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Company No. 04057646

12 June 2014

Mr H Bone  
Head of Legal and Democratic Services  
Winchester City Council  
City Offices  
Colebrook Street  
WINCHESTER  
SO23 9LJ

Dear Howard

### **Re Silver Hill Winchester. Variations to approved Scheme**

I refer to the development agreement dated 22 December 2004 between Winchester City Council (the "Council") (1) Silver Hill Winchester No. 1 Limited (then known as Thornfield Properties (Winchester) Limited ("SW1") (2) and Thornfield Properties Plc (3) as amended (the "Development Agreement").

You will be aware that under the terms and conditions of the Development Agreement, SW1 is to obtain the Council's consent to alterations to the currently approved scheme. For ease of reference I would identify the consented scheme as that which was subject to a planning consent dated 9 February 2009 (Application Reference 06/0191/FUL).

Pursuant to a letter dated 30 January 2014 from the Council to SW1 and the Trustees of the Henderson UK Property Fund, SW1 is, if it elects to do so, by 14 June 2014 to submit to the Council for the Council's approval as party to the Development Agreement, details of SW1's proposed variations to the Development, as defined in the Development Agreement.

As you are aware, our team have been in discussion with you and your officers over the past months concerning alterations and revision to the consented scheme referred to above. I now enclose volume 1 and 2 of two brochures dated 9<sup>th</sup> June 2014, comprising drawings and reports together with contents schedules which, illustrate the proposed alterations. In this letter, I refer to these two brochures as "the Enclosures". In this connection I shall be pleased if you would accept this letter and the Enclosures as a) SW1's submission, pursuant to the letter dated 30 January 2014, of details of the proposed variations as referred to above and b) its formal request under the Development Agreement for consent to the revised scheme designs and scheme content, all as indicated in the Enclosures. As you are aware the content of this package of information was agreed with the Council's architectural advisors as being sufficient to illustrate the alterations being proposed and the Council's advisors have confirmed that they do not require any further information to enable the Council to assess this application. From this information, for your ease of reference, I would draw your attention to the following variations to the approved scheme;

### **Variations as defined in clause 5 of the Development Agreement**

In compliance with clause 5.1.2 it should be noted that we estimate that the proposed variations will increase the projected annual rental income from the scheme by £271,781 (£5,349,119 in the approved scheme, rising to £5,620,900 under the current proposals).

The detailed breakdown of the above estimates have already been passed to you under separate cover.

The physical variations to the scheme and scheme areas and use contents are set out in the Enclosures, but for your ease of reference I would set out the following summary

### **Generally**

The changes to the external elevations to the buildings together with minor changes to the massing are all as a result of content changes as indicated in the Enclosures. Both the spirit of the design approach together with the type and high quality material used (other than Timber Cladding which has been removed) continue to follow those used in the approved scheme. The design and material changes have been driven either by the Council officer and consultant liaison, and public or market

feedback (including that from the bus station operator). For the sake of good order and compliance with clause 5.1.3.2(a), we would state that the construction cost is not reduced as a result of these design improvements.

The number of units in the proposed scheme (including kiosks and taking into account the ability to split units) could total 27, as indicated in the layout drawings and rental forecast schedule. This includes

- The Block B store unit comprising 59,741 sf on ground and first floors, which will exceed the 30,000 sf single unit referred to in the Development Agreement description and the Council's specific agreement to this is requested (It should be noted that this unit has the potential to be divided into two smaller units).
- The 2 new blocks L and M
- The replacement warehouse facility of M and S

The layout of the revised scheme follows that of the approved scheme street pattern save for some minor realignment of the block footprints together with the following logical design variations

- Extending Block B together with Block C over the surplus bus station area.
- Introducing a small Block M into the entry to Silver Hill square fronting the High Street
- Widening Cross Keys Passage and introducing a new High Street building (Block L) as well as introducing a new square known as Cross Keys Square.
- Introducing bus bays, together with related street improvements, into Friarsgate and removing the contra-flow bus lane from the approved scheme, as well as introducing bus bays into the eastern end of the Broadway.
- By way of information, the public car park will reduce from 330 spaces to 279 spaces, although this will still meet the minimum requirements set out in clause 5.3 of the Development Agreement. A further 26 private spaces provide for miscellaneous commercial uses will be removed.
- Additionally, the residential carparking allocation will increase from 129 spaces to 180 spaces.
- The new scheme makes provision for public toilet facilities to be located close to the new bus ticket office in Block A. It is envisaged that these toilets will be leased to the Council for the full headlease term at a peppercorn ground rent on a full repair basis. There will be a provision for a standard break clause in the lease in favour of the landlord, should the public toilet use cease, or in the event of major refurbishment or development of the block which they form part. In the latter case, this would be subject to equivalent reinstatement on the same lease terms in any new scheme.

Set out below is a short summary of the principal changes to the individual blocks but this should be read in conjunction with the drawings and areas schedules for detail.

### **Block A**

Removal of the half basement level.

#### **Ground level**

- Service bay enlarged to avoid rear reversing into street and entry point moved to Friarsgate
- Introduction of bus ticket office and administration/staff rooms fronting Friarsgate
- Introduction of Public Toilets
- Relocation of M and S warehouse fronting Friarsgate
- Alterations to indicative retail unit split
- 1<sup>st</sup> floor - Introduction of self-contained residential car park on 1<sup>st</sup> floor. Introduction of all car parking entry barrier at first floor as opposed to previous scheme relying on street queuing
- 2<sup>nd</sup> and 3<sup>rd</sup> floors - self-contained public car park with extended clear span beams to avoid columns

- Introduction of bridge link to Block B 1<sup>st</sup> and 2<sup>nd</sup> levels from public car park
- 4<sup>th</sup> and 5<sup>th</sup> floor - follow the previous scheme other than the layout has changed at roof level in response to feed back to introduce more articulation in the roof scape

#### **Block B**

- Removal of tower enclosing telecom mast (and mast)
- Building now extends across the whole site to include the surplus bus station land. The building is now simplified to provide department store on ground and first with a café facility together with 2 floors of self contained residential above accessed off Tanner Street. ROAB use removed in response to ROAB request. Building height marginally lower than approved scheme. Service bay access remains off Tanner Street.

#### **Block C**

As block B, now extended over the surplus bus station land. In addition, the line of retail kiosks lining Lawn Street removed in response to flood plan to comply with the Environment Agency's directive on meeting flood plan issues.

#### **Block D**

- No material change.

#### **Block E**

- The residential upper floors have been removed and the unit has been designed as a 3 level retail unit to create Architectural variety in the street

#### **Block F, G, H, J, K**

- The uses and layout remain as the approved scheme and the alterations are mainly technical detailed design driven to accommodate bin stores, and fire regulations, as well as the market feedback for balconies and terraces

#### **Block L and M**

- These are two new buildings introduced to the scheme, both being small retail shops with a single apartment above, serving the same purpose of reinforcing the sense of enclosures to the squares they back on to, as well as improving the Broadway/High Street frontage.

In addition to the above variations, we seek your consent to the specific use content which has an impact on the schedule of minimum requirements set out in the Development Agreement.

#### **Minimum Requirements for the Development set out in clause 5.3 of the Development Agreement**

- A reduction in public car parking spaces from 330 to 279 spaces (although it should be noted that this still meets the minimum requirements set out in the Development Agreement).
- A reduction from 364 residential units to 184 residential units of which 2 units are located in two new buildings fronting the Broadway /High street, referred to as buildings L and M on the drawings.
- The minimum affordable Housing content referred to be removed and now to be addressed by an obligation being placed on SW1 to comply with statutory regulations and planning guidelines relating to the assessment of the quantum affordable housing content a scheme can afford to bear in terms of viability.
- An updated linear bus station design and facilities as indicated on the attached drawings which complies with the drawing and description set out in the variation to the Stagecoach Agreement dated 3 April 2014, a copy of which is in your possession.
- The Shopmobility unit remains in its current location in The Brooks Centre in Winchester.

- No re-provision of a market store.

#### Development works

It is anticipated that the residential element of the scheme will be delivered via a joint venture/funding arrangement with a residential developer partner, as provided for in the Development Agreement.

In this connection, SW1 anticipates negotiating with residential specialists. The commercial terms will include an interdependent agreement, whereby the residential partner takes responsibility to construct the entire scheme, then leads the residential sales element only. The construction will be under the ongoing control of SW1 who remains responsible for the development and completion of the entire scheme.

You will be aware that clause 6.1.2 of the Development Agreement anticipates that the construction works will be procured via a competitive tender from at least three contractors named in the Development Agreement. Given the nature of the leading residential developers in the Industry, any joint venture (such as that anticipated by the Development Agreement) will involve the residential partner also delivering the construction of the Scheme using its own direct or company group capability. There are attractions to this for SW1, as both the economies of scale and the commercial synergies released between the two arms of the same group working on a single scheme will be reflected in any offer put forward, both in the offer for the residential element as well as the construction price. The attractiveness of any financial proposal will of course be carefully analysed by the Developer's own cost consultant and its residential advisors against the alternative of seeking to procure the construction as a standalone contract.

Having regard to the above matters, we would request that you confirm your agreement to the construction contract not being procured via a competitive tender process in the event of the developer securing a residential partner who agrees to deliver the construction as part of the overall partnering arrangement. This will clearly be subject to you being satisfied with the overall terms of any such transaction as provided for in the Development Agreement. I trust the contents of this letter together with the Enclosures is all self-explanatory and now look forward to receiving your consent to these improvements to the proposed scheme.

Yours Faithfully



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