

**Manchester City Council
Report for Resolution**

Report To: Executive – 14 September 2011

Subject: Airport City, Manchester –
Greater Manchester Enterprise Zone

Report of: Chief Executive

Summary

This report provides details of the proposed boundaries of the Greater Manchester Enterprise Zone to be located at Manchester Airport City.

The report seeks the Executive's agreement to the proposed Enterprise Zone boundaries being submitted to the Secretary of State for Communities and Local Government.

Recommendations

The Executive is invited to:

- a) note the analysis undertaken to support the development of the Enterprise Zone following the report to the Executive in April 2011;
 - b) note the preferred option for the Enterprise Zone Area and that it is consistent and aligned with the planning and regeneration frameworks for Manchester and Trafford;
 - c) agree that the preferred option for a string of linked sites within a wider Enterprise Zone Area should be submitted to the Secretary of State for Communities and Local Government; and
 - d) request that the Chief Executive leads work with relevant stakeholders to progress funding strategies and the appointment following open competition of a commercial development partner(s), to prepare the development and planning framework, including where appropriate Local Development Orders and that these are brought back to the Executive prior to public consultation.
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Wards Affected: Woodhouse Park, Baguley

Community Strategy Spine	Summary of the contribution to the strategy
Performance of the economy of the region and sub region	Airport City Enterprise Zone will increase jobs and gva across the sub region and beyond.

Reaching full potential in education and employment	Communities across the City will be well connected to Airport City and able to access the additional employment opportunities that will be created.
Individual and collective self esteem – mutual respect	
Neighbourhoods of Choice	Airport City will be developed to connect to Wythenshawe creating additional employment and housing and increasing the attractiveness of the area as a place to live.

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

None at present. There may be financial implications that need to be worked through in the context of the Local Government Resource Review.

Financial Consequences – Capital

None at present.

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

1.0 Airport City Enterprise Zone - Summary

- 1.1 The Government announced in March 2011, as part of their policy to create 21 new Enterprise Zones across England, that Manchester Airport City would be one of four vanguard Zones.
- 1.2 Airport City represents a very significant opportunity for Manchester and the City Region. Work led by the independent Business Leadership Council looking at Employment Sites concluded that there was a critical gap in the Greater Manchester offer for global mobile businesses which not only require access to the appropriate skills but crucially, access to a wide range of air services. The study identified Airport City as the best option to develop a commercial proposition attracting businesses that would not ordinarily see Manchester as an alternative to locations such as Heathrow, Barcelona or Dusseldorf. Building on the Airport's unique connectivity, and Manchester's knowledge assets and business base the Airport City proposals have been developed to meet that demand. The Enterprise Zone designation gives an opportunity to push ahead with the delivery of Airport City.
- 1.3 One of the short term requirements to progress the Enterprise Zone is the finalisation of the area boundaries. This work has been supported by an independent analysis of potential sites for inclusion undertaken by KPMG on behalf of MAG, Manchester City Council, the Greater Manchester Combined Authority (CA) and Local Enterprise Partnership (LEP). The aim of this work has been to identify the combination of sites that best meets both central government requirements as to timing, size and condition of land and Greater Manchester's aims of creating a Zone that reduces employment displacement to a minimum by aligning land supply with forecasts of demand, supports its strategy for growth and improving labour market productivity; and ensures that residents throughout Greater Manchester can share fully in the success of the overall development. The development of Airport City will be supported by and aligns with the excellent transport links resulting from significant public investment including the metrolink extension currently under construction and the planned improvements to the road network through SEMMMS.
- 1.4 The outputs of this assessment have been considered by the Greater Manchester Local Enterprise Partnership (LEP) and the Greater Manchester Combined Authority (CA) and a preferred approach has been subject of consultation with those with land holdings in the area. There will be further consultation and dialogue with stakeholders about the development and operation of the Enterprise Zone including consultation on planning arrangements for specific areas within the Zone, mirroring that undertaken recently on a development framework for the core site immediately to the north of the Airport. There will also be consultation on the performance measures for the operation of the Enterprise Zone.
- 1.5 The preferred boundary approach involves a group of linked sites that comprise 116 hectares of land close to Manchester Airport within a broader enterprise area that roughly follows the route of the new metrolink line to the Airport and

builds on the economic potential of the area identified in the emerging Core Strategy and Strategic Regeneration Framework.

- 1.6 This preferred approach and the developments planned for it have the potential to attract up to 220 new businesses to the Enterprise Zone prior to April 2015 (with potential for more than 350 businesses in the longer-term). These new businesses could result in up to 9,500 additional jobs within the proposed Enterprise Zone prior to April 2015. The approach has been designed to maximise the net impact of the EZ on GM employment and it is calculated that on the basis of conservative assumptions more than 7,000 jobs created in the medium term would be completely new to Greater Manchester. The NPV of the resultant potential business rate yield to Greater Manchester over 25 years could be over £200m.

2.0 Enterprise Zone Initiative

Government Policy.

- 2.1 In the March 2011 Budget, the Government announced the creation of a number of Enterprise Zones (EZs) across the country to stimulate business growth by providing financial incentives directly to businesses and to Local Authorities to promote business growth in their area. Enterprise Zones are areas planned, through a combination of financial incentives and reduced planning restrictions, to encourage businesses and generate jobs, and drive local and national growth.

- 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 £55k 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. In Greater Manchester this will give effect Core Strategy policies subject to their approval and adoption following examination in November 2011 and will build on Manchester's long established approach to developing Strategic Regeneration Framework's for public consultation. These make the link between the development and wider regeneration principles.
- All business rates growth within the Zone, for a period of at least 25 years, should be retained by Local Authorities, to support local economic priorities. It has been agreed that these should be pooled at Greater Manchester level to support Greater Manchester priorities. This reflects the need to deliver against a single economic strategy for Greater Manchester which is an established approach for the City.

- 2.3 The Government also set out criteria in an Enterprise Zone Prospectus that:
- there could only be one EZ per City Region/Local Enterprise Partnership (LEP);
 - the selected Zone should be largely green/brown field in nature;
 - the Zone should not be a patchwork of disparate parts - although CLG have indicated that where there is a good economic case they are prepared to consider a non-contiguous zone;
 - it would be necessary to demonstrate additionality and a soundly based proposition that would deliver early net growth; and
 - the total area of the EZ met HMT limits (initially guidance was for a limit of 100 hectares, but this has since been altered so that that up to 150 hectares may be possible).

Greater Manchester's Enterprise Zone

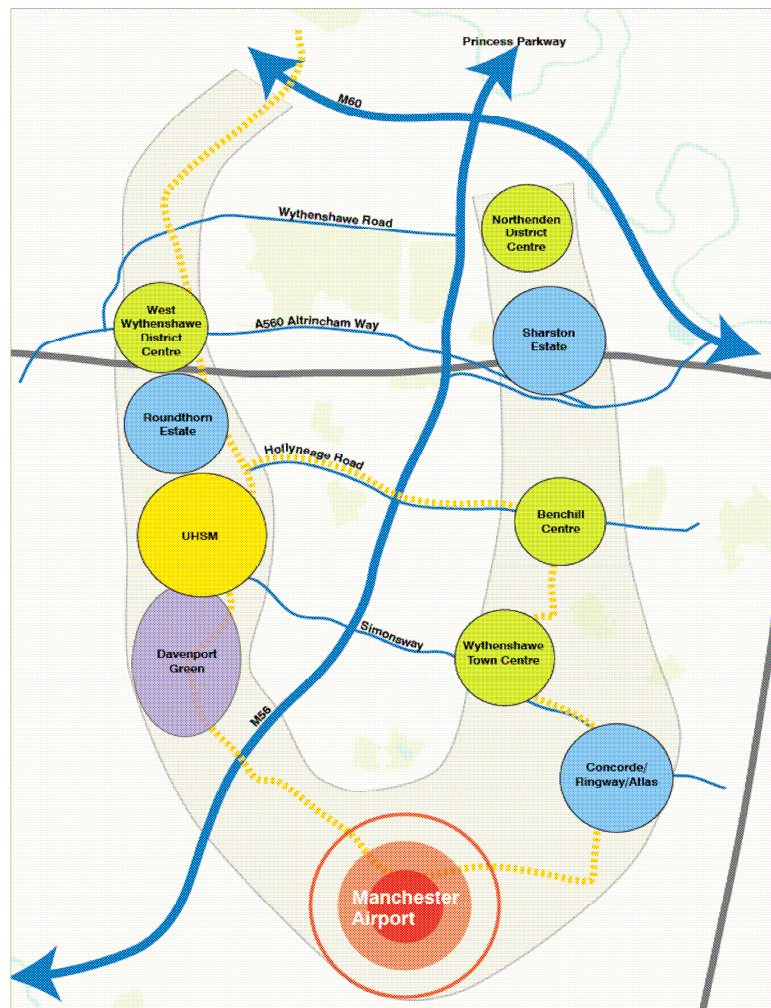
- 2.3 Greater Manchester's Enterprise Zone was one of four vanguard Zones where the location within the LEP area was announced at the Budget. This decision had been supported by an independent assessment carried out by KPMG on behalf of the Association of Greater Manchester Authorities AGMA and the shadow LEP. This considered the best location across Greater Manchester to deliver net increases in GM employment and productivity (together GVA) both directly (i.e. as a result of growth in the Zone) and indirectly as a result of business rate revenues that would be retained within GM and then deployed to promote additional growth.
- 2.4 Considering the outputs of this exercise Airport City was designated as the location for the Greater Manchester Enterprise Zone and this formed part of the Budget statement. Manchester City Council and AGMA agreed that revenues from the Enterprise Zone would be pooled at Greater Manchester level and invested to support Greater Manchester priorities. While a broad location had been agreed more work was needed to define the precise boundaries.

3.0 Manchester Airport City

- 3.1 The development of Manchester Airport City predates the development of the Enterprise Zone. The economic potential and strategic significance of the airport as a driver of growth has been well recognised in Greater Manchester, the North West and at a national level. The Airport City concept builds on the changing nature of international business, the business model for airports and the important knowledge and business assets in Greater Manchester. The creation of Airport City would see a new global business destination and a major economic hub for the North of England.
- 3.2 Manchester Airport City is planned to be driven by, and help support, the planned growth of Manchester Airport, which is expected to see a doubling of passengers through its three terminals by 2030. This will generate growth, investment and employment in airport-related businesses on site, in the wider supply chain and in the wider regional and sub-regional economy. The main

focus of the Airport City strategy will be to attract business that would not otherwise locate in the region and which demands the levels of connectivity and business synergy associated with a location in close proximity to a major international airport.

- 3.3 The focus of this unique project in the region will be advanced manufacturing, health and biotech business linked to MediPark and office and logistics operations.
- 3.4 Manchester Airport is already a major employer, supporting over 19,000 direct jobs in 2007, and over a further 20,000 indirect and induced jobs. Airport City could further increase these numbers and it is important that this future potential is harnessed to support not only GM growth at a time of national recovery, but also GM residents, many of whom live in the most deprived areas of the country. The Airport's adjacency to Wythenshawe also provides a huge opportunity to ensure that the benefits of success are spread as far as possible and that appropriate links are made to ensure residents can access many of the jobs which will be created.
- 3.5 This intention is to ensure Airport City transforms the Airport into an economic hub and business destination in its own right, with a focus on increasing long haul flights, improved ground transportation and the delivery of a real estate platform to enable further business opportunities in health, logistics, cargo, advanced manufacturing and corporate sectors to be brought forward. It is a critical component within the emerging Greater Manchester Spatial Framework and will be promoted as a major strategic employment site in line with the recently completed Greater Manchester Large Employment Sites Study led by the Business Leadership Council. Growth of the Airport and Airport City is supported by specific policies in the draft Core Strategy, which has been subject to public consultation and is due to be finalised after its Examination, including the Examination in Public expected later this year.



Wythenshawe Strategic Regeneration Framework - Economic Development Corridors

Local impacts

3.6 The scale and significance of the Manchester Airport City project presents an unprecedented opportunity in South Manchester. An economic development corridor has been identified in the Strategic Regeneration Framework that draws together a set of linked sites, including the University Hospital of South Manchester's (UHSM) Medipark initiative, Roundthorn Industrial Estate, Ringway, Atlas Estate, Manchester International Office Centre and Sharston Industrial Estate that will support and benefit from development of the Airport as an economic hub. These all have a part to play in creating the wider Airport City Enterprise Area with a focus on advanced manufacturing, logistics, health and biotech and office based business.

3.7 Manchester Airport makes a significant contribution to the local economy not only as a source of direct employment, but also as a valuable asset to enhance local businesses and attract new investment. The Airport is a critical employer for Wythenshawe residents and is pro-actively seeking to increase future job creation for Wythenshawe residents by increasing the proportion of working age adults employed in Airport related activity.

Regional impact

- 3.8 Airport City is a unique opportunity which will have benefits far wider than its South Manchester location. This was a key conclusion from the Business Leadership Council's work to look at large employment sites from a demand perspective. This study identified a critical weakness in the Greater Manchester offering for global mobile investment which required access to international connectivity. Airport City was identified in that independent study as Greater Manchester's best option to develop a commercial proposition for a range of occupiers who would not ordinarily see Greater Manchester as an option in comparison to sites around for instance Heathrow or other European Airports such as Barcelona.
- 3.9 The emerging strategy for creating Airport City was fully endorsed given the unique offering it provides for the wider region and its capacity to attract occupiers who would otherwise not be able to locate within the City or the Greater Manchester area. Development in this location seeks to capture economic growth which would otherwise locate to another region or country, and as such it will provide a significant increase in inward investment to the City of Manchester and will support the wider economy of the City Region. Manchester Airport City will be a key driver of the North West economy; increasing investment, jobs, productivity and accessibility. Its implementation and development will create an internationally competitive business location for the knowledge-based economy. It will generate significant benefits for the North West economy that will be critical in narrowing the GVA gap and reducing regional disparities.

Transport infrastructure and connectivity

- 3.10 Airport City has the potential to benefit a wide cross section of communities within the City Region, due to its unrivalled existing and planned transport accessibility. The excellent transport links include the Station at Manchester Airport which brings together rail, bus and coach transport into one location for passengers using public transport. The Metrolink system is currently being extended to the Airport and will provide access for passengers and importantly connect local residents to the opportunities at the Airport. The Metrolink extension is forecast to increase the effective labour markets accessible from the Airport City area by as much as 40%. These connections and the improved road connectivity provided by the planned SEMMMS relief road development will give the wider Airport City area unrivalled local and wider regional connectivity. The Enterprise Zone is being brought forward to complement this committed public sector investment in infrastructure and will ensure key growth and productivity priorities are aligned.

4.0 Designing the Airport City Enterprise Zone

- 4.1 In considering the boundaries of the Enterprise Zone the Government criteria in paragraph 2.3 were considered alongside the critical objectives for Greater Manchester which were that the Enterprise Zone would need to:
- achieve the strategy for growth and increase in employment

- improve labour market productivity and ensure that GM residents can share fully in the success of the overall development; and
 - minimise displacement by aligning land supply with demand, and to ensure that there were performance targets to measure progress on this.
- 4.3 Site owners were engaged and invited to submit information required for analysis. This included information about the potential that existed for further development related to the wider Airport City concept, the planning status and delivery considerations. The information provided was assessed against the criteria set out in section 4. The analysis considered how sites together would provide a coherent proposition that linked to the Airport City demand analysis and Strategic Regeneration Framework principles.
- 4.4 A set of criteria were used to assess whether specific sites should be included in the Zone. For each site the analysis considered:
- Potential to deliver additional employment - both within the EZ and at the GM level having regard to the uniqueness of the EZ and the particular demand for businesses to be located there.
 - Timing - realisation of early net growth; maximising activity pre-Local Government Resource Review 'reset date'; and ability to offer the incentive of the business rate discount to businesses locating within the EZ (which is only available prior to April 2015).
 - Compatibility with regeneration priorities – at City level through SRFs and at GM level through the GM Strategy.
 - Additional business rate potential.
 - Compatibility with other government criteria - size, location and the current state and usage of the site.
 - Deliverability and Risk - potential barriers to site delivery and proposed timescales.
 - Net cost of associated infrastructure not supported by the developer.
 - Wider Value Sharing - The approach to sharing with Greater Manchester the value accruing at each potential site from Enterprise Zone status.
 - Potential differential impact of the business rate discount due to the size and number of businesses targeted by sites.

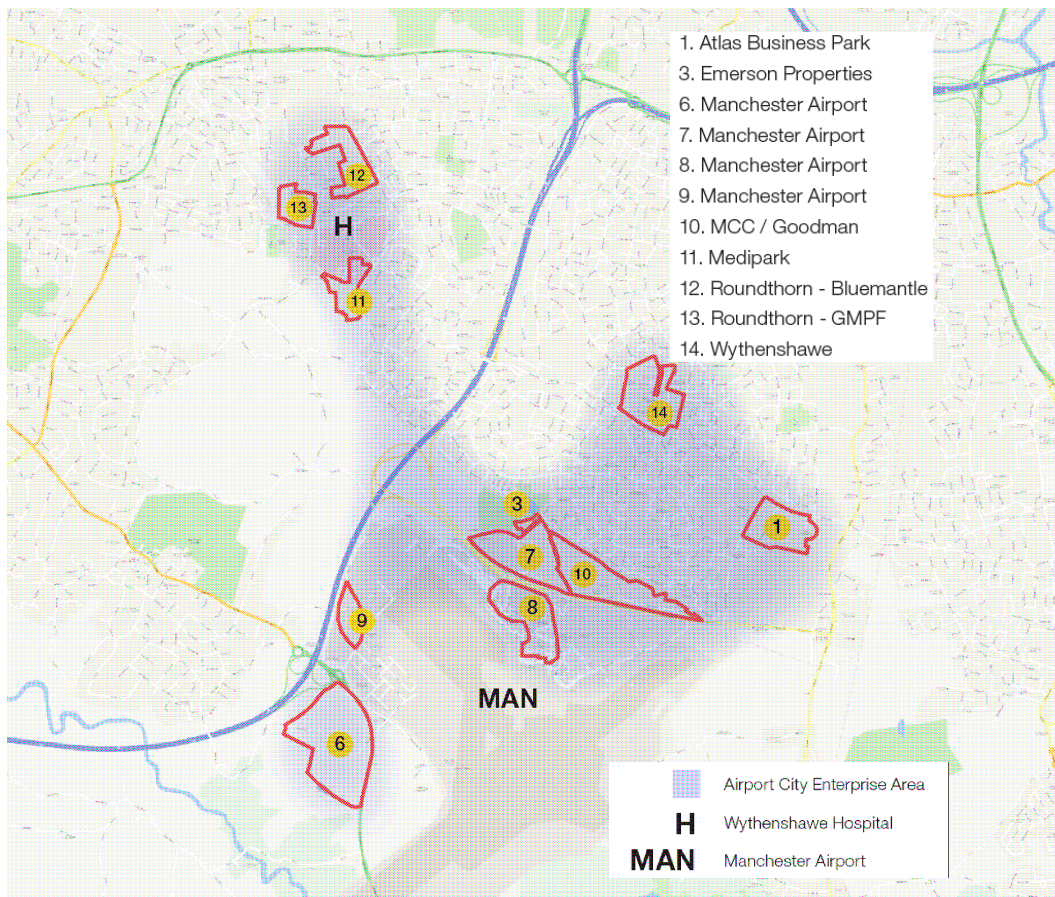
Demand Assessment

- 4.5 The total amount of capacity provided under different combinations of sites was compared to an assessment of total medium term demand for genuinely unique Airport City development. This element of the exercise aimed to ensure that the overall level of provision of space would not exceed projected medium term demand for Airport City related development. Demand projections were

provided by developers in response to the questionnaire and included detailed studies that supported the Airport's proposals for developing Airport City. As with the SAF approach the aim was to ensure, as far as possible, that the approach to defining the Zone boundary focused on delivering net employment and productivity gains to GM rather than simply abstracting growth from other parts of GM.

5.0 Preferred option for the Enterprise Zone

- 5.1 The preferred option for the Enterprise Zone is a series of linked sites within a wider Airport City Area. Together these sites will support the development of Airport City whilst avoiding over-supply in the market. In addition to sites close to the Airport, which will support the core proposition and provide the focus for global mobile investors, advanced manufacturing and logistics, the Zone includes the Wythenshawe Town Centre which has significant opportunities for development, particularly on the back of Metrolink through the Town Centre, and areas to the west of the Airport close to the University Hospital of South Manchester (UHSM) that will create a unique health and biotech cluster with additional manufacturing related activity. To the North and East of the Airport are sites that will provide value office space and budget hotel accommodation that would complement the offer at the Airport. All the sites, except those to the far south of the Airport, are on the new Metrolink route, which will provide excellent public transport accessibility for local people, and also the means for bringing superfast broadband connections throughout the Zone. All the sites have the potential to deliver new jobs quickly and, based on developer proposals, could have completed development by 2015.
- 5.2 The proposed EZ is 116 hectares containing the sites identified below:



- 5.3 This proposed EZ meets the Greater Manchester criteria of maximising additional jobs and minimising displacement through creating a unique proposition that is a combination of advanced manufacturing, health and biotech related development, logistic and office space that would suit the needs of a range of occupiers from footloose global businesses to SMEs and start ups.
- 5.4 The proposition also meets the Government criteria of delivering early net growth and is both largely green/brown field in nature and between 50 and 150 hectares in size. The other central government criterion that the EZ should not be a patchwork of disparate parts is also met. Although the proposal is not a single contiguous site it maximises the potential of development land within a broader Airport City Area, which clearly reflect the principles of the established Strategic Regeneration Framework. The set of sites where the EZ 'financial' regime would operate are geographically close to each other, sitting within previously defined development corridors. They are linked by the new metrolink line that is being extended to the airport and all the sites development proposals are heavily influenced by their proximity and commercial links to Manchester Airport.
- 5.5 In terms of demand, the preferred approach provides short term capacity below the medium term assessed demand for Airport City in terms of advanced manufacturing, logistics, office space, specialist medical, and other conference/hotel space that will be part of the Airport City offer. This

deliberately cautious approach is designed to minimise the chances of Airport City development, stimulated by the Enterprise Zone, displacing economic activity from elsewhere in Greater Manchester.

- 5.6 The preferred option would result in between 80 and 220 new businesses moving to the EZ prior to April 2015, taking account different possible configurations of developments and sizes of businesses and potential risks to planned development timeframes and speed of occupancy for each site. This number has the potential to continue rising to up to more than 350 businesses on the back of this early development.
- 5.7 Prior to April 2015 the preferred option has the potential to generate between 6,500 and 9,500 additional jobs within the EZ. In the medium term the number of additional jobs within the EZ could rise to over 21,000. Employing conservative assumptions over 7,000 of these jobs would be new to Greater Manchester. The deliberately cautious approach to meeting medium term demand and the overall governance framework to be put in place for the EZ seek to maximise the amount of unique development within the EZ that is genuinely additional to GM. Sustaining this approach will ensure that the number of the total new jobs within the EZ that are also new to GM is significantly greater than in this conservative estimate.
- 5.8 The preferred option would result in additional business rate potential being created within the EZ of between £8m and £14m prior to April 2015, taking account of current poundage rates as well as the potential risks to planned development timeframes and speed of occupancy for each site. The NPV of the potential additional business rate yield to GM over 25 years is well over £200 million.

Sites not proposed for inclusion

- 5.9 A number of proposed sites have been considered and are not included in the preferred option at both Manchester Airport and Davenport Green. These are where the delivery timescales are beyond those required for the Enterprise Zone although could form part of the longer term development of Airport City.
- 5.10 Inclusion in the Enterprise Zone of the land at Davenport Green is considered premature. More work is needed to establish the planning and regeneration case for development and the potential over time to exploit the positioning of the proposed Medipark at UHSM. Over time it could be possible to generate significant additional economic activity and the intention is to invite Trafford Council, as planning authority, to lead discussions with the landowner and other stakeholders to evaluate these opportunities including the need to secure access in the short term through Davenport Green to ensure effective linkages with the rest of the EZ including MediPark. The possibility of extending the EZ, and the timing for when this should happen, will be considered when these discussions have taken place and in the light of progress of the EZ generally.
- 5.11 This proposal for the Enterprise Zone has been subject to consultation with directly interested parties. This was to ensure that potential sites capable of

satisfying local and national criteria were not excluded. Representations have been received from landholders which have been reviewed and on the basis of material provided suggest that the preferred option is the right one for submission to the Secretary of State for approval. This does not rule out further extensions to the Zone in the future as described in paragraph 5.10.

6.0 Next Steps

6.1 The intention is to make as quickly as possible a formal submission to the Department of Communities and Local Government seeking formal approval to the Zone. Once this has been secured there will be a number of key areas of work. These include:

- the creation of a governance framework to ensure that all sites contribute their full potential in terms of both the Manchester Airport City vision and in terms of maximising net GVA to Greater Manchester;
- The development of a funding strategy to secure early infrastructure works to underpin the earliest start of development – one critical influence on this strategy will be the outcome of the LEP / CA Regional Growth Fund bid;
- Preparation of a development framework for the Enterprise Zone and detailed planning arrangements for specific areas within the Zone, using Local Development Orders where appropriate. These documents will be subject to wide consultation. Significant work on a development framework for a ‘core proposition’ for sites at the heart of the Enterprise Zone to the North of the Airport has already been done and subject to consultation. This will be incorporated into the wider development and planning frameworks; and
- the development of delivery arrangements including the appointment, following open competition, of a lead development partner(s) to drive the commercial development opportunities and to ensure effective co-ordination of development throughout the Zone. Detailed arrangements will be progressed in full consultation with Manchester Airport Group, University Hospital South Manchester Foundation Trust and other stakeholders and proposals will be presented to the Executive following a competition process.

6.2 The Chief Executive will lead work to develop further an implementation plan to bring forward these proposals.

7.0 Contributing to the Community Strategy

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

7.1 The Airport City proposals provide a significant opportunity to create jobs and growth for the sub region and beyond. The initial proposals linked to the Enterprise Zone are forecast to generate 7,000 jobs over a 20 year period and £514m gva. These will be across a range of sectors supporting Greater Manchester’s ambitions to grow the knowledge economy.

(b) Reaching full potential in education and employment

- 7.2 The Enterprise Zone will be well connected to local communities in Wythenshawe and beyond, including by Metrolink. The Zone will provide access to new employment as well as the opportunity for skills development and training.
- 7.3 The Airport businesses work closely with other major local employers and regeneration agencies on a comprehensive programme to support education, skills, training and development. The objective of the Enterprise Zone will be to increase both the proportion and absolute number of Wythenshawe residents employed on and in connection with the Airport and support the increase in employment opportunities for other residents across the city region.

(c) Individual and collective self esteem – mutual respect

- 7.4 Not applicable.

(d) Neighbourhoods of Choice

- 7.5 Airport City will be developed to connect to Wythenshawe creating additional employment and housing and increasing the attractiveness of the area as a place to live.

8.0 Key Policies and Considerations

(a) Equal Opportunities

- 8.1 A key outcome will be to capture significant employment opportunities and ensure that local residents have the opportunity to compete for the jobs that are created. In addition, there is a commitment to ensure that the development will be accessible and well connected.

(b) Risk Management

- 8.2 A risk management strategy will be developed as part of the Enterprise Zone implementation programme.

(c) Legal Considerations

- 8.3 Detailed legal implications will need to be assessed as the work on the development and planning frameworks progresses.