

MANCHESTER CITY COUNCIL
REPORT FOR RESOLUTION

REPORT TO: Executive

DATE: 25th June 2008

SUBJECT: The Northern Quarter

REPORT OF: The Chief Executive, City Treasurer and City Solicitor

PURPOSE OF REPORT

To seek the Executive's approval to proposals for City Council investment in the Northern Quarter area of the city centre.

RECOMMENDATIONS

The Executive is recommended to:

- i. Note the important contribution the Northern Quarter makes to the overall vibrancy of the City centre and how the City Council can assist the regeneration of the area;
- ii. Agree in principle to the redevelopment of the Church Street car park site to include a mixed use development incorporating a 745 space car park, about 35,000 sq.ft of office space, about 65,000 sq.ft of specialist retail space in one building and a hotel in another subject to report on the detail of the proposed legal and financial arrangements for its delivery being submitted to the September meeting of the Executive;
- iii. Request the production of a detailed consultation strategy for the Church Street car park development which provides a framework within which consultation can take place with local residents, businesses and other local stakeholders;
- iv. Agree to the City Council supporting Argent Group with its proposed The Hive scheme on the site of the former bus station on Lever Street;
- v. To note that these recommendations are conditional on the agreement of the proposed financial considerations identified in the corresponding report on Part B of this Agenda;
- vi. To agree that Stevenson Square should be refurbished in order to create a high quality public space and that this should be the subject of a design competition;

- vii. Authorise the Chief Executive, in consultation with Chair of the Executive, the Executive Member for Environment and the Executive Member for Finance and Human Resources to determine the details of the Stevenson Square design competition, including finalising the design brief, agreeing the members of the judging panel and the timescales for the competition to take place and for submissions to be received, together with the detailed budget arrangements for funding the delivery of the competition and the works to the square; and
- viii. Authorise the Chief Executive, the City Treasurer and City Solicitor, following consultation with Chair of the Executive and Executive Member for Finance and Human Resources, to negotiate and execute all necessary contracts, consultants appointments, funding and other agreements that may be necessary to ensure that the proposals for The Hive can be successfully achieved.

FINANCIAL CONSEQUENCES FOR THE CAPITAL BUDGET

It is proposed that the Council's investment in The Hive can be met from the Capital Fund.

Public realm works at Stevenson Square will need to have costs identified and the appropriate budget allocated taking account of private sector contributions.

Capital funding proposals are currently being tested for Church Street car park and subject to viability tests being satisfied and best value being achieved an element of direct Council funding may be required.

FINANCIAL CONSEQUENCES FOR THE REVENUE BUDGET

The current Church Street car park generates a rental income to the City Council that will be forgone in the medium term as future rental streams will be needed to support the redevelopment.

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BACKGROUND DOCUMENTS

1. City Centre Strategic Plan 2008 – 12
2. Church Street Car Park development indicative scheme drawings
3. The Hive indicative scheme drawings
4. Economic Impact Study for Church Street car park development
5. Economic Impact Study for The Hive
6. Report about The Hive to Planning and Highways Committee, 12 April 2007

(All kept on file in the City Centre Regeneration Team, Room 318, Level 3, Town Hall)

WARDS AFFECTED

City Centre and Ancoats & Clayton

IMPLICATIONS FOR:

Anti-Poverty	Equal Opportunities	Environment	Employment
NO	NO	YES	YES

1. INTRODUCTION

- 1.1. This report examines the opportunity for the City Council to invest in three schemes in the Northern Quarter - the Church Street multi-storey car park site, The Hive on Lever Street and Stevenson Square - and how all three should make a significant contribution to the ongoing regeneration of the wider Northern Quarter area. The report examines detailed proposals for each scheme and seeks approval to them going ahead.

2. CONTEXT

- 2.1. The City Centre has enjoyed significant investment over the last decade or more. It is important to the city in so many ways, not least as a key economic driver of the city and wider city-region and as somewhere that strongly determines perceptions of the city as a whole.

- 2.2. The City Centre's renaissance has been shaped by strong and consistent City Council leadership, a well-articulated vision and a clear strategy for its delivery. This strategy has several dimensions, including:

- i. creating robust cross-sector partnerships to develop ideas and marshal resources
- ii. positive planning frameworks to provide clarity to investors
- iii. the prudent use of Council owned property assets to facilitate development
- iv. promoting design excellence to clarify our expectations about quality and the contribution we expect end uses to bring
- v. creating world-class public realm to create a sense of place and strong economic linkages, promote accessibility and safety and reposition areas commercially.

The underlying objective is for the Council to intervene in the City Centre's growth and development where this is feasible and appropriate to ensure that opportunities for its development are fully exploited and in turns ensure that the Council's wider strategic objectives as set out in the Community Strategy are achieved.

- 2.3. The Northern Quarter is an important part of the City Centre and its distinctive mix of uses has been a vital part of Manchester's global offer. The Northern Quarter has become a very strong local brand and the area itself has experienced significant growth in the past few years, specifically around creative industries and independent retailers. At the same time, however, while the area is "edgy" and the focus for much of the city's independent capacity, there is still much to do to ensure that its economic base becomes self-sustaining.

- 2.4. The City Centre Strategic Plan 2008 – 12 identified a set of prudent interventions in the area in order to help enhance its position,

including: the redevelopment of Church Street car park and the remodelling of Stevenson Square to encourage investment in the area; improving key gateways and linkages; tackling blight by prudently acquiring some of its more prominent causes; and establishing an area based partnership.

- 2.5. Within the framework provide by the City Centre Strategic Plan, the Council therefore needs to be able to deliver two things: the first is a stronger destination focus which can start to anchor new activities as well as adding to the critical mass of existing activity, and the other is to create a stronger product for media-related activity which will add to the existing representation of that sector in the city centre. This is something that has emerged as our understanding of the needs and dynamics of the media sector has improved. What has become clear is that the Northern Quarter has a crucial role to play in delivering the city-region's offer to the media sector. Its unique character, architecture, density, product diversity and street pattern within the context of the vibrant city centre will complement other initiatives which are emerging elsewhere in the City and City Region.
- 2.6. In the current economic climate the Council's priority should be to ensure that by the time the investment market picks up the Northern Quarter is well placed to benefit. The Council now has the opportunity to focus what limited forms of interventions we have to create the platform for this growth. This would mean that what is currently a marginal area for significant private investment can become a major focus for change in the future. This will build upon the other work the Council and Cityco are doing on transport, street scene and other services.
- 2.7. There is also, building upon work undertaken by Cityco, an opportunity for the Council to work with occupiers and other stakeholders in the area to create the equivalent of the Piccadilly Partnership. This would encourage the private sector to assume more responsibility for the marketing of the area, to act as a client for public services and to help us drive the area's regeneration.

3. THE CHURCH STREET CAR PARK SCHEME

- 3.1. The Church Street multi-storey car park sits on a site of around two acres and given its impermeable layout at street level has always been seen as a significant deterrent to the permeability of the wider area. At the same time NCP Manchester Ltd (NML), the joint venture between NCP and Manchester City Council, recognises that the car park's layout and design is not ideal in operational terms. The potential redevelopment of the site therefore represents an opportunity to not just upgrade the car park but, by introducing active ground floor and other uses into the scheme and reconfiguring the site's layout to

increase permeability, it is also an opportunity to become a major contributor to the ongoing regeneration of the wider Northern Quarter.

- 3.2. A Development Brief was prepared and after a marketing exercise, Manchester Ship Canal Developments (MSCD) have been selected as the City Council's and NML's preferred development partner to undertake that task.
- 3.3. Initial discussions between NML, MSCD and the Council Officers to define the most appropriate footprint for any new development, have concluded that having regard the location's Conservation Area status, the new development of the site should be to back of pavement. This leads to the absorption of the area on Church Street once occupied by the street traders, the sub station site on Tib Street and the open space on Thomas Street. In order to allow this to happen, a Section 116 highway closure has been initiated so that the area of highway formerly used by the street traders can be incorporated.
- 3.4. The proposed mixed use scheme is estimated to be worth circa £55m and will be in two buildings. The first is proposed to be a 12/13 storey building including 745 car park spaces with access and egress via John Street constructed above circa 65,000 sq.ft. of specialist retail and 35,000 sq.ft. of office space. The retail space will be located at ground and first floor beneath the car parking. The office areas would form an external "wrap" delivering high quality elevations to street level – the element which is often problematic in car park schemes. The second element is proposed to be a 150 – 180 bed four-star hotel in a separate 15 storey building on the corner of Church Street and Red Lion Street. By splitting the site into two buildings and introducing active ground floor uses there will be significantly improved permeability through the site than currently exists. It is proposed to construct a new "street" to maximise the benefits of this approach to the area's wider economy.
- 3.5. The aspiration for the retail element is to seek to augment the independent retailing profile of the Northern Quarter. It is proposed that the central element of the retail offer will be a specialist retailing operation similar to that operated at Camden Market complemented by a number of retail and other uses in the units fronting onto Church Street, Tib Street and Thomas Street. The reconfiguration of the way cars access and leave the car park also opens up the possibility of allowing street markets to take place, for example at weekends, on the section of Tib Street between Church Street and Hilton Street.
- 3.6. A key element of the specialist retail operation could potentially be the Manchester Craft and Design Centre which is currently based in Council owned premises on Oak Street. These premises are not fully accessible and lack the capacity to allow the Centre to expand its offer. The Chief Executive, Head of Corporate Property and MSCD

have engaged with the Centre's Board to explore the option of the Centre relocating into the Church Street scheme. So far these discussions have been positive.

- 3.7. MSCD are working with the City Council to produce a consultation strategy to provide a framework within which consultation about the proposed development can take place with local residents, businesses and other stakeholders.
- 3.8. In terms of programme, a planning application could be submitted in the autumn of 2008 with demolition starting in early 2009. This will enable construction to be completed in 2010 therefore avoiding closing the car park over two Christmas periods.

4. THE HIVE

- 4.1. Argent's development at The Hive on Lever Street – which would be delivered in two phases - aims to fill this gap in the supply of workspace for businesses in the creative industries sector by providing space that is:
- i. flexible in size (from 250 sq ft to 15,000 sq ft)
 - ii. flexible in tenure (from 3 to 15 year leases to long leaseholds for sale)
 - iii. priced specifically for this market at 20% less than Grade A space in Piccadilly
 - iv. designed to be flexible and adaptable in usage
 - v. focused around the opportunity to develop a creative hub for the area
 - vi. able to achieve a BREEAM Excellent rating and complies with state of the art environmentally conscious design
- 4.2. Argent own the freehold of the former bus station site on Lever Street (Phase 1 of The Hive) and are in the process of acquiring the site for the second phase. Argent secured planning approval for Phase 1 in April 2007. It would consist of 78,700 sq.ft of mixed-use floor space in a seven-storey building and would incorporate a publicly accessible arcade running parallel to Lever Street. The arcade could eventually extend into Phase 2 thus creating an entrance from Stevenson Square into both phases.
- 4.3. What is clear is that The Hive scheme will not happen in the present investment market conditions. If it were not to happen there is a major risk that Argent will lose not only a hard won re-location of the Arts Council, but also this powerful anchor for other associated activities that are so important to the future growth of the area. Against this background, the Chief Executive recently met with representatives of Argent Group to discuss their proposals and to explore a model whereby the Council and Argent co-develop The Hive.

- 4.4. If Argent are to have The Hive ready for when the Arts Council need to move in, construction work would need to start in July and be completed in the Autumn of 2009.

5. STEVENSON SQUARE

- 5.1. The building out The Hive also has the added advantage of providing a focus on Stevenson Square itself, which is also key to transforming the overall economic positioning of the area. Initial cost estimates for a scheme in the square (which would maintain Lever Street as a through route and allow a level of traffic access into the two halves of the square) of £1,625,000 (or around £350 per sq.m.). This assumes using a palette of natural materials and is based on the cost of schemes such as New York Street and Spring Gardens. The figure includes lighting, street furniture and trees, something for design and management fees, Traffic Regulation Orders (including associated legal costs) and approvals and inflation. The estimate does not include the cost of any statues/public art or of filling in the redundant public toilets (if that was an option we wanted to pursue) and could also be affected by ground conditions and the availability of materials.
- 5.2. It is also proposed that the design for the square should be procured through a design competition. This should help not only to deliver a top quality design, but it should also help to attract some very positive coverage for the city and the Northern Quarter in the media in general and the business/property press in particular.
- 5.3. In terms of the arrangements for the delivery of the improvements to the square, it is proposed to work with Argent and other adjacent owners to seek contributions towards the cost (and this is where a Piccadilly type area-based partnership would be a great help). The Council may also need to find some additional funding for the square, but this is something which can only be addresses once a scheme has been defined and the potential for private sector contributions has been fully exploited.

6. THE CASE FOR COUNCIL INVESTMENT

- 6.1. The Northern Quarter's mixture of wholesale textile trade companies, creative businesses, niche retail, café bars, public houses, galleries, nightclubs and residential development together make a major contribution to the City Centre 'offer'. The area has seen continuous change since the mid-1990s and its identity has become firmly established.
- 6.2. The Church Street scheme is seen as bringing benefits in a number of key respects, including for example:

- i. It will significantly assist the regeneration of the Northern Quarter area by introducing new uses, by acting as a focus for activity and by attracting visitors into the area;
 - ii. By improving permeability, it will improve access into the Thomas Street/Turner Street area in particular and the western part of the Northern Quarter in general;
 - iii. It will have a positive impact on the image and external perceptions of the area; and
 - iv. It will improve the stock of car parking in the city centre;
- 6.3. An economic impact study undertaken for the City Council by EKOS Consulting estimates that by 2014 the scheme, including hotel, will deliver 877 full time equivalent jobs including those in the wider economy accounted for by supplier linkages and income effects. The additional annual income generated by the development is estimated to be £13.2million, while the overall gross value added generated for the city's economy is estimated to be £23.6million.
- 6.4. The Hive scheme is seen as bringing benefits in a number of key respects, including for example:
 - v. It will bring back into use a prominent site in the area thus having a positive impact on the image and external perceptions of the area and on investor confidence;
 - vi. It will have a catalytic effect on the regeneration of the Northern Quarter area by being a focus for activity, by introducing new uses and by attracting visitors into the area;
 - vii. It will help the positioning of the area in terms of its, and the wider city centre's, ability to meet the expected needs of media sector businesses.
- 6.5. An economic impact study undertaken by Arup estimates that by 2013 The Hive scheme will deliver 440 full time equivalent jobs including those in the wider economy accounted for by supplier linkages and income effects. The additional annual income generated by the development is estimated to be £9.3million.

7. CONCLUSIONS

- 7.1. The regeneration of the Northern Quarter remains a high priority for the City Council and the promotion of the redevelopment of the Church Street car park site, The Hive scheme and the refurbishment of Stevenson Square provides it with an opportunity to assist that regeneration process. All three schemes should make a significant

difference in the area by improving its image, by introducing new uses and by providing a focus for new activity and inward investment. This should help bolster the economy of the Northern Quarter and add to the overall City Centre 'offer'. The Church Street development will also help to improve the overall quality of the off-street car parking stock in the City.

- 7.2. The corresponding report on Part B of this agenda sets out the financial considerations in further detail.

Implications for Key City Council Policies

Environment: the redevelopment of the Church Street car park site will remove what is widely regarded as an unattractive monolithic structure and replace it with a modern building. The site will also be made more permeable in order to improve access to the Thomas Street/Turner Street area. The new build and improved permeability should together significantly improve the urban environment in the wider area.

The development of The Hive on the former bus station site and the refurbishment of Stevenson Square should greatly improve the urban environment of the wider area.

Employment: the redevelopment of the car park site and The Hive scheme will allow the introduction of new uses into the Northern Quarter which should help to create job opportunities in this part of the City Centre. The Hive and the refurbishment of Stevenson Square in particular should help to reposition the Northern Quarter area and attract further inward investment, leading to the creation of further new job opportunities