

**Manchester City Council
Report for Resolution**

Report to: Executive – 11 September 2013

Subject: Manchester Airport City Enterprise Zone: Proposed Governance Arrangements and Land Assembly

Report of: The Chief Executive, City Treasurer and City Solicitor

Summary

This report provides an update on the commercial terms which have been completed with Manchester Airport Group for the new lease on Airport City South and commercial arrangements proposed for the land which will form part of Airport City North currently held in Trust by the City Council for the other nine Greater Manchester Districts.

This report also addresses matters evidenced under the terms of the current Trust Deed for the Governance arrangements which are in place in managing the relationship between Manchester City Council and the other nine Districts in dealing with property matters with Manchester Airport Group plc (MAG) involving land that is leased to the Airport and held in Trust by the City Council for the other nine Districts .

Recommendations

The Executive is asked to:

1. Delegate to the Chief Executive, in consultation with the Executive Member for Finance and Human Resources, authority to approve arrangements for varying the consultation arrangements with the nine Greater Manchester Districts as set out in the 1994 Trust Deed.

Wards Affected: Baguley; Brooklands; Northenden; Sharston; Woodhouse Park.

Community Strategy Spine	Summary of the contribution to the strategy
Performance of the economy of the region and sub region	The Manchester Airport City Enterprise Zone and associated development will make a significant contribution to the economic growth of the Greater Manchester economy.
Reaching full potential in education and employment	The development of the Manchester Airport City Enterprise Zone will lead to the creation of a substantial number of jobs in a range of employment sectors.

Individual and collective self esteem – mutual respect	
Neighbourhoods of Choice	<p>The proposed developments are aimed at establishing the Enterprise Zone as a global destination and as a major catalyst for driving forward and encouraging the retention of existing residents and attracting new working households to live in the wider Wythenshawe and South Manchester area.</p> <p>Development across the Enterprise Zone will involve the creation of high quality new environments and the provision of facilities that are accessible to the local community and help ensure surrounding communities can secure benefits from future investment into these parts of the Enterprise Zone.</p>

Full details are in the body of the report, along with any implications for:

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

These are covered in the Part B report.

Financial Consequences – Capital

These are covered in the Part B report.

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Background documents (available for public inspection):

Manchester Airport City Development and Infrastructure Framework, Executive, 6th April 2011

Airport City, Manchester – Greater Manchester Enterprise Zone, Executive, 14th September 2011

Greater Manchester Enterprise Zone – Planning Framework and Business Rates Regime, Executive, 25th July 2012

Report to the Executive on Greater Manchester Enterprise Zone : Adoption of Manchester Airport City Enterprise Zone Framework Plan 24th October 2012

Greater Manchester Enterprise Zone – draft framework plans for Medipark and Wythenshawe Town Centre, Executive, 19th December 2012

Manchester Airport City Enterprise Zone: Update, Executive, 26th June 2013

Introduction

1.1 The Manchester Airport City Enterprise Zone is a key economic development opportunity within Greater Manchester. This report seeks to set out new governance arrangements that will underpin and help unlock the job creation potential and financial benefits for Greater Manchester. The report then sets out details on a series of land transactions between Manchester Airports Group plc (MAG) and the City Council who hold land in Trust on behalf of the other nine districts within Greater Manchester.

2.0 The Manchester Airport City Enterprise Zone: Background

2.1 The Greater Manchester Enterprise Zone (EZ), focused on Airport City, was one of four vanguard zones announced in the 2011 Budget. Following a submission to Government for the formal designation of the Manchester Airport City Enterprise Zone in September 2011 formal approval to Greater Manchester's proposals was received in January 2012.

2.2 Within Enterprise Zones the following benefits will apply:

- Businesses locating to the Zone by 2015 would be eligible for a discount of up to a maximum of £55,000 per annum for the first five years they were located within the Zone. The costs of the business rate discount will be met by HM Treasury (HMT);
- Government to assist with delivery of super-fast broadband within the EZ, with HMT providing funding, where this is necessary;
- Development should be made easier through radically simplified planning approaches for the EZ using, for example, existing Local Development Order powers. Within a Greater Manchester context this will give effect to Manchester's Core Strategy policies and will build on Manchester's long established approach to developing Strategic Regeneration Frameworks and Regeneration Frameworks for public consultation. These make the link between the development and wider regeneration principles; and
- All business rates growth within the Zone, for a period of at least 25 years, should be retained and deployed to support the Greater Manchester economic priorities of the Greater Manchester local authorities and their partners.

2.3 The Manchester Airport City Enterprise Zone consists of a series of linked sites focused around Manchester Airport, University Hospital of South Manchester (UHSM) and Wythenshawe Town Centre. The key roles envisaged for each of these sites within the Enterprise Zone can be summarised as follows:

- **Airport City North:** The core opportunity for a high quality new business district, attracting global companies into grade A offices, high tech manufacturing and research and ancillary facilities (leisure, hotels,

retail);

- **Airport City South:** The World Logistics Hub, supporting the operational growth of the Airport and providing opportunities to enhance the logistics role of the Airport;
- **Medipark and Roundthorn Industrial Estate:** An opportunity to promote health and biotech commercial development, related to the research strengths of UHSM;
- **Wythenshawe Town Centre:** A focus for secondary and back office functions (which will also enhance the vitality of the Town Centre), alongside ancillary retail and leisure development to serve the increased volume of visitors to the area; and
- **Atlas Business Park:** An affordable secondary and back office functions, including business related to the primary operators in Airport City North (for example, support services or companies linked through supply chains).

The sites outlined above were chosen on the basis that they aligned with existing planning and regeneration frameworks, they would deliver jobs quickly and they provided unique propositions that would fully exploit the economic potential of the location. Together these sites total 116 hectares and provide the opportunity to create a minimum of 7,000 new jobs for Greater Manchester.

- 2.4 A Manchester Airport City Enterprise Zone Framework Plan was developed and adopted at the October 2012 meeting of the Executive to provide a structural policy context for development across the Zone, explaining the role of each site and outlining development requirements across the Enterprise Zone. This Framework Plan sets out the high level economic and spatial framework for the Zone and, critically, supports the development of more detailed masterplans and planning arrangements for individual sites within the Zone.

Airport City: Procurement of Delivery Partners

- 2.5 In December 2012 Manchester Airports Group (MAG) commenced a procurement process for development and funding partners to deliver Airport City South and Airport City North. The developers and investors who bid could seek to take forward each area separately and individually or they could seek to bring forward both Airport City North and South collectively in a single lot.
- 2.6 The procurement process that has been instigated is almost complete. It is now anticipated that the MAG will shortly consider the outcomes of that process. MAG aim to agree final terms with the successful partner shortly with the expectation of establishing a new Joint Venture in September 2013.

3.0 The Manchester Airport City Enterprise Zone: Proposed Governance Arrangements

- 3.1 A Manchester Airport City Enterprise Zone Strategic Board has been established to manage the operation of the Enterprise Zone, with membership representing Manchester City Council, Trafford Metropolitan Borough Council, Manchester Airport, the University Hospital of South Manchester (UHSM), MIDAS and the Greater Manchester LEP. This Board aims to ensure that the Manchester Airport City Enterprise Zone is able to maximise the potential of this location to benefit Greater Manchester. This includes managing the delivery of the strategic vision, marketing and co-ordination of development across the Enterprise Zone sites, and monitoring the performance of the Enterprise Zone against key measures.
- 3.2 Supporting the Strategic Board is a Enterprise Zone Landowners Commissioning Body (EZLCB), chaired by the Chief Executive of Manchester Airports Group, with officer representatives from Manchester City Council, the University Hospital of South Manchester (UHSM), and the Greater Manchester Combined Authority. This structure seeks to ensure that the Enterprise Zone is managed effectively in line with strategic objectives, and to oversee the delivery of the key tasks that are critical to the successful delivery of the Enterprise Zone.
- 3.3 Over the last 18 months these arrangements have brought together the necessary first steps needed to put in place the development platforms for the core sites that make up the Enterprise Zone and to ensure that key issues which affect all of the sites such as access to broadband, the planning of key utilities such as power, and transport related matters are pulled together and addressed in a joined up and integrated manner.
- 3.4 During this period it has become evident that the governance arrangements which have been put in place and the existing arrangements associated with the 1994 Trust Deed should be aligned with the existing governance arrangements in respect of the respective land interests within the Manchester Airport City Enterprise Zone.
- 3.5 The Trust Deed itself is an agreement between MAG, MCC and the nine district authorities which records the arrangements for MCC to hold identified land on Trust for the benefit of the 10 AGMA authorities and specifies the distribution of income and capital proceeds. MCC holds the land in its absolute discretion and has specified management powers and duties of consultation as set out in the Deed. The consultation mechanism required MCC to consult the District Surveyors on a range of property matters including through the negotiation process on the transactions associated with Airport City South and Airport City North.
- 3.5 However the Enterprise Zone developments are being reviewed regularly by the Enterprise Zone Landowners Commissioning Board where the Districts have 2 representatives, the Chief Executives of Stockport and Oldham. This group receives details and plans of prospective new developments when

available and appropriate.

- 3.6 In order to ensure that the consultation requirements fit with the strategic oversight of the EZ it is recommended that during the life of the EZLCB, consultation should be through the Chief Executives of Stockport and Oldham who will then disseminate the information as appropriate to the Districts and report back on the outcome of that consultation to the EZLCB, and that the Trust Deed is amended accordingly. This will also ensure that there is minimum delay in commenting on proposals in the Enterprise Zone or affecting the Airport where the 10 Authorities have an interest.

4.0 The Manchester Airport City Enterprise Zone: Airport City South and Airport City North Land Assembly

- 4.1 Over the last ten years MAG have been assembling land in and around the Airport in order to facilitate the growth and expansion of the airport in order to enable Greater Manchester and shareholders to secure significant economic benefits from this process. These key land acquisitions have provided the core platform for the Airport City Enterprise Zone in respect of Airport City South and Airport City North.
- 4.2 As indicated in Section 2 of this report the Manchester Airports Group plc (MAG) have commenced a procurement process for development and funding partners to deliver Airport City South and Airport City North. The outcome of this process is expected to be announced shortly. Assembling a comprehensive ownership platform for development is key to agreeing terms with the successful bidder for Development Partners status.
- 4.3 Predating this procurement process MAG commenced a process of dialogue and negotiation with the City Council to bring together all of the land interests held by the City Council and the Districts in order to put in place ownership and control of the land in Airport City South and Airport City North. The remainder of this Section sets out the history of the land assembly and the current matters that are under consideration for both Airport City South and Airport City North.

Airport City South

- 4.4 Airport City South is one of five key sites being brought forward as part of Manchester Airport City Enterprise Zone. It is located just off the M56 Motorway, immediately adjacent to Junction 6, on the south side of the Airport. The site was formerly Oak Farm which extended in total to approximately 90 acres.. The freehold interest in Oak Farm was purchased in July 2005 by Bainsdown, a MAG company. The farm was then leased to MAG by Bainsdown on a lease of similar duration to the other Airport leases (110 years unexpired) and the reversionary freehold interest was transferred to Manchester City Council for a nominal premium.
- 4.5 As part of the process of bringing together a robust development platform for Airport City South MAG then prepared a planning application for the

development of the site as a logistics complex in accordance with the Manchester Airport City Enterprise Zone Framework Plan. A outline planning consent for Airport City South was given by the Highways & Planning Committee on 18th December 2012. The subject of the planning application was for 63 acres of the site shown as outlined in red on the plan attached to this report titled Annex A. The remainder of the former Oak Farm is being retained as open space.

- 4.6 In preparing the project it became clear that the unexpired lease term would not offer sufficient tenure to encourage investors to develop the site. MAG and the Council sought independent advice on the lease term required for commercial development and advice on the nature of a revised Tenure structure.

Airport City North

- 4.7 Airport City North is one of five key sites being brought forward as part of Manchester Airport City Enterprise Zone. The site is situated adjacent to the main Airport Terminals and transport hub at the end of the M56 Motorway Spur straddling the Motorway Spur and Ringway Road. The Area of Airport City North is outlined in Blue on the plan attached marked as annex B with this report and has taken a number of years to assemble.
- 4.8 MAG prepared a master plan for the development of the site focussing on a high quality new business district for the development of Grade A offices, hotels, high tech manufacturing/research and ancillary facilities in accordance with the Manchester Airport City Enterprise Zone Framework Plan. This masterplan formed the basis of an outline planning application which received planning consent on 8th February 2013. The subject of the planning application was for approximately 70 acres of the site shown as outlined in blue on the plan attached as Annex B.
- 4.9 Annex B indicates that the core part of the site, 2 plots either side of Thorley Lane, were purchased by MAG in 2009 and this acquisition also included the Black Footpath. Towards the eastern end of Airport City North is Manchester Business Park where the Council has a commercial arrangement with a third party covering the land hatched red on the plan. A core part of the development is the construction of the Link road which runs through the site linking Ringway Road with the Terminal 2 roundabout which is effectively the first part of the SEMMMS project.
- 4.10 The remaining areas of the land required for Airport City North are the subject of the part B report are the 4 plots of land hatched blue and numbered 1-4 on the plan (See Annex B). All the plots are owned by the Council in Trust for the other 9 Councils. Plots 1&2 are currently included in the Terminal 2 lease with MAG.. Plot 3 is not currently in any lease. Plot 4 is the only area of land leased to MAG and is in the Terminal 1 lease. Revised tenure arrangements are required on these sites to support commercial development.

5.0 **Concluding Remarks**

- 5.1 Significant progress has been made over the last 21 months since Greater Manchester's proposals for the Manchester Airport City Enterprise Zone were approved by Government. Not only does the Enterprise Zone afford the Wythenshawe area and Greater Manchester the opportunity to benefit from the creation of new jobs across a range of employment sectors and skill levels but also the facility to retain all business rates growth within the Zone, for a period of at least 25 years, will provide an investment fund to be established that will clearly support future economic growth across the conurbation, including Manchester.
- 5.2 The key challenge in the short term, that is to March 2015, is for all partners engaged in the delivery of the Enterprise Zone is to bring forward new development and to maximise the availability of the Business Rate discounts for the long term benefit of supporting economic growth across the conurbation.
- 5.3 Detailed recommendations appear at the front of this Report.

6.0 Contributing to the Community Strategy

(a) Performance of the economy of the region and sub region

- 6.1 The Manchester Airport City Enterprise Zone and associated development will make a significant contribution to the economic growth of the Greater Manchester economy.

(b) Reaching full potential in education and employment

- 6.2 The development of the Manchester Airport City Enterprise Zone will lead to the creation of a substantial number of jobs in a range of employment sectors.

(c) Individual and collective self esteem – mutual respect

- 6.3 Not Applicable

(d) Neighbourhoods of Choice

- 6.4 The proposed developments are aimed at establishing the Enterprise Zone as a global destination and as a major catalyst for driving forward and encouraging the retention of existing residents and attracting new working households to live in the wider Wythenshawe and South Manchester area.
- 6.5 Development across the Enterprise Zone will involve the creation of high quality new environments and the provision of facilities that are accessible to the local community and help ensure surrounding communities can secure benefits from future investment into these parts of the Enterprise Zone.

7.0 Key Policies and Considerations

(a) Equal Opportunities

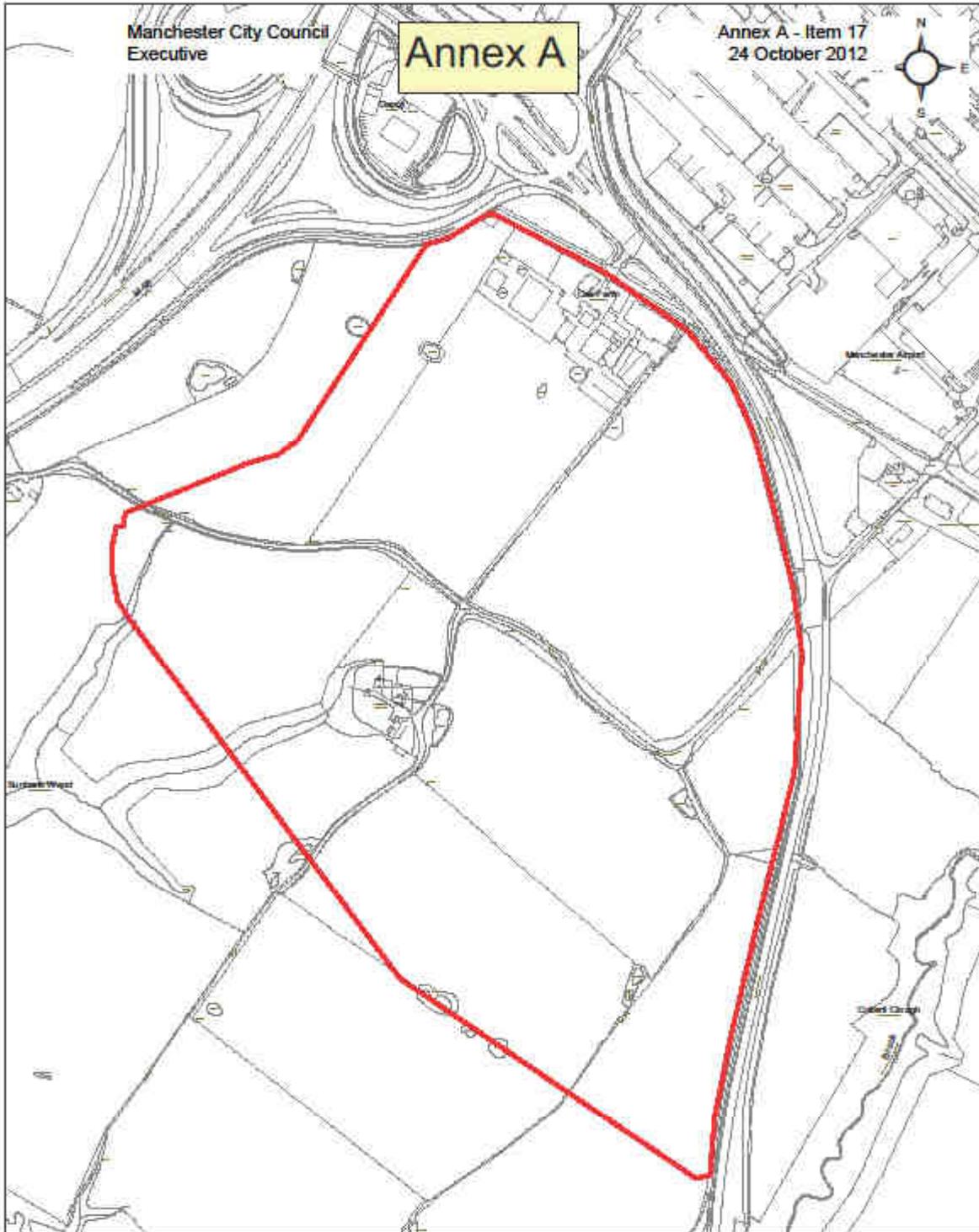
- 7.1 The planning frameworks which have been developed, consulted upon and adopted along with the subsequent planning regime arrangements have been prepared and introduced through appropriate consultation, giving all stakeholders opportunities to engage in the process.

(b) Risk Management

- 7.2 For each component site within the Zone where the City Council have an interest risk management arrangements have been put in place.

(c) Legal Considerations

- 7.3 The 1994 Trust Deed will be amended in accordance with the Recommendation at the front of this report.



Manchester City Council
Executive

Annex A

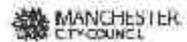
Annex A - Item 17
24 October 2012

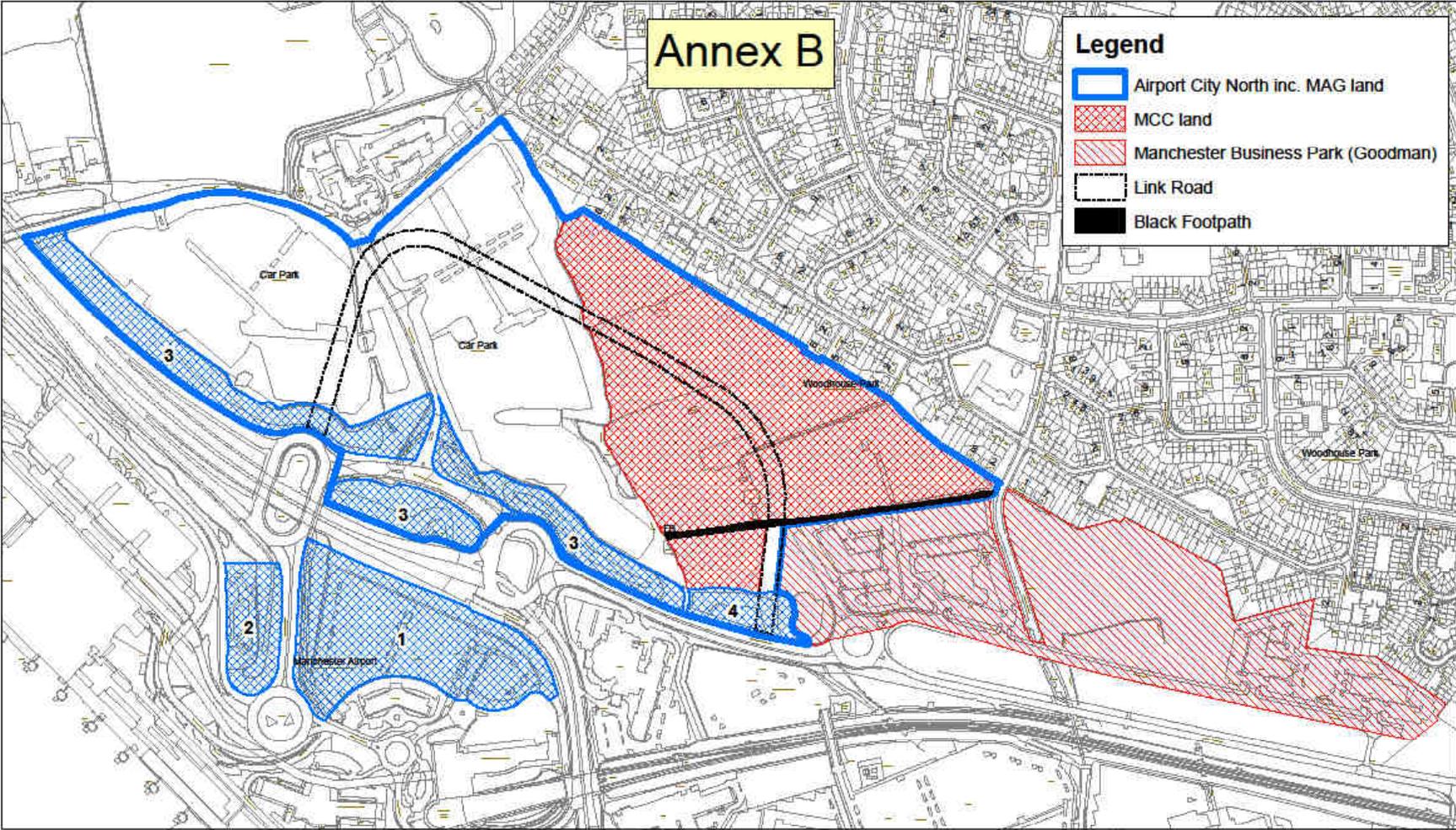


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