

**Manchester City Council
Report for Information**

Report To: Economy, Employment and Skills Overview and Scrutiny
Committee – 8 February 2012

Subject: City Centre Regeneration Team

Report of: The Chief Executive

Summary

To provide Members with an update on the progress of City Centre Regeneration initiatives and the impact this is having on economic growth in the city centre.

Recommendations

The Committee is recommended to note the progress that has been made by the City Centre Regeneration Team.

Wards Affected:

City Centre, Ancoats and Clayton

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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 contact officers above.

City Centre Strategic Plan 2009-2012

1.0 Introduction

- 1.1 This report provides an update on the work of the City Centre Regeneration Team and its impact on employment and economic performance in the city centre.

2.0 Economic Context

- 2.1 Given the current global financial climate, economic growth will dominate national and international agendas for some time, as will the role of cities. Cities are becoming an increasingly important part of the Government's growth agenda. The Government recently published the "Unlocking Growth in Cities" paper which recognises the role of cities as engines of economic growth, critical to the country's economic recovery. The paper provides a renewed focus on supporting cities to drive forward growth. Manchester is at the heart of these activities, and the paper announced that Greater Manchester (GM) will be one of the city regions with which it will enter into a tailored "city deal", providing new powers and functions to unlock growth in a way that meets local needs and priorities.
- 2.2 Clearly over the next few years the UK and other European countries will continue to operate within an ever challenging fiscal environment, which will see less public and private funding to support growth. Successful cities will be the smarter cities, which invest in people as well as in infrastructure, expand their economic base by growing demand, and develop their own strategies for financing growth, by reducing dependency on public grants.
- 2.3 The success of Manchester and the wider city region are firmly linked together. Manchester has worked hard with the other GM authorities to establish the Combined Authority (CA) and Local Enterprise Partnership (LEP) which have created the platform for a co-ordinated approach within the sub-region.
- 2.4 The GM Local Economic Assessment (LEA) produced by New Economy, working with the ten local authorities, provides a single economic assessment to understand the priorities and challenges for the conurbation's economy, and for each of the constituent local authority areas, and provides a sound foundation for the CA and the LEP.
- 2.5 Following strong growth over the past decade, Greater Manchester today is one of the fastest growing city regions in Europe, and in economic terms is the leading regional city in the UK. We account for over 40% of the GVA for the North of England and we are central to the nation's growth strategy and to the Government's objective to counter-balance the economic draw of London and the South-East. Greater Manchester has also performed strongly in a European context, being within the top 20% largest economies (by GVA) in the European Union.
- 2.6 Greater Manchester's economic growth has been driven by the large-scale, rapid expansion of the service sector, particularly financial and professional

services. This sector has contributed 45% of all GVA growth across Greater Manchester over the decade prior to the recession, rising even higher in the conurbation core (Manchester city centre together with the central parts of Salford and Trafford), making the conurbation a centre for financial and professional services of national significance. Higher Education (driven by the strength of GM's universities), health and retail are also important and growing sectors, with the specialist and high-value biotechnology and life sciences sub sectors seeing strong growth alongside public sector employment. There are a large number of high growth firms, with 40% of the North West's high-growth firms located in GM in 2009.

- 2.7 The city region has inevitably been hit by the recession over the past few years and has experienced losses in jobs and GVA since 2008. However, these declines are slightly less than for the UK as a whole, and latest forecasts from the Greater Manchester Forecasting Model (GMFM) estimate that GM will match UK growth rates in the medium term. The resilience of the private sector is an important factor in this forecast. Further challenges arise from historic problems of high unemployment, low skills and high deprivation levels across many parts of the sub-region.
- 2.8 GMFM forecasts that growth will continue to be driven by financial and professional services, which will further cement the role and importance of the conurbation core to GM's economic growth. New growth sectors, such as the creative and digital industries and life sciences are also concentrated in the conurbation core.
- 2.9 At the O&SC in January, the Chief Executive gave a presentation on economic developments in Manchester. The presentation discussed how Greater Manchester has the business base to create 75,000 jobs by 2015. The city centre is well placed to capture nearly 57,000 of those jobs, through the strategic developments set out below.

3.0 Recent Performance of Manchester City Centre

- 3.1 The importance of Manchester city centre in driving the economy of the city region is clearly illustrated by the Greater Manchester Local Economic Assessment. Manchester city centre has seen rapid GVA growth and rising employment over the last decade, and unprecedented levels of public and private sector investment have brought about the renaissance of the city centre. The 2010 UK Competitiveness Index showed the City of Manchester to be the third most competitive large city in the UK behind Edinburgh and Bristol.
- 3.2 Although the downturn has impacted to some degree on the economy, the level of business activity and strength of the private sector suggests that the city is well placed to benefit from wider economic recovery when it happens. Despite strong public sector growth, the city has seen a net shift toward the private sector, in contrast to many other large UK cities. The city was responsible for over a quarter of the private sector jobs created in Greater Manchester over the last ten years.

- 3.3 The city centre's recent growth has been driven by knowledge-intensive and high growth firms, with the city being home to 27% of the high-growth firms in GM. This growth is epitomised by financial and professional services which have seen by far the greatest growth and are now the largest employer in the city. Over 50 international banks are now represented in the city, and nearly 63,500 people are working in this sector in the city centre. While this figure fell slightly in 2009 it rose again in 2010 showing the resilience of the sector. The Bank of New York Mellon was first attracted to the city several years ago, and is now its main European growth centre, with 1,100 people employed across its two offices in the city centre. Over the past few years we have not only seen employment maintained through consolidated activity, but changes in functions – back of house activities are now aligned with investment banking which is key to future growth.
- 3.4 Manchester now has Europe's second largest media hub, and the region's digital and creative sector is growing faster than anywhere else in the UK, outside of London. The sector is anchored by the re-location of significant parts of the BBC to MediaCity UK, which is home to 5 BBC Departments and 1,500 employees (due to rise to 2,300 by the Spring). The city is a major centre for television and film production with ITV having a substantial operation here as well as the BBC. The city has a strong reputation for groundbreaking animation and CGI work, with new studios and facilities specialising in digital animation and visual effects, driving a growing independent sector. Approximately 5,500 people are now employed in the city centre (excluding MediaCity) in the cultural and creative industries. Over 9,800 people study creative and media broadcast related subjects at Manchester's 5 universities and the internationally renowned Informatics Department at Manchester University includes an area of specialism in facial imaging technology. Activity along the Corridor is providing opportunities for further growth.
- 3.5 We are also home to the largest cluster of ICT activities and companies outside London and employment in this sector has increased by 50% over the last decade, more than five times the national average.
- 3.6 Our science and innovation base is strong too. At its heart is Manchester University which is becoming increasingly recognised as a world class centre for research, a status reinforced by the Nobel Prize winning discovery of Graphene, which promises so much for the future trading success of the nation. We are also recognised as a world-class biotech cluster with a host of global pharmaceutical and health care companies, including Astra Zeneca which is headquartered in the region and along the Corridor arising from the universities and hospitals. The developments along the Corridor especially the FREH provide further growth opportunities for the bio-medical sector.
- 3.7 Nearly 6,000 people are working in the education sector in the city centre. Other growth sectors providing significant numbers of jobs in the city centre include health (nearly 3,000 jobs), tourism and leisure (over 14,000 jobs) and retail (over 11,000 jobs).

4.0 City Centre Regeneration Team

- 4.1 The principal aim of the City Centre Regeneration Team is to provide the essential focus for the co-ordination of the Council's input into the delivery of various initiatives that support the regeneration of the city centre, and to work directly to the Chief Executive on specific projects as required. The team work to promote Manchester and encourage companies to relocate here, bringing new jobs and investment to the city. We also look to retain and expand the business base in Manchester, to build relationships with potential strategic investors, to encourage growth and perpetuate the achievements and forward momentum of the past few years.
- 4.2 Given the strategic importance of the work, the team reports directly to the Chief Executive and comprises a Head of the Team, Development Co-ordinator, Policy Officer and Administrator.
- 4.3 The team works closely with colleagues across other departments and partner organisations to ensure the delivery of key projects and initiatives, which revitalise the city centre and encourage investment. In particular, strong linkages are maintained with the following services/organisations:
- **Neighbourhood Services** – to promote a well maintained environment for businesses and residents, flagging up relevant issues raised by businesses and local Members, and working together to find solutions.
 - **Cityco** (city centre management company) – we work on a daily basis with Cityco to respond to the needs of existing and new city centre retail businesses, including involvement in business forums and analysing and reacting to performance trends in the city centre.
 - **MIDAS** - to ensure that opportunities for bringing investment into the city centre are maximised, especially from the key growth sectors.
 - **Planning** – facilitating dialogue with developers to ensure that key developments and planning policy reflect the regeneration strategy for the city centre.
 - **Events Team** – to provide a wide variety of promotional activities to the city centre which encourage visitors from all backgrounds.
 - **Marketing Manchester** – to develop marketing strategies targeted at businesses seeking to invest in the city and on specific campaigns i.e. retail campaigns aimed at bringing more shoppers and visitors into the city centre.
 - **Manchester International Festival** – to develop sponsorship strategies and partnerships with the private sector.
- 4.4 The lead Member for city centre plays an active part in the many aspects of the team's work and undertakes a number of key roles including the Deputy Chair of Cityco Board, Board Member of Marketing Manchester, and a significant role in the new St Peter's Square evolving design process.

5. City Centre Regeneration Strategy

- 5.1 The priority for the city is to deliver local benefit by creating jobs and growth, and to ensure our residents are able to contribute to and benefit from our economic success. One of the key objectives of the Team is to ensure that local benefit objectives are communicated to and understood by promoters and developers of schemes within the city centre; that procurement methods are wherever possible tailored to meet local priorities; and that local regeneration priorities are fully taken into account when bringing forward new frameworks or individual schemes.
- 5.2 The issue of local benefit is a corporate priority led by the Corporate Core, and the Community Budget Pilot is designed to give increased profile to the effective delivery of these objectives. Following the presentation given by the Chief Executive last month, a further report on this initiative will be brought forward to this Scrutiny Committee for further consideration in the summer.
- 5.3 The success of the city centre's development to date has been largely achieved through forging strong and dynamic partnerships between the public and private sectors. The City Centre Strategic Plan has guided investment by the public / private sectors in the city centre. Through this there has been strong partnership working to deliver major developments within the city as detailed in Section 6.0 below.
- 5.4 The City Centre Strategic Plan (2009-12) sets out a vision for the city centre as a place:
- to invest
 - to work
 - to live
 - to shop
 - people can get to and get around within
 - that brings people together
 - to enjoy
- 5.5 The strategy sets out the initiatives and projects being undertaken to deliver the vision, both across the city centre and targeted at specific geographical areas.

6.0 Major City Centre Developments

- 6.1 Within the context of the City Centre Strategic Plan, there are a number of significant projects being developed across the city centre generating new jobs for Manchester. Details of the key projects are set out below.
- 6.2 The City Centre Regeneration Team are members of the board and project management structures for these schemes and input into all stages of their development. We have also led, with colleagues from City Policy, in drawing in additional grant investment for projects, including European Regional Development Funding for public realm along the Corridor, at First Street, the NOMA redevelopment (pending approval) and Regional Growth Fund resources for the Former Royal Eye Hospital.

First Street

- 6.3 First Street is located in a prominent gateway position in the Regional Centre, marking the entrance to the city centre from the airport and the south. The scheme will deliver transformational change to this critical area, providing a new, distinctive commercially-led mixed use destination, fundamental to the economy of the city centre and city region. A mixed use neighbourhood will be created on the 20 acre site over the next 10-15 years, comprising new commercial accommodation targeted at growth markets, a new cultural facility delivering a new home for our Library Theatre and contemporary Cornerhouse cinema, retail, hotel and residential accommodation and linkages to the Corridor.
- 6.4 The site presents an opportunity to deliver a high quality office product, which does not compete with established core or premium city centre destinations, but has locational and amenity advantage over out of town accommodation; making it a strong choice for price sensitive growth companies who want a city centre location.
- 6.5 The new development will deliver significant economic benefits for Manchester and the city region, providing 242,000 sq m of new commercial space (office 116,000 sq m, retail/ leisure/ hotel 46,500 sq m, residential 41,800 sq m, civic / cultural / amenity space 23,000 sq m, car parking / other 14,500 sq m) and the potential to accommodate over 11,000 jobs. In addition, the new cultural facility, which will bring together the Library Theatre and Cornerhouse to provide a much enhanced cultural provision in the city centre, will be a significant stimulus for economic growth across the wider neighbourhood: and will encourage wide ranging complementary private sector investment in additional amenity facilities. Conservative estimates suggest that the cultural facility will attract at least 850,000 visitors a year and visitor spend of at least £21m, as well as providing learning opportunities through extended community and outreach programmes.
- 6.6 The scheme is being delivered as a Joint Venture with the development partner Ask, and the team is represented on the Joint Venture board and sub-groups. A planning application has just been submitted for the northern part of the First Street site, comprising a 4-star hotel, multi-storey car park, budget hotel, small-scale retail and food/beverage units, the cultural facility and public realm, including a new public square.

NOMA/Coop Redevelopment

- 6.7 The Council is working in partnership with the Co-operative to bring forward the redevelopment of their 20 acre estate. This development 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 £26m redevelopment of Victoria Station, the new Chetham's School of Music, the National Football Museum and over time, the former Ramada block. The investment of £130m by the Co-op in its new Head Office 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. The Co-operative's decision to invest in the city centre has secured employment for 3,500 employees through the delivery of the Head Office. Work on the Head Office has also provided a £17m boost to the regional economy, and more than 50% of the workforce used in its construction are based within Greater Manchester; it is also providing 30 apprenticeships.

6.8 The transformation of the buildings, land and local infrastructure across the 20 acre site will unlock enormous potential for this part of the city, creating a European benchmark for sustainable development with the new Head Office building being developed to BREEAM Outstanding rating. The development will deliver over 1m sq ft of new offices, residential and leisure uses including a hotel. The commercial component of the scheme alone is expected to accommodate over 15,000 jobs over the next decade.

6.9 Key elements of the project include:

- the remodelling of the inner ring road to provide a properly integrated estate;
- extensive high quality public realm improvements, to improve connectivity and permeability between the residential area to the north of the development through to the retail core;
- refurbishment of around 910,000sq ft within the listed estate to deliver high quality retail / leisure and office accommodation. This will be a phased redevelopment and release of the listed estate, given its size and scale. It also presents an opportunity to open up the listed estate;
- a new hotel, which has recently received planning. Development will commence by June this year; and
- the development of a wood fuelled Combined Heat and Power system through a joint venture arrangement. The site will have capacity to link into the local power network and the Co-op are currently exploring opportunities to link into a heat network for North Manchester, thereby extending the environmental and cost savings benefits directly to local communities.

6.10 The scale and nature of developments proposed demonstrate the complexity of the scheme and the numerous working relationships that the team are engaged in and manage, including with the Co-op itself, Network Rail (both the operations and development arms), TfGM, adjacent landowners etc.

6.11 The Co-operative is a partner with the Council in the City's Academy programme with the Co-operative Academy in Higher Blackley. They will also look to form a partnership with the University of Manchester to create a mechanism for sharing knowledge and encouraging innovation in tertiary educations and research and development.

Victoria Station

6.12 Victoria Station, Manchester's second principal rail and Metrolink station is

due to undergo a £26m refurbishment programme. This initiative led by Network Rail, will enhance the facilities at the northern edge of the city centre, ensuring that the regional centre continues to provide high quality business and transport facilities that can cater for the projected growth as the economy recovers.

- 6.13 The redevelopment programme is designed to address the issues raised in the recent review of UK railway stations and will create a world class rail gateway. The experience at Piccadilly demonstrates the scale of additional use and activity which could be replicated at Victoria.
- 6.14 Components of the scheme include a new roof, new Metrolink platforms, improved ticket and retail facilities, improvements to Victoria Buildings and associated public realm improvements. This will complement developments in the area such as NOMA, Boddingtons site redevelopment, Green Quarter, Commercial Quarter and the Lower Irk Valley.
- 6.15 The redevelopment of the stations together with the plans for the Northern Hub will see additional tracks, improvements to stations, electrification of major routes and cuts to journeys times and the introduction of new rolling stock. The Northern Hub scheme (if approved) will facilitate the creation of 30,000 jobs across the north and boost the regions economy by £4.2bn.

Spinningfields

- 6.16 Spinningfields is one of the largest and most successful regeneration schemes in the country. Manchester City Council has been a key driving force in the delivery of this project, where a Joint Venture arrangement between the Council and Allied London is creating a 22 acre dynamic new business quarter, combining stunning architecture and high quality urban design to create a mixed-use, modern and distinctive quarter incorporating a range of commercial, residential, civic, leisure and retail uses and new public streets and squares, integrated into Manchester's city centre business district.
- 6.17 Since 2001, twelve buildings have been developed, including seven office buildings, 450 apartments, four new public squares and up to 30 new retail and catering outlets have been provided. Spinningfields already accounts for more than 35% of the City's prime office space and contains two building with the largest floorplates in the City. The area now supports over 10,000 jobs within over 40 commercial organisations, including many key financial and professional organisations. On completion of the masterplan there will be circa 20,000 people employed in the area. Further development plots provide for some 580,000 sq ft of office and retails space.

Piccadilly

- 6.18 We have seen significant positive change in this area, and the next phase of development will be linked to a number of influences; the most important over the next few years will be the future of the London Road Fire Station. The Fire Station was the subject of a recent CPO Inquiry, and the Chief Executive will be

attending Resources and Governance Overview and Scrutiny Committee in February, to give an update on the outcome. The comprehensive redevelopment of this site will be key to the exploitation of the University Estate in and around Sackville Street. Also developments such as Gateway House and the Nobles site within Piccadilly will create an opportunity for new hotel accommodation and commercial floorspace that will continue the regeneration of the area.

Civic Quarter

- 6.19 A new Civic Quarter in the heart of the city centre is now underway which is not only refurbishing the Civic estate through £177m of public investment but is also creating an opportunity for significant additional, high quality commercial floorspace to enhance the magnificent setting of the city's key heritage assets. The redevelopment of this area has the potential to generate £322m of construction investment and create around 12,990 jobs.
- 6.20 The area has the potential to bring significant benefits to both the city centre and the wider city region both through the Council's Transformation Programme and a number of planned commercial developments including the redevelopment of Elisabeth House, currently on site following the sign up of KPMG to a pre-let, the former Odeon Cinema, Manchester Central and the redevelopment of St Peter's Square.
- 6.21 The redevelopment of St Peter's Square will provide the setting for the very substantial investment in the Civic Quarter, and is a key part of the proposals to improve the whole Town Hall Complex through the Council's transformation programme. St Peter's Square is one of the most significant areas of open space within the city centre, is a major gateway, an integral part of the local transport network, and a key link into the Oxford Road Corridor which is a major generator of significant employment creation for the city region as outlined later. The programme aims to improve the quality of and access to Council services and to create a public space of international significance that will become a symbol of the city and provide a catalyst for new private sector investment.
- 6.22 As well as a significantly enhanced public realm, the proposals for the redesign of the square include the relocation of the tram stop and revised traffic arrangements to facilitate Metrolink's second city crossing which will run from St Peter's Square down Princess Street and Corporation Street to Victoria Station. As outlined later, the second crossing will provide the additional capacity for the extension of the Metrolink lines. We are working closely with TfGM, adjacent landowners including Argent and the Greater Manchester Pension Fund, veterans associations and occupiers to ensure an integrated programme of works to the Square is brought forward and implemented in tandem with occupational requirements. There are further proposals to relocate the cenotaph to where the Peace Gardens are currently located to create an area suitable for quiet contemplation and improved views of the Cenotaph.

- 6.23 The Chief Executive has asked the Team to co-ordinate the Council's input to the Second City Crossing project generally, and a joint report with TfGM will be brought forward in due course.
- 6.24 Proposals for the redevelopment of land behind Manchester Central are currently under consideration and will provide added impetus to delivering change in the Civic Quarter. This scheme will include a dedicated link from the Metrolink / rail stations to Manchester Central incorporating a new elevated public square, commercial floorspace and improved access to adjoining areas. The new commercial development will create job opportunities and attract new businesses to the city. The scheme includes 445 sq ft new Grade A accommodation and a 275 bed hotel. Current estimates indicate that it could lead to commercial property investment value of £270m and 2,600 jobs.
- 6.25 The significant public sector and infrastructure improvements at St Peter's Square and Manchester Central will provide the catalyst for new private and third party investment. Private sector led projects will ensure that full regenerative benefits of public sector expenditure are captured and amplified within the framework area. Within the private sector development pipeline there are 8 new high quality office buildings and 2 new hotel-led developments. Investment in transport and connectivity, driven by the Second City Crossing and the interchange at Manchester Central, will ensure that the area has the capacity to support growth in its employment, civic, conferencing and leisure attractions.

The Corridor

- 6.26 Our Universities and Hospitals are located within one area of the City, known as the Corridor. We established a partnership several years ago with the Universities and with the Hospital Trust because we recognised earlier than most that it is research and innovation, and the synergies which come from institutional collaboration, which can drive growth, employment and trading opportunities.
- 6.27 The Corridor Manchester is where there is the greatest potential for growth, with over 20,000 new jobs planned over the coming decade. The Corridor comprises 600 acres stretching from St Peter's Square south along Oxford Road to Whitworth Park. It has a current workforce of 55,000 and generates £2.8bn GVA – 22.5% of the total GVA of the City: 43% of this activity is within knowledge based sectors, much higher than the national average of 22%. Over the next 10 years it is anticipated that the Corridor will attract £2.5bn private investment and increase GVA to £4.7bn.
- 6.28 We have plans to expand our Science Park to support new business incubator activity – that also means new private sector partners – and we are bringing forward a new biomedical centre of excellence at the former Royal Eye Hospital with all funding now in place. The FREH site has been identified as having significant potential to meet existing proven demand for space and facilities for the biomedical sector. The refurbishment / extension of the FREH building will provide valuable grow on space for companies, but also free up

existing incubator space for new start ups so that a pipeline of growing companies can be established leading to future GVA growth. The site is expected to generate 450 new jobs and £61m GVA per annum.

- 6.29 The Team is working with the University to respond to the Chancellor's recent announcement about Graphene and the assembly of the essential evidential base for third party funding. Graphene has the potential to revolutionise IT infrastructure and other manufacturing applications. Taking Graphene into the market is crucial to the City's future growth as well as that of the UK.
- 6.30 The former BBC Oxford Road site is the largest single development area in central Manchester, covering 2.18 hectares. The building and site form a crucial component of future redevelopment opportunities within the Oxford Road Corridor. The site has recently been sold to a developer, and the team are working with the landowner on the preparation of a regeneration framework for the site, which will be brought to the Executive in due course. The framework will provide the context for future planning applications in this area.

Northern Quarter

- 6.31 The regeneration within the Northern Quarter area is organic and incremental and therefore more subtle and ultimately less predictable than in other parts of the city centre. Over the last year we have seen further consolidation of the Northern Quarter's position as a key creative quarter of the city, providing a different offering to the mainstream of the city centre.
- 6.32 Despite the impact of the recession both Manchester Craft and Design Centre (MCAD) and Afflecks Palace have reported that their units are fully occupied and also MCAD has a waiting list for space.
- 6.33 There are a number of developments taking in the area such as the Workshop development on Swan Street which will provide flexible workspace for creative and cultural businesses whilst also opening up the entrance to the Northern Quarter from Swan Street / Tib Street, the development of the Holiday Inn hotel forming part of the Smithfield development site and the completion of the Hive Phase 1 on Lever Street which is now home to the North West Arts Council.
- 6.34 There are a number of anniversaries this year such as it's 20 years of the area being called the Northern Quarter and 30 years of both MCAD and Afflecks Palace. This presents an opportunity for Manchester to promote the area.
- 6.35 Current initiatives we are working on to try and encourage further development and business growth in the area include:
- Working with Manchester University and local developer, Gillan Properties (who are developing The Workshop) to encourage more, particularly fashion-based, creative and spin-off businesses to set up in the area.

- Working with MUSE to ensure the conclusion of the Smithfield development, including the refurbishment and bringing back into use of the Mackie Mayor building.
- Extension of the Garden Cities project to provide environmental improvements around the Church Street car park.
- The systematic marketing and promotion of the area, to better put the area on the map, to encourage more and a greater variety of people to visit and move through the area and to encourage new and more diversified investment. A week long campaign by YELP (an on-line city guide) took place during 14-20 January to promote the area and its businesses.
- The development of the Cocozza Wood building either in its own right or as part of the Band on the Wall complex.

Mayfield

- 6.36 Mayfield occupies a 20 acre site adjacent to Piccadilly Station, and sits within the Eastern Gateway area of the city centre. The majority of the site in the northern section is in the ownership of British Rail Board (Residuary) (BRBR), although the Council and TFGM as well as other landowners also have interests in the area. Land south of the river is privately owned.
- 6.37 A strategic regeneration framework was developed at the end of 2009, which set out proposals for a predominantly commercial new mixed use quarter, which included: a new civil service campus development on the BRBR site, providing around 50,000 square metres of high quality, sustainable office accommodation; a new public park in the centre of the site, established around a rejuvenated River Medlock, with high quality interconnecting streets and spaces to create a sense of place and provide a venue for sporting and cultural uses; an effective link between the north of the site and Piccadilly Station; a mixed use development to the south of the site, bordering the Mancunian Way, potentially consisting of residential, commercial and retail use.
- 6.38 At the time the SRF was completed, it had been envisaged that the campus development would be required by the Civil Service. This would enable public investment in the development and act as a catalyst for regeneration of the wider site. The change of Government and policy initiatives that have followed mean that this is no longer the case and so civil service involvement cannot be assumed as a key driver in the development at least at this time. The proposals for a campus were put on hold, following the election of the new government, although all the landowning parties have strong aspirations to bring forward development on the site at the appropriate time. However, as part of government reorganisation, BRBR is to be transferred into the ownership of a DfT-owned corporation - London and Continental Railways - by 2013. This will involve all the BRBR property assets (but not its liabilities) going into LCR. The idea is to create a clean property company with a development remit. A partnership is currently being created to include the Council, BRBR, LCR and TfGM to bring forward a development strategy for Mayfield during 2012.

City Centre Regeneration Strategies

6.39 The CCRT are also involved in the development of a number of strategies that have guided the planned regeneration of the city centre. These include:

- Retail analysis to inform the development of the Local Development Framework and subsequently the foodstore impact assessment which identified priority sites for food stores in the city centre in the context of relevant planning and regeneration policies;
- City centre transport strategy which assessed and proposed changes to the transport network to support the sustainable ongoing economic growth of the city centre;
- Hotel strategy which examined the likely demand for additional hotel bed space in the city centre; and
- Purpose built student accommodation policy to determine criteria by which schemes contributed to the regeneration priorities.

Commercial Take Up

6.40 The city centre now has the largest office market outside London (at over 16.1m square feet) with prices higher than regional and national averages, at over £29 per square foot (compared to £27.50 in Birmingham and Edinburgh). The city centre is highly accessible by rail, road and Metrolink and is well connected to the resident population and national/international markets. The development of Spinningfields and Piccadilly has added to the supply of Grade A office property, while NOMA, First Street and the new office space within the Civic Quarter will provide significant additional capacity at a range of sizes and prices. These developments are helping to make Manchester a desirable location for companies to relocate to.

6.41 There is evidence of continued strong commercial property markets with significant investment deals. Highlights in 2011 included the £67bn sale of One Piccadilly Gardens to Europe Capital Partners and the £30m office block at Barbirolli Square to Scottish Widows. In September, Carrillion Construction started work on the 281,000 sq feet office block in St Peter's Square (formerly Elisabeth House), being developed by Argent and the Greater Manchester Property Venture Fund, which has a 63,000 sq feet pre let to KPMG.

6.42 However, there are currently indications of a shortage of Grade A office space within the city centre and take up during 2011 (at 700,000 sq ft) was significantly lower than the previous year, although 2010's figures were boosted by the Co-operative's pre-let of the NOMA development. Despite this, a recent report by the Manchester Office Agents' Forum expected occupier demand to remain steady in 2012 and for Manchester to outperform other UK regional cities. This makes the provision of additional high quality and competitively priced, flexible space through the developments outlined above even more important.

Inward Investment

6.43 The Head of the Team, with the Chief Executive works closely with Midas to secure significant new investment and employment in the city centre as part of our regeneration objectives. This includes international business marketing of the City's key attributes and opportunities, targeting of key sectors and markets e.g. financial and professional services, and providing advice, assistance and intelligence for potential investors. Recent successes in 2011 include Aegis (710 jobs), RBS Global Banking and Markets European Operations Centre (300 jobs) Network Rail (30 jobs) and RIBA (15 jobs). Further announcements at Spinningfields and in the Northern Quarter will be made soon.

Retail

6.44 The city centre is a major retail centre in the North of England, being one of the largest retail centres outside of London. Retailing not only provides employment and generates economic growth but also gives a real sense of place and vibrancy to an area. We have recently gone out to consultation on the provision of food retail within the city centre, following the food impact assessment which was produced earlier in 2011. The outcome of the consultation will be reported back to the Executive shortly.

6.45 Despite the current economic climate many of our major stores are among the best performing in their own groups. There are no voids in the Arndale – there is a waiting list – and footfall during 2010 was over 38m, compared to 25m in 2004. In comparison other Centres, including the Trafford Centre, have not performed to anything like a similar level. Overall footfall in the city centre was strong at the start and end of the year and during July when the Manchester International Festival was on. There were dips during April and May (when the Corporation Street footbridge was closed) and in the period following the disorder in the city centre.

6.46 One of the main reasons we are in this position is international visitors. This is increasing significantly in part because of the increase in long haul traffic, particularly from UAE, which is increasing market penetration from China and the Far East – another manifestation of the importance to the City of the growth and development of the Airport – which, along with Manchester Central is driving a visitor infrastructure which is second to none.

6.47 An analysis of retail occupancy recently produced by the Local Data Company shows that while there was a steady increase in the shop vacancy rate since 2009, the trend appeared to decrease during the second half of 2011 and there have been a higher number of shop openings than closures throughout the year. The report also showed a particular increase in fashion and clothing and hairdressing, health and beauty outlets since 2009.

6.48 A further study is also being undertaken by FSP looking at shopper behaviour in the city centre and how the city can improve its performance. The interim results (covering the period outside of the peak Christmas shopping period)

shows that while there are opportunities for attracting increased market share to the city centre and the demographic make up of the catchment area is less affluent than for some other cities, there are some strong indicators of performance, in particular:

- Total non-grocery sales in the city centre are an estimated £1.1bn, over 30% of all spending in the catchment area. Performance in clothing and footwear is particularly strong.
- Based on the off-peak survey data, around 6m tourists a year visit Manchester city centre.
- 80% of the people surveyed were doing some shopping while in Manchester, with 53% indicating that shopping was their main reason to be in the city centre.
- 70% of respondents stop for refreshment during their trip to the city centre, well above benchmark level.
- Satisfaction with the city centre is very high, with a score of 4.6 out of 5 respondents at Spinningfields giving particularly high scores.

6.49 As well as footfall figures, Cityco provides regular information on the health of the retail market. Sales reports from 5 major city centre stores including Manchester Arndale showed a 4.2% increase in trade in July 2011 on the previous year, although there were declines in August and September following the disturbances. Anecdotal evidence showed a rise in footfall in the Arndale and strong footwear sales, strong summer and autumn seasonal sales at Harvey Nicholls, strong performance in the new beauty and accessories floor at Selfridges and strong summer to autumn performance at Boots compared to other Boots stores.

6.50 All of this information is crucial in increasing our understanding of how the retail sector is performing, in identifying trends and how these compare nationally and internationally. As the UK retail sector as a whole continues to face challenges with format revisions and new entrants reflecting fast changing consumer demand, Manchester must maintain an awareness of these trends and plan to invite and accommodate them. In building the city's reputation as a premier retail destination, the retail offer must be continually renewed. An understanding of shopping patterns is also key to further increasing the customer base and turnover of the city centre as a whole and certain areas within it.

Transport

6.51 The £1.5bn GM Transport Fund includes funding to extend Metrolink – lines to Chorlton are open with further extensions to East Manchester, Didsbury and through Wythenshawe to the Airport under way. Routes through East and North Manchester, linking in key developments underway in the area and including stops at Central Park and the Etihad Stadium, are also under construction. Currently around 6,000 passengers travel into Manchester on Metrolink during the peak two hours. By 2020 this is expected to reach 16,000 passengers.

- 6.52 In order to facilitate the new lines, a second city crossing (2CC) is being proposed from Deansgate-Castlefield through St Peter's Square, along Princess Street, Cross Street and Corporation Street, rejoining the existing Metrolink line just outside Victoria Station. The new crossing will provide a relocated and improved station in St Peter's Square and a new stop at Exchange Square, as well as upgrading of the Deansgate-Castlefield stop and the Victoria stop as part of the Victoria Station redevelopment.
- 6.53 The Transport Secretary has recently approved the first phase of the High Speed Rail 2 (HS2) project. The Y-shaped rail network will see a 140 mile link between London and Birmingham in its first phase; the second phase will see the route branch into two with a line to Manchester and one to Leeds. The first phase is due to be complete by 2026, followed by a second phase building lines from Birmingham to Leeds and Manchester by 2033, significantly cutting the journey time between Manchester and London, and further increasing Manchester's accessibility as a key business location. The Team are working with HS2 to identify a station site and route options.
- 6.54 As part of the Government's Plan for Growth, £85m funding has been allocated to plans that could see the new rail line known as the Ordsall Chord delivered, providing a link between Manchester Victoria and Manchester Piccadilly stations, which will provide significant reductions in journey times between Leeds and Liverpool.
- 6.55 Further planned major transport changes that have been approved include the electrification of the Liverpool railway line and the recently announced cross city bus scheme which will further improve access to and across the city centre.

Leisure / Tourism

- 6.56 Over the last 12 months, hotel occupancy within the city centre has increased from 76.4% to 80.5% highlighting the strength of the visitor economy in Manchester. Hotel occupancy of 99% was recorded on 20 September when Manchester Central hosted the British Council for Shopping Centres Conference and Exhibition and Sportcity hosted the ROWE British Grand Prix Squash Championships. Manchester Central is pivotal to our visitor infrastructure, hosting national and international events and conferences, and this will be supported by the improvements due to be made in the area.

Housing

- 6.57 The sales market across the region, including in the city centre has remained subdued, reflecting the national picture where access to debt and equity is limited. However, the rental market in the city centre and fringe is continuing to strengthen with demand now beginning to outstrip supply and rents in the centre having risen over the last two years. In particular there is strong demand for quality and well managed apartments within the private rented sector. Whilst the city centre rental market is strengthening the city fringe is continuing to progress with a competitive offer and is becoming attractive as

rental prices increase. The demand for rental property and a lack of new supply is helping reduce the void rate across Manchester and the city centre in particular, where units are virtually all occupied (96%). The apartment block ICE Plant in Ancoats has recently been completed and is being marketed entirely for rent, demonstrating the demand for quality rental properties in the city centre fringe. Recent research has shown that a strong rental sector is important for a flexible labour market.

- 6.58 The city centre is also becoming increasingly popular with the student market. Students are opting for apartments in a central location over the traditional markets within the South of Manchester. The growth of bespoke student accommodation and the increasing attraction of places such as the Northern Quarter have contributed to this change.

7.0 Next Steps

7.1 Key next steps include:

- A refresh of the City Centre Strategic Plan during 2012, to reflect the current position and ensure maximum economic benefit from future regeneration.
- Major schemes will continue to transform the offer, environment and job opportunities in the city centre, in particular First Street North, St Peter's Square and the Noma redevelopment.
- Work with Midas to secure further investment opportunities that can provide jobs for local residents.
- Analyse the results of the city centre retail surveys to look at future improvements that can be made to the retail experience.
- Continue to market the city centre brand in partnership with Marketing Manchester and Cityco.
- Work with local employment schemes to ensure that local residents are able to access the job opportunities on offer.
- To continue to promote the city centre as a key location for investors, visitors, businesses and leisure activities.