

**Manchester City Council
Report for Resolution**

Report to: Executive - 29 July 2015

Subject: First Street Update

Report of: The Chief Executive

Summary

This report advises Members on progress in taking forward the approved 2012 First Street Development Framework. It also seeks the Executive's endorsement of an updated draft Development Framework for the area, setting out the strategy for the next phases of development, and seeks agreement for a public consultation exercise on the updated Framework. It also informs Members of complementary developments around Oxford Road Station that could enhance the function and setting of First Street.

Recommendations

The Executive is recommended to:

- i) Note the progress made on delivering the First Street regeneration scheme;
- ii) Endorse the principles set out in the draft updated First Street Development Framework for taking forward the next phases of development at First Street;
- iii) Request the Chief Executive to undertake a public consultation exercise on the updated Development Framework with local residents, businesses and other stakeholders, and report back to a future meeting of the Executive;
- iv) Note that the next phase of work is due to start shortly at First Street Central, comprising a new office building (Number Six First Street); and
- v) Note the proposal for the redevelopment of the area around Oxford Road Station.

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 First Street Development Framework 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. The creative ribbon proposal aims to provide the facilities and environment that can support and further grow a cluster of creative businesses in the area.
Individual and collective self esteem – mutual respect	The First Street site is a significant new development in the city centre offering job, leisure and entertainment opportunities for Manchester residents.
Neighbourhoods of Choice	<p>The First Street development will create a new and vibrant neighbourhood at the southern gateway to the city centre.</p> <p>The proposed developments and quality of the public realm is a significant factor in determining the character of the area. The intention to encourage independent, niche and creative uses and businesses will create a distinctive experience in and quality of the area. The proposed creative ribbon, along with the new cultural facility, will help establish First Street as a key cultural hub for the City.</p>

Environmental and Climate Change Impacts

Extensive new high quality public realm and open space is proposed by the First Street Development Framework, which will significantly improve the environment of this part of the city centre. The First Street area benefits from strong public transport links with both rail and Metrolink stations within the vicinity and the Metroshuttle route running close by, negating the need for reliance on car usage. The Development Framework will prioritise pedestrian walkways and cycling access, which will provide residents with linkages to surrounding neighbourhoods and city centre districts.

The Development Framework includes a commitment to the highest sustainability (BREEAM) standards within the proposed commercial development through innovative building design, promoting low energy use. Sustainable design and development principles will be tested at planning application stage.

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

None.

Financial Consequences – Capital

GMAC continues with its fundraising strategy to support HOME.

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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.

- Report to Executive 24 November 2010: Development Framework for First Street
- First Street Development Framework: 2010
- Report to Executive 16 March 2011: First Street Development Framework
- Reports to the Executive: 25 July 2012:
First Street Development Framework Update
First Street North Update
First Street (Confidential Report)
- First Street Development Framework: July 2012
- Report to Executive Manchester Piccadilly and Oxford Road Capacity Scheme: 29 October 2014
- Report to Executive Northern Hub - Network Rail Manchester Piccadilly and Oxford Road Capacity Scheme – Transport and Works Act Order Application: 21 January 2015
- First Street Draft Development Framework: 2015

All held in Room 303, Town Hall

1.0 Introduction

- 1.1 In July 2012, the Executive endorsed an updated Development Framework for First Street, and also received an update report on First Street North including HOME, and a confidential report outlining the commercial arrangements for the development.
- 1.2 The updated framework identified four core areas:
- First Street North- the first phase of redevelopment, anchored by HOME (bringing together the Library Theatre and Cornerhouse), and providing the footfall and amenities to attract occupiers to the rest of the site.
 - First Street Central - a new office destination, providing flexible accommodation targeted at a range of commercial occupiers.
 - First Street South – providing the opportunity to accommodate larger format retail units and residential accommodation.
 - Creative Ribbon – the opportunity to build on the existing cultural facilities in the area, and the anchor provided by HOME, to further grow the creative business sector, and establish First Street as a new cultural district within the city centre.
- 1.3 This report gives an update on delivering each of these areas.
- 1.4 First Street has been delivered to date by Ask Real Estate Ltd in partnership with Manchester City Council. In May 2015 Ask sold their interest in the First Street site to the UK subsidiary of PATRIZIA Immobilien. PATRIZIA are a property investment company founded in Germany in 1985 and have extensive commercial and residential assets across western Europe. One of the benefits to local stakeholders is that sites owned by PATRIZIA are developed and evolved with the long term investor in mind from the outset. Ask's expertise and knowledge of the scheme will be retained in their continuing role as development managers. Both PATRIZIA and Ask will continue to work in partnership with the City Council to deliver First Street in a way that is complementary to the city's strategic economic and regeneration objectives.
- 1.5 In order to respond to the latest delivery position, and changing market circumstances, the First Street Partners (Ask, Manchester City Council and PATRIZIA) have developed an updated draft Development Framework. The revised Framework sets out an updated strategy and proposals for the next phases of delivery, particularly affecting First Street Central and First Street South. The report outlines the updated strategy and seeks the Executive's approval for a public consultation exercise to be undertaken on the Framework.

2.0 First Street North (FSN)

- 2.1 First Street North is now complete. This phase of the First Street development comprises a major new cultural facility HOME; a 4* international hotel; a multi storey car park; high quality serviced apartments; a range of small scale food and beverage opportunities; and new public spaces, including a new square.
 - 2.2 HOME officially opened in May 2015, and completed on time and within budget. This new facility provides a new home for Greater Manchester Arts Centre (GMAC), the merged Cornerhouse and Library Theatre Company, and comprises a 500 seat theatre and separate 150 seat studio theatre, large-scale rehearsal space, 5 art cinemas, a 500m² gallery space, with a high quality café and bar. With the other elements of First Street North, HOME will be crucial in creating a destination that will drive visitors and provide amenities across the wider site, and is already starting to attract significant footfall. The opening weekend over the late May Bank Holiday weekend was a major success, with 28,000 people attending; 5,700 tickets issued for Home warming events; 15,000 people visiting the galleries; and attracting considerable and universally positive press coverage.
 - 2.3 The Vita residential development completed in September 2014, with all 274 apartments fully let and occupied. The Melia Inside hotel, opened in May 2015, brings 208 high quality bedrooms into the city centre market. The 700 space Q-Park car park provides secure and accessible car parking for this and future phases of the First Street development. The new restaurant opportunities created as part of this phase are attracting strong interest from a broad range of national, regional and local operators, with a new Sainsburys Local and Pizza Express already confirmed. Extensive new public realm completes the First Street North development, providing a high quality environment for the new facilities on offer, and a stage for outdoor events and activities, bringing new vitality to First Street.
- 3.0 **First Street Central (FSC)**
- 3.1 The 2012 Development Framework proposes FSC as a new flexible office destination targeted at a range of commercial occupiers, particularly those seeking the benefits of a central and highly accessible city centre location, but crucially which is competitively priced, to help distinguish the accommodation from other locations in the city centre.
 - 3.2 The first phase of FSC was the refurbishment of Number One First Street as new office accommodation. Following a number of recently agreed leases, this building is now close to full occupancy from a number of commercial occupiers, providing important employment opportunities within the city centre. Major new occupiers include Trader Publishing Ltd, Ford Capital and Jacobs Engineering, between them bringing 940 jobs to the city centre (with the potential for another 200 jobs at Ford over the next three years).
 - 3.3 The success of One First Street indicates the increasing demand for space in this part of the city centre, with the agreements to secure new occupiers mainly completed around 12 months after the relocation of City Council staff back to the Town Hall Extension.

- 3.4 As part of a review of the strategy for the overall First Street site, an analysis of the economic position and office market within Manchester has been undertaken in order to inform the next phase of development, and assess how demand can be balanced in a way which supports the First Street Development Framework and enables the site to make the biggest possible contribution to the city's economic growth. This work has concluded that there is now a compelling case to initiate further office development at First Street.
- 3.5 First Street benefits from its proximity to the city centre core, as well to the knowledge and cultural institutions along the Corridor, offering an attractive location for cultural and creative, science and technology, and some business and financial services companies. In particular, 2014 saw a high demand for office accommodation across the city centre, together with a relatively low supply of new accommodation, while the latest Greater Manchester Forecasting Model predicts a growth of 42,600 jobs in the city by 2024. Together with the full occupancy at One First Street, all of this indicates that demand for accommodation at First Street is growing and will continue to grow in the coming years.
- 3.6 As a further indication of demand, a major employer is at an advanced stage of discussion about taking a significant pre-let in new office accommodation at FSC. This underpins the confidence that First Street is a commercial destination of choice and provides the catalyst for the next phase of development. A planning application has recently been submitted for a new office building to accommodate this interest (Number Six First Street), providing a total of 235,000 square feet, and which could be on site by the autumn, with completion anticipated in early 2017.

4.0 First Street South (FSS)

- 4.1 The 2012 Development Framework identifies the southern section of First Street as providing a significant opportunity to accommodate larger format retail units, including new food retail. At this time, emerging proposals incorporated a large format foodstore, a hotel, car parking, a proportionate amount of student accommodation, together with offices and workspace, and smaller scale retail opportunities.
- 4.2 However, much has changed since 2012, in particular the resurgence in residential development within the city centre, as well as changing retail patterns. Manchester is now the fastest growing city in the UK – the 2011 census established the city's population as 503,000 – a 19% increase from 2001, with the city centre increasing its population from a few thousand in the late 1990's to over 24,000 in 2011. The rental market in the city centre has grown significantly in the last few years, aligned to the growth in jobs, while residential development has recently restarted in the area around First Street (and in other parts of the city centre), for example the Renaker development at One Cambridge Street which is currently on site and will deliver 282 new homes. As mentioned earlier, the Vita apartment block at First Street North is fully let, and wider developments will bring further employment opportunities to

the surrounding area. First Street South provides one key opportunity to meet the growing demand for city centre homes, in line with the city's Residential Strategy.

- 4.3 As previously stated, the strategy for the overall First Street site has recently been reviewed, in line with the principles included in the 2012 Framework, in order to reflect market changes, and to ensure that the uses across the site remain balanced and coherent over time, in order to create a successful neighbourhood.
- 4.4 It is recognised that to achieve a successful neighbourhood, development across the site must carefully blend commercial, cultural, residential and leisure uses. It is felt the provision of a quality residential offer, that attracts a mix of private renters, key workers and perhaps international and mature students, would enhance and reinforce the neighbourhood and provide a strong platform for investment across the neighbourhood – providing footfall and spending power to support the leisure and cultural uses.
- 4.5 An updated draft Development Framework for First Street has now been produced, in order to reflect the changes outlined above, and the renewed strategy for the future phases of the development. The revised Framework is outlined in Section 6. The Development Framework includes the potential for surrounding sites now owned by the First Street JV Partners, for example, the former Salvation Army site on Hulme Street, the site adjacent to MacIntosh Mill and the Little Peter Street car park site, to provide high quality residential accommodation to appeal to a range of residents.
- 4.6 As part of the drive to secure new development, officers are in dialogue with the landowner of the stalled River Street development (the “concrete frame”), close to First Street South, around the future of the site and are providing strong encouragement to take a more proactive approach towards its development

5.0 Creative Ribbon

- 5.1 The growth of creative and cultural uses in the wider First Street area is also considered as being important in developing the neighbourhood and sense of place. The 2012 Development Framework notes that the wider First Street area provides a number of sites where low cost creative hubs could be developed to further grow the creative business sector, building on HOME and other cultural and creative facilities and businesses in the area such as the former Hotspur Press building and Knott Mill. This could help establish First Street as a new distinctive and vibrant cultural district within the city centre. Proposed activity would focus on refurbishment and semi-permanent spaces geared towards creative and cultural businesses and uses, which tend to be small operations. The Hotspur Press building will be a key catalyst to augmenting creative business development in this area.
- 5.2 Since then, initial feasibility work has been undertaken in order to assess the demand for semi permanent, competitively priced accommodation within the

First Street area and develop a concept design and initial costings for such a scheme. A more detailed site and funding appraisal now needs to be carried out in order to more fully assess the business case and preferred location for this type of workspace.

6.0 2015 First Street Development Framework - Vision

- 6.1 The updated 2015 Development Framework seeks to build on the success of First Street to date, embedding the core principles established in the 2010 and 2012 Frameworks, to ensure that development within the First Street area meets current requirements and helps to deliver a neighbourhood of choice within this key gateway location.
- 6.2 The updated Framework has been prepared in response to changing market conditions and development objectives, in particular the improved prospects for economic growth, the resurgence of the office market and increasing demand for high quality and flexible office accommodation in the city centre, and the surge in population growth. Forecasters predict a continuing buoyant outlook, in both economic and population terms. The revised Framework is designed to ensure that First Street makes an even greater contribution to improved market conditions, Manchester's growth strategies, and housing and office demand.
- 6.3 In addition, changes in ownership intentions within the area have allowed long-standing opportunity sites close to Medlock Street (including the Little Peter Street car park, City Road West office accommodation, the Premier Inn hotel, the former Salvation Army site and part of the McIntosh Mills complex) to be incorporated into the First Street Framework area. This allows a fully integrated approach to development and improves opportunities to integrate First Street with the surrounding neighbourhoods to the east and south.
- 6.4 The updated Framework therefore recognises the opportunity to create a true neighbourhood of choice, where a new residential community can sit alongside further major employment-generating uses and a cultural and leisure offer unparalleled elsewhere in the city centre.

Development Areas

- 6.5 The 2015 Development Framework outlines the progress made at First Street North (as detailed above) in delivering the vision set out in the 2012 Development Framework.
- 6.6 The main changes in approach within the revised Framework relate to First Street Central and First Street South. The changes in these areas are outlined in more detail below.

First Street Central

- 6.7 As described above, it is now possible to incorporate a number of development opportunity sites, including the Premier Inn and City Road West

office development into the site. This represents an exciting opportunity to extend the First Street commercial offer whilst redeveloping these long-standing opportunity sites into an integrated business district.

- 6.8 The uplift in economic conditions and increased investor confidence also allows for the delivery of higher density development. Whereas the 2012 Framework envisaged buildings between 6 and 8 storeys in height, it is now considered sustainable and deliverable to provide development of between 7 and 11 storeys, whilst still maintaining the focus on high quality public realm.
- 6.9 The key principles underpinning the 2012 Framework are carried forward into the updated Framework to ensure that the success to date at Number One First Street is taken further. Building types and sizes will, as far as possible, deliver a product which is flexible, with low capital costs and low operation costs for occupiers, along with high sustainability features to provide an excellent working environment. The Framework notes that delivery of flexible and large commercial buildings, that are capable of occupation by both a single end user or multiple tenancies, will be fundamental to the success of First Street Central as a business location. These buildings will be aimed specifically at price sensitive occupiers, including those in the health, education, creative industries, technology, media & telecommunications (TMT) and service sectors.
- 6.10 The 2012 Framework identified capacity for up to 1 million square feet of office accommodation, located in seven buildings. As a result of the projected demand for office space, as well as the increased capacity provided on the additional sites referred to above, it is now believed that a far greater quantum of floorspace can be accommodated at First Street, with around 2.1 million square feet of office floorspace envisaged in the 2015 Framework. This will help to create substantial employment opportunities, which will in turn contribute to the long term success of the wider neighbourhood.

First Street South

- 6.11 The biggest change in focus in the updated Framework is at First Street South. The 2012 Framework envisaged an integrated anchor destination at the southern end of the site, incorporating a large foodstore, 350 student bedspaces and a 120-bed hotel, together with car parking and retail space.
- 6.12 The success to date in creating a destination at First Street and the resurgence in demand for, and renewed investor confidence in, residential accommodation has led to a renewed vision for FSS, with a focus on residential development. It is believed that the provision of a high quality residential offer at First Street is an opportunity that would enhance and reinforce the wider neighbourhood and provide a strong platform for investment – creating footfall and spending power to support the leisure and cultural uses in the area. The shift towards residential-led development at First Street South is complemented by the incorporation of development sites fronting onto Cambridge Street (the former Salvation Army Site and part of the MacIntosh Mills site), reinforcing the existing and emerging residential

community along Cambridge Street, and integrating the residential area with the commercial, cultural and creative areas within and surrounding First Street.

- 6.13 An updated land use framework has therefore been prepared for FSS comprising a mix of low, medium and high rise housing set within a traditional grid pattern, providing a mixture of townhouses and apartments. The vision is to provide a truly outstanding residential area, which is distinctive and able to attract people who want to live in a vibrant urban environment, with access to the cultural opportunities offered by First Street and its surrounding areas. It is proposed that individual phases of development be brought forward in a way which directly responds to market demand, determining the precise mix of accommodation in each phase.
- 6.14 Extensive high quality public realm will provide an appropriate setting for the development, helping to create a sense of place, and also providing the conditions for delivery of a high quality private rented sector scheme. Active frontages will be provided to create a sense of community, and new and enhanced connections will be created to and through the area, including to and from The Corridor and from Hulme.
- 6.15 The Framework envisages that a first phase of development would be designed and planning permission sought during 2015, or early 2016, to allow, subject to approval, a start on site during 2016 and delivery within the next two years.
- 6.16 Little Peter Street car park presents a major opportunity to build on existing activity at First Street. The site sits adjacent to the amenities at First Street North, overlooking the River Medlock. The site is located in a key position linking key city centre neighbourhoods at First Street, Castlefield and Great Jackson Street, an area of significant future redevelopment. The existing and planned development of First Street will enable any development of the Little Peter Street site to be progressed quickly in line with the development framework for the wider area. The Little Peter Street site will be marketed separately, to respond to the wide market interest which has been expressed about the site for residential development (with a presumption in favour of residential for sale).

Creative Ribbon

- 6.17 In terms of the Creative Ribbon, the Framework details a number of constraints and opportunities which have arisen since 2012, including:
- The Northern Hub works at Oxford Road Station, which may generate some short term uncertainty for the Creative Ribbon, although the long term benefits are to be welcomed.
 - The completion of Renaker's residential scheme on Cambridge Street will deliver part of an improved connection between Oxford Road Station and First

Street, improving footfall and helping to stimulate interest in the Creative Ribbon.

- The four railway arches on Whitworth Street West will be opened up as part of the HOME complex, adding to the vitality of the area.
- The opportunity for further development of the former Hotspur Press building, as a location for creative businesses.

6.18 The Framework identifies three key areas with the greatest opportunity to maximise the creative potential within the area – Oxford Road Station area (please see the next section), Cambridge Street/River Street, including the Hotspur Building, and Whitworth Street West. It notes that each of these are potential options which need to be further explored and be subject to demand and market testing, which could present different opportunities for the areas considered.

Development Capacity

6.19 The 2012 Framework set out an estimate of the overall quantum and mix of uses across the First Street site, totalling approximately 2.1m square feet of floorspace. As with the previous versions, the 2015 Framework envisages that commercial office development will be the dominant use across First Street, with leisure, cultural, retail and residential uses underpinning this offer. The revised analysis for First Street Central concludes that significantly more commercial floorspace can be accommodated. The updated masterplan for First Street South reduces the amount of retail floorspace proposed within the area and significantly increases the amount of residential development proposed.

6.20 The table below shows the expected level and mix of development in each area.

Table 1: Development Quantum (Sq ft)

Use	FSN	FSC	FSS	Total	%
Office		2.24m		2.24m	58
Residential/Student	92,300		977,000	1.07m	27
Retail, Leisure, Hotel	206,800		44,670	251,470	7
Civic, Cultural, Amenity	73,300			73,300	2
Car Parking/ Other	224,600			224,600	6
Total	597,000	2.24m	1.02m	3.86m	

7.0 Oxford Road Station Redevelopment

7.1 As noted in previous Executive reports, Oxford Road Station has been identified as a key redevelopment, regeneration and transport opportunity

within The Corridor and surrounding area including First Street. The City Council are working in partnership with Network Rail to explore the potential for redevelopment at and around Oxford Road Station, in order to take advantage of the opportunities brought about by the Northern Hub works and the vacation of the former Cornerhouse buildings by GMAC. The partners' objectives are:

- To improve the station, for the benefit of all rail users, its environment and connectivity with the nearby city centre neighbourhoods, including First Street.
- To act as a catalyst for the wider regeneration of this part of the city centre.
- To integrate the arches along the eastern end of Whitworth Street West with First Street.
- To provide appropriate amenity at the key junction with the Corridor and First Street.

7.2 Following some initial feasibility work carried out in 2012, it is proposed that the area has the potential for a significant new mixed use development, at one of the region's busiest transport exchanges, as well as improving the environment and access to the station. The partners have recently begun a tendering process to procure a development partner to bring forward a strategy for redevelopment of the area.

7.3 A further report will be brought back to Executive as plans progress on the redevelopment proposals.

7.4 Network Rail are also proposing improvements to Oxford Road Station as part of the Northern Hub rail capacity schemes. The Executive considered reports in October 2014 and January 2015 on the consultation on the planned Northern Hub schemes at Oxford Road and Piccadilly Stations.

7.5 In the short term, the Council and Network Rail have been negotiating with organisations interesting in using the former Cornerhouse buildings in the interim. The Council and Manchester Metropolitan University have now agreed terms for the University to lease the building at 70 Oxford Street, to offer learning space for the Department of Languages and School of Theatre, whilst it undertakes a major refurbishment of the Mable Tycote Building on Cavendish Street. Negotiations with a second occupier on a lease for the former Cinema 1 building are close to a conclusion.

7.6 The final future uses of both buildings will be determined as part of the overall development partnership with Network Rail and no decisions have yet been taken as to their long term future.

8.0 Key Polices and Considerations

(a) Equal Opportunities

- 8.1 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

- 8.2 The Project Board has developed a risk management strategy and continually monitors and responds to risks throughout the lifetime of the project. The Commercial plan contains within it a process relating to performance and evaluation.

9.0 Conclusions

- 9.1 Substantial progress has been made in the delivery of First Street, since the last report to Executive in July 2012. First Street North is now complete, and Number One First Street is now fully occupied. A revised draft Development Framework has been developed to inform the next phases of First Street Central and First Street South, to enable a true neighbourhood of choice to be created and to capture opportunities arising from the economic upturn and significant population growth. Officers are also working closely with Network Rail on wider redevelopment opportunities around Oxford Road Station, which could benefit the First Street scheme in the long term.
- 9.2 Recommendations appear at the front of the report.