

**Manchester City Council
Report for Resolution**

Report to: The Executive - 21 March 2018

Subject: St. John's Development Proposals including Factory Manchester

Report of: Strategic Director, Development

Summary

The purpose of this report is to update Members of the continued progress made in relation to the regeneration of St. John's, Trinity Islands and the new arts venue, Factory Manchester. This report is accompanied by a second confidential report, which outlines the terms of the contractual and commercial arrangements between the City Council, Allied London Properties, Museum of Science and Industry, Network Rail and Laing O'Rourke which are necessary to complete the land assembly and to deliver Factory Manchester.

Recommendations

1. To note and welcome the continued progress on bringing forward plans for the regeneration of St. John's and the delivery of Factory Manchester.
 2. To approve the entering into of the property, contractual and commercial arrangements as may be necessary to give effect to the detailed transactions set out in the second confidential report.
 3. To delegate authority to the Chief Executive, City Treasurer and the City Solicitor in consultation with the Leader, the Executive Member for Finance and Human Resources, and the executive member for Culture and Leisure to negotiate and finalise the terms of the commercial arrangements including the building contract.
 4. To delegate authority to the Chief Executive, City Treasurer and the City Solicitor in consultation with the Leader and the Executive Member for Finance and Human Resources to finalise the terms for the land transactions required to facilitate the delivery of Factory, provided they are Best Value in the reasonable opinion of the Director of Development and Corporate Estate.
 5. To 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:

City Centre

Manchester Strategy outcomes	Summary of the contribution to the strategy
<p>A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities</p>	<p>The Factory Manchester will accelerate economic growth in the region by playing an integral part in helping Manchester and the North of England enhance and diversify its cultural infrastructure and attracting clusters of related creative industry activities and extra visitors to the city. It will also provide a genuine cultural counterbalance to London. The Council will be working with central government over the next 12 months to develop a Creative Enterprise Zone proposal to support and incentivise creative SME co-location, and maximise training and educational opportunities for the area.</p>
<p>A highly skilled city: world class and home grown talent sustaining the city's economic success</p>	<p>The Factory Manchester will make a direct contribution to the growth of creative industries, improve talent retention in the North, and reduce the dependency on London as the provider of creative industries training and employment. New direct jobs to run and operate the venue will also be created. Following the approval of the Full Business Case by the Chief Secretary to the Treasury the full economic benefits are as follows (showing an improvement on the figures previously submitted to the executive Committee. Factory is expected to support up to 1,541 FTE jobs after year 10 and a present value of GVA over the assessment period of £867 million. Once deadweight, displacement and multipliers have been taken into account the combined net additional employment impacts are expected to increase to 1,996 FTE and GVA is expected to increase to £1,179million over the assessment period.</p> <p>The Factory will develop partnerships with the city's further and higher education institutions and will further support the city's drive for high calibre graduate talent retention through job creation. It will act as a UK leader in creative sector/HE/FE led training to expand access for Greater Manchester young people into creative jobs.</p>
<p>A progressive and equitable city: making a positive contribution by unlocking the potential of our communities</p>	<p>The Factory and wider St. John's and Trinity Islands development will create a vibrant new neighbourhood based around the former ITV: Granada Studios site. The intention is to encourage independent, niche and creative uses and businesses with new office, cultural, workspace and leisure development and in excess of 2,000</p>

	<p>residential units, comprising apartments, live-work units and high rise living.</p> <p>The presence of Factory as a ‘cultural anchor’ has already had a catalytic effect in terms of reimagining the creative redevelopment of the MSI site and Upper and Lower Campfield Markets as a creative district.</p> <p>The Factory will lead to a younger, more culturally diverse audience, combined with expanded, adventurous older audiences.</p>
<p>A liveable and low carbon city: a destination of choice to live, visit, work</p>	<p>The Factory will benefit from excellent public transport connectivity, ensuring the site can be accessed by visitors.</p> <p>Sustainable design and development principles will be tested at planning application stage.</p> <p>The benefits of cultural investment are much broader than the direct impact of expenditure by visitors, with cultural activities making an important contribution to community engagement and initiatives targeted at young people, underrepresented and disadvantaged groups.</p>
<p>A connected city: world class infrastructure and connectivity to drive growth</p>	<p>The Factory will benefit from strong public transport links with both rail and Metrolink stations and with access to a choice of multi-storey car parks for visitors.</p> <p>The development will be well served by new pedestrian walkways and cycle routes. This will include the replacement Prince’s Bridge scheme under construction, improved pedestrian connectivity as part of the St. John’s developments, and proposals by the Museum of Science and Industry, which will provide residents with improved linkages to surrounding neighbourhoods and city centre districts. New public spaces and connections are proposed, which will significantly improve the environment of this part of the city centre.</p>

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 out of this report are set out in the second confidential 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.

Factory Manchester

1. Report to The Executive 29 July 2015
2. Factory Manchester Project Overview 31st May 2016
3. Report to The Executive 26 July 2017
4. Report to The Executive 11 January 2017

St John's

1. Draft St. John's Strategic Regeneration Framework Update July 2016
2. St Johns SRF – February 2015
3. Draft St Johns, Manchester Strategic Regeneration Framework October 2014
4. Report to the Executive – 29 October 2014
5. Report to the Executive – 14 March 2012
6. Draft Quay Street and Water Street Development Framework February 2012
7. Report to the Executive – 26 July 2006
8. Report to the Executive – 18 January 2006
9. Report to the Executive – 10 March 2005
10. Report to the Executive – 8 December 2004
11. Report to the Executive – 21 July 2004
12. Report to the Executive – 13 February 2002

1. Background

- 1.1 In July 2017, the Executive considered a report on progress with the development of the Factory project, a new arts venue set in the heart of the new St John's neighbourhood. Once completed, Factory will be a new and unique large scale venue and permanent home for Manchester International Festival (MIF): a building capable of making and presenting the broadest range of artforms and cultural experiences, including dance, theatre, music, opera, visual arts, popular culture, cross-artform works of scale, and innovative contemporary work incorporating multiple media and technologies. Since last July, officers and their advisors have been progressing the detailed commercial issues to finalise all the necessary outstanding legal and contractual agreements to facilitate the design, construction and operation of Factory. A second confidential report to this meeting sets out the proposed contractual and commercial arrangements with all relevant parties required to assemble the site, and secure all necessary rights to construct and subsequently operate Factory.

2. Update

- 2.1 The St. John's Strategic Regeneration Framework (SRF) was approved in February 2015. The SRF identified St. John's as a significant opportunity to lead the next phases of regeneration of the city centre with a "best in class" residential and commercial development. It recognises that the considerable scale of the site presents a critical mass of land, readily available to deliver comprehensive redevelopment. A refreshed SRF was considered by the Executive in July 2016, and following public consultation it was approved in January 2017. Allied London Properties (ALP), the landowner and developer, has secured planning consents for the individual development plots, is now appointing contractors in order to commence works later this year, and is finalising the investment model that will underpin the delivery of the overall framework.
- 2.2 The development of Factory Manchester continues apace. Due to the level of HM Treasury (HMT) investment in the project, the scheme is subject to periodic assessment points known as Gateway reviews, organised by the Infrastructure and Projects Authority (IPA) from within HMT. The IPA undertook Gateway 3 review on the investment decision of all the Factory legal agreements relating to the land assembly and the building contract at the end of last year. The recommendations are confidential to the IPA and the Council, as commissioning client, and are summarised in the second confidential report.
- 2.3 The Council intends to enter into a JCT Management Contract with Laing O'Rourke (LOR) for the delivery of Factory, and has now concluded the contractual negotiations with them, which is now subject to LOR Board approval and final Council approval. The Council is now undertaking final due diligence prior to entering into the building contract.
- 2.4 The Council will enter into a number of agreements to secure a long term interest in the land required to develop Factory. Details of the proposed

commercial arrangements, together with a number of associated transactions between the Council and its development delivery partner are set out in the confidential report attached to this agenda.

- 2.5 A section of land owned by the Museum of Science and Industry (MSI) is required to deliver Factory. MQL, MSI and the Council have provisionally agreed restructuring arrangements for their respective land interests to facilitate the development. Further details of the restructuring arrangements are set out in the second confidential report.
- 2.6 The Council has now concluded negotiations with Network Rail (NR) in respect of the Hampson Street Land Transfer agreement, which will see the Council purchase a strategically important piece of land, which was previously acquired by NR as part of the Ordsall Chord works, and which will now form a new pedestrian and cycle link to be delivered as part of the Factory development. The Council has also concluded negotiations with NR and Salford City Council in respect of agreements relating to the maintenance and access arrangements for the Princes Bridge and Utilities Bridge, which were also provided as part of the Ordsall Chord rail project. The details of the commercial arrangements are summarised in the second confidential report.
- 2.7 The Council, Manchester International Festival (MIF) the future operator of Factory, and Arts Council England (ACE) have approved an updated Business Plan for Factory, and a further more detailed version is being developed for publication in June 2018. The Business Plan sets out the ambition for Factory, including its role in inspiring and nurturing a new creative generation as well as underpinning the successful operation of the venue. The development of a Skills and Training programme that plays a significant role in driving the skills, training and employability agenda for the burgeoning creative and cultural industries sector in Manchester, GM, and the wider North is a key aspect of the new venue's offer. The importance of this initiative is underpinned by the development of a cross collaboration group, chaired by the Executive Member for Culture and Leisure, to drive forward these issues and ensure Factory can fully contribute to the growth and development of the media and creative sector, and the skills required to support it. The Business Plan remains a live document, and will continue to be reviewed and updated from time to time to reflect the depth of the vision for what Factory should and will become.
- 2.8 Over the last few months, MIF has been scaling up its operational capacity both at Board level and through developing an expanded management and staffing structure. Critical to this is the appointment of the Chief Operating Officer who has commenced his role, and will focus on enriching the business plan to ensure the artistic integrity continues to strengthen in line with the City's ambitions for Factory. Additional positions are currently out for recruitment to support the development of the artistic vision, the Factory trailblazer events planned prior to the opening of Factory, and the 2019 MIF programme. Further work is underway on the audience development programmes to ensure that the opportunities presented by the Factory are maximised. MIF will operate the facility under the terms of an occupational lease arrangement with the Council as their Landlord. The terms of the lease are in the process of being finalised,

but will be drawn on a similar basis to other major cultural assets that the Council has an interest in. It is proposed that the lease will be for a period of circa 25 years with strict user provisions to ensure Factory can operate successfully and within its means.

- 2.9 LOR, as contractor, has developed a comprehensive construction project Sustainability Plan to ensure that social value is maximised throughout the development of Factory. This plan includes the following key elements: (1) Investing in future talent through the use of apprenticeships; (2) Inspiring the next generation through a range of activities in schools and through the provision of work experience opportunities; (3) Promoting inclusion, diversity and social mobility in its workforce; and (4) Enhancing a sense of place by focusing on the broader impact on the built environment and communities.
- 2.10 The Council has strengthened its internal project management and governance capacity for the construction phase of the Factory. Construction delivery including construction related procurement will now be undertaken through Capital Programmes, with the client function remaining with the City Centre Regeneration Team, reflecting the importance of Factory to the success of the wider St. John's and Trinity Islands developments and vice versa. The recent appointment of a Delivery Project Manager whose specific role is to ensure the project is delivered on time and to budget, is key to securing success.
- 2.11 ALP have secured planning permission to develop both the St. John's and Trinity Islands developments. The St John's developments will deliver: 600 residential units; two hotel developments comprising 320 bedrooms; and over 500,000 sq ft of commercial floor space including workspace, studios, retail and leisure spaces. At the same time ALP are seeking a residential developer to implement the first phase of its Trinity Islands scheme. The development consists of 1,400 residential units and 150,000 sq ft of commercial, leisure and education space. The first phase comprises 1,000 residential units within a 67 storey tower.
- 2.12 In addition, ALP are committed to delivering and maintaining the public realm and infrastructure required to support development across the whole St Johns area. It is proposed that an estate management company will be established to ensure a viable public realm funding strategy is in place.

3. Conclusion

- 3.1 The Factory Project continues to make significant progress. The Business Plan has been approved by ACE and HMT, which sets out the vision and financial basis within which it will operate. We have successfully completed the Gateway stage-3 review, and are working to complete the recommendations from that process. MIF as the operator are gearing up to take on the increased responsibilities of running the Factory venue, and developing their Factory Trailblazers programme, as part of the inaugural opening.
- 3.2 The Factory remains a complex project, and the Council is strengthening both capacity and governance as the project moves forward with the imminent

signing of the construction management contract, developing the Stage 4 design, finalising the budget and programme, and letting the individual work packages. Organisational changes both within MIF and the Council have been implemented to meet the ongoing challenges involved in the delivery of this ambitious project. The confidential report on Part B of this agenda details the commercial and legal arrangements to underpin the delivery of Factory and St. John's.

- 3.3 St. John's and Trinity Islands is Manchester's new city centre neighbourhood, whose development will be underpinned by a mix of uses to support enterprise, culture and living. Enterprise space will comprise places to work, to spend leisure time and to stay. Culture will be focused upon innovation, the arts, entertainment and creativity, building on Factory and its legacy, and the re-utilisation of the old Granada studios. Living will embrace being part of a new community which will be attractive to families and support family life. At the centre of the neighbourhood will be Factory, which has the potential to transform the artistic landscape not just of the city but of GM and the wider North. It will build upon an existing diverse range of outstanding cultural facilities, but crucially provide the essential platform for delivering all year round MIF-type events which will significantly extend the artistic output of the city, re-balance the cultural life of the UK, and create new pathways for work and skills development. The combination of these characteristics and the development of the wider St John's area will maximise jobs and investment opportunities.

4. Contributing to the Manchester Strategy

(a) A thriving and sustainable city

- 4.1 Factory will accelerate economic growth in the region by playing an integral part in helping Manchester and the North of England enhance and diversify its cultural infrastructure and attracting clusters of related activities and extra visitors to the city, the scale and potential of development within St. Johns area will provide a major focus for new investment in the city and the growth of jobs.

(b) A highly skilled city

- 4.2 Factory will make a direct contribution to the growth of creative industries, improve talent retention in the North, and reduce the dependency on London as the provider of creative industries training and employment. Factory Manchester will develop partnerships with the cities leading higher education institutions and will further support the city's drive for high calibre graduate talent retention through job creation. The development of new enterprise floorspace will provide for the growth of new businesses within the city centre and contribute to developing a highly skilled enterprise business sector.

(c) A progressive and equitable city

- 4.3 The wider St. John's development will create a new neighbourhood which will encourage independent, niche and creative uses and businesses with new office, cultural, workspace and leisure development and in excess of 2,000

residential units, comprising apartments, live-work units and high rise living. Factory will attract a younger, more culturally diverse audience, combined with expanded, adventurous older audiences

(d) A liveable and low carbon city

- 4.4 Cultural activities make an important contribution to community engagement and initiatives will be targeted at young people, underrepresented and disadvantaged groups. Sustainable design features will be incorporated into the developments across St. John's and a district heating network is being developed.

(e) A connected city

- 4.5 St. John's will benefit from strong public transport links with both rail and Metrolink stations and a choice of multi-storey car parks for visitors. The development will be well served by new pedestrian walkways and cycle routes including the replacement Princes Bridge scheme. New public spaces and connections are proposed, which will significantly improve the environment of this part of the city centre.

5.0 Key Policies and Considerations

(a) Equal Opportunities

- 5.1 Factory will over a decade help create net inward investments of 1,439 full-time equivalent jobs and an additional £1.1bn GVA. A significant employment and training programme will be developed to support local residents. The wider St. John's developments will provide significant private sector employment opportunities and 2,000 residential units, comprising apartments, live – work units and high rise living.

(b) Risk Management

- 5.2 Risk management is a key consideration in the procurement process for the Factory and the Project Board has developed an active Risk Register which will be fully monitored and managed throughout the delivery of the scheme.

(c) Legal Considerations

- 5.3 The Council is to enter into/renegotiate a number of property arrangements with a number of parties in order to assist in the delivery of Factory and wider St. John's developments.

The Council is to procure a major building project as direct employer, and the Council will be entering into a building contract and ancillary contractual arrangements.

The funding for Factory will be provided by ACE, contributions from the Council approved in July 2017 and fundraising. An agreement is in place between ACE

and the Council, the terms of which will be flowed down to MIF, the intended lessee of Factory.

The legal team will continue to provide support and advice to the project to ensure delivery of the project.

6. Recommendations

6.1 Recommendations can be found at the front of this report.