

**Manchester City Council  
Report for Resolution**

**Report To:** Resources and Governance Overview and Scrutiny Committee  
Executive

**Date:** 12 November 2009  
18 November 2009

**Subject:** First Street

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

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**Summary**

This report seeks to update the Executive on the delivery of the First Street scheme. This includes a progress update, details of the Commercial Plan as now provisionally agreed and further commercial detail governing the long-term development of First Street, including Mackintosh Mill and the adjacent Little Peter Street site and the delivery of public realm.

The Executive previously considered a report, in October 2008, which set out the commercial terms for establishing a joint venture development agreement with ASK, the majority land owners of First Street.

**Recommendations**

The Executive is recommended to:

- i) Endorse the Commercial Plan as now provisionally agreed with ASK, incorporating delivery and performance measures for the implementation of the First Street scheme;
- ii) Authorise the Chief Executive, the City Treasurer and City Solicitor, following consultation with the Chair of the Executive Committee and Executive Member for Finance and Human Resources, to negotiate and execute all necessary contracts, in respect of the development agreement, leases and the public realm agreement to which this report relates;
- iii) Recommend that the Council approves an increase to the Council's Capital Programme by up to £3M to reflect the sums set out within this report in respect of public realm works;
- iv) Note the recommendation in the First Street report within Part B of this agenda in relation to the strategic acquisition of land adjacent to Mackintosh Mill and the request for the Council to approve a separate increase in the capital budget to cover the acquisition costs; and

- v) Note approval of this report is subject to acceptance of the recommendations contained within the Part B report on First Street, on this same agenda.
- vi) In accordance with paragraph 14 of Part 4, Overview and Scrutiny Procedure Rules of the Council's constitution, approve the matter as urgent, in that any delay caused by the call-in process, would seriously prejudice the legal or financial position of the Council or the interests of the residents of Manchester and that the waiving of call-in be reported to the next meeting of the Council

**Wards Affected:**

City Centre

Community Strategy Spine	Summary of the contribution to the strategy
Performance of the economy of the region and sub region	The project will provide the catalyst for further investment and employment in the area.
Reaching full potential in education and employment	The redevelopment of this area will facilitate the creation of a substantial number of jobs in a range of employment sectors.
Individual and collective self esteem – mutual respect	
Neighbourhoods of Choice	The quality of the public realm is a significant factor in determining the character of the area. The intention to encourage independent and niche uses will create a distinctive experience in and quality of the area.

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

**Financial Consequences – Revenue**

The car park at Little Peter Street (see Plot 5 on the attached plan) generates a rental income and profit share to the Council through the joint venture. The income will be forgone when the car park is drawn down for development. The Council will receive a capital receipt for disposing of the site to ASK reflecting market value which compensates for the loss of income.

There will be an opportunity to develop an income stream through the acquisition of the Mackintosh Mill site (see Plot 4 on the attached plan), through short-term uses that will contribute towards holding and borrowing costs.

## Financial Consequences – Capital

The disposal to ASK of the Little Peter Street car park, and within the main site the disposal of three individual plots of land on long leases (see plots 1-3 on the attached plan), will provide the Council with a consideration reflecting the market value of the land plus overage payments.

The Council will provide up to £3M to deliver public realm on the First Street site that will be recovered from ASK through the development agreement by way of a priority charge payable on the completion of successful phases. Details of a supporting grant application are set out in a report on Part B of this agenda.

The Council's investment in public realm and strategic acquisition of land at Mackintosh Mill is proposed to be met from the Capital Fund. This will require an increase in the capital programme as defined in a report on Part B of this agenda.

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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 officers named above.

Updated Development Framework / Masterplan – 2008

Turner and Townsend Stage C Public Realm Report – 2008

Report to the Executive – 22 October 2008

Draft - First Street Commercial Plan

## **1. Introduction**

- 1.1. At the November 2005 meeting of the Executive, and following a period of wide consultation, the Executive endorsed a new Development Framework for the Central Spine area of the city centre (now First Street). The Framework identified First Street as one of a small number of priority fringe city centre locations capable of accommodating the City's growing requirement for price sensitive commercial and associated development, and a key driver in enhancing the City's competitive position.
- 1.2. First Street is also particularly well placed to accommodate significant growth which is associated with the Corridor, one of the City's and the region's most important economic assets, which is set to drive the anticipated 50,000 new jobs in key growth sectors over the next 10 years.
- 1.3. At the meeting in October 2008, the Executive endorsed the principle of the Council's minority land assets at First Street being incorporated into a joint venture with ASK. These terms have now been provisionally agreed within a development agreement and the long lease arrangements for Council land, and are set out below.

## **2. Progress Update**

- 2.1. Despite a challenging economic environment, progress with the redevelopment of this area is underway. The first phase of the regeneration of First Street is now largely complete: ASK have undertaken remediation works within the area; and have completed the first major development by delivering a BREEAM excellent building in No. 1 First Street. These significant achievements in difficult times will lay the foundation for future success by preparing the remainder of the site for future development. In addition to ASK's progress, Downing Developments and Unite have completed high quality student residential developments to the south of the site that will bring additional activity to the area.
- 2.2. As a major component of the Town Hall redevelopment proposals, a lease has recently been completed to enable the Council to occupy a significant part of No. 1 First Street from April 2010 onwards. This important letting will be the catalyst to encourage other occupational interest in the area.

## **3. Interim Uses and Public Realm**

- 3.1 First Street will be a commercially led, mixed-use development that will become a destination of choice for both businesses and people. By striking a balance between commercial, retail, leisure and residential uses throughout the area, an urban environment can be created that can meet this aspiration by accommodating both daytime and evening users.
- 3.2 It is accepted that while the project is in its infancy, achieving this aspiration will prove difficult, given that First Street has limited established uses that would traditionally attract pedestrian flow. To overcome this, a strategy has been

prepared to stimulate greater activity, particularly through the addition of independent and niche uses in the area which will, over time, attract greater numbers of pedestrians. This will form part of the commercial plan arrangements detailed in Section 4 below.

- 3.3 In order to facilitate the public realm works the Council has proposed a contribution of up to £3M to support implementation of an agreed schedule of works to be procured in a manner that will not prejudice the Council's VAT position. It is intended that half of these funds could be offset through an external public grant, the outcome of which is pending. However, the full £3M will be recovered from ASK through the development agreement by virtue of a priority charge. Further detail on this is set out in a report included in Part B of this agenda.

#### **4. Commercial Plan**

- 4.1 The Executive previously agreed that consideration of the First Street Commercial Plan should be delayed until its detail had evolved as part of the ongoing process of negotiation between the Council and ASK. This supplemental detail sets out the key expectations of ASK and the Council in the delivery of high quality, commercially led mixed use development.
- 4.2 Key among these has been a better understanding of the quantum and quality of growth potential within the Corridor, and the significant opportunity that exists to capture major commercial development in First Street, arising from this. First Street is one of the few locations capable of grasping and maximising these opportunities, as it could offer large floorplate commercial development, as well as other developments, at highly competitive rental levels. First Street also has excellent transport connections including its key entry point from the Airport and the national and regional motorway network. In addition to its excellent accessibility by road, Oxford Road and Deansgate Railway Stations and G-Mex Metrolink stop all serve the area. It has therefore the potential not only to contribute to the city centre's future growth going forward, but also to capture the benefits which flow from the continued development of the Corridor. The Council's occupation of No. 1 First Street, the remediation already undertaken to the site, and the public realm improvements which are planned, will actively stimulate and promote the development of future phases - creating the conditions for capturing growth as the economy starts to improve. The proposals in this report should therefore be seen as another manifestation of the Council's role in leading the City through recession.
- 4.3 The Commercial Plan comprises the following main sections: vision and aims; the joint venture partnership; Council land interests; the development framework; public realm and the landscaped environment; car parking and surface treatments; sustainability and the environment; market positioning and branding; leasing strategy; phasing; delivery and performance strategy; and a financial summary / appraisals.
- 4.4 Given the anticipated 10 - 15 year lifespan of the development, it is expected that the agreed Commercial Plan will need to evolve in response to changing

economic conditions and market challenges. To adapt to these circumstances it is intended that this plan will be flexible with amendments / additions being agreed by the First Street joint venture project board, and where appropriate by the Council's Executive Committee.

## **5. City Council Land Assets**

- 5.1 The disposal to ASK of the Little Peter Street Car Park and the three individual plots of land within the main site with overage obligations, will provide the Council with a consideration reflecting the market value of the land. The key terms of these land transactions were set out in the report to the Executive of 22 October 2008 (Part B), and have not substantially changed since. The First Street leases are therefore now in a position where they are ready for completion.
- 5.2 The Commercial Plan sets out some additional requirements and context outside of the relevant legal agreements which reflect the intentions of the parties in the development of Council owned land assets, principally, to deliver a commercially led mixed use development within an agreed 10 - 15 year timeframe with appropriate performance and review mechanisms.
- 5.3 Once land is drawn down for development purposes, ASK will be required by virtue of the Commercial Plan and masterplan to bring forward development that meets the aspirations of both of these plans.

## **6. Land adjacent to Mackintosh Mill**

- 6.1 Mackintosh Mill is a multiphase, primarily residential development that is being delivered by Bryant Homes whom are a subsidiary of Taylor Wimpey. (See attached plan- Plot 4) Bryant Homes have been on site for over two years and have now completed the first phase. However, as a result of poor market conditions, they wish to sell the remainder of the site.
- 6.2 Terms have been offered to the Council for it to acquire Taylor Wimpey's residual interest of circa 1.45 acres. These terms are, in the view of the Head of Corporate Property, representative of best value given the anticipated allowances that will be required for remediation, demolition and on site works. Appropriate due diligence will be required to confirm anticipated costs and agree contractual terms.
- 6.3 The acquisition of this land will have an impact on the overall success of the area by opening up key pedestrian linkages through the eastern part of the site and increasing permeability, thus making it easier to deliver the agreed vision for First Street. It would also allow the Council the flexibility to support the future expansion of development associated with the Corridor area, whilst maximising the strategic benefit for First Street, thus underlining the Council's commitment to the regeneration of this key strategic area of the City.
- 6.4 Once vacant possession is secured, it is proposed that car parking be considered as a short term use while development proposals for this site are

worked up. Additional costs will, therefore, also be incurred to accommodate this, to contribute towards the laying out, maintenance, security and borrowing costs of the land.

## **7. Conclusions**

- 7.1 The Commercial Plan sets out the expectations in respect of quality and delivery for the overall First Street development, and is intended to act as a flexible yet binding document detailing the guiding principles for the development of the site.
- 7.2 The purchase of land adjacent to Mackintosh Mill will enable the Council to control a key strategic site that sits within the boundary of First Street. Its purchase will provide the Council with the flexibility to support the future expansion of development associated with the Corridor, while maximising the strategic benefit for First Street.
- 7.3 High quality public realm is vital to the overall vision and success of First Street and in facilitating this investment the Council will be able to ensure its delivery at an early stage in the development programme, in so helping to stimulate the regeneration and public use of the site.

## **8. Contributing to the Community Strategy**

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

- 8.1 The development of First Street will significantly assist the regeneration of a strategically important area of the City by introducing new complementary uses, by acting as a focus for activity and by attracting visitors into the area. It should also help to transform the image of the area as a place to invest and further enhance the area's contribution to the overall city centre "offer", which in turn should help attract visitors to Manchester and help to create job opportunities at First Street and within the wider city centre.

This area has in recent years endured a lack of identity and economic purpose, resulting from its failure to integrate and connect in a physical and economic sense with the rest of the city centre, Hulme and The Corridor. Historically, these factors have stymied investment and prevented growth, despite the distinct advantages arising from its accessible, central location.

### **(b) Reaching full potential in education and employment**

- 8.2 As a commercially led mixed used development, First Street is intended to be a leading driver for job creation within the sub regional economy over the coming decade.

Preparation of the original Development Framework was heavily influenced by the Knowledge Capital agenda and in particular the economic opportunities emerging within the Corridor area. This area is an extremely important asset to the City and the region, and its profile and performance over the coming years

will be a critical factor in driving long-term economic competitiveness given its proximity to key educational institutions.

It is intended that full potential in education and employment can be achieved through innovative partnerships and linkages with these key educational institutions that will be facilitated through the provision of a working environment that fosters innovation.

### **(c) Individual and collective self esteem – mutual respect**

- 8.3 Employment, skills and training opportunities will be created as a direct result of this investment and associated individual and collective self esteem will be improved via the workplace as a consequence.

In the creation of a high quality built environment for which local people will be proud a new vibrant area of Manchester will be emerge where local people can live, work and socialise thus creating community cohesion.

### **(d) Neighbourhoods of Choice**

- 8.4 The redevelopment of First Street will bring new life to the area which will be in keeping with the City Council's policy objective of creating neighbourhoods of choice.

## **9. Key Polices and Considerations**

### **(a) Equal Opportunities**

- 9.1 A key aim of the redevelopment strategy is to ensure that local people can access and benefit from the employment opportunities and community facilities being created. In addition, there is a commitment to ensure that design standards throughout the development will comply with the highest standards of accessibility.

### **(b) Risk Management**

- 9.2 The Project Board will develop a risk management strategy and will continually monitor and respond to risks throughout the lifetime of the project. The Commercial plan contains within it a process relating to performance and evaluation.

### **(c) Legal Considerations**

- 6.2 If adopted by the Executive, a number of legal contracts will need to be concluded pursuant to the detail of this report.
- 6.3 Approval is sought pursuant to Rule 14 of the Overview and Scrutiny Rules that the decisions set out in the recommendations above are urgent as the delay caused by the call in process would seriously prejudice the legal or financial position of the Council or the interests of the residents of Manchester.

- 6.4 As identified in this report the public realm works will be the catalyst to encourage other occupational interest in the area. This will coincide with the City Council's occupation of the site from April 2010. In order to ensure the works are completed by the time the City Council go into occupation of part of No.1 First Street it is necessary for the works to be commenced and the funding approved by December 2009. If the current decision was called in it would prevent this matter being considered at the next Council meeting and would result in a delay to commencement of the works. Therefore in order to avoid the risk to the transaction due to delay it is considered prudent to exempt the decisions from call in

Recommendations can be found at the front of the report.



Ground Floor Plan and Uses  
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