

**Manchester City Council
Report for Resolution**

Report To: Executive – 2 June 2010

Subject: The Co-operative Estate Redevelopment

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

Summary

The report updates the Executive on the joint working between the City Council and The Co-operative Group (the Co-op) on the redevelopment of the Co-op estate and the creation of a new commercially-led destination in the north of the City Centre. Following approval in principle by the Executive in May 2008 to invest up to £20m of the City Council's own funds in the public elements of the development and the subsequent endorsement of the regeneration framework in May 2009, this report now seeks the Executive's approval to confirm the £20m commitment by the City Council. Subject to the Executive's endorsement of this report, a Development Agreement will then be finalised to set out development obligations on both organisations and how the funding is to be allocated. The £20m will be fixed and deliver key elements required to create a sense of place, by delivering high quality public realm and linkages, through the integration of the Co-op quarter with the rest of the City Centre and with surrounding communities.

Recommendations

The Executive is recommended to:-

1. Note the progress that has been made to date between the City Council and the Co-operative Group in taking forward the regeneration framework for the Co-operative estate and the creation of a new commercial quarter in the north of the City Centre;
2. Confirm the City Council's commitment to invest £20m into key elements of the development that will create a sense of place for this new quarter and high quality environment;
3. Authorise the Chief Executive, the City Treasurer and City Solicitor, following consultation with the Chair of the Executive and Executive Member for Finance and Human Resources, to negotiate and complete the Development Agreement in order to implement the proposals set out in this report and determine the allocation of the funding;
4. Approve an increase to the Council's Capital Programme by £20m to enable the delivery of both the infrastructure works and public realm works. This will be funded from the resources held in the Capital Fund;

5. Recommend that the Council approves the increase in the Capital Programme as set out above;
6. Authorise the Head of Corporate Property in consultation with the City Treasurer, to negotiate and agree the terms for the disposal of the Council owned land to the Co-op Group who require this to deliver highways improvements and public realm, by way of a long lease at market value and to instruct the City Solicitor to complete the documentation accordingly;
7. Delegate authority to the Chief Executive, following consultation with the Chair of the Executive, to select a public realm design team as part of a joint process with the Co-op and in accordance with OJEU processes; and
8. Request that a further report be submitted to the Executive at key milestones in due course.

Wards Affected:

Ancoats and Clayton
City Centre
Cheetham

Community Strategy Spine	Summary of the contribution to the strategy
Performance of the economy of the region and sub region	The investment by the Co-op and City Council in this area will play a major role in contributing to the economic performance of the region and sub region. The head office will be home to 3,500 employees and the redevelopment of the wider estate has the potential to accommodate over 15,000 new jobs over the long-term. The redevelopment of the Co-op estate will stimulate further investment and development in the wider City Centre North area- a major gateway to the City Centre.
Reaching full potential in education and employment	The redevelopment has the potential to create around 15,000 jobs. The City Council and the Co-op are working closely to maximise local employment, procurement and training opportunities. The Co-op will also work with local schools and colleges, particularly through the Co-operative Academy in North Manchester.

Individual and collective self esteem – mutual respect	By creating new employment in the area, there are major opportunities for local residents to up-skill and gain new confidence.
Neighbourhoods of Choice	In creating a new destination in the City Centre, the development strategy will provide the opportunity to deliver appropriate community facilities and the opportunity for surrounding communities to benefit.

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

There are no revenue consequences for this report.

Financial Consequences – Capital

This will require an increase to the City Council's approved capital programme of £20m, with the increase being funded from resources which have been earmarked for this purpose within the Capital Fund. During the period of the agreement, the City will have land receipts and overage payments. The City Council will continue to work with the NWDA to secure ERDF funding towards these costs.

Contact Officers:

Name: Sir Howard Bernstein
Position: Chief Executive
Telephone: 0161 234 3006
E-mail: h.bernstein@manchester.gov.uk

Name: Pat Bartoli
Position: Head of the City Centre Regeneration Team
Telephone: 0161 234 3329
E-mail: p.bartoli@manchester.gov.uk

Name: Richard Paver
Position: City Treasurer
Telephone: 0161 234 3564
E-mail: r.paver@manchester.gov.uk

Name: Des Gardner
Position: Head of Regeneration (Legal)

Telephone: 0161 234 4599
E-mail: d.gardner@manchester.gov.uk

Name: Helen Jones
Position: Head of Corporate Property
Telephone: 0161 234 1202
E-mail: h.jones4@manchester.gov.uk

Name: Ruth Ashworth
Position: Policy Officer
Telephone: 0161 234 23611
E-mail: r.ashworth1@manchester.gov.uk

Background documents (available for public inspection):

1. Report to the Executive- The Co-operative Complex- 8 July 2009
2. Report to the Executive- The Co-operative Complex- 27 May 2009
3. The Co-operative Group- Strategic Regeneration Initiative- May 2009
4. Report to the Executive- The Co-operative Wholesale Society- 18 May 2008

1.0 Background

- 1.1 Previous reports to the Executive have outlined the regeneration ambitions shared by the City Council and The Co-operative Group (the Co-op) for the redevelopment of the Co-op estate. They set out the opportunity that exists to create a major new commercially-led destination, following the Co-op's decision to retain its head office in the north of the City Centre.
- 1.2 Given the scale of the investment being made by the Co-op and the size of its estate in this part of the City Centre, this redevelopment project provides the City with one of the most exciting regeneration opportunities in the region. Investment by the Co-op would enable the area to be re-connected with the City Centre and surrounding communities and in doing so would create significant economic, social and environmental benefits on a scale rarely experienced.
- 1.3 The redevelopment of this area will be a major contributor to achieving the regeneration objectives for the wider City Centre North area as it will build on other investment and initiatives taking place such as the redevelopment of Victoria Station, the new Chetham's School of Music, the National Football Museum, the former Boddington's site and over time the former Ramada block. The investment by the Co-op in its new headquarters and the phased release of its significant estate in this part of the City Centre will be a major catalyst for further development and investment to take place in this area over the next 15-20 years.
- 1.4 In May 2008, the Executive formally recognised the importance of the Co-op's presence in the City Centre and approved, in principle, an investment of up to £20 million of the City Council's own funds to deliver the public elements of the overall development package. Resources have been identified in the Capital Fund for this amount. Given the scale of the development opportunity and the potential to realise significant economic benefits in the new quarter and wider area, it was agreed that this funding would be committed to deliver the public realm elements and strategic linkages of the overall development package. This will include public realm, highways and other improvements that are necessary to create the 'place', and linkages to the rest of the City Centre and to the local communities that lie adjacent to the Co-op quarter, and provide the foundations to attract further public and private sector investment.
- 1.5 The Regeneration Framework for the area, prepared jointly by the Co-op and the City Council which was endorsed following public consultation, set out a vision to create a commercially-led, mixed-use destination at the northern gateway to the City Centre, covering an area of 20 acres. The new 350,000 sq ft (net) landmark headquarters building will provide the anchor for further development to take place across the rest of the Co-op estate and surrounding area over the next 15-20 years. The framework recognised that the investment by the Co-op will play a hugely significant role in re-connecting the area with the rest of the City Centre and with surrounding communities, and has real potential to be a catalyst for further investment. The area has an estimated development capacity of approximately 3.5 million sq ft, which has

the potential to accommodate 15,000 new jobs in addition to those retained in the head office.

- 1.6 The new quarter will be exemplary and set new standards for sustainable development and urban design. Both the Co-op and the City Council share a commitment to quality and innovation. The scale of the project, the mix of energy sources and the management systems will set a new benchmark in urban renewable energy provision. The City Council is working closely with the Co-op to explore how new energy sources and utility solutions for the head office and redevelopment area can link into a wider renewable network in the City.

2.0 Introduction

- 2.1 Since the Executive's approval and endorsement of the Regeneration Framework in July 2009, the City Council has continued to work closely with the Co-op to develop the key regeneration priorities and infrastructure improvements required for the area around the head office and also subsequent phases of development that may take place over the medium to long-term across the entire estate. A Project Board, comprising the City Council's Chief Executive and senior representatives from the Co-op, meet regularly to oversee the project, the regeneration objectives and to take forward priority actions.
- 2.2 Planning permission for the head office was granted last summer and the Co-op has now commenced enabling works on the site and these works are well underway. Construction of the HQ building itself will commence this spring and the intention is for the new building to be operational by summer 2012. The Board has agreed that a number of key elements will be required to be in place by the time the building is operational, including public realm around the headquarters and infrastructure improvements, particularly in relation to the down-grading of Miller Street, which currently presents a challenge to the integration of the HQ with the remainder of the Co-op quarter and the City Centre due to its size and severance impact.
- 2.3 The Project Board is now in a position to take forward and commit to the first phase works. These works, along with the scope of work to be carried out over subsequent phases, will be set out in a Development Agreement which is currently being prepared. The Agreement will set out the Co-op's commitment to retain its primary employment base in the City Centre for the next 10 years and will include penalty clauses if they fail to meet their obligations. The City Council will work with the Co-op to deliver the public realm and highways works.

3.0 Funding Commitment

- 3.1 It is proposed that from within the £20m total allocation for this project, the City Council will contribute £12m towards the development of public spaces which will be focused on creating a sense of place and world-class environment. This will be achieved by delivering the highest quality of public realm,

improved pedestrian linkages and new high quality open spaces over the first phase and subsequent phases.

- 3.2 A cap of £8m will be allocated to a contribution towards infrastructure work, primarily focused on the narrowing of Miller Street. If the final costs of the public realm works are less than the allocated £12 million, then the additional funds released will be allocated to further phases of public realm. The detailed costs of public realm and infrastructure works are currently being finalised. If the costs of the infrastructure works exceed £8m then these will be funded by the Co-op.
- 3.3 The City Council will continue to work with the NWDA to achieve the maximum match funding for the City's investment in the regeneration and place-making elements of the scheme through ERDF funding, to off-set the costs of our contribution and support the delivery of other public realm priorities within the City Centre.

4.0 Regeneration and Place-Making

- 4.1 It is intended that new, high quality public realm will be created at the area immediately around the headquarters building together with a major new public square in front of the head office, fronting onto Miller Street. Depending on the final costs for these first phase works, this funding may also be allocated to subsequent public realm works over future years. As experienced elsewhere in the City Centre, at Spinningfields for example, the City Council fully recognises the importance of investing in and creating a high quality environment in order to create world-class destinations and provide the conditions to attract further investment. In order for this new quarter to be successful, investment must be made in creating the right conditions and attractive environment.
- 4.2 Key areas for public realm investment in subsequent phases relate to future development sites to the north of Miller Street and the treatment of the Co-op's extensive listed estate to the south. The Regeneration Framework highlights the opportunity to renovate and convert the Co-op's estate, which includes a significant number of listed buildings. The Co-op intends to phase the redevelopment and release of the listed estate, given its size and scale, and consider a number of uses appropriate such as office, retail, leisure and residential over time. There is also a major opportunity to open up the listed estate and create pedestrian linkages from the HQ site through to the retail core of the City Centre.
- 4.3 The timescales for bringing forward development on the site adjacent to the head office, and the release of the listed estate will largely depend on market conditions and as landowners, the Co-op will take a flexible approach as market conditions evolve.
- 4.4 Subject to approval by the Executive/City Council on the expenditure commitment, the Project Board now intends appoint a design team for the public realm through an international process. This will be run jointly between

the City Council and the Co-op and the scope of this will cover the entire redevelopment area to ensure a consistent approach to the look and feel of the area. The scope of the brief and the procurement process will be set out in the Development Agreement.

5.0 Highways/Infrastructure Works

- 5.1 A major driver behind the Co-op's redevelopment objectives is to reduce the severance impact of the Miller Street in order to better integrate the site with the City Centre and to give greater priority to pedestrians and cyclists. The City Council and the Co-op are working hard to develop a highways solution that will enable this section of the Inner Relief Road to be re-designated as a two-lane highway. Once a fully tested and costed highway solution is arrived at, that meets both the needs of the Highways Authority (including planned highway changes such as cross-city buses) and the Co-op's objectives, it is proposed that the City Council allocates a maximum sum of £8m from the £20m total as a contribution to these works.
- 5.2 Subject to endorsement of the report, it is proposed that the Highways and infrastructure options are developed in further detail both in terms of designs, re-routing and costings. A further report will be brought back to the Executive in due course setting out progress with the initiative.

6.0 Land transfer

- 6.1 In order to achieve the regeneration objectives it will be necessary for the City Council to transfer its land interests in the redevelopment area to deliver the required highways improvements and public realm. The City Council will receive market value for its land holdings. In addition, the City Council will be entitled to overage on a pro-rata land ownership basis where plots are developed after allowing for costs and a priority return to the Co-op/developer. The Development Agreement will set out the parameters for these arrangements.

7.0 Conclusion

- 7.1 Since the Executive approval in principle to fund up to £20m on key place making aspects of the Co-op estate redevelopment, the City Council and Co-op team have continued to work closely on taking forward the regeneration strategy. The Project Board are now in a position to take forward a Development Agreement which will set out works required in the short, medium and long term. Subject to endorsement of the report, the Project Board intends to finalise the Development Agreement, procure a design team for the public realm works, and develop a detailed solution for the highways and infrastructure works. The Council will continue to work with the Co-op through the Project Board and will report progress back to the Executive at key milestones in due course.

8.0 Contributing to the Community Strategy

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

This new quarter, to be anchored by the Co-op, will be a major contributor to the economic performance of the region and sub region. Not only will it provide a new home for the Group itself and capacity for potential expansion over future years, but will also provide a catalyst for further investment and development on the estate and within with wider City Centre North area.

(b) Reaching full potential in education and employment

The new head office will provide a home for the Co-op's 3,500 employees in the City Centre. It is envisaged that the redevelopment of the wider estate has the potential to accommodate around 15,000 jobs over the long-term. The Co-op and the City Council will work closely to maximise local employment, training and procurement opportunities.

(c) Individual and collective self esteem – mutual respect

(d) Neighbourhoods of Choice

The regeneration framework is designed to deliver appropriate community facilities and to ensure that local communities can access the opportunities being created.

The redevelopment will provide a much improved environment that will be well maintained and attractive to future occupiers and users over the long-term.

New public realm that will be implemented in this area will provide safe and accessible routes and destinations for all users, and the management and maintenance regime that will be adopted will ensure that high standards of urban management are achieved as elsewhere in the City Centre. When individual applications are submitted for development across the masterplan area over time, officers will ensure that they are all fully accessible to all people.

9. Key Policies and Considerations

(a) Equal Opportunities

A key aim of the regeneration framework is to ensure that local people can access and benefit from the employment opportunities and community facilities being created. There is also a commitment to ensure that design standards throughout the redevelopment will comply with the highest standards of accessibility.

(b) Risk Management

The Project Board will develop a risk management strategy and continually monitor and respond to risks throughout the lifetime of the project.

(c) Legal Considerations

Subject to Executive endorsement, a Development Agreement will now be finalised to set out the roles, responsibilities and development obligations of both parties.

The City Council's participation in this project will be authorised by s2 of the Local Government Act 2000, subject to the Executive being satisfied that it is in the interests of promoting the social, economic or environmental well being of the area. In determining whether and how to exercise this power, the Executive must have regard to its Community Strategy. If agreed by the Executive, a number of legal contracts will need to be concluded pursuant to the detail of this report. The contribution this project will make towards achieving the objectives of the City Council's Community Strategy are set out above.