



GM LOCAL ENTERPRISE PARTNERSHIP BOARD

SUBJECT: St John's Creative Enterprise Zone proposal

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PURPOSE OF REPORT

This report provides an update on the St. John's Creative Enterprise Zone proposal and the development of a business plan for submission to Government.

RECOMMENDATIONS

The LEP Board is asked to:

1. Note the outline justification for the establishment of a Creative Enterprise Zone at St. Johns.
2. To endorse the development and submission of a proposal and detailed business case to Government for the establishment of an Enterprise Zone at St. Johns, Manchester city centre.

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1. Introduction and Background

- 1.1. The Council's Comprehensive Spending Review (CSR) submission focused on high productivity and job generating sub-sectors including life sciences, advanced materials including graphene, digital and creative industries.
- 1.2. Underpinning our submission was the need to strengthen and deepen our existing Enterprise Zones (EZ) to capture the benefits from growth and enable reinvestment, as well as the formation of a new creative enterprise zone, using EZs to capture and recycle benefits of growth to support a sustained recovery. This is also captured within Manchester's Economic Recovery and Investment Plan (ERIP)
- 1.3. A new creative enterprise zone is proposed to harness opportunities generated by the Factory, Enterprise City at St. John's and the wider creative economy, and support the city's economic recovery from Covid19. Demonstrating how creative industries and the arts, based on St John's and The Factory, can drive growth, recovery and jobs.
- 1.4. St John's is a new neighbourhood within the city covering an area of approximately 13 acres, with Spinningfields to the north and Castlefield to the south. St John's is one of the city's strategic regeneration areas. The area comprises development of new buildings alongside retention and refurbishment of historic buildings. The proximity of the EZ to Spinningfields provides an opportunity for St John's to benefit from future business growth.
- 1.5. The St John's Creative Enterprise Zone's commercial proposition is centred on accelerating the growth and clustering of small and medium sized creative businesses, building on a number of existing and established assets which have ensured Manchester's place as the UK's leading regional centre of gravity for creativity, content, talent and technology driven business, focused on creative sub-sectors and their supply chains.
- 1.6. The creative and digital economy is an increasingly important feature of the city region's economy. It has been one of the fastest growing sectors in recent years, with strong growth forecasts. Between 2010 and 2019 employment in the creative and digital industries grew by 88% in Manchester and 63% in Greater Manchester compared to UK-wide growth of just 20%. Manchester therefore represents a growing hub of activity within a key economic sector. There is a significant core of businesses clustered in the city centre, as well as Salford Quays.
- 1.7. The EZ will be primarily focused around the new district of St. John's in Manchester city centre, incorporating offices, workspaces, inspiring cultural spaces, and bespoke city centre living as well as the established enterprise city, developed by Allied London in partnership with Manchester City Council. Enterprise City is a media, tech and

creative cluster, designed to connect people and businesses, encourage collaboration, and create success through expert place-making.

- 1.8. Enterprise City is unique in terms of the sectors and types of business it is targeting, the scale and diversity of employment space and the eco-system in place to combine enterprise and lifestyle.
- 1.9. St. John's will be anchored by The Factory - a building that will create a cultural powerhouse and provide a permanent home to Manchester International Festival (MIF). Both Government and Arts Council England (ACE) are funding partners with Manchester City Council (MCC) in the Factory.
- 1.10. MIF and Allied London are strong supporters of the EZ proposal and will provide the structural support to assist with the delivery of EZ objectives.

2. The EZ proposal

- 2.1. The EZ at St. John's proposes to accelerate the growth of creative business at the core of the Greater Manchester conurbation, building on a number of existing and established assets which have ensured Manchester's place as the UK's leading regional centre for creativity, content, talent and technology driven business, centred on creative sub-sectors and their supply chains. The new Enterprise Zone will contribute to the Government's levelling up agenda and the UK Industrial Strategy, making a strong contribution to the sector's ongoing growth and success, and that of the Greater Manchester economy more widely
- 2.2. The EZ will build on the core principles of People, Place and Prosperity as set out in Manchester's Economic Recovery and Investment Plan and Our Manchester Strategy.
- 2.3. The creative EZ will be different from other Enterprise Zones in the city. The focus will be on driving growth through the creative, media and technology sectors. It will build on the Factory and the key assets that exist or are emerging in the area, including established studios, the adjacency of the Science and Industry Museum (SIM), and Enterprise City.

The Factory – Cultural Anchor

- 2.4. The Factory will form the cultural heart of the St John's EZ. The Factory is expected to add £1.1 billion to the economy of Manchester and the surrounding region over a decade, creating or supporting up to 1,500 full-time jobs, and providing engagement opportunities for people of all ages and backgrounds.

- 2.5. The Factory will not just be a unique building configuration with a series of spaces where different cultural forms will be newly commissioned and take place simultaneously, but also a new kind of facility that will focus on driving the skills and aspirations of young people throughout the region, who may not have considered that a career in the creative industries was for them. The development and training opportunities will go beyond creative skills alone, to embrace all the other skill sets/activities that make up a functioning facility and wider ecosystem as embodied by the Factory and St John's.
- 2.6. The Factory Academy, launched by Manchester International Festival (MIF) in 2018, in partnership with a consortium of cultural organisations in the city, is an integral part of the opportunity and legacy for the Factory. The aim is to diversify the workforce in this important sector, providing opportunities for aspirational young people, whatever their backgrounds, who wish to improve their life chances through working or performing in the cultural sector.
- 2.7. The Factory has attracted significant Government investment, almost unique outside of London and the South East and has been designed by one of the world's leading architects, OMA. It will be their first major public building in the UK, enhancing Manchester as a destination for world class architecture. The project is already attracting considerable excitement and will cement Manchester's reputation as one of the top five creative cities in Europe with culture and the City's creative industries contributing £1.4 billion to the local economy and a significant part of the visitor offer.

Existing Success

- 2.8. The EZ will build on the existing success at Enterprise City as evidenced by Manchester Goods Yard, the commercial hub of Enterprise City, and the new £100m global headquarters for Booking.com. Other facilities include Globe and Simpson which will house the new Manchester headquarters for the WPP Group (bringing together a number of companies including Code Computerlove and Mediacom) and ABC Building will accommodate Farm Manchester and Everyman.
- 2.9. The Bonded Warehouse is a 6 storey mixed-use workspace/retail/leisure refurbishment project of historic 1830's warehouse of c.125,000 sq. ft. Bonded Warehouse houses a thriving community of digital and creative entrepreneurs communicating and collaborating together in this unique hub environment that has been cultivated within Enterprise City.
- 2.10. Within the Bonded Warehouse is Exchange, which provides supported space for ambitious early-stage creative and tech companies and access to the tools and learning to succeed. Enterprise City has engaged Tech Nation as knowledge partner to support Exchange's

agenda of activity, based on industry insight and commercial progression. Exchange is the beneficiary of £2m of Department for Culture, Media and Sport (DCMS) funding to deliver a Tech Hub to create and sustain 2,000 jobs over the next 15 years.

2.11. Exchange offers a 6 to 12-month scheme to ambitious early stage tech companies in the North West, delivering a syllabus and direction for development within the market. Locating at the space provides ambitious tech entrepreneurs subsidised office space, access to a digital skills academy, industry experts and resources and collaboration platforms. So far 23 tech start ups have located within Exchange.

Economic Case and Benefits

2.12. The St John’s Enterprise Zone will build on the above to deliver circa 700,000ft² of employment space targeted at smaller companies, with the capacity to accommodate, 4,000 jobs, with several hundred companies benefiting from the Business Rates discount. The St John’s Enterprise Zone will provide new employment space developed with small companies in mind, typically between 10 and 50 employees. On average, circa £1,600 of Business Rates payment per annum is required per employee. The Business Rates reduction will save an employer with 10 staff circa £16,000 per annum for five years, while an employer with 30 staff will save £240,000 over five years.

2.13. While the Enterprise Zone Business Rates discount, worth up to £275,000 per business over a 5-year period, is a more limited benefit to larger companies, it is very valuable for companies employing less than 50 people. As such, the Enterprise Zone will be an attractive location for smaller employers, while encouraging developers and landlords to provide space specifically targeted at these companies. It is worth noting that the majority of creative businesses located in the city employ less than 50 people, with a large cohort employing less than 20, some of which are at the early phase of business development and growth.

2.14. Over a ten-year period, the Enterprise Zone will provide new accommodation which will support over circa 400 companies and 4,000 jobs in cultural, creative and digital industries.

2.15. The below table sets out how additional space and employment growth will generate revenue through business rates. The revenue generated will be retained and re-invested into St. John’s as a priority area.

Enterprise Zone : Additional Space and Employment Growth Profile										
	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
Business Space (ft ²)	95,000	95,000	95,000	95,000	75,000	75,000	75,000	65,000	65,000	65,000
Business Rates	£0.76m	£1.52m	£2.28	£3.04m	£3.64m	£4.24m	£4.84m	£5.44m	£6.04m	£6.64m

Companies	45	90	135	175	215	245	295	345	395	445
Employment	475	950	1,425	1,900	2,275	2,650	3,025	3,400	3,775	4,150

2.16. Through designation of the EZ and subsequent site development it is anticipated that the following benefits will be secured:

- **Clustering of creative businesses** – creating an environment where creative businesses cluster in designated developments will encourage businesses to work together and further businesses to be attracted.
- **Expanding local supply chains** – as the creative sector grows and clustering encourages businesses to work together, opportunities for greater use of local suppliers will be identified which supports higher levels of expenditure to be retained in the sub-region.
- **Accelerating sector growth** – as the reputation of Greater Manchester as a hub for creative industries continues to grow and both businesses and skilled workers are attracted. The growth of creative industries is seen as important to Manchester’s economic recovery.
- **Employment creation** – the scale of new development proposed within the EZ means the designation will support considerable employment uplift in the region of c. 4000 jobs (see table above). The nature of employment to be created will be varied, cutting across a range of sub-sectors, occupations and skills levels related to the tech, culture and creative industries.
- **Skills Development** – as the creative sector grows and the scale of jobs growth increases there will be numerous opportunities for skills development. The Cultural Skills Consortium, of which The Factory and SIM are part of and administered by MIF/The Factory Academy provides the base to deliver skills development. The establishment of Factory Futures, a new skills and training programme, particularly targeted at providing an entry point to work in the creative industries, will benefit up to 10,500 unemployed young people living in Greater Manchester over the next five years. This will diversify the workforce and grow and retain skills in a vitally important sector for the region. Around 60 young people have already benefited from the Factory Academy, including five apprenticeships delivered in partnership with Royal Exchange Theatre, Manchester Metropolitan University (MMU), HOME and The Lowry. Furthermore, the Science Museum Group has submitted a CSR bid (supported by MCC and GMCA) to create a STEM learning hub at Science and Industry Museum. If successful, these facilities would provide workshop space for joint STEAM initiatives with The Factory for both training and engaging schools in learning. The EZ will support this objective and benefit from the outcomes.
- **Attracting and retaining skilled workers** – as the reputation of the sub-region for creative industries continues to grow and new businesses are

attracted, more skilled workers will also be attracted, and opportunities for career progression within the sub-region will help to drive further skills development. Clear pathways into work for local young people, seeking to develop their skills in the cultural sector will support this.

- **Delivering physical regeneration** – many of the sites identified have been vacant for a number of years. Their redevelopment will play a leading role in delivering physical regeneration and important outward signs of change and showing confidence which may help to catalyse further growth.

3. Covid 19 and Economic Recovery

3.1. Covid19 has already had a major impact on the UK economy and it is clear that it will take many sectors and businesses several years to return to pre-lockdown levels of economic activity. The cultural and creative industries have been very badly affected, particularly those supporting the large self-employment and freelance community

3.2. An effect of Enterprise Zone status is expected to be to provide developers with the confidence to progress new development targeted at this market, in spite of the uncertainty caused by the pandemic, with the Business Rate incentive increasing the likelihood of early take up of business space.

3.3. The role of the cultural and creative sector is a key element of the Economic Recovery and Investment Plan for Manchester, which is designed to help build confidence in the long-term future of the City, through both short-term activities, and longer term forward planning.

3.4. The St John's Enterprise Zone proposal is a direct response to the city's economic recovery from the impact of Covid19 and the need to re-establish the levelling up momentum, reacting to the difficulties faced by smaller companies in culture, creative and digital industries. The success of St. John's so far is a testament to the growth in the creative sector. We need to build on this momentum to avoid it being dissipated as a result of Covid 19. The establishment of an EZ will augment that success and allow the growth (both planned and anticipated) to be captured.

4. Development Profile

4.1. Table 1 in the appendices sets out the key buildings already completed or at development/ construction stage. These comprise Manchester Good Yard, ABC, Globe and Simpson, Bonded Warehouse and The Factory. Together these account for in the region of 714,000 sqft of workspace and cultural space. Completion of all is expected by 2022.

4.2. The anticipated development potential is set out at Table 2 in the appendices. It is expected that across 10 buildings and sites, another

additional 700,000 sqft could be delivered over the period 2022-2031, with much of the development being delivered in the first 5 year period.

5. Conclusion

- 5.1. The St John's Creative Enterprise Zone will contribute to the levelling up agenda, rebalancing the creative economy and directly supporting the Greater Manchester Industrial Strategy. It will add to the portfolio of Greater Manchester Enterprise Zones which are supporting sectors such as life sciences, health innovation and advanced manufacturing.
- 5.2. The St John's Creative Enterprise Zone's commercial proposition is to accelerate the growth and clustering of small and medium sized creative businesses at the core of the Greater Manchester conurbation, building on the existing sectoral strengths and assets of the city region.
- 5.3. The Business Rates discount, worth up to an estimated £275,000 per business over a 5-year period, will directly benefit smaller business employing up to 50 people, making the Enterprise Zone an attractive location for smaller companies and encouraging developers and landlords to provide space specifically targeted at smaller companies.
- 5.4. The St John's EZ has the potential to help bring forward 700,000ft² over the next ten years, with major development between 2022 and 2031; new accommodation which will support over circa 400 companies and 4,000 jobs in cultural, creative and digital industries. As such the Enterprise Zone will help to re-establish the pre Covid19 economic momentum in this sector and in the wider city region.
- 5.5. While St. John's has seen recent success in supporting businesses and jobs growth, the impact of Covid 19 has had significant impacts, for instance at e-travel firm booking.com reporting in the region of 25% job losses. The EZ is intended to mitigate these adverse impacts, as well as supporting a sector that has been particularly hard hit as a result of lockdown measures.
- 5.6. Further work will now be undertaken to prepare a business case for submission for Government.

Appendix

Table 1

Enterprise City: Key Buildings	Employment Space
<i>Phase 1: 2019 - 2022</i>	
<p>Manchester Goods Yard is the commercial hub of Enterprise City, with a New York inspired warehouse concept - a place of real enterprise, it's the epitome of modern working at the centre of Enterprise City. 24/7 life and activity will be the backbone of the building, a hive of activity. The distinctive design of the building centres on workspaces that function in dynamic and flexible ways. Manchester Goods Yard will become the new global headquarters for e-commerce giant Booking.com and will be home to more than 1,500 staff who will create a dynamic workplace and hub for talent.</p>	<p>Under Construction due to complete 2021</p> <p>Workspace: 300,000 ft²</p>
<p>ABC provides new modern workspace for media, technology and creative businesses. The Farm Group, the largest post-production house in the UK, has already opened its new facility in ABC, alongside leading fitness provider Barry's Bootcamp and boutique cinema Everyman. Manchester Studios also operates from the building to make it a fully functional media facility. ABC is also home to ALL Work & Social and provides a membership workspace.</p>	<p>Under Construction due to complete 2021</p> <p>Workspace: 107,000 ft²</p>
<p>Globe & Simpson is a new headquarters building located at the northern gateway to Enterprise City and will be the home of global media and advertising conglomerate WPP. Once completed, some 900 employees working for WPP's various subsidiary businesses will be housed within this modern, forward-thinking building.</p>	<p>Under Construction due to complete 2022</p> <p>Workspace: 90,000 ft²</p>
<p>Bonded Warehouse is an enterprise hub housed within a former 1860s warehouse building and now providing co-working facilities and small suite space targeted at start-ups, entrepreneurs and SMEs within the digital and creative sectors. It is also the new home of Exchange, a government-funded incubator facility.</p>	<p>Completed 2020</p> <p>Workspace: 80,000 ft²</p>
<p>Factory is a 7,000-capacity new government-funded performing arts and cultural venue being delivered by Manchester City Centre. Comprising a 2,500-seater auditorium and adjoining warehouse events space, the building will regularly host large productions with requirements for short-to-medium term residences for artists and production teams.</p>	<p>Under Construction due to complete 2022</p> <p>Cultural Space: 137,000 ft²</p>

Table 2

Site/Development	Development Potential
<p>Campfield Yard is a series of three existing buildings located on Liverpool Road, Manchester, moments away from the Spinningfields business district and Allied London's new £500m Enterprise City neighbourhood and located close to major city centre public transport links.</p>	<p>Deliver 128,000 sq. ft. of inspiring workspaces and studio spaces.</p>
<p>The Northlight is a modern industrial building at the heart of Enterprise City, digitally enabled with ultra-flexible workspace, state-of-the-art connectivity and high-quality amenity. The Northlight is the next generation of smart workspace, optimised for intelligent business. The smart workspace design is enhanced by infrastructure technology including the latest 5G mobile network and specific estate-wide superfast fibre internet connections.</p>	<p>Workspace: 235,000ft²</p>
<p>Old Granada Studios will provide a new destination for Manchester, establishing Enterprise City as a new vibrant urban creative hub. It will be home to worldwide</p>	<p>To be developed by Allied London in 2021</p> <p>Workspace: 44,000 ft²</p>

hospitality business Soho House, who will operate a 150-bed hotel, food and beverage facilities and a members' club aimed at enabling young creative workers to network and socialise. The former ITV Studios 02, 06, 08 and 12, now operated by ALL Studios, will provide a unique suite filming spaces and studio facilities.	Studios: 41,400 ft ² Cube Space: 38 containers
Riverside T2 site	On site of T2 – 750 co-living units in a 32 storey tower to be developed by Vita and which is due to commence in 2021 and includes co-working office space – 25,000 sq ft
No.1 Grape St	New planned office building with 50,000 sq ft commercial
Water Street Development Area: primarily residential with the potential for some commercial and employment space	Planned Residential – capacity for 825 units –. SRF approved for a housing led scheme, with 15,000 sq ft at ground floor commercial uses.
Trinity Island : primarily residential with the potential for commercial and employment space	Residential with Planning Consent – 1,400 units to be developed by Renaker with 25,800 sq ft at ground floor commercial uses.
Quay Street/Deansgate Business District	Existing commercial buildings with up to 200,000 sq ft of additional re-development space .
Riverside T3 site next to Factory	Food and drink with possibility for some commercial floorspace up to 30,000 sq ft
Zig Zag arches at Water Street	Arch Co. long leases on vacant commercial NR Arches, with 30,000 sq ft.