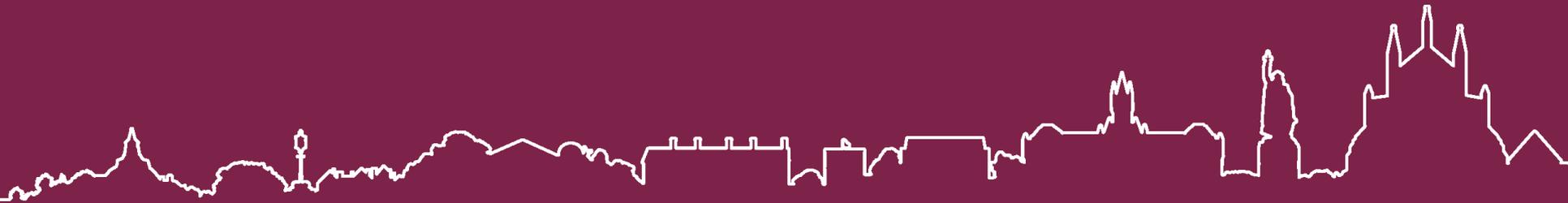


# CABINET

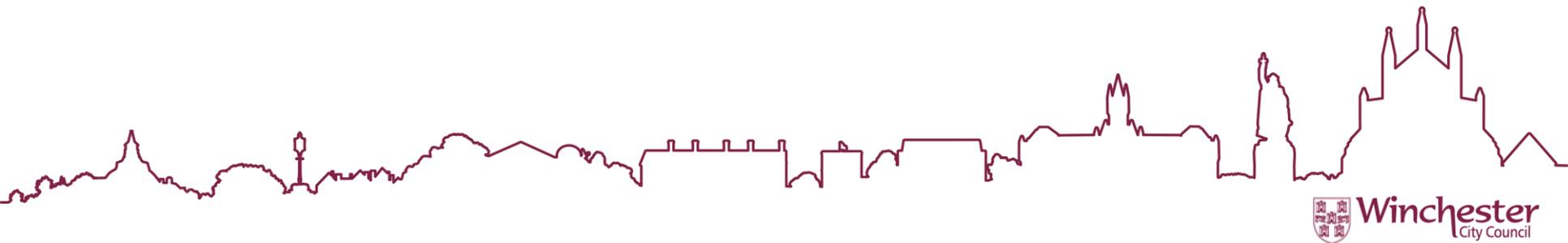
## 21 July 2021

# Central Winchester Regeneration (CWR)

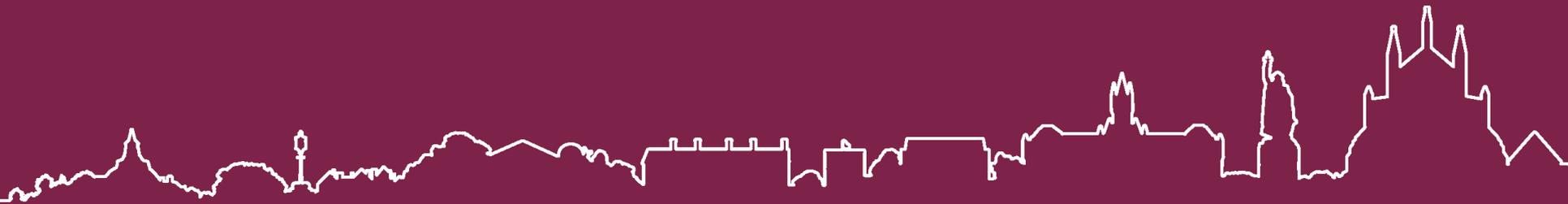


# AGENDA

-  Introduction
-  Business Case
-  Kings Walk
-  Next steps



# Business Case



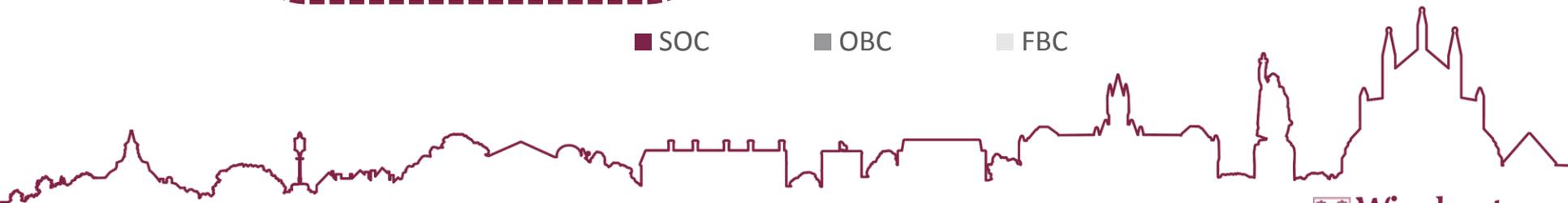
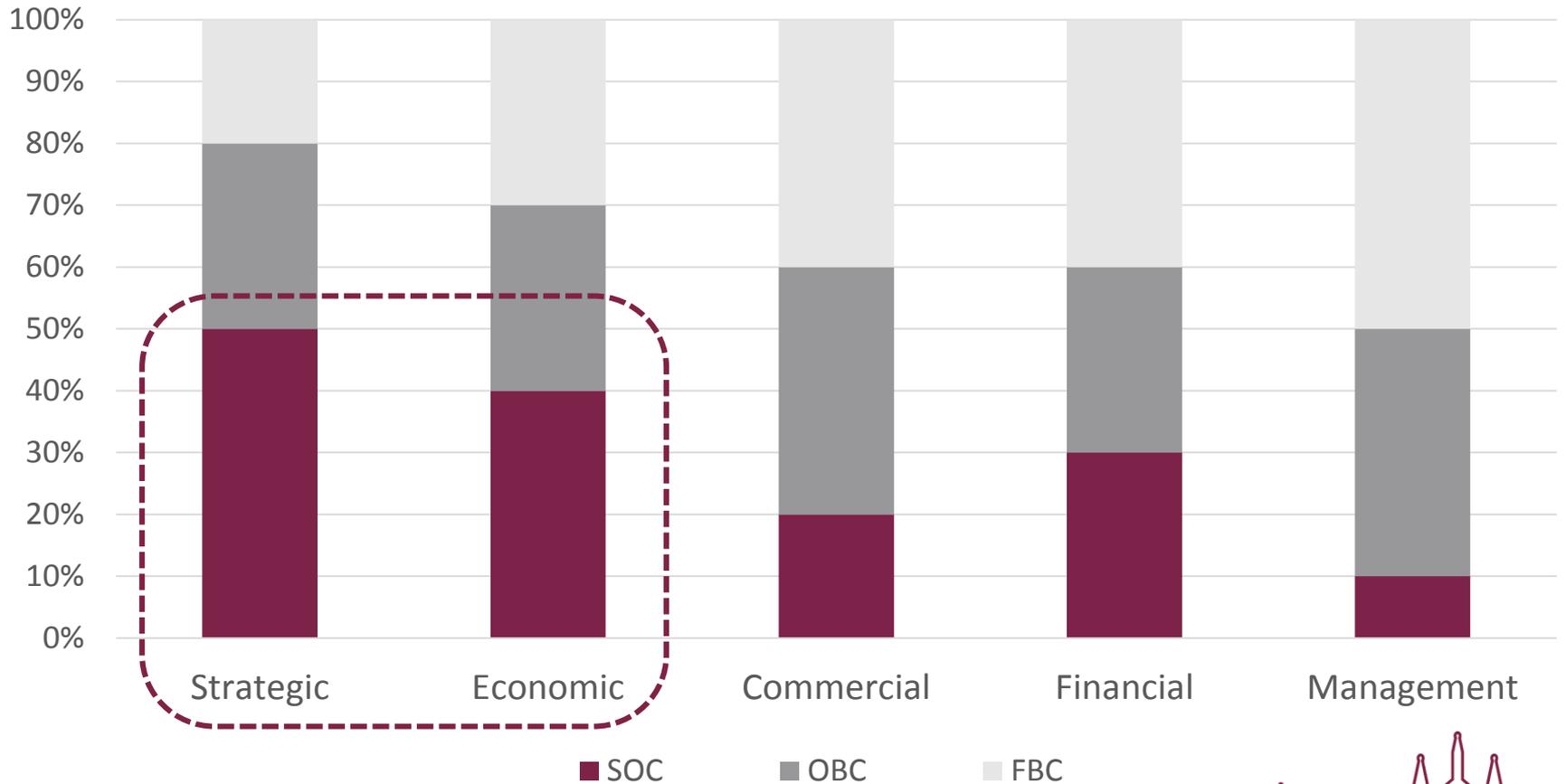
# BUSINESS CASE DEVELOPMENT PROCESS

	Stage 0	Stage 1	Stage 2	Stage 3
Stage outcome	<b>Strategic Assessment Assessment</b>	<b>Strategic Outline Case Case</b>	<b>Outline Business Case Case</b>	<b>Full Business Case Case</b>
Stage activities	<ul style="list-style-type: none"> <li>Determine the strategic context</li> </ul>	<ul style="list-style-type: none"> <li>Scoping the scheme</li> <li>Making the case for change</li> <li>Explore the preferred way forward</li> </ul>	<ul style="list-style-type: none"> <li>Planning the scheme</li> <li>Determine potential value for money (VfM)</li> <li>Preparing for the potential deal</li> <li>Planning for successful delivery</li> <li>Ascertaining affordability and funding</li> </ul>	<ul style="list-style-type: none"> <li>Procuring the solution</li> <li>Contracting for the deal</li> <li>Ensuring successful delivery</li> </ul>
Gateway review and expected date	0: Strategic assessment (Complete)	1: Business justification (21 July 2021)	2: Delivery strategy (Q4 2021)	3: Investment decision (Q1 2022)

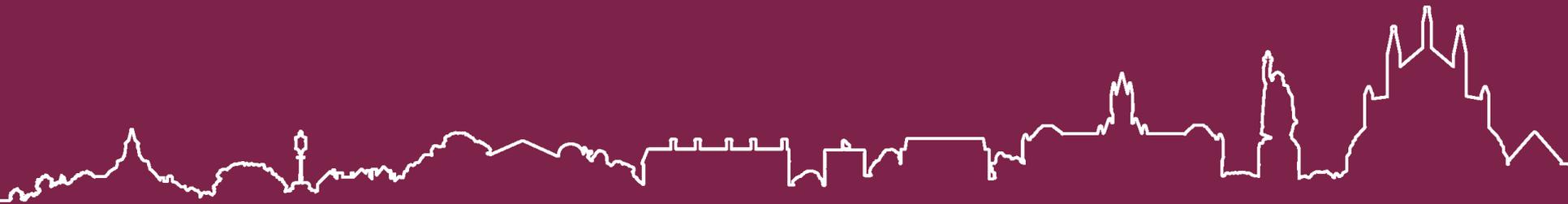


# PROGRESSING THE CASES THROUGH THE STAGES

Primary focus is developing Strategic and Economic cases for business justification of project

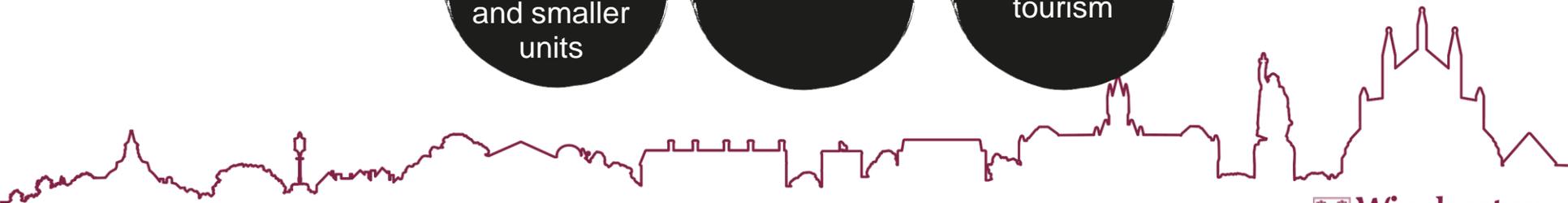
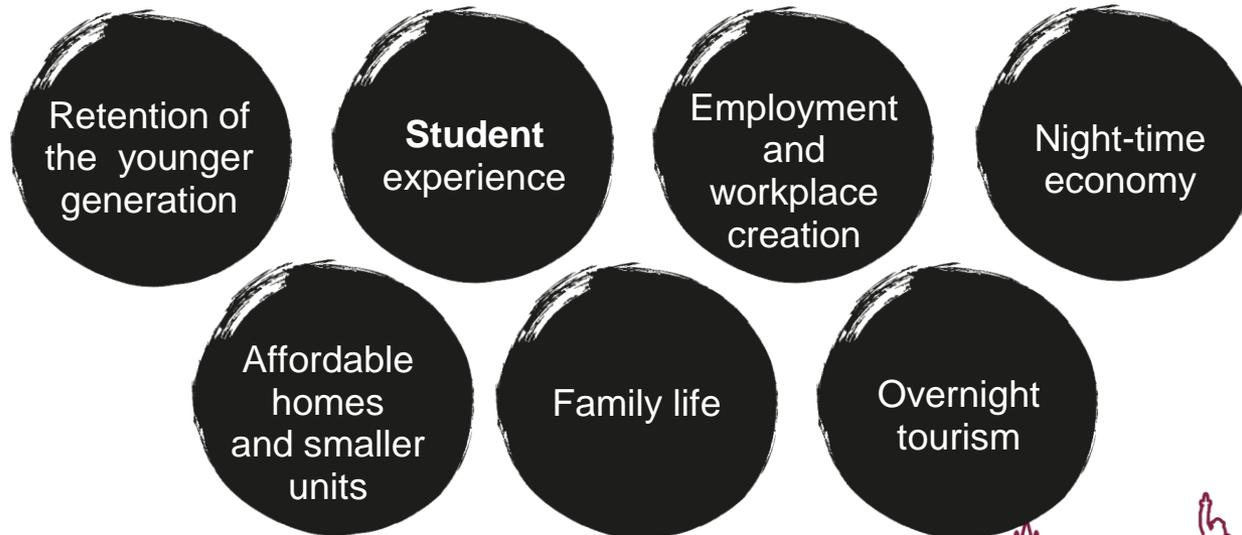


# Strategic Outline Case



# CASE FOR CHANGE

- The case has been outlined in two primary sources:
  - The Central Winchester Regeneration Supplementary Planning Document (SPD)
  - The Winchester City Council Plan 2020- 25
- Competitive Position work, workshops and public consultation identified 7 key themes:



# INVESTMENT OBJECTIVES

The investment objectives were distilled from the key themes

## Work

Provide creative, flexible workspaces to help grow start-up businesses and allow like-minded professionals to support each other by sharing skills, ideas and resources.

## Live

Provide housing suitable for a range of people, including young people and families. A mix of private and affordable housing is needed with new homes for key workers and homes for rent.

## Play

Create high quality exceptional public places where people want to spend time, to enjoy outside spaces, to experience new things, celebrate heritage and culture and get involved in something that interests them.

## Student and young person experience

Create a mix of uses which is attractive to students and young people. Which encourages them to visit the centre of Winchester instead of going elsewhere and gives them reason to want to stay in the city beyond their time at university.

## Overnight tourism

Create an attractive night-time offering to complement the existing city quarters and encourage residents and tourists to visit the area in the evening.

## Sustainable development

Work towards the city carbon neutrality target through choice of building materials, measures to minimise energy use, re-use of buildings where appropriate and encouraging suitable modes of transport.



# CRITICAL SUCCESS FACTORS

CSF 1

Alignment to City Needs (Winchester City Council Plan 2020- 25)

CSF 2

Alignment to the CWR Supplementary Planning Document

CSF 3

Alignment to the Investment Objectives

CSF 4

Achieving the benefits optimisation

CSF 5

Affordability

CSF 6

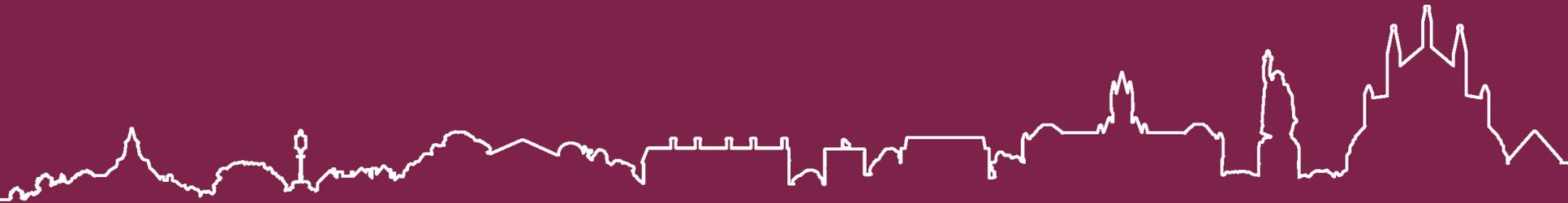
Obtaining planning permission

CSF 7

Political Risk



# Delivery Options Long List



# SOLUTION DELIVERY OPTIONS

Lesser Control/Risk			Greater Control /Risk		
Option 1	Option 2	Option 3	Option 4	Option 5	Option 6
<b>Disposal</b>	<b>KW + Bus + Disposal</b>	<b>KW + Bus + Development Partner</b>	<b>KW + Development Partner</b>	<b>Development Partner</b>	<b>Master Developer</b>
Disposal-Freehold or Long Leasehold	WCC to bring forward Kings Walk Creative Quarter and deliver the on-street bus solution. Remaining land parcels disposed of on a Freehold basis and brought forward by multiple developers	WCC to bring forward Kings Walk Creative Quarter and deliver the on-street bus solution. Followed by a contractual agreement with one development partner to bring forward remaining site	WCC to bring forward Kings Walk Creative Quarter. Contractual agreement with one development partner for the remainder of the site	Contractual agreement across the whole site with one development partner	WCC acting as master developer



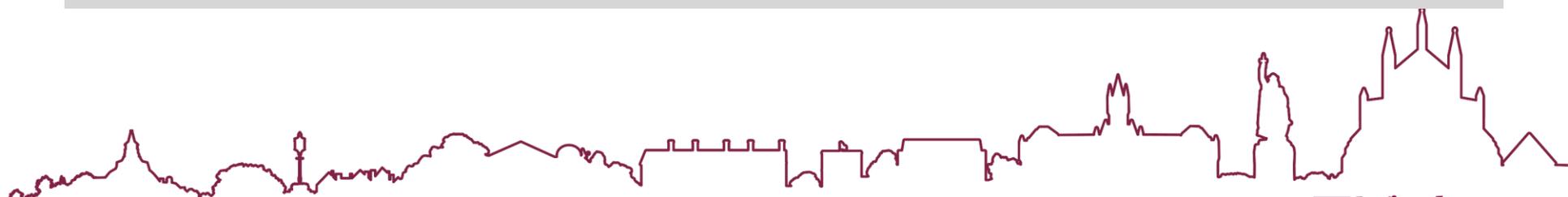
# LONG LIST EVALUATION CRITERIA



Each of the solution delivery options has been evaluated against a set of criteria based on a Five Category Evaluation Model



Evaluation category	Selection Criteria	Descriptor
Finance	Cost	What is the expected level of direct cost to WCC
	Return (profit share)	What level of profit share return will WCC receive
	Return (land receipt)	What level of land receipt returns will WCC receive
Timing	Speed	How well does the delivery option align to the required delivery timelines
Risk	Planning risk	How much of the planning risk lies with WCC
	Development risk	How much of the development risk lies directly with WCC
Control	Control	How much control does WCC have over the development
	Market appetite	What is the likely market appetite for the service delivery option
Expertise	Resourcing / expertise	Does WCC have the required internal resources/expertise



# SUMMARY EVALUATION OF OPTIONS

From WCC's perspective:

	Option 1	Option 2	Option 3	Option 4	Option 5	Option 6
Evaluation Criterion	Disposal	KW + Bus + Disposal	KW + Bus + Development Partner	KW + Development Partner	Development Partner	Master Developer
Cost	4	1	1	3	4	0
Control	0	2	3	3	3	4
Planning risk	4	0	0	3	3	0
Development risk	4	2	2	4	4	2
Resourcing / expertise	4	1	1	3	4	0
Speed	1	1	1	2	3	2
Return (profit share)	0	1	1	1	0	0
Return (land receipt)	3	2	2	2	2	2
Market appetite	4	2	1	3	4	0
<b>OVERALL</b>	<b>24</b>	<b>12</b>	<b>12</b>	<b>24</b>	<b>27</b>	<b>10</b>

Key: 0 = Least favourable impact; 1 = Some impact; 2 = Positive impact; 3 = High positive impact; 4 = Maximum favourable impact

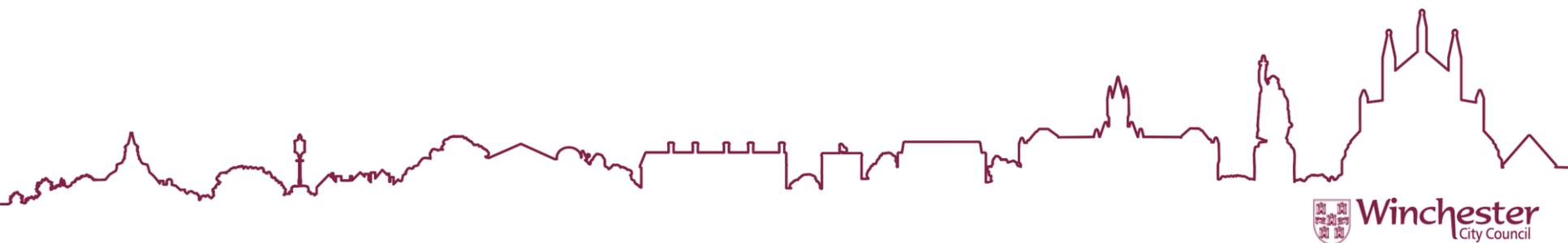
# CRITICAL SUCCESS FACTOR EVALUATION

## SHORTLISTED SOLUTION DELIVERY OPTIONS

Assessment Category	Option 4 KW + Development Partner	Option 5 Development Partner
CSF1: Alignment to city needs	4	4
CSF2: Alignment to SPD	4	4
CSF3: Alignment to investment objectives	4	4
CSF4: Achieving the benefits optimisation	3	3
CSF5: Affordability	1	3
CSF6: Obtaining planning permission	2	3
CSF7: Political Risk	3	2
<b>OVERALL</b>	<b>21</b>	<b>23</b>

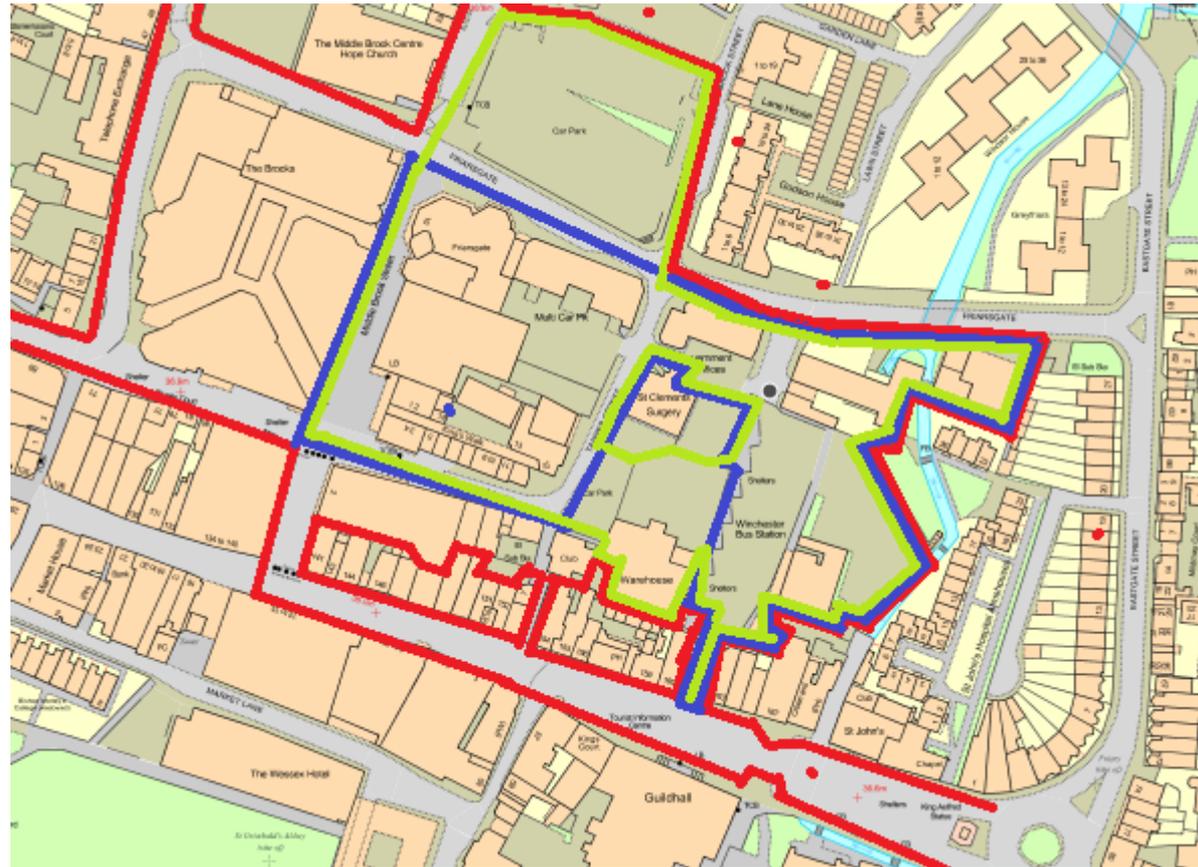
Key: 0 = Least favourable impact; 1 = Some impact; 2 = Positive impact; 3 = High positive impact; 4 = Maximum favourable impact

Option	Rationale	
<p><b>Option 4 - WCC to deliver Kings Walk with a Development Agreement on remaining land</b></p>	<p>This option delivers well against the CSF's however it does require capital expenditure by WCC to deliver Kings Walk and is therefore may be less affordable to WCC.</p>	<ul style="list-style-type: none"> <li>• <b>Advantages</b> <ul style="list-style-type: none"> <li>• Certainty of delivery and <b>timescales</b> for KW</li> <li>• Delivery control through development agreement</li> <li>• Development partner delivers bus solution</li> </ul> </li> <li>• <b>Disadvantages</b> <ul style="list-style-type: none"> <li>• 'Gateway' to the site would be <b>un-developed</b> for 15 years</li> <li>• Some parties view the Kings Walk building as <b>unattractive</b></li> <li>• Requires significant <b>capital expenditure</b> by WCC to bring KW back to leasable standard</li> <li>• May result in a <b>reduction in market interest</b> due to scale of site reducing</li> </ul> </li> </ul>
<p><b>Option 5 - Development agreement across the defined site with one developer partner</b></p>	<p>This option delivers very well against the evaluation criteria and the CSF's and is noted as the <b>preferred delivery route.</b></p>	<ul style="list-style-type: none"> <li>• <b>Advantages</b> <ul style="list-style-type: none"> <li>• Lower WCC <b>resourcing/expertise requirement</b></li> <li>• The developer is responsible for delivering interim bus solution</li> <li>• The developer is able to <b>balance viability</b> across uses efficiently</li> </ul> </li> <li>• <b>Disadvantages</b> <ul style="list-style-type: none"> <li>• Some loss of control; however, key aspects of <b>influence retained</b></li> <li>• Relying on contract if performance falters/market conditions change</li> </ul> </li> </ul>



# DEVELOPMENT AGREEMENT

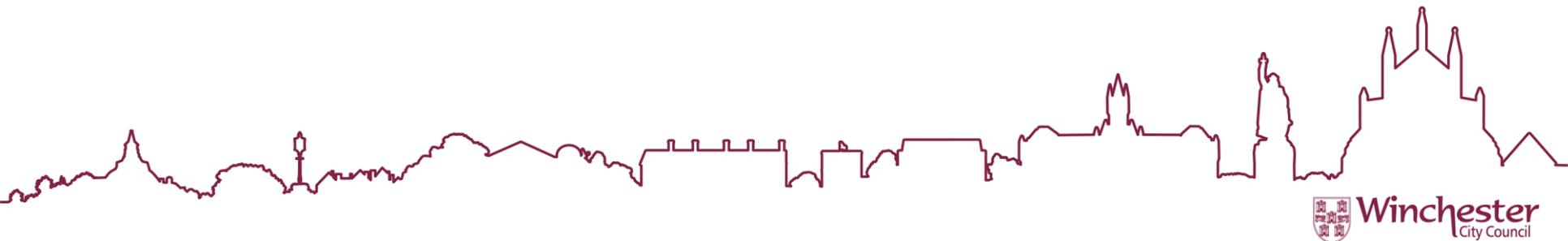
-  CWR SPD Red Line
-  CWR Development Proposals
-  DA Defined Site



# DEVELOPMENT AGREEMENT

 The development agreement between WCC and the development partner would set out the role and responsibilities of both parties and would include conditions and obligations around

-  Objectives – for the scheme
-  Pre-conditions (e.g. land assembly, planning, consultation, funding, viability)
-  Phasing – target and longstop dates (and delays)
-  Payments – land value, overage, grant, etc.
-  Financial – appraisal/model, inputs/outputs, review
-  Governance – meetings, reporting, open book
-  Change/Variations



# KEY DIFFERENCES - DEVELOPMENT AGREEMENT ROUTE

<b>The previous failure was due to 3 main issues:</b>	<b>What is different this time:</b>
The developer was a majority landowner	WCC is now the majority landowner through a DA, can regulate required steps and responsibilities
WCC had no choice and there was no procurement process to choose a best in class	WCC can choose a preferred development partner to work with to deliver against their criteria and work with them to optimise the current proposals
There was ambiguity over planning	WCC has adopted the SPD and has also developed the CWR Development Proposals recently consulted on Once appointed, WCC can work with the developer to create a joint masterplan.



# SELECTION CRITERIA

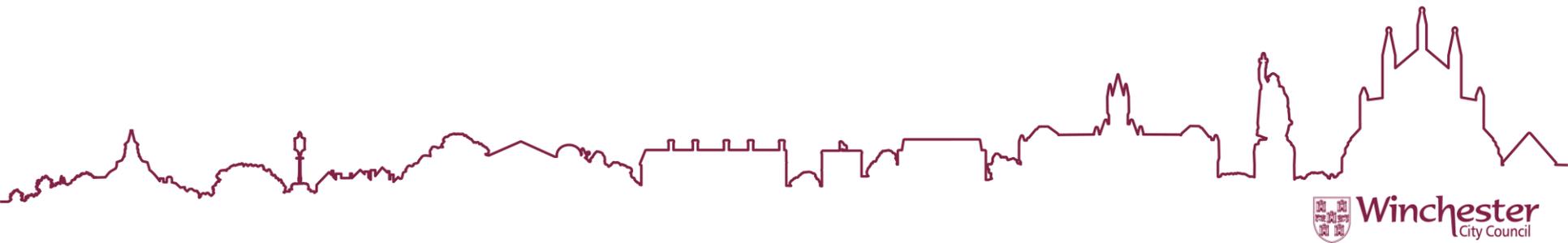
**Any procurement process would establish the developer's ability to fulfill WCC key requirements:**

-  Track record of mixed-use development with Local Authorities
-  Work within the SPD and with WCC to optimise the Development Proposal work already completed and obtain Planning Consent
-  Implement the bus solution and high-quality public realm
-  Meet or exceed WCC sustainability ambitions
-  Agree phasing and incremental development – achieved through a phased drawdown of land and may involve a mix of architects
-  Agreement on Development Agreement structure
-  Meanwhile Use Strategy
-  Estate Management Strategy
-  Financial Returns

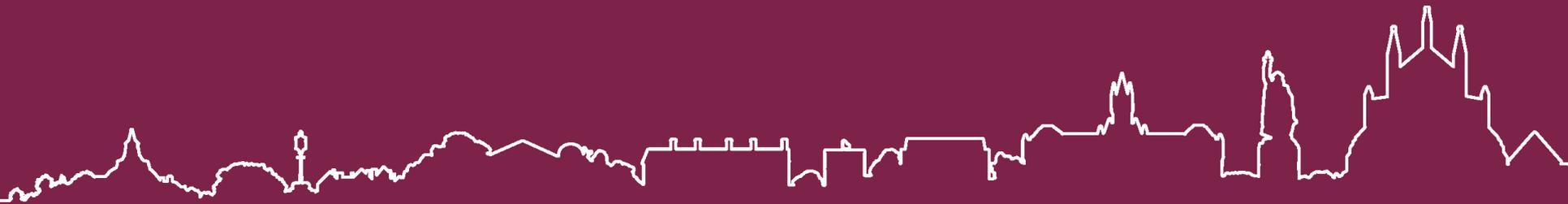


# DEVELOPMENT AGREEMENT AND THE SPD

- The SPD envisaged using multiple developers to bring the site forward in phases.
- Defined site sits within the SPD red line
- Retains the incremental approach of delivery in phases
- Enables better integration of multiple design inputs from multiple partners and architects
- Enables better sharing of infrastructure and public realm related costs across land parcels



# Kings Walk



# MEANWHILE OPTIONS

3 year period between now and end of 2024

Scope:

- Ground floor shops – internal and external
- The courtyard
- Open space in front of 3&4 Kings Walk
- The loading bay outdoor events space
- The multi-storey car park roofscape



# Kings Walk



At Cabinet in March £200,000 was approved to deliver short term improvements to Kings Walk and the surrounding area as follows;



Enhance ground floor entrances, courtyard and undercroft



Convert Loading Bay into events space



Silverhill frontage improvements



# Kings Walk

## Condition survey and intrusive investigations

The condition survey has now been completed and the conclusion is that in order to keep Kings Walk in use, either long or short term, further maintenance work is required.

- Remedial works to the roofs & elevations, plant rooms, window framework & glazing

- Drainage works to a suspected collapsed section of drainage run

- Additional fire safety measures including upgraded alarm system

## Intrusive investigations

- Structural integrity of the building – concrete, steels etc

- Results 6 -12 weeks

## Fed in to SOC – challenging financial position



# MEANWHILE OPTIONS

 An additional budget sought to explore options for the following improvements:

Multi-storey car park roof



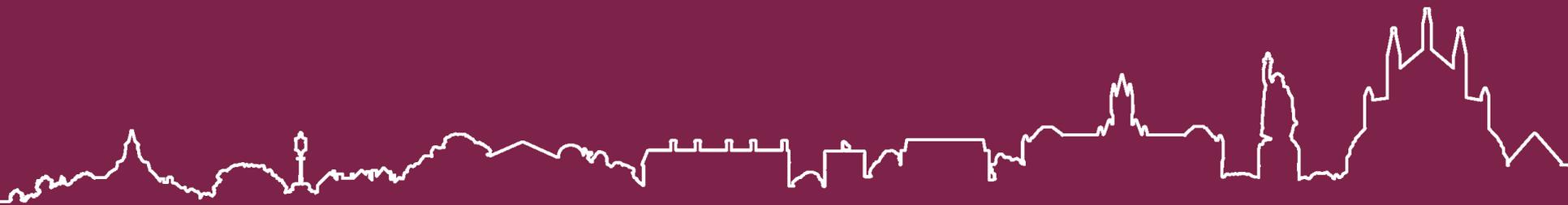
Kings Walk Courtyard garden

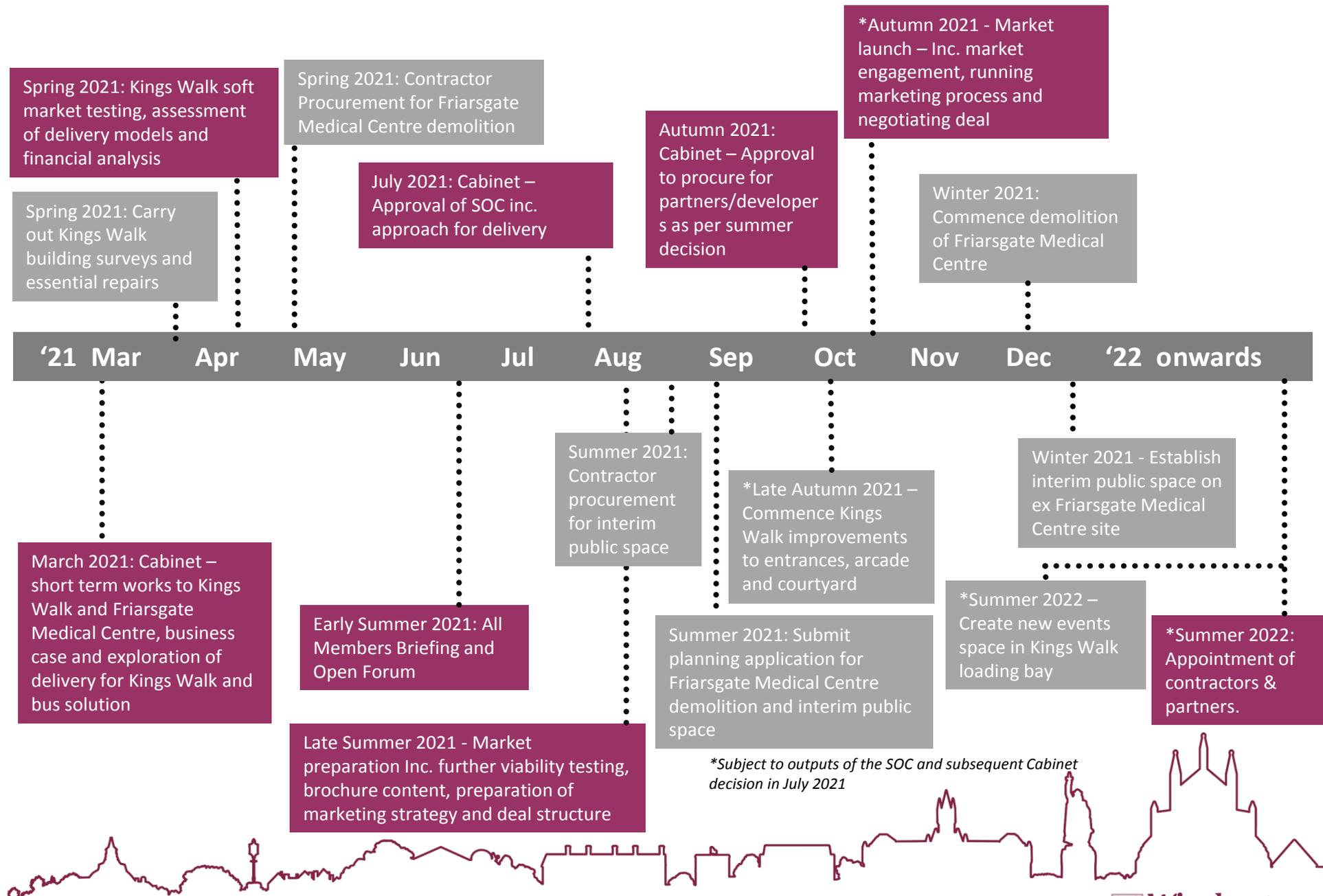


Activation of the space



# Next Steps





Thank you

