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Delivering change:

Putting city centres at the heart of the local economy

Louise McGough & Elli Thomas

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Executive Summary

City centres play a fundamental role in the economies of UK cities. Businesses gain from the proximity, or agglomeration, that city centres offer through sharing infrastructure, the ability to recruit from a larger labour pool and the ability to share ideas and information, known as 'knowledge spillovers'.

But the performance of the UK's city centre economies has been variable. On average, larger cities have seen their city centres become more important and claim a larger proportion of jobs. Meanwhile medium and small sized cities have overall experienced the opposite trend, with private sector jobs moving away from the city centre, increasingly locating outside the centre.

This varying performance provides very different policy challenges. The policy approach in more poorly performing city centre economies should be to focus on increasing the economic scale of the city centre, improving the attractiveness of the city centre as a place to do business and drawing in any office based business in the first instance. Meanwhile for successful cities, policy should focus on continuing to promote the city centre as a place to do business by reducing the costs associated with a thriving city centre, such as high office costs and congestion.

The purpose of this report is to bring together case studies of policies from around the world that have succeeded in revitalising the economy of a city through a focus on the attractiveness of the city for people and businesses. It groups these policies into five main categories:

1. Relocating employment to the city centre where possible, for example in Coventry and Bradford
2. Creating an attractive and functional physical environment, for example in Manchester and Croydon
3. Providing good transport and infrastructure, for example in Montpellier and Oldham
4. Attracting firms through incentives to stimulate business activity, for example in Dallas and Oklahoma
5. Making better use of temporary space – for example in Christchurch and Masan

While it is important to note that any policy intervention is likely to require a combination of a number of the policy areas above, the case studies provide practical examples of approaches that cities have adopted to improve the attractiveness of the city centres as a place to do business.

Introduction

The role of city centres within UK city economies is not well understood. Beyond their traditionally accepted use as retail centres, city centres play a much more fundamental role in bringing people together to exchange ideas and information, as well as goods and services. In particular, city centres provide the agglomeration benefits attractive to the types of businesses and firms that increasingly drive national economic growth. And this is likely to become increasingly important as the UK economy continues to specialise in activities based on ideas and information.

In the UK, the performance of city centre economies has seen huge variation. Some have driven the overall jobs growth in the city, while others have lost jobs, leading to a 'hollowing out' of the city economy. These patterns mean that very different policy responses are required in different places to support the future growth of city centre economies. Cities with strong centres need to ensure that the costs of businesses locating in these already attractive areas do not outweigh the benefits. In cities with relatively weaker centres, the focus should be on concentrating and generating business activity there, ensuring it is an attractive place to live and do business, and is well connected to surrounding areas and their labour markets.

Building on previous work by Centre for Cities on the importance of city centre economies,[1] this paper pulls together examples of policies used in cities from around the world to improve their city centres. The first section sets out the importance of city centre economies to the economic performance of cities as a whole and the second section presents case studies for five broad types of policy intervention.

1. Swinney P & Sivaev D, (2013), *Beyond the High Street*, London: Centre for Cities

The economic importance of city centres

We know that UK city economies are at the heart of the national economy: they are 21 per cent more productive than non-urban areas and host 72 per cent of all highly skilled jobs. But the particularly important role of city centres to UK city economies, and the national economy overall, is often left out of policy discussions. In fact, the strongest performing city centres are the most productive parts of the UK economy, and host more productive and higher paying jobs than other areas of UK cities.

On average, almost a quarter of all private sector jobs in cities are now based in their centres. And around 9 per cent of jobs in the UK are located in the city centres of the 10 largest cities, despite these areas accounting for just 0.03 per cent[2] of all land in the UK. Businesses will often pay a premium to be based in one of these city centre locations because of the benefits they bring.

City centres and the benefits of agglomeration

The primary gain for business of locating in a city centre is proximity, or agglomeration, and this offers three main benefits to businesses locating in city centres. These are:

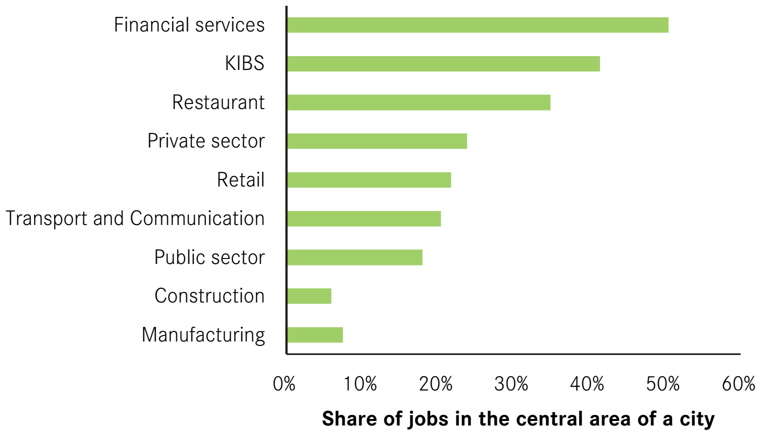
- The ability to share inputs and infrastructure, such as roads, rail and street lights
- The ability to recruit from a deep pool of workers with relevant skills
- The ability to exchange ideas and information, known as 'knowledge spillovers'

While the first two benefits operate over a city wide level – a business based on a business park has access to the same potential recruits as a city centre business – the third operates over a much smaller geographic area.[3] It is this third factor which is so important to the services-based knowledge economy: knowledge is best spread via face-to-face interactions and these face-to-face interactions are more likely to occur over much smaller distances in more dense areas, where both formal and informal meetings are more likely to come about. Within a city, this area is the city centre.

2. Swinney P & Bidgood E, (2014), *Fast track to growth*, London: Centre for Cities
3. Rosenthal S & Strange W, (2001), 'The Determinants of Agglomeration' in *Journal of Urban Economics*, 50, pp 191-229.

Of course, not all businesses prefer city centre locations. As figure 1 illustrates, of all the manufacturing and construction jobs in cities, just 6 and 7 per cent of these jobs respectively are located in or close to city centres. This is because these types of activities require cheap land and good transport links more than they require access to knowledge and information.

Figure 1: Concentration of jobs in the central areas of cities, 2011



Source: ONS Business Demography Database

In a services-based economy, knowledge intensive business services (KIBS) benefit the most from agglomeration effects and knowledge spillovers. Whereas around 24 per cent of private sector jobs in cities are located in or around city centres, this figure is 41 per cent of KIBS jobs. The figure is even higher for financial services jobs - a subset of KIBS jobs - one in two of which are based in city centres, and because of global competitive pressures, the UK is very likely to continue to specialise in knowledge-intensive activities.

This trend is also likely to persist despite advances in communications technologies that have supposedly resulted in the 'death of distance' which reduce the need for physical proximity in knowledge-intensive sectors. Yet, innovations such as email and video conferencing have neither led to a rise in home working nor have they rendered proximity irrelevant. This is because it is face-to-face interaction that primarily facilitates the spread of knowledge.

First order impact of the city centre economy: sustainable employment and job quality

If cities want to improve the number and quality of jobs available, they need to focus on creating city centres that function well as locations that attract businesses. The density and proximity that city centres offer are attractive to businesses for a number of reasons, so the first aim in making a city centre a more attractive business location should be to increase the economic scale of the city centre, concentrating all types of office based business there.

The national economy is increasingly specialising towards knowledge-based jobs that gain most from agglomeration, so city centres are likely to become increasingly important in the future. KIBS jobs are twice as likely to be concentrated in city centres and these types of jobs offer higher wages and more career opportunities to workers. 50 per cent of the jobs in city centres tend to be taken by graduates, as opposed 33 per cent for all other parts of England and Wales, illustrating the attraction that city centres hold for knowledge-based businesses and jobs.[4] Cities without KIBS jobs on the other hand, tend to have a higher proportion of jobs available in lower paid, less secure jobs, which risk creating cycles of workers stuck in low-pay, causing knock-on impacts for firm profits and economic output of the city overall.

Second order impacts of the city centre economy

Alongside creating attractive places to do business, focusing on revitalising the centres in cities of all sizes is also important; this can drive growth and improve the following:

Access to jobs

A thriving city centre can be attractive to job-creating private sector businesses and growth. The knock-on effects of this are that city centres need effective public transport, ensuring workers can access these jobs. Lower income groups in particular are more dependent on public transport – 43 per cent of people living in households in the lowest real income group have no access to a car or van compared to 8 per cent of people living in households in the highest real income group. Over two thirds of Jobseekers Allowance claimants have no access to their own car or cannot drive.

Good public transport systems which link people to jobs and essential services are key to supporting economic growth. Densely populated city centres make delivering this public transport cheaper and more effective.

Environment and public realm

Thriving city centres, which include businesses located close together, retail and entertainment close by, along with residential areas, result in less sprawl. A more dispersed city economy, however, generally increases the requirement for private transport, as providing good public transport links to a number of employment sites become more expensive. This has implications for CO_2 emissions and the environmental sustainability of a city.

The top 10 cities that have the lowest road transport CO_2 emissions had on average 27 per cent of all jobs in their central areas in 2011, while the 10 cities with the highest emissions on average had 17 per cent of all jobs located in their central areas. It is not enough, however, to have economic activity centralised to reduce CO_2 emissions, growth must be supported by an efficient

4. Source: ONS, Census 2011

public transport system. This also underlines that when considering a city centre economy, local and central government must not only think about specific development sites, but about access to them – transport links to and from the city centre are an important component of central economies.

Retail and the high street

Past and current government policy towards city centres has narrowly focused on the performance of the high street. But retail is a secondary activity that feeds off the primary activities of a city centre economy. Employment in particular pulls people in to city centres, increasing footfall, creating a market for retailers and restaurants to sell to. Those cities with strong city centre economies tend to have a strongly performing high street, while those cities with a more dispersed economy have lower footfall in their city centres, their high streets then struggle as a result.

Box 1: The changing role of city centres in UK cities over time

At the start of the industrial revolution, the manufacturing firms that drove the national economy, and established many UK cities as industrial powerhouses, tended to located close together around key transport and infrastructure nodes such as ports and coalfields, minimising expenditure on expensive fuel. The advent and increased availability of electricity, however, as well as falling transport costs, encouraged manufacturers to move further apart from each other, spreading out across and beyond cities, to capitalise on cheaper land. Economic growth was heavily dependent on the production and trade of goods, where the city centre's economic role was relatively less important than it is today.

Today the UK economy is no longer primarily manufacturing-led and in the decades since 1970, industry-led growth has declined as a proportion of national economic output. The service sector that now dominates the UK economy benefits from, and requires very different types of, urban 'amenities' than heavy industry and manufacturing. Service activities, particularly those that 'sell' knowledge, such as finance, law and marketing, benefit from proximity because they benefit from the exchange of ideas that density facilitates.

Insights for city policymakers and practitioners

The performance of city centres across UK cities

Making the most of city centres is vital for all city economies. The overall trend for UK cities since the 1970s has been to decentralise, caused through a combination of more out of town living and labour market changes: 38 out of 63 cities saw a hollowing out of private sector jobs in their central areas in the period before the downturn.[5]

5. 1998-2008

And there appears to be a link between city size and city centre performance. Between 1998 and 2008 larger cities saw their city centres become more important to the city economy: eight of the 10 largest cities saw their city centres become more important, and more than a third of the jobs in large city centres were in knowledge-intensive sectors. Smaller cities, however, experienced the reverse trend, with private sector jobs, and knowledge-intensive jobs in particular, moving away from the city centre.

There are some exceptions to this trend, however. Over the period 1998-2008, Brighton, Reading and Milton Keynes all saw jobs concentrate in their city centres. This suggests that the benefits of agglomeration are not just generated in large cities, nor do large cities have denser cores than smaller cities.

Overall though, the economic downturn has further cemented the trend, with large cities seeing virtually no change in the share of private sector jobs across their economies, and smaller and medium-sized cities seeing a continued decentralisation of private sector jobs. Only London saw a further concentration of its private sector jobs in the period 2008-2011.

Impact of policy to date

City centres are vital for supporting a greater concentration of private sector jobs – and high-value knowledge-intensive jobs in particular – that can gain from the agglomeration benefits that city centres provide. However, some recent government policies have, whether intentionally or unintentionally, actively encouraged out of town patterns of development in UK cities.

Job-focused interventions – inadvertently working against city centres

Out of town Enterprise Zones provide tax incentives and support for businesses to locate in one area, aiming to replicate agglomeration benefits and support growth or concentrating public sector and university locations on certain sites. But out of town Enterprise Zones often displace business from city centres rather than stimulate new growth. This has contributed to the hollowing out of city centres, drawing economic activity away from the city rather than into it. The same logic applies to the subsidisation of out of town business parks - a commonly used policy in economic development in recent years - and the relocation of major public sector employers and universities in out of town locations.

One answer to this - as has been consistently given for retail - is that all out of town development should be stopped. But it is important to note that a city centre location will not be right for every business. So while the public sector should stop subsidising out of town office space, its focus should be on making city centres attractive and viable places to do business and encouraging businesses to locate in them, rather than restricting development elsewhere.

Retail focused interventions – unsuccessfully supporting city centres and the 'high street'

Policies such as Town Centre First and retail-led regeneration strategies - popular throughout the 1990s and 2000s - have overtly tried to support city centres over out of town locations. But these policies have failed to understand the cause of the underperformance of many high streets.

Sluggish retail is a symptom of a poorly performing city centre economy, not a cause. Those cities that have seen a weakening of their city centre economies pull fewer and fewer workers into their city centres. This reduces footfall, so reducing the market that city centre retailers can sell to. The result is that those cities with strong city centre economies continue to have strongly performing high streets, while those cities with weak city centre economies have also seen their high streets decline in recent years.

If politicians are to ensure cities have strong and vibrant high streets, their aim should be to create policies that strengthen the city centre economy as a whole, rather than focus too narrowly on retail.

Implications and recommendations: making city centres an attractive place for businesses to locate

Thinking about how city centres function as business locations should be the top priority for politicians and policymakers in cities of all sizes. But the interventions required to support city centres are different for cities with weaker city centres, compared to cities with stronger city centres.

Implications for cities with weaker city centres

What is clear for those cities with weak city centres is that these areas are not functioning well as places to do business. The aim of any policy intervention should be to change this.

As set out above, city centres are likely to become increasingly important in the future because of the benefits they bring to high paid, high skilled services jobs. But the first aim in making a city centre a more attractive business location should be to increase the economic scale, attracting any office based business in the first instance.

This would have two main benefits. Firstly, it would concentrate economic activity in one area, allowing the city to get more out of what it already has. Concentrating activity in this way would create demand for retail and other services, make jobs more accessible by public transport and make the city less car dependent. Secondly, a higher level of activity would make it easier to attract higher skilled jobs in the future. It is important to note here however that the ability to attract higher skilled jobs will depend on the number of high skilled workers living in and around a city, so any policies designed to improve a city centre's appeal to businesses, must also include policies to improve skills.

While cities with weaker centres need to focus on making those areas more attractive to office-based businesses to locate in, they may also want to think about how their city centre can work alongside neighbouring areas. This could include ensuring that public transport services are available to link people and jobs in the city centre and wider labour markets. It might also include improving the residential offer, by raising the quality of the public realm in the city centre making it a more attractive place to live.

Implications for cities with more successful city centres

Those cities with successful city centres need to ensure that the benefits of doing business there (as a result of knowledge spillovers) continue to outweigh the costs of such a location (such as high office rents and congestion). This will include providing effective public transport to tackle congestion and providing sufficient office stock to moderate increases in office rents.

The following section provides examples of types of interventions that politicians and policymakers in cities of all sizes, with weak and strong city centres, should consider to ensure city centres work well as business locations.

City centre case studies

The case studies presented in this section provide examples of interventions and policies to improve city centres in cities of all sizes, in the UK and internationally. The case studies examined suggest five key types of intervention that politicians and policymakers should consider for creating strong city centre economies. They intentionally focus on one isolated example of intervention, but it is important to note that in many instances, other factors will have contributed to creating a successful city centre economy.

Types of interventions to help create strong city centre economies:

1. Relocating employment to the city centre where possible
2. Creating an attractive and functional physical environment
3. Providing good transport and infrastructure
4. Attracting firms through incentives to stimulate business activity
5. Making better use of temporary space

Relocating employment to the city centre

Relocating public services

Local authority offices and services are often located in numerous buildings in and around the city. Relocating public services to the city centre has two beneficial effects: firstly, it concentrates workers in the city centre, who access local shops and services. This is particularly important for cities with weaker centres that have experienced a hollowing out of jobs. Secondly, by concentrating services in fewer buildings, relocating public services can also create efficient savings by reducing running and maintenance costs and avoids the duplication of services.

Case study...

Bradford and Coventry City Councils

Bradford Metropolitan District Council, through the 'b-works' scheme, is in the process of relocating some services from locations across Bradford with the key aim of relocating staff to the city centre, helping to boost retail and encouraging new investment there.[6] It also aims to provide better services at a lower cost. All 286 of the council's office buildings are being reviewed for their suitability and condition, running and energy costs, and backlog of maintenance.[7] Their target was to raise £65 million through the sale of unwanted assets, which would pay for the refurbishment of city centre buildings, enabling the accommodation of more staff in fewer buildings and a greater concentration of public sector employees in the city centre.[8] The sale of 44 buildings between 2008 and 2013 raised £21.2 million and saved £64 million in maintenance costs.[9] The move saw public sector jobs in the city centre increase by 1,300 between 2008 and 2010, which helped to offset the negative impact of the recession on the city centre, which saw the loss of 3,550 private sector jobs.[10]

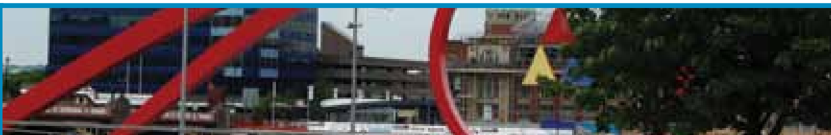
Similarly, Coventry City Council will relocate in late 2016 to the new Friargate development in the city centre, a mixed-use business district adjacent to the railway station. The movement of council staff into the city centre is intended to be a catalyst for the movement

6. http://www.thetelegraphandargus.co.uk/news/local/localbrad/8829028.Council_lists_28_buildings_to_be_sold_off_to_save___7_5m/
7. http://www.thetelegraphandargus.co.uk/news/local/localbrad/8829028.Council_lists_28_buildings_to_be_sold_off_to_save___7_5m/
8. http://www.thetelegraphandargus.co.uk/news/8768504.print/
9. http://www.thetelegraphandargus.co.uk/news/10387654.Bradford_Register_Office_could_be_sold_off_in_Council_property_shake_up/, http://councilminutes.bradford.gov.uk/wps/PA_CommitteeMinutes/DisplayDocServlet?docID=10836&
10. http://www.bradford.gov.uk/NR/rdonlyres/16DC1C32-6C8A-4F8D-9162-F11C4D45E3FD/0/BradfordDistrictEconomicAssessmentDecember2012.pdf

of other businesses into Friargate. Other blue-chip tenants are now following the Council's lead. The consolidation of 27 council buildings into nine at Friargate also allows for savings in maintenance costs and carbon emissions. The total economic impact is as yet unknown but the development as a whole is intended to bring 13,400 new office jobs into Coventry city centre.[11]

Relocating universities and colleges

A similar logic for relocating public service jobs in city centres applies to universities and colleges: it brings more people into the city centre, increasing footfall and attractiveness to businesses and boosting the vitality of the city centre. This again is particularly relevant for those cities that have experienced a hollowing out of the city centre. It also makes the city centre more attractive to businesses seeking to employ graduates or collaborate with researchers.



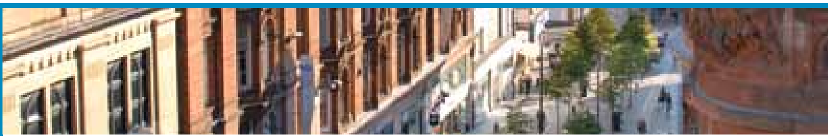
Case study...

University of Wales, Newport

In 2011, the University of Wales opened a new campus in Newport city centre, selling off its Allt-yr-yn campus and using its sale as well as funding from the Welsh Assembly, Newport City Council and Newport Unlimited, an Urban Regeneration Company, to fund the new £35 million campus.[12] The new campus is a key part of the city's strategy of regeneration for the city centre,[13] bringing 2,700 new students there, supporting local businesses and shops. The university's design, media and business incubator also aims to build on the city centre location by establishing links between businesses and research. The university has received a 12.7 per cent rise in UCAS applications, over double the rise seen nationally.[14] The influx of students and staff to the city centre has also been accompanied by an increase in city centre trade.[15] Despite facing criticism from students, staff and local residents, the university have also decided to close the older, out-of-town campus.

11. http://www.coventrytelegraph.net/news/coventry-news/council-move-friargate-development-part-3903311
12. http://www.bbc.co.uk/news/uk-wales-12142107
13. http://www.newportsmartandconnectedcity.co.uk/
14. http://www.willmottdixongroup.co.uk/assets/c/c/cc1445_newport-case-study_rev7.pdf
15. http://www.newport.gov.uk/_dc/index.cfm?fuseaction=news.pressrelease&contentid=CONT566610

Case study...



City of Glasgow College

Glasgow has merged and relocated four further and higher education institutions from across Glasgow and created the City of Glasgow College. Led by the Central College for business, Glasgow Metropolitan College (a previous merger of the food and technology and building and printing colleges) and Glasgow College of Nautical Studies all merged in 2010 to form the City of Glasgow College. The momentum came from discussions between the four colleges in 2006, and was managed primarily through the initiatives of the colleges, working in cooperation with the local authority, the Glasgow Chamber of Commerce, and the Glasgow Economic Commission.[16] Some of the land was sold, and two buildings on the remaining land were demolished to allow for the building of two new campuses; one in the city centre, and one at the edge of the city centre, as part of the Clyde riverside regeneration project. They are both still under construction due to be opened by 2016.

The vision for the merger states the intention of the colleges is "to create Scotland's first College super campus and be a positive catalyst for change, in partnership with other civic institutions to regenerate and renew Glasgow city centre and the riverside."[17] The agglomeration of colleges has allowed for economies of scale with regards to skills, teaching and resources, raising the profile of the college regionally and nationally. The two campuses are expected to cost £228 million and are being funded through an adapted version of the private finance initiative, Non-Profit Distribution, which ensures greater returns for the public sector and greater transparency. The European Investment Bank and a consortium of German banks are also financing loans to be repaid in 25 years by the Scottish Funding Council and the college's financial reserves.[18] Through the merger, the college has been able to make £5 million of financial savings, and the Scottish Education Secretary has praised the merger for its support of a strategy for economic growth in Glasgow city centre.[19]

16. Centre for Cities interviews
17. http://www.scotland.gov.uk/Resource/Doc/82254/0103539.pdf
18. http://www.cityofglasgowcollege.ac.uk/news/preferred-bidder-announced-new-super-campus
19. http://www.scotland.gov.uk/News/Releases/2013/05/College-merger-a-success16052013

Business incubation

Business incubators, by offering office space and advice to new businesses, can provide valuable services and support innovation. City centre located business incubators might encourage city centre business growth by supporting fledgling businesses to develop and grow in the city centre. Depending on the exact services on offer, this is relevant to both relatively weak and strong city centres. Financial incentives, such as discounted office space, might attract young businesses unable to afford office rents in relatively stronger city centres, and in weaker city centres, the discounts and support on offer might help attract business that would have located elsewhere.

Case study...

Queens Square Business Quarter, Leeds

Part of Leeds Beckett University, the Queens Square Business Quarter was set up in 2001 as an incubator for early stage businesses located in Leeds city centre. It intended to enable the creation of businesses directly in the city centre by, supporting them through their first three years, offering office space, advice and training. The proximity of students and graduates with new businesses was designed to enable and foster greater links between them. By 2010, Queens Square had supported 420 start-ups, helping to create 1,100 new jobs and turning over £42 million[20] – this coincides with 25 per cent private sector growth seen in Leeds between 1998 and 2008.[21]

20. http://www.yorkshireeveningpost.co.uk/news/latest-news/top-stories/business-incubator-is-set-to-expand-1-2251608
21. Swinney P & Sivaev D, (2013), Beyond the High Street, London: Centre for Cities

Physical intervention

Cities with both relatively strong and less successful city centres need the right amount and quality of office, retail, commercial and residential space to support and meet the demands of businesses, residents and shops. Improving the quality of the public realm, in combination with other interventions, could also help make city centres more attractive places to do business. A high quality public realm has been demonstrated to have a positive effect on levels of investment, land values, tourism, and productivity levels via a healthier and more satisfied workforce.[22]

Physical interventions are a supply-side measure, and therefore should not be regarded alone. It is also important to provide appropriate space without creating an oversupply. However, providing appropriate higher quality physical environments, such as up to date office stock or housing, can contribute to attracting businesses, residents and visitors to the city centre.

Case study...

Manchester city centre redevelopment

Manchester in the 1980s responded to its post-industrial decline through measures to create new jobs and modernise the skills base of the city. In 1988, the Central Manchester Development Corporation, a public-private partnership (PPP), redeveloped the southern part of Manchester city centre, improving the public realm and increasing office space.[23] This, and other measures, coincided with a period of strong economic growth in Manchester during the 1990s and the city centre came to be held back by its limited amount and quality of office space, as well as insufficient retail and hotel space to support tourism. To ensure future investment in the city centre, the council identified that physical renewal in the city centre was crucial.

The IRA bomb in 1996 which destroyed a large area of the city centre, displacing 672 businesses and causing £250 million of physical damage, also formed part of the drive to carry out the physical renewal that had been planned during the 1990s.

Manchester Millennium Ltd (MML), a new PPP between the city council and local businesses was set up. There were four main elements to the development:

- **Master planning:** The PPP commissioned a consultancy, EDAW, to draw up a master plan, supported by a framework and urban design guidance. As well as creating new office space, a primary aim was to secure investment in leisure and cultural

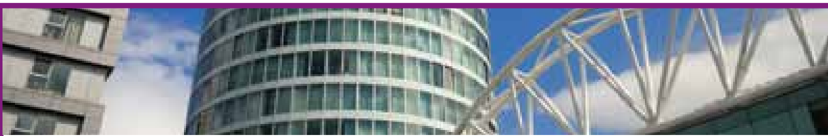
22. http://www.northamptonshireobservatory.org.uk/docs/docEconomicImpactofThePublicRealm-FinalReport%5B1%5D080128141405.pdf
23. http://www.publications.parliament.uk/pa/ld199596/ldhansrd/vo960318/text/60318-09.htm

activities, to broaden the attraction of the city centre, through four projects at the Corn Exchange, the Royal Exchange, the Printworks, and the Ramada Block

- **Land assembly**: The city already owned the freehold on the majority of the site, enabling the city to take a lead on assembly and simplifying negotiations with the five leaseholders.
- **Funding:** A key task of the MML was to raise public funds for infrastructure. The public investments secured consisted of a £43 million grant from central government, £20 million from the European Regional Development Fund, and £20 million from the Millennium Commission. Some tensions emerged between local and central government following the 1997/8 Local Government Financial Settlement, which made it difficult for Manchester to secure funding to meet the shortfall to begin the project. In response the City Council lobbied government for a 'fair deal for the city' to secure the extra funding required. The public investment paid for public realm improvements, transport strategy and infrastructure, deficit funding of projects, the building of the Millennium Centre, and management and promotion costs. By reducing risk and preparing the site for developers, this leveraged £490 million of private funding in physical renewal.
- **Take-up:** Manchester benefited from existing demand for city centre office and commercial space, as well as the certainty of take-up from previous leaseholders of city centre locations in redeveloped areas.

The redevelopment was mostly complete by 2000, and Manchester city centre now offers the largest office market outside London.[24] Interestingly, the number of private sector jobs in Manchester city centre increased by 39 per cent between 1998 and 2008.[25] Demand is such that there is now a shortage of office space, with prices higher than regional and national averages.[26]

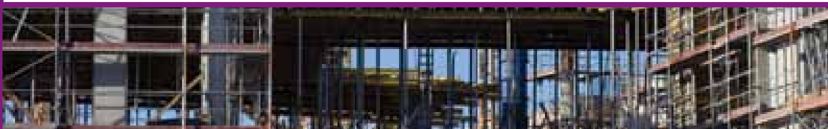
24. http://neweconomymanchester.com/stories/1871-greater_manchester_office_market_largest_outside_london
25. Swinney P & Sivaev D, (2013), Beyond the High Street, London: Centre for Cities
26. http://www.manchester.gov.uk/egov_downloads/7_City_Centre_Regeneration.pdf



Case study...

Birmingham Highbury Initiative: coming up with strategies for physical renewal

Birmingham's economy was hit hard by the decline of industry in the 1970s and 1980s. The city sought to improve its city centre in order to attract new private sector investment and create jobs. They did this by convening the 1988 Highbury Initiative, an international symposium of professionals who were invited to explore ideas for Birmingham's renewal. Their combined input led to an initiative which sought to improve city centre connectivity and accessibility, and particularly highlighted the need to break the 'concrete collar', or inner ring road, which prevented economic and physical growth in the city centre. As a result, proposals to reduce through-traffic and pedestrianise the city centre were incorporated into the planning policy in 1990 through the City Centre Design Strategy. The Broad Street area in particular was targeted for redevelopment, and its reincarnation as Brindley Place was intended to act a centre of business tourism. The city council, who held the freehold, took the lead on inviting tenders from developers for the creation of a new convention centre, hotel, and cultural and leisure facilities, and the Design Strategy was developed to maintain good quality urban design principles in accordance with the Highbury Initiative.[27] This strategic approach to renewal in the city centre has coincided with a reversal in city-wide growth trends; while Birmingham as a whole saw a reduction in private sector jobs in 1998-2008, in the city centre there was a 27 per cent increase, 80 per cent of which were in knowledge intensive businesses.[28]



Case study...

Croydon Opportunity Area Planning Framework: prioritising residential development

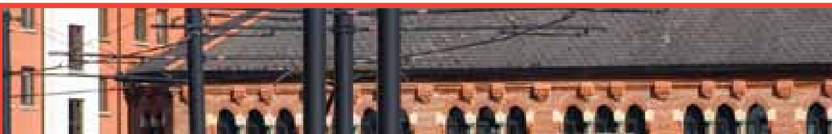
A prime business location in the 1960s, Croydon's economic role in Greater London and the South East has declined in the past 30 years, largely due to a decrease in demand for back of house office space and the emergence of Canary Wharf as an alternative business location. This has resulted in an increase in vacant office space and related fall in the numbers of people working and travelling into central Croydon.

27. http://webarchive.nationalarchives.gov.uk/20110118095356/http:/www.cabe.org.uk/files/the-value-of-urban-design.pdf, http://www.rudi.net/pages/17727
28. http://www.centreforcities.org/blog/2013/10/22/beyond-the-high-street-birmingham/

Croydon was identified as one of 33 opportunity areas by the Mayor of London, Boris Johnson. To tackle the hollowing out of Croydon's centre, the opportunity area planning framework (OAPF) – which acts as supplementary guidance to the London plan - promotes residential development as the top priority intervention for revitalising the city centre. It brings together previous Croydon master plans and sets out a program for the development of 7,300 new homes across the OAPF, providing housing for existing and new residents across tenures, capitalising on excellent rail and transport links to the wider London and the wider South East.

Transport and infrastructure

Good transport is vital in all cities, and good links between the city centre and the wider area is vital for the economies of cities with both weak and strong city centres. Good transport links means ensuring people can access jobs by linking homes and businesses, and ensuring people can access and make use of city centre amenities. Digital infrastructure is also vital in cities for businesses and residents. Reliable and fast broadband connections are a requirement for the majority of, if not all, businesses today and residents expect to be able to access high speed connections at home.



Case study...

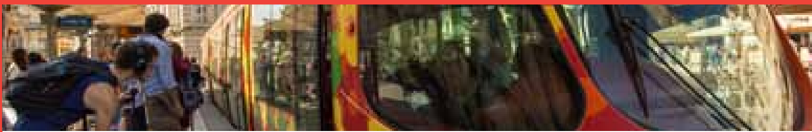
Manchester Metroshuttle

The Manchester Metroshuttle service was launched in 2002 as a flagship zero-fare transport offer for Manchester city centre.[29] The initial momentum came from CityCo Manchester, a group representing the interests of Manchester's city centre, who recognised the lack of accessibility to businesses and shops in the city centre as limiting to growth – the scheme would build on the existing Centreline service which linked the two main train stations.[30] The city also wanted to reduce traffic congestion.[31] The main impetus for making the service free at point of use was scepticism on behalf of funding partners that the revenue generated from charging fares would outweigh the operational costs of ticketing and enforcement. It also meant the service was universally accessible, allowing all people to get to work and to shops and services.[32]

The first two Metroshuttle lines were introduced in 2002, with a third route introduced in 2005. Zero-fare buses link rail stations, tram stops, shopping areas and businesses across the city. The service is funded by a partnership between CityCo, Manchester City Council, Transport for Greater Manchester, National Car Parks, and Allied London, a major local landowner. Running costs, which are also partly funded by advertising, are £1.2 million per year. The hybrid vehicles that were introduced in 2010 were funded through subsidies from the Department for Transport. The stakeholders in the PPP also decide on the routes, which were designed to link up key transport nodes and businesses. In 2013, there were 2.8 million passengers on the Metroshuttle, an increase of 32 per cent since 2006.[33]

29. http://www.tfgm.com/buses/Pages/metroshuttle.aspx
30. Centre for Cities interviews
31. http://www.manchester2002-uk.com/transport/metroshuttle.html
32. Centre for Cities interviews
33. http://www.transportforgreatermanchestercommittee.gov.uk/tfgmc/downloads/file/4911/item_06_metroshuttle_patronage_and_service_performance

The Heart of Manchester Business Improvement District regarded the service as a valuable part of the city's infrastructure which supports the retail development of the city.[34] 39 per cent of Metroshuttle users are in the city centre for leisure and recreation, and 36 per cent use the service to commute, demonstrating its value both for retail and city centre jobs.



TAM Tramway, Montpellier, France

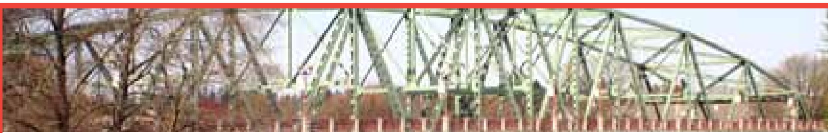
Montpellier has experienced some of the fastest population and economic growth of any French city in the past 25 years, demanding new infrastructure and housing to meet its growing needs. A tram system was introduced in 2000 to ensure reliable and sustainable connections into the city centre.

A major barrier to its delivery had been co-operation with the surrounding authorities under the existing joint authority, which only joined 15 communes (an administrative unit similar to a parish) in the city region. The formation of the Montpellier Agglomération in 2001, which incorporated 31 communes, formalised the necessary cooperation to be able to deliver the tramway.

The first line of the tram serviced two new urban extensions to the city; since then, three more lines have been completed, connecting suburbs to the city centre. The tramway is managed by TAM, a public-led PPP between the Montpellier Agglomération, Transdev (the operator), banks and other institutions,[35] which allows the city to maintain control over the service and its development. Seeking to minimise private commuting in Montpellier, TAM also established a corporate mobility plan agreement, signed by local authorities and businesses. Businesses saw the lower cost travel, decreased stress and fatigue, and lower pollution levels as attractive to them and their employees, making the tram a viable alternative to commuting by car.[36] As a result, Montpellier now has one of the highest usage rates of public transport in France.

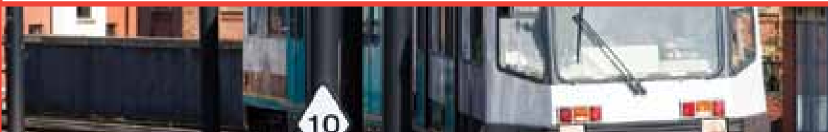
34. Centre for Cities interviews
35. http://www.atrf.info/papers/2013/2013_wang.pdf
36. http://www.uitp.org/sites/default/files/cck-focus-papers-files/FPBusCom-EN.pdf

Case study...



BRT, Eugene, Oregon

The city of Eugene is a mid-sized city with a strong economy.[37] Population growth during the 1990s led the city to introduce a Bus Rapid Transit system that could achieve three aims: the containment of urban sprawl, the encouragement of new businesses in the city centre and along the BRT route, and the reduction of private automobile traffic, particularly from commuters. The service began in 2007, and cost $25 million to design and build, most of which came from federal subsidies.[38] The majority of the operating costs, however, are funded through local payroll taxes, which has been regarded as contributing to strong connections between Eugene's business community and the BRT.[39] A study showed that between 2004 and 2010, there was a 10 per cent average increase in jobs within 0.25 miles of a BRT station,40 and local realtors noted an increase in interest in properties proximate to a BRT line.[41]



Metrolink extension, Oldham, Greater Manchester

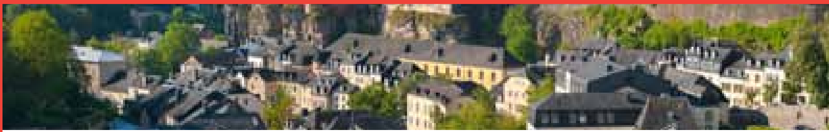
Oldham city centre was identified as one of the key priorities for renewal by the city in its Invest in Oldham prospectus, with over 50 per cent of investment (circa £56 million) outlined for the city centre. Central to this investment is the extension of the Greater Manchester city region-wide Metrolink tram system to Oldham town centre, which opened on 27th January, 2014. The tram is considered to be a large asset to the city centre and assist in linking the outlying parts of the town to the centre. It will also mean that Oldham town centre is 15 minutes away from Manchester City Centre.

The rationale for the Metrolink expansion was to improve connectivity across the Greater Manchester city region, including connecting businesses to their customers in different city centres, as well as to wider hinterlands and labour markets, improving business confidence

37. http://www.oregonlive.com/money/index.ssf/2014/05/portland_eugene_economies_expanding_faster_than_normal_uo_report_says.html
38. http://www.fhwa.dot.gov/livability/case_studies/guidebook/appendix/app07.cfm
39. http://sustainablecommunitiesleadershipacademy.org/resource_files/documents/springfield-eugene-oregon-emerald-express.pdf
40. http://planitmetro.com/wp-content/uploads/2013/09/BRT-ED-Eugene-Case-Study.pdf
41. http://www.fhwa.dot.gov/livability/case_studies/guidebook/appendix/app07.cfm

and turnover, and stimulating further investment. As part of plans to develop and extend the offer in the town centre to make it more attractive to those who currently use it, and encourage them to stay longer, the city is aiming to create the right environment for growth and private investment in the future, with particular emphasis on being 'ready' for the new extension. This included investment in public realm to help to connect passengers using the Metrolink tram service to town centre shops, restaurants, cafes and more.

The extension was funded by TfGM, partly through additional revenue from fare increases.



Luxembourg: municipal WiFi

The city of Luxembourg's HotCity scheme was launched in July 2007 by Mayor Paul Helminger with the primary intention of providing a platform for public services that would integrate workers and residents.[42] By 2012, it covered 75 per cent of the city.[43] It was initially free, but two payment tiers were later introduced. Access to the open internet requires a paid subscription and any services regarded as having public utility, such as bus schedules, finding parking spaces, weather, municipal bike rentals, hotels and shopping are provided free through an application, contributing to greater usage and efficiency of public services which saves money for the city. It provides an advertising service for local businesses and also makes it easier for users to find local businesses.[44]

42. http://www.theneweconomy.com/technology/the-e-city-of-luxembourg
43. http://www.theneweconomy.com/technology/the-e-city-of-luxembourg
44. http://www.cisco.com/web/strategy/docs/gov/HotCity_CS.pdf

Financial tools and business infrastructure

Tax incentives and city investment

As seen in the Enterprise Zones, tax incentives can be a way of drawing investment into the city centre, making it more economically viable for a business to locate centrally than elsewhere. This is likely to be most relevant in cities with relatively weak city centres, that are not attracting businesses to locate there. The following case studies offer examples of tax incentives and financing to deliver infrastructure that has made city centres more viable for development and for businesses to relocate: PPPs to leverage private investment whilst retaining the city's strategic control; tax increment financing to forward-fund infrastructure and make development more viable; and voting on increases in local taxes to put into specific infrastructure projects. Although the UK does not use sales taxes, and UK cities do not have the same powers to raise taxes as elsewhere, they are able to lift council taxes by 2 per cent, or more if approved by a referendum.

Case study...

Dallas, Texas

The 1980s downturn badly affected Dallas, and the city centre saw office towers empty out and retailers relocate to suburban malls.[45] Over the last 30 years, the city has sought to regenerate the city centre through projects that use up front spending to leverage private investment. The city set up PPPs with the private sector, offered tax incentives and provided cheap land to leverage private sector investment in the city centre.[46] These mechanisms have supported a broad range of projects to boost the city centre, including the creation of a new arts district, the State Fair Park, the creation of a new station for the Dallas Area Rapid Transport, and the encouragement of large supermarkets into the city.[47] The city government has also established 14 TIF districts in or close to the city centre.[48] In these areas, property taxes are retained and used for public realm improvements, site assembly and demolition, and other infrastructure improvements.[49] They are funded on a pay-as-you-go basis straight from the TIF fund, or for up front investment from private investors who are paid back from the fund.[50] The renovation of the former Statler Hilton Hotel and Dallas Central Library received $46.5 million of city funds, borrowed against expected

45. http://www.economist.com/blogs/schumpeter/2014/07/rejuvenating-downtown-dallas
46. http://www.newcitiesfoundation.org/private-public-partnerships-changing-face-dallas-texas/
47. http://www.bizjournals.com/albuquerque/news/2014/06/30/dallas-economic-development-head-says-public.html?page=all , http://www.economist.com/blogs/schumpeter/2014/07/rejuvenating-downtown-dallas
48. http://www.dallas-ecodev.org/wp-content/uploads/2012/04/TIFs_Downtown.pdf
49. http://www.dallas-ecodev.org/incentives/tifs-pids/
50. http://www.dallas-ecodev.org/wp-content/uploads/2012/04/CityCenter_plan.pdf

future property tax receipts, with a further $128.5 million of funding coming from private investors.[51] The investment in Dallas city centre has seen significant economic growth at the city-wide level. Since 1996, $2.89 billion has been invested in downtown Dallas, the population almost tripled between 2000 and 2010,[52] and in 2012 median household income stood at $73,920, almost double that of the Dallas region.[53]

Case study...

MAPS: Oklahoma City, USA

Oklahoma City's economy, which had been reliant on oil and gas industries, went into economic crisis after the global oil collapse during the 1980s. Seeking strategies for regeneration, the city's attempt in the 1990s to convince United Airlines to relocate to Oklahoma and create a new industrial focus for the city failed. This led the city to adopt a new strategy that sought to bring a broader range of businesses to the city, rather than a single company that could support it. Seeking to achieve this through physical improvements that would draw in business and in 1993 the city government established Metropolitan Area Projects, or MAPS. Specific projects for new infrastructure and facilities were decided upon by the city and a citizen's oversight body, and funded through a 1 per cent increase in city sales tax that was voted on by residents. The funds raised were placed into accounts for specific projects rather than a general fund, and spending was on a pay-as-you-go basis rather than through borrowing. MAPs ran for over five years until 1999, and the revenue generated was ploughed into physical improvements and new capital projects in the city centre to encourage more private sector investment and attract new businesses. The city collected $309 million through the increase in the sales tax, earning an additional $54 million in interest alone,[54] and its subsequent investment in a conference centre, canal system, public realm improvements and renewal of a derelict hotel resulted in $2.4 billion of private investment.[55] A range of further MAPs programmes took place after 1999, bringing the total public and private investment in Oklahoma City to nearly $5 billion by 2013.[56]

51. http://cityhallblog.dallasnews.com/2014/04/dallas-council-approves-46-5-million-for-redevelopment-of-old-statler-hilton-in-downtown.html/
52. http://www.dallasnews.com/news/community-news/dallas/headlines/20110426-dallas-experiencing-strong-growth-in-downtown-uptown-population.ece
53. http://www.dallasnews.com/news/community-news/dallas/headlines/20110426-dallas-experiencing-strong-growth-in-downtown-uptown-population.ece
54. http://www.okc.gov/maps/
55. http://www.kpmg.co.uk/creategraphics/07_2014/Magnet_cities/index.html#226/z
56. http://www.greateroklahomacity.com/clientuploads/pdf/economic%20forecast%202014.pdf

Temporary uses

Vacant properties are a feature of both weaker city centres that have experienced a hollowing out of jobs and businesses, and of relatively strong city centre economies. One way of utilising the vacant space, while stimulating business activity in the city centre, is to encourage businesses to locate in these vacant properties. Temporary usage of vacant properties can be a way of tackling urban blight, as well as providing spaces for new businesses to try out ideas, start up enterprises, and explore different types of industry previously unfamiliar to the area.

Case study...

Christchurch, New Zealand

The 2011 earthquake in Christchurch, New Zealand, destroyed most of the city centre, causing around NZ$40 billion of damage leaving a very high number of damaged buildings and vacant space. The Mayor recognised the need to support the economy while development and refurbishment of the city centre went ahead. It was important to retain students and workers from established technology and engineering industries, but he also saw an opportunity to attract a new young, creative population and industries into the city. The judicious use of vacant space through temporary and meanwhile uses was seen as a way of incentivising young people to stay in Christchurch, as a means of testing out new industries, and supporting the economy through the redevelopment of the city centre.

The installation of temporary uses was led by non-profit organisations such as Gap Filler, a regeneration initiative that links community groups, designers, artists and others with ideas for making use of vacant spaces. These organisations offered advice and sometimes took on the management of projects themselves to encourage people to come forward with innovative uses. License to Occupy agreements and public liability insurance designed to protect them from risk were offered to landowners, to incentivise them to volunteer their vacant properties for temporary usage.[57] Funding and strategic support was provided to the non-profit organisations leading the temporary uses through the city council's Transitional City Work Programme and Projects Fund.[58] The impacts on the city centre economy are difficult to gauge in such a short time period, but reducing the amount of vacant space is a positive outcome in any city, and Gap Filler alone have organised 45 temporary use projects in Christchurch since late 2010.[59]

57. http://www.gapfiller.org.nz/about/
58. http://www.ccc.govt.nz/cityleisure/projectstoimprovechristchurch/transitionalcity/centralcityrecoveryplanning.aspx#jumplink1
59. http://www.gapfiller.org.nz/category/projects/previous/

Case study…

Masan, Changwon: South Korea

Masan in South Korea is a medium-sized city centre within the city region of Changwon, which suffered from the collapse of the textile industry in the 1980s. The city's strategy for securing long-term growth in Masan was to build upon its artistic heritage and create an art village in Masan city centre with the intention of bringing in residents and visitors, and encourage business growth.

As a way of incentivising Korean artists to move to Changdong Art Village, the city spent $2.2 million on renting 50 vacant city centre properties at 60 per cent of market rate,[60] on the basis that the lease was guaranteed and the property owners would benefit from increased property prices in the long-term as the market responded to increased economic activity. The city also invested in repaving streets, burying electrical cables and provided new exhibition spaces, before inviting artists to live in Masan rent-free.[61] 50 artists moved to the artists' village in May 2012.[62] At this early stage, the effect on the recovery of Masan city centre remains unclear, but it is promising. There has been international interest in the project from UNESCO and art dealers, and the city is looking to extend the project for a further eight years with discounted rents, while new shops and restaurants are opening around Masan.[63]

60. http://english.chosun.com/site/data/html_dir/2012/06/14/2012061401291.html ; Magnet Cities
61. http://english.chosun.com/site/data/html_dir/2012/06/14/2012061401291.html
62. Magnet cities
63. Magnet Cities

Authors

Louise McGough is Policy Officer at the Centre for Cities
l.mccgough@centreforcities.org / 020 7803 4325

Elli Thomas is a Researcher at the Centre for Cities
e.thomas@centreforcities.org / 020 7803 4307

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All views expressed in this report are those of the Centre for Cities and do not necessarily represent the views of those we interviewed. All mistakes are the authors' own.

centreforcities

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Centre for Cities
Enterprise House
59 - 65 Upper Ground
London SE1 9PQ

020 7803 4300
info@centreforcities.org

www.centreforcities.org

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