

## **Enterprise Zone Investment Plan 2022 (Draft Text Only)**

1. The Enterprise Zone Investment Plan has been refreshed and updated for the GSBLEP website. The final version should be available in the next three to four weeks and go live prior to the next Programme Delivery Board meeting. The draft text is included in this report.

### **Introduction**

With up to £2bn of potential investment from Greater Birmingham and Solihull Local Enterprise Partnership (GBSLEP) and Birmingham City Council (BCC), Birmingham's Enterprise Zone is a great place to do business. The area covers 39 sites with 113 hectares of new and existing development space.

The Enterprise Zone Investment Plan (EZIP2019) was approved by Birmingham City Council and Greater Birmingham and Solihull Local Enterprise Partnership in July 2019. The EZIP2019 Plan outlines key activities and outcomes which helps inform investment decisions.

Our mission is to create a city that continues to grow for everyone and that is suitable for future generations. This strategic update to the EZIP2019 includes an updated 'live' pipeline of projects that GBSLEP and BCC will develop, in partnership with the private and public sectors to ensure our ambition is realised.

The Enterprise Zone programme operates by using the business rates income growth (approved by central government) from the 39 sites to invest in projects and initiatives that drive inclusive economic growth and improve the quality of life for all our residents. The business rates income programme was established in 2011 and will continue until March 2046.

By utilising business rates income growth, GBSLEP can ensure there is a strong source of income. In turn, we can leverage our role as an Agitator, Enabler and Commissioner to invest directly, or through borrowing, to support and accelerate inclusive growth in Birmingham.

### **1. Enterprise Zone (EZ) Journey to 2022**

Building on opportunities such as High-Speed Rail 2 (HS2), the Enterprise Zone has focussed on delivering early interventions to both kick-start key projects such as Paradise and invest in HS2 related projects such as the redevelopment of Digbeth High Street and Curzon Metro Stop. These projects are improving public spaces and providing much needed support to compliment transport infrastructure. (A list of completed projects will be included on the website).

### **2. Existing Enterprise Zone Projects**

#### **Paradise Phase One and Phase Two**

This is a transformative project for the city centre that is receiving help from nearly £140m of Enterprise Zone investment. Phase One of the project is now complete and phase two is underway. The project is attracting over £700m of private sector investment and creating over 1.7m sqft of high-quality office space, generating employment and opportunity for

people right across the GBSLEP geography. Development work is now underway for Phase Three.

### **Southside Public Realm**

Southside Public Realm is a new gateway to the city that offers better access to the city centre's rich cultural venues, from the Hippodrome to the world-renowned Symphony Hall. The Enterprise Zone is funding the £9 million public space project which will play a critical role in creating a cohesive area for everyone to enjoy.

### **Digbeth High Street**

This project recognises the positive impact that high-quality public spaces and infrastructure have on the growth of the city. The £16 million Enterprise Zone investment in Digbeth High Street Phase One is the first step in transforming the area into a world-class business and creative district. As a key strategic consideration for the Enterprise Zone, Phase Two will build on the initial improvements by focusing enhancements on the streets, canals, and greenspaces.

### **Birmingham Smithfield (Development Support and Enabling Works)**

A flagship development to the south of the city centre, Smithfield is an ambitious £1 billion project that will have a significant impact on the people of Birmingham. It will provide offices, homes, leisure, infrastructure, and open spaces. The Enterprise Zone has already invested over £6.6 million into securing a development partner and clearing the site for both the Commonwealth Games in 2022 and the first phase of development works.

### **Metro Extension to Centenary Square**

West Midlands Combined Authority (WMCA) and BCC delivered the 800-metre Metro rail extension to link the Westside area of the city centre into the Metro network. It will supply a direct link to Birmingham New Street station, via Birmingham Town Hall creating a direct connection between Centenary Square, two central rail interchanges and the Metro network. £20 million of Enterprise Zone funding and £56 million from HS2 Connectivity, Department for Transport (DfT), BCC and GBSLEP has been invested. Expansion makes it easier for companies to access more customers, reduce transportation costs and travel times as well as deepening labour pools by improving physical access to jobs and supporting the city to achieve its goal of zero carbon.

### **Snow Hill**

A series of new public spaces will improve the setting and appearance of Snow Hill railway station - another gateway into the city centre and the Colmore Business District. Work is also underway to improve the road layout, reduce traffic congestion and improve air quality. Nearly £2 million has been invested from the EZ programme and £7.4m of funding has been leveraged from the Local Growth Fund, BCC, Business Improvement District grant and the private sector. The project will create 2,300 sqm. of new roads and 550 sqm. of space for pedestrians and cyclists.

### **HS2 Infrastructure and Support**

HS2 presents an excellent opportunity to secure fast access to London and to the North. This will provide new customers, labour pools, investment, and businesses for the Enterprise Zone. To maximise the potential of HS2, the Enterprise Zone programme is investing in transport links, key infrastructure, and public space enhancements. The aim is to develop inclusive and positive economic growth, ensure local people can fully access HS2 opportunities and deliver an improved experience to passengers. This is why the Enterprise Zone is supporting key HS2 projects like HS2 Curzon Metro Stop and Curzon Station Public Realm.

Nearly £9 million of Enterprise Zone funding has gone towards the HS2 Curzon Metro Stop project. This is a partnership project with BCC, HS2 Ltd and WMCA and it will result in an integrated multi-modal interchange linking the Birmingham East side Metro Extension (BEE) stop and the HS2 Curzon Street Station with a new 1,700sqm public space underneath the HS2 station viaduct. The Full Business Case has been approved and the works contract has been awarded. Along with the improved transport links, the public square will see 500,000 passengers per annum by 2041 which will positively impact the city centre economy.

The Curzon Station Public Realm project will support improvements to the public space in the area around the HS2 Curzon Station. To maximise the station's potential, the Enterprise Zone is looking to create over a hectare of improved public space next to the station, including Paternoster Place, Curzon Promenade, Curzon Square as well as providing a pedestrian route into Digbeth and repairs to Park Street Bridge. The enhanced public space will facilitate the development of new commercial, retail and residential developments and create over 1,900 net additional jobs. Just over £2 million has been invested to develop planning designs. £29 million of Enterprise Zone funding has been approved to fund all the public realm improvements.

## **Martineau Galleries**

A circa. £1 billion extensive mixed-use regeneration project in the heart of Birmingham city centre to deliver significant inclusive economic growth and a new public space. The Martineau Galleries area has declined in recent years. This project will transform the area with up to 105,000 sqm of residential space, up to 157,500 sqm of workspace area for businesses and up to 20,000 sqm of retail, restaurant, and leisure space including a new hotel, a cycle hub, car park and improvements to the public space. A potential Enterprise Zone investment of up to £60 million towards enabling costs will kickstart this £1 billion development.

## **3. New EZ Projects**

As we look to recover from the Covid-19 pandemic, two pieces of work have been commissioned: an assessment of Birmingham city centre's office space so that the anticipated supply and demand following the impact of the pandemic can be more fully understood, and a review of the potential business rates income growth from the 39 sites of the Enterprise Zone to ensure that the current financial modelling remains robust. These, together with the production of a new "dynamic" pipeline of projects for the Enterprise Zone, will further help open up Enterprise Zone grant and loan funding to the public and private sector.

## **Birmingham City Centre Market Assessment (2022)**

Since 2019, Birmingham has maintained a low office vacancy rate due to the limited supply of new and newly renovated office space. The Covid-19 pandemic has had an undeniable impact as well. Globally, office vacancy is not expected to return to pre-Covid-19 levels before 2025. This will remain a challenge for the Enterprise Zone in the short term.

Whilst the greatest demand remains focused on Grade A office space, it is likely that speculative growth will ease as employment and the economy recover. The hospitality sector is showing signs of a steady recovery, and the hotel market is experiencing an increase in room occupancy. In Birmingham both sectors should feel a positive impact from the 2022 Commonwealth Games.

The industrial sector has shown significant growth during the pandemic and Birmingham is ideally placed to continue to benefit from its central location in the UK network. Whilst the Enterprise Zone is city centre focused, there may be an opportunity to exploit the industrial growth where sites are located close to good road access, such as Venture Way, Digital Plaza and Glover Street.

### **Enterprise Zone Site Assessment (2022)**

The site assessment has identified seven city centre geographical clusters as having significant growth opportunities and four key business sectors. The seven clusters are Westside, Snow Hill, Eastside, Southern Gateway, Digbeth, Birmingham Innovation Campus and the Jewellery Quarter. The four key business sectors are Business, Professional and Financial Services, ICT, Creative Industries and Digital Media. The EZIP2019 plan set out a strategy to deliver 1.1 million sqm of new commercial floorspace, create over 70,000 jobs, contribute £2.3 billion to the economy and over £2.0 billion in business rates growth income. As part of the refresh, the sites have been categorised into four categories (infographic will demonstrate this on website together with site details) to better understand their current status as shown below.

The review will help inform which sites provide the best opportunity for business rates growth resulting from rateable floorspace, and confirm which sites still need support to achieve peak performance as outlined in the EZIP2019 Plan.

This information will be used, together with the market assessment of Birmingham City Centre, to support the future pipeline, investment plan decisions and support the introduction of any Enterprise Zone initiatives.

### **Birmingham City Council Our Future City Plan**

The Birmingham City Council Our Future City Plan has six “city themes” which support the draft vision for the city. Whilst currently in consultation, and could change slightly, projects seeking EZ funding and progressing through the new pipeline process will be required to respond to the challenges in the “city themes” as part of the GBSLEP investment process.

Whilst EZ projects generally support majority of the key areas in the city themes, such as improving key infrastructure (public realm, highways, transport) to make the city more accessible, investing in transformational projects such as Paradise and Birmingham Smithfield which meet the needs of residents, creating commercial floorspace to support

high quality jobs etc., this is formalised through an action plan and the requirement to complete and submit with any business case.

The Enterprise Zone Our Future City Plan 2040 Project Checklist is available on the website and can be also provided through the GBSLEP contact. The inclusion of the checklist in the investment case process is to further challenge potential project sponsors to work more closely with the GBSLEP and BCC Enterprise Zone teams to expand the broader impact and social value of any project to the city.

## Project Pipeline

GBSLEP and BCC will maintain a “live” pipeline of projects (will be included on website) built on the previously established project pipeline from the last 10 years and the EZIP2019 Plan. They will do this in partnership with key stakeholders. The project pipeline will seek to provide potential investors and developers with an opportunity to apply for Enterprise Zone grants and/or loans. Updated quarterly, it will focus on supporting the BCC Our Future City Plan and align closely to the GBSLEP Strategic Economic Plan with the aim of having more flexibility to react to opportunities and/or challenges presented in the city.

GBSLEP will maintain an “open call” to attract public and private sector organisations to submit project proposals and requests for Enterprise Zone funding. Through a simple application process, GBSLEP and BCC will evaluate projects (following the GBSLEP Assurance Framework) with those that can support the key aspirations of the Enterprise Zone joining the ‘live’ pipeline.

Pipeline projects can also be provided with support to develop a HM Treasury Green Book compliant Business Case. Following a successful technical evaluation of a business case and affordability testing of any funding requested, GBSLEP in consultation with BCC as the Accountable Body, will determine if a project is to be awarded Enterprise Zone funding.

## Enterprise Zone Funding and Spending

Enterprise Zone activity is funded by prudential borrowing (through BCC on behalf of the GBSLEP) which is repaid from the uplift in business rates generated by new commercial development in the boundary of the EZ. The forecast income of £2 billion and spend to date is stated below, and indications of a £1.42 billion forecast spend by 45/46. Over the next five years, any potential surplus in the Enterprise Zone financial model will be used to fund the project pipeline and make prioritised investments to support city growth. Based on secured and committed business rates income the next four years is summarised below:

Annual Forecast to 2025/26	ONLY Secured and Committed Business Rates Income (BRI)					
Note: Deficit/(Surplus)	2020/21 Actual	2021/22 Actual	2022/23	2023/24	2024/25	2025/26
Total Capital Spend to March 21: <b>£175.94m</b>	£m					
<b>Capital Project Spend (inc. Cap Int)</b>	<b>21.63</b>	<b>38.87</b>	<b>32.18</b>	<b>10.91</b>	<b>14.80</b>	<b>11.52</b>
Expenditure (Capital borrowing, Revenue, Interest & Contingency)	6.22	10.73	13.22	13.59	18.94	19.51
Net Income (BRI Net of Provisions)	(6.93)	(7.60)	(13.35)	(13.32)	(20.69)	(19.84)

<b>In-Year Deficit/(Surplus) Sub-Total</b>	<b>(0.71)</b>	<b>3.13</b>	<b>(0.13)</b>	<b>0.27</b>	<b>(1.75)</b>	<b>(0.33)</b>
Total Brought Forward Balances	(3.47)	(5.57)	(3.96)	(7.16)	(10.14)	(20.21)
In-year Contingency	(1.39)	(1.52)	(3.07)	(3.25)	(8.32)	(5.67)
<b>Total Cumulative Deficit/(Surplus)</b>	<b>(5.57)</b>	<b>(3.96)</b>	<b>(7.16)</b>	<b>(10.14)</b>	<b>(20.21)</b>	<b>(26.20)</b>

## 4. Economic Impact and Benefits

The Enterprise Zone programme has several key targets which are checked quarterly by the GBSLEP Board. These targets will be reviewed during the next refresh of the Enterprise Zone Investment plan, scheduled for 2027 (outputs to be updated on website as included in this report).

## 5. Key Delivery Themes

The Enterprise Zone recognises the role of targeted and prioritised investment to stimulate and/or accelerate inclusive economic growth. Through a range of key delivery themes, GBSLEP and BCC will focus on key priorities, investments, and initiatives to support the city's inclusive economic growth.

### (i) Strategic Site Development (Digbeth)

On the doorstep HS2, Digbeth is the next key strategic development opportunity for the city. It is an unrivalled location with outstanding access to canals and green spaces and a world-class cultural location waiting to be highlighted again. The Enterprise Zone programme will work with investors and developers to ensure that the public infrastructure is equal to the aspirations of those leading the transformation of such an iconic part of the city. This will be done through collaborative partnerships between the private and public sector. Through Investment in transport, public, green and blue spaces, Digbeth will be a key area for development over the next ten years.

**EZ ROLE: Agitator, Convener and Commissioner of aspiration and ambition**

### (ii) Maximising the Opportunity of High-Speed Rail 2 (HS2)

The HS2 Curzon Street station is a unique opportunity for Birmingham city centre, delivering over £700 million in investment and creating up to 36,000 new jobs, 4,000 new homes and 600,000 square metres of commercial development. By bringing the city within 45 minutes of London, Birmingham is now the true city of choice for inclusive business growth. To maximize the impact of HS2, the Enterprise Zone program invests in public transport and public space to ensure that this opportunity is fully accessible and integrates smoothly with the city's existing infrastructure.

**EZ ROLE: Continue to invest in key HS2 projects that link to the Enterprise Zone and the Our Future City Plan**

### (iii) City Centre Skills and Workforce Challenges

Changes in workplace habits and technological progress have had a dramatic impact on the city's labour market. A continuous review of skills demand and availability will enable investments to be made in developing training opportunities, setting up gateways to the right skills and workforce and ensuring that the city has a pipeline of young talented graduates.

**EZ ROLE:** Baseline skills demand/availability assessment supported by a city focused skills resource to drive opportunity through programme investments

#### **(iv) Recognising the role of BPFS in the economic growth of cities**

The Business, Professional and Financial Services (BPFS) sector is the largest sector in the West Midlands. Based on cluster economics to drive a place-based innovation ecosystem, Enterprise Zone investment can support the growth of the BPFS ecosystem. This will include sub-sectors of professional technology (ProfTech) by building and connecting the BPFS community, increasing innovation, advertising and attracting and growing businesses.

**EZ ROLE:** Supply early support to stimulate the sector and build on the current momentum

#### **(v) Culture and creative sectors and how it will integrate placemaking**

Recognising the increased role of place-making, the Enterprise Zone will support projects that improve inclusive economic growth and, where applicable, maximize the impact of cultural and heritage assets to create wonderful places in the city. The Enterprise Zone will support and help create Cultural Action Zones (CAZ) to shape the identity of key spaces in the city. This will be done by supporting the reconfiguration of the use of high streets, improving the night-time economy, launching new festivals and markets, and making better use of our cultural heritage. CAZ will help build on the distinct identity of the city to support tourism.

**EZ ROLE:** Launch Cultural Action Zones to support placemaking and cultural impact

#### **(vi) How digital innovation and 5G technologies are likely to shape the city**

The Enterprise Zone will actively nurture the city's growing knowledge-based economy by helping supply the innovative and dynamic environment needed for our citizens and businesses to thrive. Through targeted interventions, developed from the Digital City Strategy, Birmingham will become the natural choice for businesses to grow and exploit digital opportunities in the UK.

**EZ ROLE:** Invest in digital infrastructure interventions and support project-led initiatives which support the Digital City Strategy

#### **(vii) Supporting the city to achieve Net Zero**

Decarbonisation is a key priority for the city and an economic opportunity for our local communities, businesses, and citizens. Having set up a baseline strategy for the route to net-zero, the Enterprise Zone will support the City Council's aspiration to reach net-zero by 2030. This will be done by supporting the development and implementation of low-carbon projects through a prioritised assessment of potential interventions. This will include ring-fencing funding to provide added support to Enterprise Zone project investors, developers, and contractors in the city to contribute to the net-zero aspiration.

**EZ ROLE:** Provide funding to support Net-Zero priority projects

#### **(viii) Enterprise Zone Business Support**



GBSLEP and BCC recognise the need to support indigenous businesses to grow and foster inward investment by supplying site-specific targeted business support packages. The Enterprise Zone will work with partners to create investment opportunities and target business intelligence to attract business to the city. The Enterprise Zone programme will set up a business support offer over the duration of the programme to help attract exciting businesses to the city. The aim is to accelerate inclusive economic growth in the city and provide greater opportunities for those who work and live in the GBSLEP region.

**EZ ROLE:** Set up a package of funding which can be prioritised to deliver key growth opportunities

#### **(ix) Establishing Birmingham city as the location of choice for business growth**

The Enterprise Zone programme is fully familiar with the emerging City Council 'Our Future City Plan'. It will strategically focus on key public infrastructure projects to support both the City Council vision for the city and realise the potential of the developing Enterprise Zone sites. Through a shared 'live' project pipeline, both GBSLEP and BCC will regularly review and consider projects that support the Our Future City Plan and Enterprise Zone aspirations.

**EZ ROLE:** Co-invest in key infrastructure projects which support Birmingham as the city of choice for business growth

### **6. The Future of the EZ**

The business rates income growth up to March 2046 is expected to be more than £2 billion, with the Enterprise Zone programme seeking to invest up to £1 billion by 2031/32. Maintaining a balance between investment, borrowing and accelerating business rates growth through the pipeline of projects will be key to ensuring that the £2 billion opportunity is realised (already agreed by Government) and the city centre fully benefits from the Enterprise Zone investment.

Contact GBSLEP to learn more about the Enterprise Zone or how your business could benefit from GBSLEP support or project access the EZ project pipeline.

### **7. Governance and Programme Delivery**

The GBSLEP Assurance Framework will continue to support the delivery of the Enterprise Zone programme by supplying a robust government-aligned assurance process. The Assurance Framework supplies a transparent mechanism to consider and assess requests for Enterprise Zone funding and is reviewed annually to reflect GBSLEP strategic priorities. Details of the Assurance Framework, and how it is applied to the EZ programme, can be found on the GBSLEP website. The role of key partners, such as Birmingham City Council as the Accountable Body, can also be found in the governance section on the GBSLEP website.