeneration benefits of high speed rail investment.

C8. What is the Local Enterprise Partnership's agreed approach, with the relevant local authorities, about how the retained rates will be used to support development on the Enterprise Zone? Briefly explain your financial or investment plan for how (for example, through borrowing or development of a recycling fund) and when the retained rates will be used.

The £104.6m additional retained rates which would have been returned to Government would be used directly to address the barriers highlighted in Section G which require upfront investment to deliver the site.

There are upfront infrastructure costs associated with the site which will be the crucial early interventions to make the site attractive to the development and occupier market. This will be partly funded by a combination of grant, equity investment, loans and Local Authority contributions as outlined in section G.

The use of retained rates, though, will provide City of York Council the confidence to prudentially borrow the funding, funding the borrowing from the additional NNDR. The base case of £104.6m additional retained rates will allow for a significant level of borrowing to fund the capital expenditure gap alongside the other parties with financial interest on the site. There are a number of risks which will need to be managed particularly due to the delay in up front investment and the return from retained NNDR. Sensitivity analysis reducing space take up, NNDR values and additional delays show that the scheme is financially feasible subject to the management of risks.

As described above there will be a requirement to deliver much of the capital investment prior to the receipt of the retained rates which City of York Council will need to fund using internal resources, therefore all initial retained rates will be allocated to City of York Council as the accountable body to cover this borrowing.

The council will require the retained NNDR to fund all of the councils borrowing costs, any surplus retained rates which would have been returned to Government, held by City of York Council as accountable body, would be allocated to complementary LEP priority projects in the York area to maximise the impact of the Enterprise Zone and accessibility of the site for the wider region (e.g. York Outer Ring Road; Station improvements to enable improved connectivity to Harrogate and others). The pipeline of these priority projects would be jointly established by the LEP and Local Authority.

Section D
Economic case

You must also fill in the accompanying Excel spreadsheet at Section G (failure to do so will mean your proposal is not considered).

D1. Please explain how the proposed Enterprise Zone will deliver new growth and what strategies will be used to minimise deadweight or displacement from adjoining areas and other parts of the country. Please state how you adjusted your proposals for optimism bias?

The Enterprise Zone would deliver 6,627 new jobs factoring in 10% displacement, and 90% occupancy. 91% of these jobs are attributable to the new office space created. Therefore, with sectoral mapping based on current sectoral makeup in York for similar land uses, this would generate £1.16 billion annual GVA for Yorkshire and Humber. This is a conservative estimate, not including construction jobs created or GVA impact of the housing elements of the site.

Examples of similar flagship office-led sites from Tyler's 'Making Enterprise Zones Work' (2012), suggest between 8% and 12% displacement occurred for such sites. The assumption of 10% displacement is also supported by a previous independent study of the York Central site by PWC (2011).

As highlighted above, the proposed York Central Enterprise Zone enables the supply of business accommodation currently unavailable in the city, tackling limiting factors regarding availability of sites presently hindering inward investment and further growth of current businesses. More than that, the proposition of high quality city centre office space next to a railway station 1h45 from London and with direct connections to all other major cities in England and Scotland is unique within the North, especially at projected values which are markedly lower than prime office space in other major Northern Powerhouse cities.

With Enterprise Zone status, the site is therefore intrinsically primed for inward investment (including Foreign Direct Investment) and new business growth opportunities. To capitalise on this and ensure deadweight or displacement from adjoining areas and other parts of the country is minimised, the site would be marketed with a specific focus on key foreign markets for particular sector propositions (e.g. US for insurance, Western Europe for high tech rail). Further, the site would be focussed around the distinctive sector propositions which are provide a comparative advantage at a UK level - in particular high tech rail and insurance - with bespoke offers and clustering opportunities promoted for these sectors.

While there is some opportunity for 'nearshoring' foreign businesses currently located in London to such a site, there is strong evidence that this is an effective UK strategy for inward investment, in creating capacity in London to continue to be the lead brand and location to attract new FDI (currently majority of first time foreign investments go to London), while ensuring growth, and the benefits thereof, is distributed across the country, helping to rebalance the economy.

Finally, not factored into job figures here, because of the significance of the site, the delivery of the York Central would have wider economic growth beyond the site in the wider region, projected £226m GVA uplift for the wider Yorkshire & Humber region in additional to the benefit felt by job creation in York itself.

Given the availability of national outputs and studies of similar schemes from the last few years, evaluation of previous Enterprise Zones, and current data about occupancy levels in

York, based on Green Book principles, a 10-15% optimism bias would be suggested. At the more pessimistic 15%, this would suggest 5,633 jobs and £969m GVA uplift.

Optimism bias and contingency have also been factored into infrastructure cost estimates at 44% and 10% respectively where appropriate. Sensitivity analysis of the core submitted NNDR outputs has been undertaken, exploring issues around occupancy, rental levels, construction periods and rateable values. This work demonstrates a robust funding proposition.

D2. What total land value uplift is estimated as the result of the Enterprise Zone status once development has taken place (draw on answer at G11 and G12)? What is the basis for these estimates and how will you monitor the impact that Enterprise Zone status actually has on land values?

Commercially confidential.

D3. What other wider economic, social, distributional or environmental benefits (such as innovation, retention of skilled workers, clustering, promoting exports) will the Enterprise Zone bring to the Local Enterprise Partnership area that may not be captured in the land value uplift?

The Enterprise Zone will bring multiplicational economic and other benefits to the region:

- Annual GVA uplift of £1.16 billion in Yorkshire & Humber (excluding construction jobs and uplift from housing elements of the site)
- In one fell swoop, delivery of the site would tackle York's challenges around productivity growth and wage levels. The York Central Enterprise Zone would delivery c. 5% productivity growth per FTE for the York economy against baseline econometric projects.
- The wider site was also recently awarded Housing Zone status, with the infrastructure EZ status would enable facilitating the effective delivery of this, creating between 1,000 and 2,500 homes.
- The Enterprise Zone would maximise the economic impact of Government's plans for York to be a High Speed Hub on the HS2 and HS3 routes, with an exemplar of significant regeneration benefit on the doorstep of and York Station. This is further multiplied by enhancements to the rear of the station which would be delivered through the EZ enabling infrastructure.
- The improvements funded to enable the site also provide synergies and efficiencies with planned public sector investments such as Network Rail operational works and improved transport links between York and Harrogate.
- The Enterprise Zone would accelerate plans for York Station to operate as a multi-modal hub, and with the excellent public transport already servicing the site, encourage modal shift for environmental benefits.
- Regeneration of this key 72.16ha city centre site would bring redundant brownfield land back into active use, remediating land and delivering high quality new public realm, open space and community facilities, whilst at the same time facilitating journey time savings for car and public transport, and providing new links for pedestrians and cyclists

- Comprehensive regeneration of the NRM would grow visitor number by up to around 75%, to over a million per annum. This will deliver estimated growth of around £7.5m pa to the regions tourism economy, as well as delivering social benefits through expanding the extent and range of this important educational facility's public appeal.

D4. What growth would be delivered without Enterprise Zone status (for example, will development happen at a slower rate or will development be of a lower quality attracting lower value land uses or jobs)?

There is currently a significant deliverability gap to provide the necessary site infrastructure without Enterprise Zone status for full development of the site. As outlined in Section G, while we estimate that this gap may be able to be eventually bridged through other sources, it is likely to impact delivery in a number of ways without Enterprise Zone status:

- We anticipate the first phase of development would be delayed by 3 years through requiring additional upfront funding.
- The build out is likely to be slower without the business rate incentives for companies to locate on the site
- The development would need to phased across three phases to raise additional funds over the development period. This would result in anticipated gaps of 2 years between each phase and therefore further delays in delivering the whole site
- The quality of environment created for new businesses to locate to is likely to be lower and hence be a less attractive location to drive growth

While eventually, numbers of job created would grow, over the 25 year period without Enterprise Zone status the difference would be:

- £353m lower GVA output
- An average (mean) of 1,804 fewer jobs per year over the 25 year period (1,179 fewer at the end of this period)
- Reduced land value for the public sector
- £83m business rates income foregone by government and LAs collectively

D5. If at G7 you record that sites are not clear, please give concise details of existing buildings, structures and land uses or other issues, including an outline of how these will be resolved and when the sites will be ready for commercial occupiers.

Given the brownfield nature of the York Central site, and historic use for rail related activity, there are a range of existing buildings and structures that will need to be cleared from the land to allow redevelopment to take place. These buildings and structures are largely underutilised, vacant and/or not fit for purpose. Alongside this necessary site clearance (some of which has taken place already), key buildings will be refurbished, re-purposed and retained where appropriate.

Central to the regeneration proposals are the transformation of York Railway Station and the National Railway Museum. Plans for the station provide for the comprehensive modernisation of station offer, delivering a fully accessible and high quality gateway to the City and region, with improved interchange and additional platforming capacity to deliver strategic priorities including HS2 and Harrogate Line improvements. Additionally, the NRM are developing a high calibre masterplan with McKinsey&Company for the museum estate, integrating with wider site proposals, and delivering a paradigm shift in both visitor offer (expanding from 725k to 1.25m annual visitors) and museum setting.

D6. Are there any holding or other costs the public sector incurs on the land that would be avoided with the awarding of Enterprise Zone status? If yes, please state how much.

☑ Yes ☐ No

As part of the site's redevelopment, Enterprise Zone status would enable the rationalisation and modernisation of operational rail infrastructure on the site, providing operational efficiencies for Network Rail.

Additionally, as a not for dividend organisation, land receipts would be used by Network Rail to fund future operational development, offsetting debt and providing relief to the public purse. Whilst significant, a precise estimate of the scale of these cost savings is not currently available.

D7. What is your strategy for addressing any unexpected costs or other risks that may arise in future? How likely is this and how do you plan to manage and mitigate it (for example how would you manage a time delay or fund unexpected additional costs)?

Significant work has already been undertaken to identify infrastructure costs and abnormal costs that will be necessary to create a development platform to enable sites to be released for development of buildings. These costs are inclusive of both 10% contingency and 44% optimism bias where appropriate, in order to mitigate risks around unexpected costs. Given the scale and complexity of the development, it is inevitable that there will be changes to these cost estimates and/ or scope of works required, however the work undertaken to date is reflective of this situation and follows best practice for a project of this nature and development stage.

It is also expected that the full development costs of the provision of commercial buildings in the scheme will be funded by developers. However, as the scheme develops it may be possible to include some of the infrastructure provision within these development schemes thereby offering one route to further mitigate of any further unforeseen costs.

The phased nature of the development project, with associated sequential development plot release, also introduces the scope to insulate risks to individual phases, and to manage cost and programme over-runs through robust project management.

Delivery programme work and critical path analyses' which set out the complex processes of land assembly, planning, regulatory approvals, site clearance, remediation, infrastructure implementation, marketing, disposal and development have been used to inform this submission and give reasonable comfort to our plans. This work will evolve over time, informed by, amongst other things, funding availability, delivery strategy and market reception, informing the development of timeline for the infrastructure design and construction programme.

The modelling of EZ revenues (and borrowing against these) has been undertaken using prudent financial assumptions. This work reveals additional headroom to absorb cost and programme over-runs. Sensitivity testing has been undertaken on the overall development appraisal to ensure that increased costs of 10%, delays of a year and reduction in rateable values can be born by the overall commercial scheme, within the amount able to be borrowed against the projected business rates uplift.

The scheme is a long term regeneration which will meet the draft local plan demand for grade A office in York. A delay to reflect some change to the expected enabling works would not be catastrophic to the long term feasibility or deliverability of the project. Any increase in costs could be met from a variety of sources, including from the developer uplift arising from the equity investment of the key partners.

As part of the project management arrangements, risks and issues will be formally logged and reviewed using the Councils Prince 2 based project management methodology as part of the work of the project Board.

D8. What risks have been identified in achieving the outcomes of the proposal and what are the mitigation plans?

The primary risk is the potential breakdown of the delivery partnership between Network Rail and CYC with a consequent failure to unlock the site. – This has in part being mitigated by the establishment of a senior level Board and formalised via an MOU with development of the site delivered under the terms of a proposed partnership agreement. A key element in the success of the scheme is establishing an Infrastructure Delivery Plan (timetable and certainty of works) and the award of EZ status creates a deliverable route to fund the key infrastructure works and hence gives certainty to the scheme. It also ties this partnership together more closely and emphasises the important role of the local authority in delivering the scheme and creates parity between the delivery partners.

Failure to clear operational railway uses from the site – this would prevent the development of the site in whole or part. Mitigation plans to date include the acquisition and extinguishment of long-term rail industry leases on the site by Network Rail and development of a strategy that identifies relocation sites for the rail uses. This issue needs to be further mitigated by Network Rail prior to any infrastructure investment with a clear commitment under the proposed partnership agreement to remove rail uses from the site within a phasing plan to suit site development.

Failure to obtain the necessary regulatory approvals from ORR to disposal of land on the site for development – this is being mitigated by early and continuing work by Network Rail developing alternative solutions with operators for future rail needs in the York area.

Failure to attract tenants to the newly created space – mitigated by comprehensive soft market testing and the development of a delivery and marketing strategy

Failure to secure planning - Mitigated by early involvement of CYC as local planning authority in the ongoing development plans and engagement of stakeholders and local communities at both concept stage and as detailed plans emerge

Failure to secure grant funding/ equity investment towards some of the costs of the enabling infrastructure – mitigated by early sign off of funding from HCA and comprehensive gateway process for release of WYTF funds. The risk of WYTF withdrawing offer of funding as the devolution agenda develops remains and alternative plans for funding core transport infrastructure would need to be worked up with YNYER LEP should this eventuality occur.

Failure to secure two third party land holdings on the site – mitigated by early initiation of CPO process and negotiation with land owners to assemble whole site prior to commencement of the regeneration.

D9. Will anything to do with the site ownerships change (for example freehold or leasehold or any other options or interests) if Enterprise Zone status was granted? If yes, briefly explain any risks or benefits for the Enterprise Zone.

☐ Yes ☑ No

Section E
Governance and management

E1. Our experience suggests that stronger Enterprise Zones often have their Local Enterprise Partnership playing a key role leading and owning the Enterprise Zone (for example with a named Local Enterprise Partnership Board member having lead responsibility for the Enterprise Zone). Please describe the governance arrangements for the proposed Enterprise Zone, clearly setting out the name and job title of the Senior Responsible Officer for delivery of the Zone, the governance structure and explain how progress will be owned by the Local Economic Partnership Board.

Name of Senior Responsible Owner: Steve Stewart

Job title: Chief Executive

Governance structure:

York, North Yorkshire & East Riding LEP Board

↑

LEP Infrastructure Sub-committee

↑

Joint Programme Board with senior level representation from all partners including CYC, YNYER LEP, Network Rail, National Railway Museum and the HCA.

We would envisage any new Combined Authority will eventually take the lead with the EZ but in the interim, the joint governance arrangements to York North Yorkshire, East Riding LEP as above would enable the LEP Board to own and drive progress, with City of York Council acting as the statutory accountable body. Regular progress reports would be provided through the outlined governance structures to support the project to be driven by the Local Enterprise Partnership board as one of its key priorities.

E2. Please explain the capacity and skills you will make available to deliver the Enterprise Zone on a day to day basis, including the job titles and names of each of the staff members in the Local Enterprise Partnership and the relevant local authorities and the total costs of this staff team.

The Local Enterprise Partnership and the Local Authority are committed to providing the team to ensure successful delivery of the Enterprise Zone, drawing from a range of skill sets and disciplines.

In terms of current resourcing structure, the York Central project is currently delivered in partnership with Network Rail, City of York Council, the National Railway Museum and the Homes and Communities Agency.

From the City of York Council, the core team is lead by Neil Ferris (Acting Director City &

Environmental Services) and Tracey Carter (Assistant Director Finance and Asset Management) and comprises officers with relevant expertise from across the authority:

Ben Murphy (Regeneration Officer)

Catherine Birks (Asset & Disposals Manager)

Patrick Looker (Finance Manager)

Rachel Dolby (Deputy Head of Legal)

Sue Houghton (Regeneration Officer)

Jonathan Carr (Head of Development Control)

Andy Wilcock (Procurement Officer)

Ruth Stephenson (Head Transport Capital Projects)

Mark Alty (Principal Strategy & Economic Policy Officer)

Collectively this project team has many years of experience in the public and private sectors of working on schemes of this nature and around 14 years of collective experience directly on this project. This resource represents a c. £300,000 per annum rolling investment by City of York Council in project delivery, which is supported in part by One Public Estate funding.

Addition project team resource is also currently drawn from partner organisations as set out below.

Network Rail: Capital project delivery, route enhancement manager and teams, procurement management, development surveying, commercial development management

National Railway Museum: Project management, funding and delivery management

Homes & Communities Agency: Housing delivery, Advisory Team for Large Applications (ATLAS) planning and land assembly

Additionally, consultancy support is currently utilised by the partnership project team in order to draw on specific specialist resources and respond flexibly to project requirements. Ove ARUP & Partners are currently engaged in this capacity and currently advising on the planning framework elements and station gateway delivery.

On confirmation of Enterprise Zone status, a wider project team incorporating key LEP personnel would be assembled, drawing on a broader collective set of skills and resources, in order to optimising project delivery.

E3. How will you gather data that will allow the Local Enterprise Partnership and local authorities to monitor progress of the Enterprise Zone, for example this could include on delivering new jobs, business, investment?

As a key delivery partner and co-investor, City of York Council will already be receiving regular on new jobs, businesses and investment; gathered through working alongside developers and future occupiers.

Working with Make it York (wholly owned by City of York Council) who will hold key account relationships with many of the businesses on the site, including all new inward investors, we will be able to monitor onward job creation, business growth and investment closely on an ongoing basis through their quarterly performance reporting.

Make it York is a newly created commercial organisation that is responsible for economic development, city centre management, inward investment and the cultural development of York. Given its commercial nature, there are several large businesses on the board of the organisation (including Nestle) and they have strong links with potential inward investors.

We will ensure these are reported through the governance arrangements above.

E4. Are any of the proposed site(s) in an overlapping Local Enterprise Partnership area? If so, specify the names and roles of the two respective Local Enterprise Partnerships clearly and, if the overlap were ever addressed, how would you manage the Enterprise Zone?

☑ Yes ☐ No

The site in York is currently covered by both York, North Yorkshire & East Riding LEP and Leeds City Region LEP areas. Were the overlap ever addressed with the site only sitting in York, North Yorkshire & East Riding LEP (or a LEP containing all or the majority of this geography) in the future, arrangements for management of the Enterprise Zone would be unaffected.

If LEP areas were to change in another way, then an agreement would be made between the overlapping LEPs but the principles of supporting and investing in the York area remains the same.

E5. Briefly set out your plan for marketing the sites to occupiers and/or investors, in the case of multiple site zones being clear if they will be marketed in clusters or in stages.

The Partners will formulate a comprehensive and staged marketing strategy which will be strategic and target a range of parties with potential interest in site delivery including developers, investors, occupiers, public etc.

The site will be marketed both nationally and international as part of a phased approach. Depending on the market conditions at the time, the Partnership will look to pre-let space to occupiers and/or build some commercial space speculatively. The Partnership will actively engage with developers, agents and investors to ensure the most comprehensive marketing strategy is achieved. If required, an independent property marketing agent/s will be appointed.

Strategic placement of the site via the media and branding will also be important to the scheme. A current strategy is being coordinated between the Partner's Communications Teams and other active inward investment agencies, such as Make It York.

It is expected that marketing the site for occupiers would be delivered closely in partnership with a developer once appointed.

Section F
Equality information

F1. Is it expected that the proposal or its outcomes will have a detrimental impact on any of the groups with protected characteristics as listed in the Equality Duty?

If yes, please describe the impact or impacts the proposal is expected to have, the group or groups which may be affected, and any steps, if applicable, which have been taken to mitigate the impact(s).

No