

**Manchester City Council
Report for Resolution**

Report to: Resources and Governance Scrutiny Committee - 7 September 2017
Executive - 13 September 2017

Subject: Central Retail Park

Report of: Strategic Director: Development and City Treasurer

Summary

This report sets out a proposal for the Council to acquire Central Retail Park on Great Ancoats Street from its current owner TH Real Estate. The report also sets out the intention to put in place a new Development Framework and commercial plan for the site in partnership with the Abu Dhabi United Group (ADUG) to secure the onward development of the site to meet the wider ambitions for this part of the city centre as set out in the Ancoats and New Islington Development Framework. The future development of the site will also assist with the delivery of the Council's residential and economic growth objectives

Recommendations

The Executive is recommended to:

- 1) Approve the acquisition of Central Retail Park on Great Ancoats Street from TH Real Estate;
 - 2) Approve the establishment of a partnership type arrangement with ADUG to work with the Council in relation to the future masterplanning, use and redevelopment proposals for the site;
 - 3) Delegate authority to Chief Executive, the City Treasurer and the City Solicitor, in consultation with the Deputy Leader of the Council (Housing & Regeneration) and the Executive Member for Finance and Resources, to negotiate and finalise details and terms of the acquisition and the property and commercial arrangements, including where appropriate a business plan and the establishment of any formal partnership type arrangements and the Council's participation in such arrangements
 - 4) Delegate authority to the City Solicitor to enter into and complete all documents or agreements necessary to give effect to the recommendations in this report.
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Wards Affected: Ancoats & Clayton; City Centre; Bradford

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 acquisition of the Central Retail Park site will help support the continued regeneration of Ancoats and New Islington into a thriving mixed use neighbourhood that offers a range of good quality homes in a variety of types and tenures along with creating opportunities for new commercial development in the area.
A highly skilled city: world class and home grown talent sustaining the city's economic success	The acquisition of the Central Retail Park site will facilitate the continued economic growth and the prospects of attracting employers in growth sectors. The onward development of the site will ultimately facilitate the continuation of a range of construction projects which will provide both training and employment opportunities for the local community.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	The acquisition of the Central Retail Park site will offer the potential to help deliver the Manchester Residential Growth prospectus, helping contribute to and meet the demand for new homes in the city. The redevelopment of the site will involve potentially the creation of high quality new environments and the provision of facilities that are accessible to the local community. Any redevelopment of the site will help build a strong sense of place with a unique identity for both Ancoats and New Islington whilst also creating a socially integrated neighbourhood with a range of new homes / businesses and Primary School.
A liveable and low carbon city: a destination of choice to live, visit, work	Any future redevelopment of Central Retail Park will help create a liveable and low carbon city by supporting the delivery of new build homes, improving the local environment and improving connectivity to local amenities and services for the wider community.
A connected city: world class infrastructure and connectivity to drive growth	Any future redevelopment of Central Retail Park must contribute to the vibrancy and attractiveness of the area and create a seamless connection from the East Manchester neighbourhoods to the City Centre and the employment opportunities it has to offer.

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

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences

The financial consequences arising from the recommendations in this report are set out in the Part B Report elsewhere on this agenda.

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

A Stimulus for Residential Growth, Executive, 24th June 2014

Ancoats and New Islington Neighbourhood Development Framework, Executive, 29th October 2014

Central Retail Park – Development Framework, Executive, 3rd February 2016

Refresh of Ancoats and New Islington Neighbourhood Development Framework, Executive, 14th December 2016

1.0 Introduction

1.1 This report sets out a proposal to acquire the Central Retail Park site on Great Ancoats Street on the north eastern edge of the City Centre from TH Real Estate. The report also sets out the intention to put in place a new Development Framework and commercial plan for the site in partnership with ADUG to secure the onward development of the site to create a new mixed use residential and commercial offer which will contribute to the Council's residential and economic growth objectives.

2.0 The Great Ancoats Street Corridor: the wider development context for the Central Retail Park site

2.1 The October 2014 meeting of the Executive approved the Ancoats and New Islington Neighbourhood Development Framework which set out in great detail the wider development context and proposals to promote the growth for this part of the city centre. Due to the significant amount of development activity that followed during the period 2014 – 2016, this Framework was refreshed and re-consulted upon during the autumn of 2016 and a final updated version was approved by the Executive in December 2016.

2.2 In respect of the Great Ancoats Street Corridor and the immediate environs surrounding Central Retail Park the Neighbourhood Development Framework identified a number of key actions and priorities, namely:

- To encourage the redevelopment of vacant and under-utilised sites with new residential, commercial and service uses that can contribute to the vitality of Great Ancoats Street;
- To encourage development that is massed to provide adequate spatial definition along Great Ancoats Street;
- To secure environmental improvements to Great Ancoats Street, including the potential for tree planting, and improved connectivity between New Islington and the Northern Quarter; and
- To encourage new development or the redevelopment of the Central Retail Park that can line the street and improve connectivity between Great Ancoats Street and Cotton Fields Park.

2.3 Over the last two and a half years the market has responded to the confidence offered by the Ancoats and New Islington Neighbourhood Development Framework with Mulbury Homes, Urban Splash, Muse Developments, Scarborough Group International, First Step, McCaul Developments and the Manchester Life Development Company all bringing forward new residential development in and around the Ancoats and New Islington neighbourhoods. Urban Splash, Northern Group and Wittington Investments have all brought forward or are bringing forward commercial developments that support the growth of new and existing businesses in the city.

3.0 Manchester Life: Leading the Transformation of Ancoats and New Islington

- 3.1 In June 2014 the Executive approved the establishment of the Manchester Life Development Company Ltd, a joint venture company between the Abu Dhabi United Group for Development and Investment (ADUG) and the Council. The purpose of this Company was to stimulate and sustain residential growth on the eastern side of the city centre. The initial focus of Manchester Life would be the development of six sites which were in the ownership of the Council within the Ancoats and New Islington neighbourhood. Manchester Life would have access to a significant scaled investment capacity through ADUG, which would be expected to be deployed in the active pursuit of the city's residential growth strategy over a 10 year period.
- 3.2 Since its creation in 2014 Manchester Life has been an investor and a developer and will act as a landlord, agent and operator, making decisions on a long-term, customer-focused basis. It is committed to providing high quality, large homes in well-managed buildings and neighbourhoods. Since its establishment Manchester Life has played a key role in helping to shape the place making and place management agendas within Ancoats and New Islington which are critical to the long term success of the neighbourhood. The Company has also demonstrated a strong commitment to maximising local employment, particularly amongst the unemployed.
- 3.3 Over the last three years Manchester Life has established significant delivery momentum. By June 2017 it had mobilized all of the six Ancoats and New Islington Phase One sites, with over 1,000 homes, under construction, with the first 300 completing in October 2017. In respect of the units now coming to the market for rent the rents are within the reach of those on Manchester average household income based on assuming housing costs take no more than 30% of gross monthly income. Tenants can also secure 3-year tenancies with rent increases fixed at RPI. A further three sites within the Ancoats and New Islington neighbourhood will now form a second phase of development. These sites have all recently received planning consent and will deliver 453 more homes once building contracts are let. With nearly 1500 homes under construction or with consent to build Manchester Life have become the pivotal development partner leading the ongoing transformation of Ancoats and New Islington.

4.0 Central Retail Park: Recent History

- 4.1 Central Retail Park is 10.5 acres site strategically located on the eastern side of the city centre. The site is currently owned by TH Real Estate. The site is a highly prominent one in the Ancoats and New Islington neighbourhood, an area of the city centre that is rapidly emerging as a residential mixed-use neighbourhood with a real sense of distinctive identity. It has extensive frontage to Great Ancoats Street, part of the inner ring road and a corridor of significant importance and profile. The site has been an established retail destination in the city since the late 1980s. It has, however, seen a notable decline in recent years. This decline has been made all the more visible by the

- ongoing regeneration of this part of the city, bringing significant investment, activity and environmental improvement to the surrounding area.
- 4.2 The transformational change is continuing, with Ancoats and New Islington increasingly a focus for both residential and commercial office / managed workspace development, but the Central Retail Park site has to date failed to support and derive benefit from this changing context. In addition, due to a lack of permeability, the site acts as a physical barrier into Ancoats and New Islington. The appearance of the estate is becoming increasingly in sharp contrast to the enhanced environment and sense of place being created around it through ongoing regeneration activity.
 - 4.3 The site has considerable redevelopment potential and should be positioned as a key gateway in to the Ancoats and New Islington neighbourhood. It is the site within the Great Ancoats Street corridor that can make the greatest difference and material improvement to the urban environment within that corridor. It provides a major opportunity that must be grasped.
 - 4.4 TH Real Estate have been in been in active dialogue with Manchester City Council since 2005 to develop proposals to strengthen the potential of the site for retail and, more recently, for mixed use redevelopment. This work resulted in the grant of planning permission for retail-led redevelopment in 2013, which would have seen an overhaul of the site and introduction of a new anchor foodstore. This is no longer a viable proposition as major food retailers have shifted from large format supermarkets to smaller offers and a greater online presence.
 - 4.5 In order to bring forward a transformation of the Central Retail Park site a site-specific Development Framework was approved by the Executive in February 2016 which proposed a new direction for the site. TH Real Estate saw the benefits at that time of retaining a more limited retail warehouse presence on the site, but envisaged a refurbished offer, bringing the Retail Park up to modern standards. It was equally recognised that the changing context within which the site lies created a driver to consolidate the retail use and introduce residential uses. The Development Framework proposed that the southern half of the site being redeveloped to deliver a high quality residential development as part of an overall mix of uses and in doing so, delivering enhanced integration with its surroundings.
 - 4.6 Since that time, TH Real Estate has continued to engage with the market to establish what appetite there is to work with them alongside the Council to deliver the outcomes set out in the Central Retail Park Development Framework. The very clear response from the market has been to encourage both TH Real Estate and the Council, which holds the freehold of the site, to give consideration to a more fundamental shift in the development profile of the site away from the mix of retail and residential as set out in the Development Framework.
 - 4.7 In light of the market's response to the current Development Framework, along with the view that TH Real Estate and their advisors have formed of the

wider area, they have been exploring with the Council in recent months the best means of revitalising the site, maximising the financial returns to TH Real Estate, and fulfilling the vision and principles of the Ancoats and New Islington Neighbourhood Development Framework. The result of these discussions are that TH Real Estate have concluded that it now wishes to dispose of its interest in the Central Retail Park site.

5.0 Central Retail Park: the case for Acquisition

- 5.1 The Central Retail Park site is a regularly shaped 10.5 acre plot fronting onto Great Ancoats Street between the Rochdale Canal and Old Mill Street.
- 5.2 The Council holds the freehold in the site which is subject to a 200 year lease, originally granted to Peel Investments, the term of which is from 14th July 1989. The current lease has 170 years unexpired with permitted primary use of non-food retail and ancillary uses such as car parking, fast food, banking crèche, toilet facilities subject to such ancillary uses being complementary to the primary use.
- 5.3 The site has a strategic importance to the Council as a result of its prominent location fronting the inner relief road, facing the group of historic mills across the Rochdale Canal and with the capacity to influence the wider transformation of the Ancoats and New Islington Neighbourhood and, if developed in accordance with the existing Neighbourhood Development Framework, has the potential to contribute very positively to the Council's residential and economic growth objectives. Securing such positive outcomes will also help protect the very significant levels of public sector investment already invested into the Ancoats and New Islington area over the last two decades.
- 5.4 The Central Retail Park site also offers the potential to expand the delivery of residential and associated mixed use development to ensure this part of the City continues to become an established neighbourhood of choice for those individuals and families who wish to live and work in the city.
- 5.5 In order, therefore, for the Council to create a positive framework for development of the Central Retail Park site that aligns with the Council's objectives it is proposed that the Council acquire the site from TH Real Estate.
- 5.6 The Council's objectives in acquiring this site are to:
 - (i) secure full control over the future redevelopment of this site in a manner that will accord with the extant and any future iteration of the wider Ancoats and New Islington Neighbourhood Development Framework;
 - (ii) shape the development strategy to ensure that the site makes a significant contribution to the future growth of the city in line with the

Council's Residential Growth and wider economic growth ambitions;
and

- (iii) promote the redevelopment of the site in a timely manner and appropriately sequenced ensuring that the Council's interest in its wider land portfolio across Ancoats and New Islington is protected and potentially enhanced.

5.7 The Part B Report elsewhere on the Agenda sets out the property, commercial and financial details associated with this acquisition.

6.0 Central Retail Park: Next Steps

6.1 The Executive approved a number of arrangements in June 2014 that enabled the Council to enter into a series of agreements with ADUG that provided the basis for a strategic direction and the essential framework for the development of sites that would seek to transform the Ancoats and New Islington Neighbourhood, and in the fullness of time, those neighbourhoods between Ancoats and New Islington out to the Etihad Campus.

6.2 The acquisition of Central Retail Park supports the collaborative regeneration objects already agreed with the Council's existing investment partner and falls within that approved framework. This site will be brought forward with ADUG under the existing commercial arrangements that were approved by Executive in June 2014 which will allow the Council to ensure that a framework is put in place to ensure consistency of development in the area, capture the opportunity to secure mixed used development which will further improve the contribution of the Ancoats and New Islington Neighbourhood to the city and secure the continued regeneration and development of the area in accordance with the wider residential and economic growth objectives.

6.3 In furtherance of the above, it is the Council's intention to bring forward a new Development Framework for the Central Retail Park site by mid-2018 for future approval by the Executive. It is proposed that this Framework would seek to promote:

- A comprehensive, planned redevelopment of the entire site that is sensitive to the wider site context;
- The creation of a new, high quality predominantly residential led mixed use neighbourhood, with complementary uses to activate frontages and support a thriving living environment;
- High quality design that promotes low carbon outcomes, and in terms of residential development, provides for a housing offer that broadens and deepens the existing city centre offer;
- Increased permeability through the site through the creation of high quality, dedicated pedestrian routes north – south to improve connectivity between Great Ancoats Street and Cotton Field Park / New Islington Marina and

strengthening east – west connectivity from Old Mill Street towards the Rochdale Canal; and

- An enhanced public realm and landscaping throughout the site, for the benefit to residents of the site and also to the wider city centre community.

6.4 Should the Executive support the acquisition of Central Retail Park by the Council and, following approval of the development framework, then it is proposed that the onward redevelopment of this site will be brought forward in partnership with ADUG and/or other development/ investment partners. Any such arrangements will be structured to ensure that the Council secures a return on its investment both financially, and, in the longer term in accordance with the Council's wider economic and regeneration objectives for this area.

7.0 Concluding Remarks

7.1 Historically the Central Retail Park site on Great Ancoats Street made a positive contribution to the transformation of the Great Ancoats Street Corridor. Today, and over the last ten years, it has failed to make such a contribution. The opportunity for the Council to acquire this strategic site in the Ancoats and New Islington Neighbourhood will ensure that the site can to make a significant contribution to the eastern side of the city centre, with new homes, new employment opportunities and enhanced connectivity through the site all capable of being delivered here.

8.0 Contributing to the Manchester Strategy

(a) A thriving and sustainable city

8.1 The acquisition of the Central Retail Park site will help support and influence the continued regeneration of Ancoats and New Islington into a thriving mixed use neighbourhood that offers a range of good quality homes in a variety of types and tenures along with creating opportunities for new commercial development and corresponding jobs in the area. .

(b) A highly skilled city

8.2 The acquisition of the Central Retail Park site will facilitate the continued economic growth and the prospects of attracting employers in growth sectors. The onward development of the site ultimately facilitate the continuation of a range of construction projects which will provide both training and employment opportunities for the local community.

(c) A progressive and equitable city

8.3 The acquisition of the Central Retail Park site will offer the potential to help deliver the Manchester Residential Growth prospectus, helping contribute to and meet the demand for new homes in the city. The redevelopment of the site will involve potentially the creation of high quality new environments and the provision of facilities that are accessible to the local community. Any

redevelopment of the site will help build a strong sense of place with a unique identity for both Ancoats and New Islington whilst also creating a socially integrated neighbourhood with a range of new homes / businesses and Primary School.

(d) A liveable and low carbon city

- 8.4 Any future redevelopment of Central Retail Park will help create a liveable and low carbon city by supporting the delivery of new build homes, improving the local environment and improving connectivity to local amenities and services for the wider community.

(e) A connected city

- 8.5 Any future redevelopment of Central Retail Park must contribute to the vibrancy and attractiveness of the area and create a seamless connection from the East Manchester neighbourhoods to the City Centre and the employment opportunities it has to offer.

9.0 Key Polices and Considerations

(a) Equal Opportunities

- 9.1 None directly.

(b) Risk Management

- 9.2 None directly.

(c) Legal Considerations

- 9.3 The Council in exercise of its general powers is to acquire the site from TH real estate by way of a surrender of the lease. The Council's legal team will continue to support the delivery of the property and commercial arrangements. Legal, financial, planning and property advice will be provided to ensure the most efficient arrangements are put in place to acquire the site, establish the new Development Framework and to deliver the redevelopment of Central Retail Park.