
**Manchester City Council
Report for Resolution**

Report to: Executive – 27 July 2016

Subject: Mayfield Development

Report of: The Chief Executive

Summary

This report updates Executive Members on the progress made with taking forward the redevelopment of the Mayfield area adjacent to Piccadilly Station, in particular the work to procure and select a development partner for the scheme. It seeks Executive approval for delegated authority to appoint a preferred development partner, and to enter into commercial arrangements with the preferred partner, which will include approval to dispose of City Council landholdings into a Joint Venture delivery vehicle (JVV).

Recommendations

The Executive is recommended to:

- i) Note the process and progress to date to procure a preferred development partner for the Mayfield area, in partnership with London & Continental Railways (LCR) and Transport for Greater Manchester (TfGM);
- ii) Delegate authority to the Chief Executive and City Treasurer, in consultation with the Leader and Executive Member for Finance, to finalise the partner selection and appointment process;
- iii) Delegate authority to the Chief Executive and City Treasurer to conclude the detailed terms for a contractual partnership between the Council, LCR and TfGM;
- iv) Delegate authority to the Chief Executive and City Treasurer to negotiate the commercial arrangements with the development partner, along with LCR and TfGM, with the final terms to be reported back to the Executive;
- v) Delegate authority to the Head of Development, in consultation with the Chief Executive and City Treasurer, to negotiate the detailed terms for the disposal of the Council's interests in land within the Mayfield site, with the terms to be reported back to a future meeting of the Executive;
- vi) Delegate authority to the City Solicitor to complete the necessary contractual arrangements to give effect to the above recommendations; and
- vii) Agree that an updated Strategic Regeneration Framework for the site is brought to a future Executive, following the appointment of the preferred

development partner, as required.

Wards Affected: City Centre

Manchester Strategy outcomes	Summary of the contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	The scale and potential of development within this area will provide a major focus for new investment and the growth of jobs. With the potential for up to 800,000 sq ft of office space and a prominent location next to a major transport hub, Mayfield can be an attractive location for business.
A highly skilled city: world class and home grown talent sustaining the city's economic success	The site has the potential to accommodate significant new office based jobs, in a range of sectors and levels. The partners will seek to maximise local employment and training opportunities from this initiative.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	The SRF will seek to maximise local employment from this initiative, and social value was included as a criteria within the selection of the developer. The scheme will provide new connections both to other parts of the city centre and to surrounding communities, including Ancoats and New Islington and Ardwick, providing improved access to local residents to the opportunities and amenities within the Mayfield area. The area will also provide new leisure opportunities, including a new park, accessible to all residents.
A liveable and low carbon city: a destination of choice to live, visit, work	The delivery of Mayfield will result in a major mixed use scheme on a currently derelict site. As well as providing new high quality commercial accommodation, the new residential accommodation and the public amenities including public realm, retail and leisure opportunities, will create a desirable location in which to live and work. A major new park for the city, available for all residents and visitors, is proposed as part of the SRF. Located immediately adjacent to Piccadilly Station, Mayfield is also highly connected to all forms of public transport, minimising the need for car journeys to and from the area, and pedestrian and cycle routes through the area will be maximised.

A connected city: world class infrastructure and connectivity to drive growth	Located immediately adjacent to Piccadilly Station, Mayfield benefits from excellent access to all forms of public transport. The scheme will provide new connections both to other parts of the city centre and to surrounding communities, including Ancoats and New Islington and Ardwick. High quality new commercial accommodation will be provided as well as significant new public realm, including a new park.
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Full details are in the body of the report, along with any implications for

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

Funding from the Capital Fund is being sought to fund revenue costs to cover legal support to finalise the Development Agreement and to develop the scheme further with the selected developer. We anticipate that this funding requirement will be approximately £100k. Under the terms of the Land Pooling Agreement (see below), these costs (other than internal staff costs), and any further enabling costs required, will be treated as a development cost and will be recoverable from the returns made from the development.

Financial Consequences – Capital

None

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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 above.

- Mayfield SRF Final Report – January 2014
- 16 December 2009: Report to Executive. Mayfield SRF
- 10 March 2010: Report to Executive. Mayfield SRF
- Mayfield SRF 2010 – Final Report
- 30 August 2013: Report to Executive on Mayfield SRF
- 30 August 2013: Report to Executive on Manchester Piccadilly HS2 SRF
- Manchester Piccadilly HS2 SRF Final Report – January 2014

1.0 Introduction

- 1.1 Mayfield occupies a 20 acre site adjacent to Piccadilly Station, and sits within the Eastern gateway area of the city centre. The area is bounded by the Inner Relief Road (Mancunian Way) to the south, Fairfield Street to the north and London Road to the west. The area lies in close proximity to the Higher Education Precinct, Corridor Manchester, London Road, Ardwick, Ancoats and New Islington. The area has exceptional accessibility to all forms of public transport, and is therefore a highly sustainable location for new development and growth.
- 1.2 An updated Strategic Regeneration Framework (SRF) was brought to the Executive in August 2013. This builds upon the previous extensive work done in 2010 to develop a framework for the area, and has been drawn up in the context of the planned wider regeneration of the Piccadilly area brought about by the opportunities presented by HS2 and the Northern Hub rail schemes. The revised SRF presents Mayfield as a distinctive new mixed-use urban neighbourhood that defines a key gateway into Manchester; extends the high quality environment of the city centre; and provides key linkages between East Manchester and the city centre.
- 1.3 The SRF highlights the opportunities to forge new links both to other parts of the city centre, and to surrounding communities, including New Islington and Ancoats (where considerable new residential development is being taken forward by Manchester Life); across the Mancunian Way into Ardwick; and through the Medlock Valley to East Manchester.
- 1.4 The final SRF was adopted by the Executive in December 2013, following a public consultation exercise.
- 1.5 Since the SRF was published, the National Infrastructure Commission (NIC) has published a report on High Speed Rail in the North of England – High Speed North (March 2016). The NIC report, which has been endorsed by Government, includes a recommendation that Manchester City Council should work together with TfGM, Transport for the North, Network Rail, DfT and HS2 Ltd, to bring together, by the end of 2017, an integrated and costed long-term re-development masterplan for Piccadilly Station as a whole. This masterplan should not only take account of significant investment planned for the Northern Hub (including platforms 15/16), HS2 and HS3, but also the regeneration priorities for the surrounding area.
- 1.6 One of the key issues in delivering the SRF will be to ensure that an improved Piccadilly Station is fully integrated with the Mayfield development. As mentioned above, there are a number of investments planned at Piccadilly, including the Northern Hub Rail scheme, HS2, Northern Powerhouse Rail (HS3), and potential improvements to Metrolink facilities. The Piccadilly HS2 SRF includes key principles for development at the Station, to both maximise the opportunities presented by these investments, and to avoid any negative impacts on Mayfield and the wider Piccadilly area. Ongoing work will be

needed with Network Rail, HS2 Ltd, and Transport for the North to make sure that these principles are put into practice.

2.0 Background

- 2.1 The 2013 Executive Report outlined that officers have been working with TfGM, and LCR (the successor body to British Rail landholdings (BRBR)) who are the key parties in taking forward the Mayfield development. The partners entered into a Land Pooling Agreement in January 2015 in order to formalise this arrangement.
- 2.2 Since then, the partners have been undertaking a procurement process to appoint a preferred development partner for the scheme. This is outlined in more detail below.

3.0 Selection of a Preferred Developer for Mayfield

- 3.1 The three partners, collectively known as the Mayfield Partnership, have been undertaking a competitive dialogue procurement process, pursuant to the EU Public Procurement rules, to identify a private sector development partner in order to enter into a Joint Venture agreement to deliver the regeneration of the Mayfield site in line with the SRF.
- 3.2 Through the process, the partners have been assessing the bidders on a range of criteria, including their approach to: partnership and stakeholder engagement (including in relation to Piccadilly Station); planning and design (including social benefit); strength of their delivery team; and their financial offer. It is important to note that at this stage, the partners are not selecting a scheme, but a development partner who they feel can best deliver a comprehensive regeneration of the area, in accordance with the principles contained within the SRF. The selected development partner and manager would need to ensure that the different phases of the total development can underpin the associated risk profile of each phase.
- 3.3 The partners are now entering into the final stage of the process, with a shortlist of three bidders. It is proposed that a preferred development partner will be selected at the start of September 2016. Following this, a number of agreements will be entered into with the preferred developer to take forward the development.
- 3.4 As part of this arrangement, the three public sector partners will themselves enter into a Joint Venture arrangement, which will be the body that will formally contract with the private sector development partner.
- 3.5 Following the completion of the procurement process, an urgent priority for the partners will be to engage Network Rail and other parties to establish early development priorities which are consistent with planned rail improvements.
- 3.6 Once the agreements are in place with the preferred development partner, the SRF will be refreshed to reflect the changing dynamics of the city, the

approach of the selected developer, and changes since the previous framework was published, taking into account the rail development priorities referred to in paragraph 3.5. It is proposed that a revised SRF is brought back to the Executive at a later date, followed by a public consultation process on the revised version. Detailed designs and planning applications will only be made once the revised SRF has been agreed, and appropriate public consultation will also be undertaken on planning applications as they come forward.

4.0 Manchester City Council Land Interests

- 4.1 The Council owns various freehold and leasehold interests across the Mayfield site. These sites comprise approximately 3.86 acres, with the majority of the freehold interests subject to long leases. Generally these sites are located to the north-east and southern periphery of the site.
- 4.2 As referred to in 2.1 above, the Council has entered into a Land Pooling Agreement with the other partners. As well as governing the procurement process, this agreement also sets out how each party can deal with its landholdings within the site through the procurement period and incorporates a detailed framework for the acquisition of third party land interests prior to the selection of the preferred developer. The Land Pooling Agreement will inform the detailed terms of the Joint Venture arrangement between the public sector partners.
- 4.3 However, the detailed terms on which the partners' land interests will be transferred into the Joint Venture delivery vehicle with the preferred development partner will be determined following the completion of the competitive dialogue procedure. The heads of terms for the disposals are being negotiated on the basis that the Council, in common with the other partners, will grant long leases of the sites into the delivery vehicle at such time as is required to facilitate the appropriate phased development and in accordance with the business plan. These leases will be at Market Value and will include development obligations on the JVV. The final terms will be reported back to a future meeting of the Executive once a position has been reached.

5.0 Contributing to the Manchester Strategy

(a) A thriving and sustainable city

- 5.1 The scale and potential of development within this area will provide a major focus for new investment and the growth of jobs. With the potential for up to 800,000 sq ft of office space and a prominent location next to a major transport hub, Mayfield can be an attractive location for business. It will also provide high quality new residential accommodation and new public realm.

(b) A highly skilled city

- 5.2 The site has the potential to accommodate significant new office based jobs, in a range of sectors and levels. The partners will seek to maximise local employment and connections to the Manchester Work and Skills Strategy 2015-2020.

(c) A progressive and equitable city

- 5.3 The SRF will seek to maximise local employment from this initiative, and social value was included as a criteria within the selection of the developer. The scheme will provide new connections both to other parts of the city centre and to surrounding communities, including Ancoats and New Islington and Ardwick. The area will also provide new leisure opportunities, including a new park, accessible to all residents.

(d) A liveable and low carbon city

- 5.4 The delivery of Mayfield will result in a major mixed use scheme on a currently derelict site. As well as providing new high quality commercial accommodation, the new residential accommodation and the public amenities including public realm, retail and leisure opportunities will create a desirable location in which to live and work. A major new park for the city, available for all residents and visitors, is proposed as part of the SRF. Located immediately adjacent to Piccadilly Station, Mayfield is also highly connected to all forms of public transport, minimising the need for car journeys to and from the area, and pedestrian and cycle routes through the area will be prioritised.

(e) A connected city

- 5.5 Located immediately adjacent to Piccadilly Station, Mayfield benefits from excellent access to all forms of public transport. The scheme will provide new connections both to other parts of the city centre and to surrounding communities, including Ancoats and New Islington and Ardwick, providing improved access to local residents to the opportunities and amenities within the Mayfield area. High quality new commercial accommodation will be provided as well as significant new public realm, including a new park.

6. Key Policies and Considerations

(a) Equal Opportunities

- 6.1 The site has the capacity to create significant new jobs, as well as residential and leisure opportunities. The Mayfield scheme will provide new connections to surrounding communities, including Ancoats and New Islington and Ardwick, providing improved access to local residents to the opportunities within the Mayfield area.

(b) Risk Management

- 6.2 Risk management is a key consideration in the procurement process and the partners must be satisfied that the preferred bidder is able to develop,

instigate, monitor and manage an appropriate and robust risk management strategy. Whilst this will be put in place and owned by the development partner risk management will form a standing item in the Project Board and therefore will be fully monitored and managed throughout the delivery of the Mayfield development.

(c) Legal Considerations

- 6.3 Under the proposed structure the Council will enter into a contractual partnership arrangement with the other public sector partners. Under the terms of the company the Council will have obligations and requirements to fulfil. The Council will have directors on the Board of this entity and accordingly appropriate insurances and processes must be put in place.
- 6.4 The draft commercial and property documents, relating to the partnership arrangements with the development partner, have been reviewed and negotiated as part of the tender process by Charlie Tomlinson, Strategic Lead and Head of Commercial Legal. The major legal risk issues have been identified and will be agreed prior to the selection of the preferred bidder. There will be a further opportunity to refine the agreements following the Tender Award.