GUILDFORD NORTHE STREET | DEVELOPMENT STRATEGY

DECEMBER 2012

SUMMARY

The cathedral town of Guildford is the County’s premier administrative, commercial and shopping centre. Surrounded by one of the most affluent catchment populations in the UK, its historic retail environment attracts a wide range of national upscale multiples and quality independent retailers. Whilst the town continues to perform strongly, the economic challenges faced also grow with retrenchment of the public sector, continued traffic congestion, limited affordable housing and constrained development of new commercial floorspace.

Expansion of the town’s shopping offer on the North Street Site has been committed policy since 1995 but the third attempt to do so, after acquiring nearly 65% of the site, was abandoned in 2009 with much of the area laying derelict and under used. The Council resolved upon a new approach and, after a number of expert studies over the following two years, the development opportunity to partner the Council on the North Street site was relaunched in September 2012. Potential partners Lend Lease, Queensberry and Land Securities were shortlisted with the aim of selecting a partner in March 2013. Thereafter it is envisaged that the partner would, in partnership with the Council, highway authority and community, work up a masterplan, address outstanding site assembly, secure the key anchor store and prepare a planning application.

Having emerged from the longest and deepest post war recession with limited growth prospects in medium term, it is clear that the primary objective must be to identify a feasible and viable scheme that can be delivered by the envisaged opening date in 2019-2020. Given the scale of the fiscal deficit and forecast debt peak in 2016-17, it is acknowledged that any new public infrastructure must be funded locally: either through local tax retention or by new development.

The shopping provision in our town and city centres has been fundamentally changing over the past three decades with trade moving from small to large shops, from independent to national multiple retailers, from high streets to out of town locations and from local centres to major dominant centres. The internet has deepened and extended the danger that these key trends pose to smaller town centres.

Guildford’s retail offer has been notably resilient in reflection of its affluent catchment and attractive environment. However, its post war offer has hardly improved whilst other competing centres have substantially grown. The two significant extensions to Guildford’s shopping were the development of the 25,000 m² Debenhams store (1967) and the 14,000 m² Friary Shopping Centre (1981). Since the opening of 8,000 m² Tungate Shopping Centre (1989), there has been no substantial extension to the town whilst 733,000 m² of major retail schemes in the catchment region are proposed or have been completed.

Conceived in the late 1960s, the Friary Shopping Centre is a small, enclosed structure with a ‘cul de sac’ mall that is substantially reliant upon adjacent car parking separately developed by the Council. For nearly three decades the Friary Centre owners have explored a substantial expansion of the centre onto the North Street site without success. The first scheme, by developers MEPC, was too small to economically support the large anchor store. The second scheme, led by developers Westfield, left out the large anchor store but was still unsuccessful in trying to financially reconcile an enlarged on site bus station, 170 flats above and a heavy planning gain agreement on the limited site. The public infrastructure costs had been estimated at £70 million or some 25% of total scheme costs. This, it was advised, was unsustainable in the new fiscal climate.
Early this year, Westfield sold their half share to their existing partner – investment fund manager Hermes. Reportedly, Hermes now plan to sell their entire interest to investment fund manager Prudential (part of the M&G Group) with completion in January 2013.

Reviews of the project in 2010 redefined the primary objectives to:

- re-emphasise the importance of securing a major new department store,
- re-orientate the scheme to promote the renewal of North Street rather than, per se, the reinforcement of the rear of the Friary centre,
- enlarge the site in order to enable better design solutions,
- plan on a more sophisticated response to car parking need through a revised town centre access strategy
- ensure the new shop mix was more carefully aligned with existing provision,
- strengthen the requirement for the design to match the historic grain,
- look to alternative bus replacement facilities (substantially off site)
- and to reduce the content (including residential) to ensure lower heights.

Expert studies were commissioned on outline design options, bus station relocation, car parking demand and provision, town centre development and retail development capacity. The updated retail study noted that “standing still is akin to decline” and advised that the “consequence of not delivering a substantial quantum of comparison floorspace over the next 10 years, ideally at the Friary Extension site, is that there will be more reliance on edge and/or out of centre sites, and potentially the centre could lose market share as competing developments come on stream”.

Over the last two years, a number of alternative design options have been financially tested and most of the revised formats based on the redefined objectives were found broadly feasible and viable. Nevertheless, the appraisals pointed to the need to resolve the key issues of highway improvements, public transport improvement and new car parking provision.

In the context of the adopted policy position, a largely assembled site, key anchor store interest, continued occupier demand to the requisite levels, sufficient development capacity and outline viability, it was recommended that the Council take control of the situation and move forward by selecting a new development partner. It was commended that the Council adopted the ‘template’ approach of transparently choosing, in an open process, an expert and experienced development partner with whom it could work up a masterplan and look to prepare a planning application. This ‘design led’ approach had been successfully used, and endorsed by governmental bodies, for comparable projects in Canterbury, Exeter, Cambridge, Bath and Liverpool.

It was also recommended that the Council use a simplified selection procedure tailored to be proportionate and relevant. In addition, the Council were commended to take an early approach to real community engagement and to address that, in detail, with the development partner, when selected.

The North Street Site development could, in our opinion, renew Guildford to successfully face competition from other town centres, from out of town shopping and from internet sales. The town centre has, to a degree, been trading on its past glories and its strengths need reconnecting, reinforcing and repositioning for the future commercial challenges in providing for both its local community and the visitors that underpin its economic vitality.
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1 INTRODUCTION

1.1 Guildford Borough Council is looking to secure some £350-400 million of new private sector investment into the town centre as part of the town centre regeneration programme. This largely concerns a major retail led development scheme on the site at North Street and considered in the present economic climate.

“At present development activity – whether for town centre redevelopment, major urban extensions or other major regeneration schemes – is at a very low ebb. This is both a symptom and a cause of weak economic growth. To break out of this cycle we need to get development going again. We see kick-starting development together with the investment in the infrastructure that supports this such as new housing, better public and road transport, improved communications networks and revitalised, regenerated public realms, as an essential component of any national growth strategy” (Local Government Assoc/BPF ‘Unlocking Growth Through Partnership’ October 2012).

BACKGROUND

1.2 The 14,000 m² Friary shopping centre is Guildford’s main covered shopping centre. Conceived in the 1960s and given outline planning permission in 1973, the shopping centre was finally developed in 1978-1981. Lying adjacent to the Friary shopping centre and stretching up North Street, the North Street Site presently provides for a bus station, temporary surface car parking, shops and some offices.

1.3 Originally conceived as a Friary shopping centre extension, retail development proposals on the North Street Site by the centre’s owners first emerged in the mid 1990s with planning permission subsequently being given for the 18,580 m² ‘St Dominic Square’ scheme permission (1997). That scheme was not developed and in the following decade the next owners explored a larger scheme but failed in 2001 to secure planning. After significant design revision, planning permission was ultimately granted for the 31,500 m² ‘Friary Extension’ scheme (2004). Most of the site required for the scheme was assembled with the support of a 2006 Compulsory Purchase Order (CPO). The planning permission was renewed in 2010 but the owners had confirmed earlier there was no longer any intention to implement that consent.

1.4 The town centre has remained without any substantial shopping improvement since the completion of the 8,175 m² Tunsgate Square in 1989 although the Reading-Crawley-Kingston area has since seen over 512,000 m² of major new retail schemes (Appendix 1). Securing that major improvement in Guildford has been a long standing formal planning policy and the site was allocated for such in the 2003 Local Plan.

1.5 Following the failure of the third major scheme attempt, the Council decided to explore a new approach. The earlier project proposals tended to reflect the particular economic interests of the Friary Centre owners rather than the wider economic community interest of a thriving town centre. In addition to securing the major improvement necessary to safeguard Guildford’s competitive retail status, the main objective is to realise significant
and lasting regeneration of an area within Guildford town centre. That regeneration is to revive the role and function of North Street; ideally to a level commensurate with the High Street as part of a wider town centre circular shopping route. Critically, that aim is predicated upon both securing and carefully locating a new anchor store trader.

1.6 The North Street Site is also major opportunity to renew a major part of the town centre in a way that not only celebrates the town’s unique historic character but also re-equip the town centre to address increased competition from other improving town centres, from the convenience of out of town shopping and from on line retail. The town needs to offer an experience that goes beyond retail - the high street should be a destination for culture, wellbeing, creativity and learning. Guildford’s town centre is well provisioned with culture, leisure and historic places. Yet it has, to a degree, been trading on its past glories and its strengths need reconnecting, reinforcing and repositioning for the future commercial challenges of a globalised economy, public infrastructure shortfalls, knowledge led endeavours, public sector retrenchment and the digital environment.

1.7 Given the scale, importance and potential economic value of the North Street Site, there is the opportunity to leverage the master planning of the site to functionally link outwards from North Street across the town centre as work starts to address highways, car parking, public transport, commercial leisure, digital platforms and future town centre management structures. The scheme could have a catalytic effect on under used sites across the town centre with the potential to really address the river lying at the heart of the town centre.

BRIEF

1.8 The Council sought strategic property advice necessary to enable them as a major land owner to identify and implement or facilitate development opportunities within the town centre. The Council required advice to ensure a sound financial return from its property holdings and that the town centre retains its place as a major shopping destination in conjunction with the provision of high quality offices, leisure, service sector uses and full supporting public infrastructure necessary to maintain the economic growth of the town.

1.9 The Council appointed Cushman & Wakefield (C&W) in March 2012 to provide comprehensive property related advice, taking account of the opportunities, issues and objectives for Guildford town centre and to identify and evaluate the options for the regeneration of the key sites in the Council’s ownership.

1.10 Specifically in relation to the North Street Site, C&W was instructed to advise on the delivery strategy detailing the context for the development partner selection, the criteria and the process. This report was required to draw out the commercial issues, how the development process works and what the Council as a landowner and agent for regeneration should aim to achieve. Part of this was addressed in our former appointment to undertake the ‘Town Centre Development Study’ (March 2010).
1.11 Much of the advice was given concurrently with the various analysis and evaluation stages. Some action by the Council was required within the short term. Generally there were a number of timetable pressures; from key anchor store companies being courted for competing town centres, from potential development partners and existing investors on what was proposed next and from progress with schemes in competing centres.

1.12 This report summarises our advice to date and records our recommendations for the successful regeneration of the North Street development site. Following various studies and expert reports, the Council decided to promote the site’s development.

1.13 The opportunity to partner the Council in developing the North Street Site was marketed and parties were invited to register interest (‘North Street: Expressions of Interest’ 10 September 2012). Details of how the Council intended to select a development partner were set out in a note (‘North Street: Selection Process’ 16 October 2012) sent to all registering interest and publically available on the web site www.northstreetsite.com. Following parties registering interest by the 12 October 2012, the Council decided to short list Lend Lease, Queensberry and Land Securities and they were issued the Outline Brief (9 November 2012) which invited their submissions by 1 February 2013 with the intention that the Council will select its partner by 28 March 2013.

1.14 The Council are not at this stage seeking worked up scheme designs or detailed financial appraisals. The short listed developers are invited to demonstrate that they support and understand the vision and ambitions of the Council to regenerate and re-energise the centre of Guildford. The Council anticipate the shortlisted parties demonstrating that they have the commitment, experience and resources to deliver a commercially successful and sustainable proposal within a clearly agreed timeframe.

1.15 Following selection, it is anticipated that the Council and the development partner will work together in taking forward a master plan for the North Street area. When both parties are satisfied that a feasible and viable scheme has been identified that addresses the agreed objectives, the nominated Partner will be invited to respond to a full Development & Financial Brief with detailed proposals which, if acceptable, will form the basis of the Development Agreement. That Development Agreement will set out the provisions for making a planning application, securing an anchor store agreement, assembling the site and undertaking the development. The three documents below are set out in Appendices 2-4.
2 CONTEXT

2.1 The UK has just emerged from its longest and deepest post war recession (Q1 2008 –Q3 2012) but future medium term growth is still anticipated to be limited. Two issues are particularly relevant to a development strategy; the available public and private sector capital investment and future consumer demand governing retail expenditure.

ECONOMY

2.2 On the demand side, the public sector and consumers are both in a prolonged period of deleveraging made necessary by previous debt excess but made more challenging by the current economic weakness affected by the reduction in their demand. This has also been made worse by the reduction in available expenditure caused by the sharp rise in energy and other commodity prices.

2.3 The Government has been spending significantly more than it raises in taxation, and is having to meet the deficit by borrowing at record levels. For the financial year to October, borrowing was already up some 7.5% on the previous year. The level of public debt dominates fiscal policy. Since the start of the recession, net debt has risen from 35.5% of GDP (Q1 2008) to 67.9% (Q3 2012) and the Government’s prospects for achieving the target debt peak of 76% of GDP by Q4 2015/16 has just been revised to 80% by 2016/17.

2.4 Government spending has continued to increase at a rate slightly below projections (at some 2% not 3%) but forecast revenue receipts were expected to be higher. The limited savings in projected expenditure are being diverted into new capital investment projects (up 4.5% year to date against 0.8% projected). The projected 2011/12 investment was down 27% against the 2009/10 public sector gross investment peak.

2.5 On tax receipts, corporation tax levels are much lower than anticipated: down by some 10% on the previous financial year as opposed to the forecast increase of 4%. This has been partly balanced by the increase in income tax and value added tax revenues which have grown this year by about 7%. Fiscal drag – in the form of unaltered tax allowances - and continuing indirect taxation means that the general burden of taxation is shifting from business towards families. This again constrains discretionary retail and leisure expenditure.

2.6 The Government is likely to further revise down its predictions for economic growth in coming years, meaning that the UK will require longer to reduce the structural deficit than previously thought. The widening shortfall of the deficit compared with the Government’s target puts additional pressure on the Government to revise its deficit reduction plans. The political choice is to either move out the target in time or announce further tax increases or spending cuts, or a combination thereof, to attempt to bring the public sector finances back into line with current fiscal ambitions.

2.7 It is therefore unrealistic to anticipate any significant public sector capital being centrally available to Guildford for substantial investment in new infrastructure or new community facilities in the medium term to 2016/17.

LOCALISATION

2.8 However, the present Government has committed to a “radical shift of power from the centralised state to local communities” expressed in the Localism Act 2011. In particular, the Local Government Resource Review (July 2011) explored local business rate retention and tax increment financing – funding current capital investment by borrowing against future anticipated tax revenue created by the investment. The subsequent Local Government Finance Act 2012 now provides for local authorities to retain a share of the additional business rate revenue gained through economic growth.

2.9 Those provisions, however, are subject to the principle that no local authority is worse off as a result of its business rates base at the outset of the scheme. This is achieved through a system of tariffs, resets, claw backs and top-ups, the basis for which will be set out in the local government finance report. The net result is uncertain but current calculations suggest that many prosperous Councils, including Guildford, will not have a significant financial incentive to greatly extend their business rate revenue base through speculative capital investment.
2.10 Many anticipate that this will change as the imperative to encourage economic growth becomes stronger. At present, a number of city councils have been granted specific Treasury approval to explore tax increment financing schemes that allow 100% of their business rate tax increment to be wholly retained for a period of up to 25 years. Other councils, simplistically, can only consider using 50% of the increase over a 5 year period.

2.11 The Government has allowed budget provision – at £150 million - for such capital borrowing as the Treasury consider such as being classifiable as public debt in accordance with EU Directives even when that capital might be private sector investment wholly adopting the risk. This stance, again, might change.

2.12 Many Councils now aim to rely upon forms of tax increment financing (TIF) and planning gain levies to sustain any public infrastructure investment. As later referred to below in s.5, the Council did make a TIF pilot submission to Government.

REAL ESTATE

2.13 The weak global economic outlook and euro zone debt crisis continue to weigh heavily on the UK property investment market. All property annualised total returns - as measured by the IPD UK Monthly Index - continued to decline by some 5-6%. By comparison, the annual return on equities was down 3% while bonds outperformed to post returns of 16.1% in the 12 months to June.

2.14 The uncertainty over future growth and stability is clearly weighing on the minds of occupiers, developers and investors and consequently yields have continued to drift out in many sectors and locations. Nevertheless, property and location quality are more notable factors dividing the market than sector – with core prime yields rising 16bps and second tier prime yields 75bp in the year to June - taking the yield premium for the best to 235bp versus a 10 year average of 136bp. This gap is expected to widen further in the short term as investors tighten their definitions of prime and demand a higher premium for anything with perceived risks attached. As expected, capital values continued to steadily decline over the second quarter, with the annual rate of growth declining by 1.9%. Annualised income returns have remained relatively static throughout the year and ended the quarter at 6.7%, offering an attractive value proposition to investors who are insensitive to short-term liquidity and are looking to secure medium-to-long term returns.

2.15 Investment activity is being undermined, not just by current economic events, but also because investors are more selective in their acquisitions, with average transaction times lengthening due in part to very thorough due diligence processes. Equally, lending conditions remain tight and while some new sources of debt have emerged recently, the supply of new credit is still slow to materialise and a significant improvement in lending terms in unlikely in the short term. Many European banks continue to focus on domestic market activity, while UK lenders remain in restructuring mode and any lending activity is generally reserved for core assets.

2.16 Retail markets remained polarised by quality and geography, with prime in London benefitting from the buoyant occupier demand and from investors seeking safe haven investments amid global economic uncertainty. Indeed the shortage of stock in London’s prime thoroughfares has led to demand filtering down to second tier streets and into the South East region. Elsewhere however, the main concern for investors is vacancy and re-letting prospects, with secondary retail in particular suffering from numerous retailer insolvencies, administrations and portfolio consolidation which has increased available supply. Consequently, secondary yields remain under pressure to increase from current levels.

2.17 The outlook for the real estate debt market is still uncertain and lenders continue to face challenging conditions in wholesale funding markets. Loan margins are under upward pressure and the gap between prime and secondary pricing continues to widen.

2.18 Non-bank financial institutions have been quite active in direct real estate lending markets in the first half of 2012, attracted by opportunities to secure a better balance of risk and reward by lending rather than taking ownership positions. Generally speaking, lending appetite within this category is reserved for opportunities which offer secure longer term cash flows with solid management.

2.19 According to various industry reports, there is approximately €60 to €80 billion of equity available to invest in non-core European loan assets, while other investors are undergoing further capital raising. Despite the depth of investment capital available, the volume of investment transactions to date has been relatively modest,
primarily due to the flight to premium quality assets in premier cities and towns, a lack of quality supply through new development, the scarcity of acquisition financing in Europe and the limited number of investors willing to dispose of premium assets.

RETAIL

2.20 Occupier demand for Central London retail remains buoyant, particularly in the prime thoroughfares in the West End. High premiums, rising rents and little or no vacancies are now the norm as luxury groups, international high street brands and French boutiques all look to gain a foothold in prime areas. Supply in key streets in the West End remains very limited.

2.21 This demand-supply imbalance continues to boost rents, with average Central London rents up 6.2% in the year to June 2012. Incentives are unchanged at between 3-6 months’ rent free. In terms of investment, demand is at an all time high, particularly from overseas investors, which accounted for approximately 70% of all transactions in the second quarter. Prime yields are stable at 4%.

2.22 Leasing activity in regional retail markets remains mixed, with occupational demand strongest in the major provincial centres and the principal market towns in Greater London and the South East. In most other locations however, retailers continue to feel the impact of weak trading conditions and wider economic woes.

2.23 Many retailers still have too many under-performing stores and continue to reduce store portfolios as leases expire, while others are entering into pre-pack administrations where they can decrease store numbers, alleviate debt burdens and commence trading again in a reduced format. Rents were generally stable over the quarter, although many locations are seeing downward pressure on rents.

2.24 In the investment market, demand is heavily focused on the prime end of the market although investors have become increasingly cautious and selective in their acquisitions since the start of the year. Activity is also being constrained by the limited supply of prime stock as landlords continue to retain the best assets. The availability of secondary stock is increasing but the fragility of the occupational market has seen many investors shying away and as a result, yields continue to drift out. Prime yields are stable at 4.75%.

SHOPPING CENTRES

2.25 Occupational demand remains highly selective and, generally, it is only the strongest centres within the best towns that are generating the most interest. Prime rents were static across most of the locations surveyed and should remain stable for the remainder of the year, given the limited shopping centre construction pipeline for 2012/13 and continued demand for larger units in regionally dominant centres. In secondary locations meanwhile, rents are under pressure, with landlords still granting large incentives in order to limit voids.

2.26 There was less than 20,000 m² of new shopping centre space added to the market in the first half of the year. In total 33,000 m² of new space is expected to be completed in 2012, which will be the lowest annual figure on record since the early 1960s. Only one new shopping centre has opened this year (the Swan Centre in Yardley), and the pipeline for the second half consists of extensions to a handful of existing schemes. Completions are expected to pick up in 2013, with nearly 175,000 m² of new space in the pipeline, including Trinity Leeds, New Square in West Bromwich and the Whiteley Shopping Centre in Fareham.

2.27 Investment activity slowed in the first half, with only £0.8 billion of shopping centre assets transacted, compared with £1.2 billion in the previous six months. Prime regional and sub-regional shopping centre yields held firm, while smaller, secondary schemes remain under pressure, with yields moving out by 50 bps.

2.28 Development is expected to continue at a restrained pace for the foreseeable future. While selected retailers are expanding, on the whole occupiers remain cautious against a backdrop of sluggish retail sales and low consumer confidence. Demand is likely to remain highly selective, with interest focused on large, well-configured units in regionally dominant shopping centres; further polarisation between prime and secondary schemes is expected.
RETAIL TRENDS

2.29 These market changes have been fundamentally determined by four key trends.

- **Concentration** – representing the shift of trading from secondary small units to fewer primary large shop units. There are about 900,000 shops in the UK but retailers now only occupy 300,000. In 1971, they occupied 473,000.
- **Agglomeration** – trade moving from independent to multiple retailers. About 300 retail companies – out of a total 200,000 – take about 70% of total sales.
- **Decentralisation** – concerning the diversion to off centre shopping provision in the form of out of town regional shopping centres, retail parks, supermarkets, retail warehouses and so on. Only about 30-35% of the retail floor space is now to be found within town centres.
- **Polarisation** – the stronger performance by regional or metropolitan centres with a full comparison offer over district or local centres where only the convenience trade underpins vitality. In 1971, some 200 town centres took about 50% of the trade; today it’s thought to be only 73 centres taking 60% of the trade.

2.30 The internet has been portrayed as the retail Armageddon. Having supplanted most other forms of ‘special forms of trading’ (catalogue and mail order), pure on line sales growth has stalled but ‘click & collect’ grows at astonishing rates. The Click & Collect formats - being still grounded in real estate – are further driving polarisation and concentration trends. Increasingly the large and the new dominant.

2.31 The net and the recession has made both the shopper and retailer smarter. Delivering an engaging, meaningful and seamless retail experience is increasingly vital to meeting customer expectations. Multi-channel is transforming the retail landscape. It is driving some fundamental changes in the way retailers organise themselves. Boundaries are blurring between offline / online and retail business strategy has to reconcile expensive real estate stock, customers who don’t pay for delivery, multiple home delivery trip congestion and consumers troubled by returns. In many ways, the net simply represents greater complexity, higher costs and limited revenue increase.

2.32 The ones that profit are the high street leaders that empower consumers to take greater control of their own shopping by tailoring bespoke responses and structure their retail operations to reflect an easily comprehensible and simply desired ‘one brand’ experience. In a similar fashion, town centres need to promote unique attributes (culture and leisure), rebalance priorities (from electrical / books to fresh food / dining), redraw priorities (from pedestrianisation to customer collect by car) and reframe objectives (from prime retail benchmarking to secondary trader support and nurture).

2.33 Much popular comment questions the need for ‘more shops’ in the light of increasing retail vacancy levels in many towns and bemoans the lack of charismatic independent shop traders. Retail floor space supply can only respond to occupier demand which in turn is led by consumer demand.

2.34 Reflecting the key retail trends, the number of shops has been significantly reducing since 1971. Concurrently the average unit size has been increasing in response to occupier requirements; the average unit size was 120 m² in 1998 but twice that size in 2006. The resultant has been fewer but larger shops for multiple retail companies in a smaller number of town centres (ODPM ‘Commercial and Industrial Floorspace Statistics’ March 2006).

2.35 Consumer demand has reflected the average long term GDP growth in the UK at some 2.5% pa. In the last two decades non food spending in the shops has trebled. In the next two decades it is forecast to double. Non food spending has been constant at some 25% of rising household expenditure but food spending has fallen from third (1963) to about 15%. The forecast capacity for further retail floor space in Guildford is referred to in section 4.

2.36 Leisure has been the most rapidly expanding sector. There has been a 50% market growth since the start of this decade. In particular, the ‘eating out’ market has grown substantially and further growth of some 20% is forecast in the next three years alone; a growth rate that is approximately three times that of retail sales. In the States, about one third of all meals are eaten out. In the UK it’s about 10%.
3 GUILDFORD

3.1 The Borough is one of the most affluent areas in the UK – ranked 4th (PMA Promise Nov 2012). In reflection of that affluence level, the catchment population has high AB social group and two car household proportions.

ECONOMY

3.2 The local economy has performed well over the past decade; well above average and primarily driven by financial and business services, education, health, retail and tourism.

- The Borough’s economic activity rates and weekly earnings exceed county, regional and national averages. This provides significant potential revenue for firms in clusters such as leisure, catering and retail that depend upon local disposable income.
- Guildford has a highly skilled workforce, with qualification levels exceeding county, regional and national averages, and relatively high proportions of the workforce in ‘higher order’ occupational groups.
- The University of Surrey and the Surrey Research Park underpin Guildford’s recognition as an international centre of excellence for firms in clusters such as knowledge, health, bio-technology, space technology and ICT.

3.3 Forecast employment growth to 2016 is considered likely to be significantly below average rates. The largest employment sector is the public sector (36%) and financial and business services (25%). Manufacturing is limited to just 4%. The borough therefore has a much greater reliance on the public sector than that of its comparator economies. There is also a particular reliance on commercial services and retail and related activities, which, in combination, provide just over half of all employment in the borough.

3.4 Retail contributes significantly to the borough’s economy and Guildford town centre is ranked as one of the premier shopping destinations in the south of England. The health of the high street is important to the borough. As the county town, Guildford has enjoyed a prominent position within the south east region’s retail hierarchy. The retail sector employs around 9,050 people in more than 750 outlets (23%).

3.5 In reflection of the borough’s affluence and location as a commuting centre for London, average house prices are nearly twice the PMA Promise average centre. The gap between local wages and house prices in Guildford borough is a key issue. Affordability of housing is also directly linked to recruitment and retention issues, particularly for key workers, young people and other lower paid workers. It also influences commuting patterns.

3.6 The general affluence of the borough is not only reflected in high house prices but also, as noted, by high car ownership and usage. This, together with commuting levels, means that the borough experiences high levels of traffic congestion in the town centre during peak hours; largely from people travelling to and from work and schools rather than those using the town centre for shopping and leisure.

3.7 A substantial improvement to the town’s retail offer and status is one realistic route to ensuring economic growth in the borough doesn’t remain ‘significantly below average rates’. Nevertheless, making Guildford a more attractive destination will, inevitably, increase traffic congestion pressures. However, it is also vital that the town’s retail status is actively maintained.

“There is a need to ensure that the Borough maintains the quality and diversity of its retailing and town centre activities. To this end issues such as the provision of a quality hotel in the town centre, regeneration of the Friary Centre, attraction of an additional major departmental store, the provision of officer support for the Town Centre Manager and the redevelopment of the Civic Centre are all issues that need to be addressed by the Borough in the near future” (University of Surrey ‘Guildford Economic Development Study’ July 2009).

RETAIL OFFER

3.8 The cathedral town of Guildford is the main administrative, commercial and shopping centre of Surrey. Its historic retail environment of some 120,000 m² serving the highly affluent catchment population of 620,000 (2010) and achieving prime retail rental levels of Zone ‘A’ £325 per ft². Floorspace comprises 112,000 m² gross
comparision (25% off centre) and 16,500 m² food (95% off centre) plus a further 26,000 m² gross comparision committed (with permission but not yet built).

3.9 Retail expenditure in the town centre is secured by the anchor stores of;
- Debenhams (25,190 m²).
- House of Fraser (19,600 m²).
- Marks & Spencer (11,730 m²)
- and Primark (2,830 m²).

3.10 The town’s pedestrianised and cobbled streets house a wide range of national multiples; particularly upscale and quality fashion retailers. The town also has a notable provision of restaurants/cafes and a strong independent offer.

“ ... Guildford town centre has a total of 205 independent retailers, which equates to an independent/multiple retailer mix of 35:65%. This level of independents helps to define the unique character of the town”. (C&W ‘Town Centre Development Study’. March 2010)

3.11 Guildford has a below average proportion of managed floor space with around 21% of the total retail floor space accounted for by the town’s three managed shopping centres:
- the Friary Centre (14,960 m² - 1981),
- White Lion Walk (4,270 m² - 1986)
- and Tunsgate Square (8,175 m² - 1989).

3.12 The High Street is the principal shopping street with the pedestrianised section between Quarry Street and Tunsgate forming the town’s prime pitch. This historic street does have a number of relatively small and poorly shaped units but rental levels in the best positions are over ZA £325 psf although recently this has softened. Following the £40 million refurbishment and repositioning of the Friary Centre, prime rental levels in the covered shopping centre rose to some ZA £200 psf.

3.13 The many cross-streets that link North Street and High Street are a particular feature of the town’s shopping environment. These attractive pedestrianised streets accommodate many specialist retailers including national multiples and now command retail levels of some ZA £150-160 psf; a slight fall on 2010/11 levels.

3.14 Friary Street, the pedestrianised thoroughfare linking the Friary Shopping Centre and the western end of High Street, underwent a significant refurbishment/redevelopment by Legal & General in 2008. Key fashion retailers here include New Look and Superdry. Rental levels remain broadly stable at ZA £150 psf.
3.15 North Street is the main secondary shopping street and is home to many services and a mix of multiple and independent retailers. Rents on North Street are currently range from £150 psf at the Western end – a significant fall from 2010/11 levels - reducing to £75 psf moving eastwards. Vacancies have been substantially increasing in the street. The proportionate rental levels in the town centre are illustrated below.

3.16 Retail demand for the town centre remains strong and is compounded by the limited supply of prime retail space, with the majority of parties seeking to gain representation in the town looking to secure units on the High Street rather than less prime locations. This is demonstrated by recent rental growth in Guildford.

3.17 As at November 2012 Guildford town centre was ranked 2nd of all the Promis centres for retailer demand displaying a high level of demand for a town of its size and status. Upmarket retailers Anthropologie, Comptoir des Cotonniers, Penhaligons, Fenn Wright Manson, Bravissimo, Apple and Oliver Sweeney are reportedly seeking representation in the town, as well as more mainstream operators such as Deichmann, Accessorize, Trespass, Zara and Bank. In addition, there are many well-know restaurant/café/bar operators looking for premises in the town such as Carluccio’s, Ping Pong, Chiquitos, Boost, Cafe Rouge and Cafe Piccolo.

3.18 Published demand from the past 12 months for Guildford concerns some 50 named town centre requirements, ranking the town second in the PROMIS Centres. The requirements reflect a mix of retailers, with a high proportion of restaurant and leisure operators. The majority of those listed are not already represented in Guildford. Typically these requirements represent a range of sizes and whilst a number of requirements are for 100-400 m², a reasonable proportion of the requirements are for larger floor plates of 1,000-3,750 m² which are not easily satisfied in the town centre today.
3.19 Key retail anchor tenants, such as the John Lewis Partnership and Fenwick, also remain interested in securing representation in the town centre if suitable premises can be secured which meet their requirements. Further details of John Lewis’ requirement for some 18,580 m² GIA to be configured over 3 or 4 selling floors is set out in Appendix 5. As the Town Centre Development Study (March 2010) noted, Debenhams are over sized and located off pitch. Consequently the company would be interested in relocating to a smaller store in a better position if such was financially achievable.

FRIARY CENTRE

3.20 The Friary Shopping Centre is the largest and oldest shopping centre in Guildford. Constructed on a redundant Friary Meux brewery site (closed in 1969) and adjacent land purchased by the Council for the development, the 13,000 m² centre was developed by MEPC who were selected by the Council in a development competition. The centre opened in spring 1981 with a C&A fashion anchor and a Presto supermarket. Initially, the centre fared poorly having opened in the middle of the 1980-82 recession.

3.21 Integrating a modern shopping offer with the historic town fabric was seen at the time as challenging; “It is always difficult to fit such a centre into a domestic scale” said Roger Squire, development director of MEPC “and we had considerable problems” (Drapers Record 16 August 1980).

3.22 The centre is a covered and enclosed unitary structure with limited natural day lighting. It is a ‘cul de sac’ scheme leading off at right angles to the traditional street pattern to no particular place. The centre was refurbished and extended to 14,000 m² in 1989. The refurbishment converted the former Presto supermarket on the lower level into 17 new shop units which considerably helped in attracting shopping traffic out to the centre. The C&A anchor store was replaced by BHS in 2005 and then by Primark in 2010.

3.23 The Friary Centre was originally conceived in the 1960s; some material suggests the ‘Central Area Development’ was prompted by the 1965 Buchanan report ‘Traffic in Guildford’ (Surrey History Centre Archives. GBC files 1960-1974). The scheme was given outline planning permission in 1973 and detailed consent in 1977; a nine year development period from MEPC’s first scheme brochure (1972) to the opening of the scheme.

3.24 Car parking for the Friary Centre is provided by the 800 space multi-storey in Bedford Road. Developed and still owned by the Council, the three level car park was completed in 1972 and was subsequently linked into the shopping via the present pedestrian bridge.

3.25 The Council holds the freehold of the Friary Centre with the head lease granted to MEPC in June 1978; three years before completion. The 150 year head lease is subject to a ground rent to the Council equivalent to 5% of the total net rents received. The bus station is held by the Council subject to a lease back from the developer at nil rent.

3.26 At 13,000 m², the Friary Centre was a small centre even by the standards of the 1970s with average shopping centre developments being some 25,500 m².
A PROPOSAL FOR
GUILDFORD NORTH STREET
DEVELOPMENT STRATEGY

GUILDFORD BOROUGH COUNCIL    CUSHMAN & WAKEFIELD    15

TABLE 1 | AVERAGE SHOPPING CENTRE SIZE | UK

<table>
<thead>
<tr>
<th>OPENING DATE</th>
<th>TOTAL AREA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960-69</td>
<td>20,755 m²</td>
</tr>
<tr>
<td>1970-79</td>
<td>25,503 m²</td>
</tr>
<tr>
<td>1980-89</td>
<td>26,121 m²</td>
</tr>
</tbody>
</table>

Consequently it represented a modest extension to the town’s floor space stock: and the only significant retail change to date since the 1967 construction of the 25,000 m² Plummers store (now Debenhams). The centre’s scale can be compared to other town centre schemes in the town’s catchment area undertaken over the period 1969-84 (Table 2). It is also relevant to note that the 1.82 ha site was only sufficient to accommodate the shopping floor space and bus station with the scheme reliant upon car parking separately provided and developed earlier by the Council.

TABLE 2 | SHOPPING CENTRE DEVELOPMENTS | REGION

<table>
<thead>
<tr>
<th>SCHEME</th>
<th>OPENING</th>
<th>AREA</th>
</tr>
</thead>
<tbody>
<tr>
<td>KINGSTON Eden Walk</td>
<td>1969</td>
<td>25,641 m²</td>
</tr>
<tr>
<td>READING Broad Street</td>
<td>1970</td>
<td>37,160 m²</td>
</tr>
<tr>
<td>WOKING Wolsey</td>
<td>1975</td>
<td>21,368 m²</td>
</tr>
<tr>
<td>BASINGSTOKE Malls</td>
<td>1981</td>
<td>27,800 m²</td>
</tr>
<tr>
<td>BRACKNELL Princess Sq</td>
<td>1984</td>
<td>18,581 m²</td>
</tr>
</tbody>
</table>

In 2000 MEPC sold half the centre to Westfield and in 2002 Hermes acquired MEPC’s remaining 50% interest leaving the centre jointly owned by Westfield and Hermes in a vehicle called the Wilmslow Partnership. Westfield is a highly experienced and expert retail development company. Hermes is the investment manager primarily responsible for the Post Office and British Telecommunications pension funds.

The Friary Centre is now solely owned by Hermes following its acquisition of Westfield’s 50% stake in early 2012. A £40 million refurbishment and reconfiguration of the centre was completed in November 2011 resulting in a significant improvement to both the retail environment and to the tenant mix, which had been largely value orientated until that point.

The re-organisation of floorspace and the creation of a number of large modern units attracted 17 new retailers to Guildford including key brands like Hollister (696 m²), Republic (603 m²) and Urban Outfitters (768 m²). It also provided the means for several retailers to expand their offer in Guildford by taking large units previously unavailable in the town centre.

- TOPSHOP - increased unit from 1,250 m² to 2,230 m²
- RIVER ISLAND - relocated & increased from 464 m² to 929 m²
- HMV - increased unit from 650 m² to 1,068 m²

Other new tenants include Muji, Boux Avenue, Sabichi, Schuh and Bebe Misou. A new food court has also been created on the third floor, aimed at attracting independent operators rather than national chains.

Prime rents in the centre rose to ZA £200 psf; about 60% of the town’s prime level and a partial recovery from the continued decline of the shopping centre.

TABLE 3 | FRIARY PRIME RENTS

<table>
<thead>
<tr>
<th>DATE</th>
<th>HIGH ST PRIME RENT</th>
<th>FRIARY CENTRE</th>
<th>RATIO</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>ZA £215 psf</td>
<td>ZA £175 psf</td>
<td>80%</td>
</tr>
<tr>
<td>2009</td>
<td>ZA £280 psf</td>
<td>ZA £140 psf</td>
<td>50%</td>
</tr>
<tr>
<td>2012</td>
<td>ZA £325 psf</td>
<td>ZA £200 psf</td>
<td>60%</td>
</tr>
</tbody>
</table>
COMPETITION

3.33 The largest of Guildford’s potential competitors are Kingston-upon-Thames, Reading and Basingstoke. Both Kingston-upon-Thames and Reading have PMA Retail Provision Scores comparable with Guildford. Other competitors include Bracknell, Woking, Camberley and Crawley.

3.34 The ‘Town Centre Development Study’ (March 2010) sought to compare Guildford with the comparable city or town centres of Bath, Canterbury, York Exeter, Oxford and Cambridge. The report noted that major retail schemes of some 40,000 m² or larger had been recently completed in Bath (Southgate), Canterbury (Whitefriars), Exeter (Princesshay) and Cambridge (Grand Arcade). The planned 40,000 m² Coppergate scheme in York has not progressed because both John Lewis (9,300 m²) and Marks & Spencer (11,200 m²) have committed to out of town stores at Monks Cross. At Oxford, progress is still being made by Land Securities on the 75,000 m² Westgate scheme which is to be anchored by a John Lewis store.

3.35 The report concluded; “Even against these peers, Guildford has amongst the strongest underlying drivers for new development and a strong property economy. Nevertheless, it is apparent that Guildford has not been able to respond to these drivers in the way that the comparable centres appear to have done” (C&W ‘Town Centre Development Study’ March 2010).

3.36 In the Guildford region, and since the 8,174 m² Tunsgate Square opened in 1989, major shopping centres have been completed in Camberley, Crawley, Kingston, Reading, Staines and Woking; some 368,000 m² of retail floorspace. Notable out of town retail developments in the same period amount to some 144,000 m². Substantial shopping developments are proposed in Bracknell, Crawley and Woking. Both past and proposed notable developments amount to 733,000 m² of new floorspace (see Appendix 1).

3.37 As noted, the key competitors are Reading and Kingston. The former has seen 136,000 m² of new shopping development over 1989-2000: 71,000 m² of off centre and 65,000 m² of town centre space.

3.38 Without significant improvement since 1989, Guildford’s relative town centre shopping status has inevitably declined as other centres improved.

<table>
<thead>
<tr>
<th>TABLE 4</th>
<th>PROMIS RETAIL RANKINGS 200 CENTRES</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2005</td>
</tr>
<tr>
<td>GUILDFORD</td>
<td>10TH</td>
</tr>
</tbody>
</table>

3.39 Set against that, prime rental levels in the town centre have been remarkably resilient despite a slight reduction in the headline rate following the remodelling of the Friary Centre. This is in the context that, with the
exception of Oxford and Cambridge, all the other historic comparator cities and towns have seen rent falls of some 25-40% since 2009.

3.40 Over the last 18 months, the centres of Reading and Basingstoke have seen their prime rental values stagnate, showing nil growth; Kingston on the other hand has seen measured growth of 5.3%. This is set against a backdrop of prime rents in Bracknell and Woking contracting by 16.7% and 9.5% respectively over the past 18 months. Guildford on the other hand has out-performed its competing centres in this period demonstrating a 7% increase in prime rents. The town continues to suffer prime retail stock shortfall and with high demand for prime retail space in the town, the competition for space has resulted in the growth being witnessed.

3.41 The analysis suggests there continues to be a clear need to significantly improve the town’s retail facilities. There has, as noted, been no major extension or improvement to the town’s retail offer for 30 years - since the completion of the Friary Centre in 1980. The perceived shortfalls in the shopping offer are;

- Anchor store provision in the town is limited in comparison to the range of multiples available; the town has just two department stores, House of Fraser and Debenhams – and one is over sized and located off pitch
- The prime trading position is limited in extent
- Secondary trading thoroughfares in the town centre are beginning to decline
- Many of the town’s shops are small and poorly shaped, rarely consistent with modern retail requirements
- Most modern shop units are provided in the Friary Shopping Centre which is located in secondary position off North Street
- Shoppers car parking is seen as limited and inconvenient
- Congestion and ease of access are commonly seen as major issues.
- The town has a modern cinema but such is located on the edge of centre without ancillary support and is divorced from other leisure/cultural offers.

NORTH STREET SITE

3.42 There is a considerable history of proposals and planning permissions to extend the Friary Centre by redeveloping the adjacent land being the area bounded Leapale Road and North Street. Following the 1989 refurbishment of the Friary, the first proposals emerged in the early 1990s to address retail demand and increasing competition from other town centres.

ST DOMINIC’S SQUARE

3.43 MEPC’s ‘St Dominic Square’ scheme for 17,041 m² retail, 1,381 m² residential (31 flats) and a 7,368 m² replacement bus station (18% of scheme area) was submitted for planning in November 1995. The scheme was a
two level enclosed shopping centre extension that used the natural North Street slope of 10.4 m to have two entrances to each shopping level arranged at grade. The scheme was based upon stopping up Commercial Road in order to extend the existing shopping centre and allow free pedestrian movement.

3.44 After allowing for existing retail of some 3,865 m², the net additional retail floorspace addition was considered to be 13,176 m². The scheme was predicated upon an anchor store of 9,820 m² (58% of scheme area) located in the north east corner of the project, backing onto Leapale Road and opposite the BT building. Further design revisions were considered by the Council in July 1996 and January 1997 before permission was finally granted in May 1998 (95/P/01539) subject to the provision of a 350 space park & ride at Artingdon.

3.45 The financial challenge of accommodating a bus station and a large department store with only 7,221 m² of supporting unit shops on a constrained site proved too difficult: “The developer originally secured consent for the 5.1ha site in May 1998, but the scheme proved commercially unviable because it compromised retailers’ space requirements” (Estates Gazette 24 June 2000).

3.46 MEPC subsequently increased the scheme size from 17,041 m² to 26,640 m² of retail but the planning application of June 2000 was withdrawn before determination as the company had entered into negotiations to form a joint venture with Westfield to hold all its shopping centres and use the proceeds to reduce its debt. This was a necessary defensive stance as several interests, including Hermes, had made bids to take over the company. By late 2002, Hermes had succeeded in taking over MEPC’s shopping centres which included the 50% Friary interest held in the Wilmslow Partnership.

3.47 Changes in ownership are noted, via Estates Gazette news reports over July 2000 - December 2012, in Appendix 6.

FRIARY EXTENSION

3.48 Led by Westfield, the Wilmslow Partnership continued to plan on extending the Friary but their first development proposal in November 2001 for a 20,565 m² net retail extension with a replacement bus station and 31 residential units was refused permission in September 2002 on the grounds of ‘bulk, scale and mass’.

3.49 Westfield continued to work on revising the scheme in order to;

- reduce the proposed building heights,
- break the unitary structure down into six separate buildings,
- provide substantially more residential units,
- introduce some open streets,
- and replace the residential surface car parking with basement provision.

3.50 Their subsequent application of December 2003 proposed a 24,923 m² net retail extension with a 7,368 m² replacement bus station (23% of scheme), 170 residential units (13,418 m²), 66 basement car spaces and a 922 m² ‘community building’. The scheme incorporated a 2,000 m² supermarket (lower basement level) and a “mini anchor store” arranged on 4 levels with the anchor being broadly located in a similar position as previously, backing onto Leapale Road.

3.51 Again, Commercial Road was to be stopped up and the scheme did not provide for any new shoppers car parking. It was anticipated that the proposed ‘park & ride’ would adequately address that issue.

“After two failed attempts, Westfield has submitted a third application to extend Guildford’s Friary shopping centre and revitalise the town centre. The old lady plonks down two heavy bags to look at the story boards in the Friary shopping centre in Guildford. They explain how Westfield Shoppingtowns, the owner of the centre, will double the number of shops by developing the adjoining land. She looks at the artist’s impression of a new town square, bordered by shops with flats above. She says with resignation borne out of disappointment: ‘It’s not going to happen in my lifetime. But we could do with a new bus station.’” (Property Week 20 February 2004).
Planning permission was granted in March 2004 subject to a planning agreement providing for 30% affordable housing, £3.354 million of planning payments and the community building costed at £2.36 million. Temporary relocation of the bus station, in accordance with an earlier permission, was permitted in order to save 19 months of complex construction phasing off a programme that already extended to 31 months having allowed for the initial 8 month period for the temporary bus station and highway works.

The Wilmslow Partnership and the Council began to negotiate a development agreement which would provide, once the pre conditions had been satisfied, for the Council to grant a new 250 year head lease over both the new scheme and the existing Friary centre in return for a capital payment and a share of rents. The agreement was never completed but the travelling draft appeared to provide for pre-letting and viability preconditions and the grant of title before start on site.

The travelling draft also suggested the Council might have been obliged to maintain at least 2,000 car parking spaces in the town centre and retain Bedford Road and Leapale Road as car parks for the term of the lease.

In order to ensure site assembly, the Council made a CPO in October 2004 which was considered at public inquiry in September 2004. The First Secretary of State subsequently confirmed the Order in January 2006 for a period of three years. The costs and liability for the Order where borne by the Wilmslow Partnership by an Indemnity Agreement dated September 2005. Under the aegis of the Order, the majority of the site was acquired leaving an estimated 34 interests remaining from the 114 references noted on the Order.

The proposed scheme was 11,747 m² larger in net retail addition than the consented St Dominic’s Square scheme of 1998. It did not provide for a full anchor store and did incorporate a basement food store that had proved so unsuccessful in the original Friary development. Even with the larger retail floor space and only a ‘mini anchor store’, the combination of the increased residential provision with 30% affordable, basement car parking and servicing costs, on site replacement base station, capital land payment to the Council and £5.714 million of planning gain costs, the project viability was challenging.

The December 2009 planning application to renew the existing permission for a further 5 years was granted but the changed economic climate led to further studies which suggested the site was insufficient to accommodate the desired department store and supporting retail: “the existence of a bus station as shown within the 2004/2010 approved schemes for the Friary Centre significantly reduces the viability of the scheme and in practice will continue to be a barrier to redevelopment”. (Guildford Council ‘Bus Station and Town Centre Development’ Executive Report 20 October 2011).

Some 65% of the proposed site (excluding roads at 22.75%) was now held by the Council or the Wilmslow Partnership but it lay largely under used and semi derelict. Two parts were used as temporary car parking for some 114 spaces. The 25 year old bus station remained as a poor and hostile environment.
SCHEME REVIEW

3.59 The 2008 down turn in the real estate market made the project demonstrably unviable and the permitted development failed to proceed for the third time. The CPO expired in January 2009. In acknowledging that a new approach was needed to secure the economic renewal of North Street and the important extension to the town’s shopping facilities, the Council initiated meetings with the key commercial stakeholders (North Street Regeneration Partnership) in the summer of 2009 and appointed C&W to undertake a development study of the town centre.

“Located at the western end of North Street, the Friary shopping centre extension site has long been the most significant regeneration opportunity for the town centre, as outlined in the Local Plan 2003. Its comprehensive renewal was planned to address many of the town centre deficiencies including the bus station, car parking, highways and a new public square. The current recession has ended the third attempt to implement the scheme by the Borough Council and the owners of the Friary Centre” (C&W ‘Town Centre Development Study’ March 2010).

3.60 Discussions between the Council, major department store operators and Westfield continued on exploring the feasibility and viability of a revised scheme although Westfield began to focus on the remodelling and refurbishment of the Friary Centre leading to their application of October 2010 to create an extra 594 m² of retail and to amalgamate 6 shop units to form two major space units.

3.61 Following C&W’s ‘Town Centre Development Study’, and as part of the development review, the Building Design Partnership (BDP) were appointed by the Council to explore new design formats in September 2010. Consultants R Tym & Partners were also appointed in October 2010 to review and update retail development capacity in the light of the new economic circumstances.

3.62 The Council and Westfield/Hermes made a submission to Government for a pilot Tax Increment Finance scheme to fund the envisaged public infrastructure and aid deliverability in June 2009 and again in December 2010 (see Appendix 7).

3.63 BDP’s work of September 2010 –March 2011 led to a renewed viability review with Westfield carried out over the period March – December 2011. These discussions were further informed by a John Lewis ‘Guildford Feasibility Study’ (June 2011) and the updated Guildford Retail Study (May 2011) which formed part of the local plan review evidence base.

ALTERNATIVES

3.64 The viability of large scale development on the site with different use content is questionable. Limited retail development on North Street without the critical mass and vital anchor store is unlikely to secure the necessary uplift from current rental levels to make a development viable. As a approximate ‘rule of thumb’, rental values need to exceed ZA £125 psf to make redevelopment viable and hence many of the North Street properties – particularly at the eastern end – could not be economically rebuilt ‘as is’ if demolished.

3.65 Many other uses - such as hotels, student housing or a foodstore - are already committed to other town centre sites. A cinema led leisure scheme could be viable but would challenge the existing Odeon operations and the outline thinking for the Bedford Road car park redevelopment to improve the station link and enhance the riverside.

3.66 Provided the scheme avoided the cost of acquiring the properties arranged along North Street, a residential ‘infill’ scheme could be viable. The viability would be partly determined by the affordable housing component (policy at 35%) and the site cost. Affordable housing might presently be valued at some £2,500 per m² as broadly opposed to total development costs of some £2,200 per m² which leaves little for the land acquisition costs.

3.67 However, the consequence of an alternative form of development would be the loss of the key opportunity to reinforce and enhance the town centre’s retail status for a generation. The alternative options are inconsistent with the Council’s main policy objective ‘TC2 - to increase the area’s retail offer to ensure that the town centre can compete with neighbouring retail centres’ (Guildford Council ‘Economic Strategy’ April 2011) and it’s adopted planning policy.
4 PLANNING

4.1 The relevant national planning policy at each stage over the preceding two decades has been described at length in the planning statements accompanying the applications in 1995, 2001, 2003 and 2009.

NATIONAL

4.2 National policy has long required new retail growth to be located in existing town centres if possible. Policy therefore required planning authorities to actively plan for and positively promote retail development within town centres. Inevitably, large scale development within town centres required the assembly of suitable sites which was only usually possible through planning authorities’ compulsory purchase powers.

4.3 Detailed policy guidelines set out how the ‘Town Centre First’ development policy was to be implemented. The ODPM PPS6 ‘Planning for Town Centres’ introduced an emphasis on good urban design principles (ODPM March 2005). Detailed policy guidance on promoting town centre retail development was set out in PPS4 ‘Planning for Sustainable Economic Growth’ and its accompanying good practice guide ‘Planning for Town Centres’ (DCLG December 2009).

4.4 This guidance confirmed that planning authorities should devise a ‘town centre strategy’ based upon an “up to date and sound evidence base”. The town centre strategy was to audit the existing centre, identify consumers’ needs, assess retail capacity, evaluate commercial requirements and “ensure that suitable sites are identified to accommodate current and anticipated future needs”. The guidance notes that successful projects “have formed part of an overall strategy, promoted through the planning process and other parallel initiatives. In most cases, they have been promoted by a public/private partnership and have involved the development of a supportive planning framework, and proactive measures to secure developer interest and assemble the site”.

4.5 The commended town centre strategy was to provide a clear policy framework to support and actively promote new development including guidance on the scale and form of new development, the approach to development phasing arrangements and site assembly (e.g. CPOs) and the local authority’s attitude to other competing developments, including the approach to ‘piecemeal’ proposals within key development sites and competing proposals in other locations.

4.6 The superseded PPS6 (2005) commended, where needed, area action plans. It noted that “Area Action Plans will be the key tool for addressing local, site-specific issues in areas where significant change ... is needed and where specific site allocations need to be made. Local planning authorities should draw up master plans or development briefs for key sites or areas which are suitable for town centre uses. ... Master plans, detailed planning or development briefs for key town centre sites or areas are best prepared as supplementary planning documents” (ODPM ‘Planning for Town Centres: Guidance on Design and Implementation tools’ March 2005).

4.7 These policy guidelines have now been superseded by the National Planning Policy Framework (NPPF) which was published in March 2012 and presents a substantially shortened and simplified set of policies for retail planning. The policy structure is still broadly the same, following the town centre first approach. Assessments of need should guide local planning authorities in applying the sequential approach to identify sufficient development sites to meet the retail, leisure and office requirements.

4.8 Planning applications are to be determined against the development plan in the first instance. Like successive versions of PPS6/4 before it, the NPPF advocates a more proactive approach, setting a strong presumption in favour of town centre development and advocating the use of CPO. For decisions on planning applications, the NPPF is clear that where these are in line with the Development Plan they should be approved “without delay”. Elsewhere, where the plan is absent, silent or its policies are out of date, the application should be approved unless any adverse impacts would “significantly and demonstrably” outweigh the benefits, or specific policies in the NPPF indicate a refusal is called for.

4.9 The NPPF carries through PPS4’s overarching objective to achieve sustainable economic growth, highlighting that ‘significant weight’ should be placed on the need to support economic growth through the planning system.
LOCAL

4.10 The development plan for the Borough currently consists of the South East Plan and the saved policies of the Guildford Local Plan 2003. In terms of retail policy and given that the St Dominic’s Square scheme had been given permission in 1998, the shopping policy debate at the time of the Local Plan review addressed the suggestion that there was no further need for major development in the plan period. The Inspector considered that was an impractical approach: “The Plan gives a high priority to the needs of local residents but the role of Guildford as a sub-regional centre means that its catchment extends beyond the Plan area. As this wider extent is necessary to support the higher order retail functions of the Town Centre, it would be potentially damaging to the long term viability of the Town Centre to seek to impose such a restriction” (Inspector’s report ‘Guildford Borough Local Plan Review’ September 2001).

4.11 In updating local planning policy, Guildford has faced – in common with the majority of local authorities – a number of challenges, including changing legislation. The Council started the old local plan review in the year following the 2004 introduction of the new planning system by the previous Government. Consultation draft policies were issued in 2006, but work had to be postponed until the Regional Plan finally emerged in 2009. The completed Regional Plan then enabled updated draft policies to be issued but that policy review had to pause again when the new Government abolished regional plans in 2010. Since then the Council has continued to develop the draft framework to enable the important progress the town needs.

4.12 When the new Local Plan is formally in place (anticipated in 2014), the final town centre strategy is likely to be in place as a formal planning policy document. At site allocation level, the North Street site remains as an Approved Major site in the existing Local Plan and is subject to a site specific brief first adopted in 1995 and formally updated in 2003. The site also remains with the benefit of the 31,500 m² planning permission (expires 2015).

4.13 During the long gestation of planning policy the Council has carried out extensive community engagement and built an up to date evidence base throughout the planning process. On retail, for example, there has been the Retail Study (2006), Town Centre Vitality and Viability Report (2008), Economic Development Study (2009), Town Centre Development Study (2010) and Retail and Leisure Study (2011). A fuller evidence base list is set out in Appendix 8.

4.14 Other plans and research also contribute to this long-term process. Surrey County Council, as transport authority for the area, identified broad strategic objectives in their Transport Plan (April 2011) that are realistically dependent on securing the funding for all the desired County wide infrastructure improvements. This plan also identified addressing the traffic congestion faced in Farnham, Woking and Guildford town centres as key priorities. Guildford has been fortunate in seeing the £370 million completion of the A3 Hindhead tunnel and the Council plans to develop further park and ride provision and further bus priority measures to help improve access to central Guildford.

TOWN CENTRE

4.15 As noted, proposals to extend the Friary centre emerged in the 1990s and, in response, the Council adopted a ‘Design & Development Brief’ (October 1995) against which MEPC’s November 1995 ‘St Dominic’s Square’ application was considered before permission was ultimately granted in May 1998.

4.16 Similarly, the Council revised and updated the ‘Design & Development Brief’ (September 2003) against which Westfield’s December 2003 ‘Friary Extension’ application was considered before permission was ultimately granted in March 2004.

4.17 The Council started preparing an Area Action Plan for Guildford Town Centre in 2005 having published its draft Core Strategy. The retail development policy was largely centered upon the North Street site; then known as the Friary Centre Extension. The draft Preferred Options paper was published for consultation in June 2006. Following the consultation process the Council decided not to pursue the document as a development plan document, but to prepare it as a non statutory policy document in the form of a Town Centre Masterplan (draft December 2011). This document subsequently became the Interim Town Centre Framework (August 2012). The original intention was for the draft Interim Town Centre Framework to be adopted in September 2012. A revised
A PROPOSAL FOR GUILDFORD NORTH STREET DEVELOPMENT STRATEGY

4.18 However, in the light of the new Local Plan regulations (Town and Country Planning Regulations February 2012) which, inter alia, includes a requirement for development plan documents to be subject to independent examination, the Council decided not to adopt either document as development plan documents and now intend they should form part of the evidence base in support of the revised local plan. It is not considered necessary to prepare any further statutory or non statutory policy documentation in relation to the site in advance of the forthcoming revised local plan. No further planning policy is considered necessary to support the grant of planning permission for an approved scheme or to further facilitate site assembly for the redevelopment.

4.19 As noted, the March 2004 permission was for a 24,923 m² net retail addition accommodated in development of some 31,500 m².

“The principle of redevelopment of this site, which is underutilised and in need of comprehensive renewal, is thus acceptable to the Council. The Council’s long term aspirations for the site is set out in a Design and Development Brief which was approved in 1995 and updated towards the end of 2003 following further public consultation. The outline scheme achieves the vast majority of the aspirations set out in the Brief, which recognised a comprehensive approach to development. The Brief is supplementary planning guidance that was taken into consideration by the Planning Committee in determining the application and was an important material consideration in that decision” (Planning Committee March 2004).

4.20 The proposed development was considered at the CPO Inquiry (September 2005). The Inspector found the proposal “accords with the general principles of the development plan and the development brief for the area”. He noted that “the need to revitalise this part of Guildford had been recognised for some time, notably with the development brief of 1995 and the updated brief of 2003. The latter is intended to enhance this part of the town centre, which the Council considers to be in need of refurbishment and redevelopment. The brief aims to provide a vital and vibrant mixed use development of a quality that reflects the historic pattern and character of the town centre” (Inspector’s CPO Report ‘Friary Centre Guildford’ November 2005).

CAPACITY

4.21 The need for further retail development in the town centre was re-examined as part of the Local Plan review. The consultant’s report (Chase & Partners ‘Retail Study’ June 2006) was based upon a household survey to establish shopper behaviour and catchment area.

4.22 The report noted that “Guildford’s retail performance and prospects cannot be divorced from those of competing centres” and pointed to recent or proposed major shopping improvements in Kingston, Basingstoke, Crawley, Bracknell, Camberley and Aldershot. Using the town centre’s market share of circa 29%, the report
concluded that an additional 20,170 m² of gross comparison goods retail floorspace would be needed over the period 2011-2016.

“It is clear by now that the town centre’s comparison goods retail offer is good but, as already noted, in retail terms, standing still is akin to decline. It is therefore in the town centre’s interests to continue to review and improve its quantitative and qualitative offer. In this connection, the proposed extension to the Friary Shopping Centre is an important development for the future performance and prospects of Guildford town centre” (Chase & Partners ‘Retail Study’ June 2006).

4.23 The Guildford Retail Study (GRS) was recently updated with a new household survey and revised development capacity analysis with specific reference to;

- the changing economic circumstances,
- completed developments since 2006,
- retailing changes such as on line shopping
- and implications of the stalled Friary Extension development.

4.24 The updated Study also noted that Guildford faced a competitive environment: “Despite the apparent success of Guildford and the prospects for growth, it continues to face competition. Indeed, we note that the original GRS states in paragraph 9.8 that ‘In retail terms, standing still is akin to decline. In a number of centres there is either a real commitment to a new development or a policy aspiration for future growth, which will be realised during the plan period to 2026’” (R.Tym & Partners ‘Guildford Retail and Leisure Study’ May 2011).

4.25 The report notes that sales densities in the town centre were about twice the national average and concluded that these levels indicates a degree of pent up demand in the market following the high level of comparison expenditure growth between 1992 and 2008 which has not been matched by significant new floor space development. Consequently, and adopting the same ‘constant market share basis’, the study concluded that the town centre has spare capacity for some 24,700 m² gross of comparison retail by 2016, some 57,200 m² by 2021 and 94,400 m² by 2026 (including the permitted Friary Extension space). A further 4,480 m² ‘food & restaurant’ capacity was identified by 2016 and 6,780 m² by 2021.

4.26 The report counselled caution on using the estimates: “We afford more weight to the short term (to 2016) and medium term (to 2021) outputs. The reason is that typically large scale town centre schemes can take in the region of ten years to come forward from design to opening” (R.Tym & Partners ‘Guildford Retail and Leisure Study’ May 2011).

4.27 The consultants noted the dangers of not securing a substantial development; “...we recommend that the Council should be actively considering how the Friary extension development will proceed. It might also think about whether it is possible to consider a re-designed scheme to meet at least a similar scale of floorspace as promoted previously in order to meet the existing needs to 2016 and 2021. The consequence of not delivering a substantial quantum of comparison floorspace over the next 10 years, ideally at the Friary Extension site, is that there will be more reliance on edge and/or out of centre sites, and potentially the centre could lose market share as competing developments come on stream” (R.Tym & Partners ‘Guildford Retail and Leisure Study’ May 2011).

<table>
<thead>
<tr>
<th>TABLE 5</th>
<th>COMPETING SHOPPING DEVELOPMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>SCHEME</td>
<td>DEVELOPER</td>
</tr>
<tr>
<td>WOKING Bandstand Sq</td>
<td>Moyallen</td>
</tr>
<tr>
<td>CAMBERLEY London Rd</td>
<td>Centros</td>
</tr>
<tr>
<td>CRAWLEY TCN</td>
<td>Stanhope</td>
</tr>
<tr>
<td>KINGSTON Eden Walk</td>
<td>British Land</td>
</tr>
<tr>
<td>BRACKNELL Town centre</td>
<td>tbc</td>
</tr>
</tbody>
</table>
5 DEVELOPMENT

5.1 Guildford remains one of the best locations in the country to take advantage of economic growth. This stems from its strong underlying economy which has generated consistent and significant demand from consumers, occupiers and investors. This demand substantiates the high rents and capital values needed to make development viable in the current fiscal climate. Nevertheless, it is acknowledged that major retail led development proposals for this site have come forward over more than three decades through several economic cycles without success.

“Failure to implement the scheme (for a third time) is principally due to its failure to satisfy financial viability. Simply put, the value of the scheme once complete is less than the cost to acquire the site and build the infrastructure and scheme. This leads us to believe that the scheme with the benefit of planning permission needs to be revised considerably as it never appeared to achieve viability even in times of significant economic growth” (C&W ‘Town Centre Development Study’ March 2010).

ISSUES

5.2 The key economic issues with the 2004 development format appeared to be that:

- the site was too limited to accommodate a department store with the required quantum of supporting unit shopping together with a larger bus station,
- the proposed scheme lacked the necessary critical mass having an insufficient scale and depth of offer necessary to attract shopping traffic,
- the proposed development didn’t have an adequate destination anchor store to sustain viable rental levels,
- the scheme had unaffordable cost structures associated with basement servicing, basement car parking and public infrastructure (replacement bus station and highways)
- and the development was financially incapable of carrying a high ‘planning gain’ burden in the form of 30% affordable housing and substantial s106 costs.

5.3 Both the Council team and Westfield believed that a viable retail scheme for the North Street Master Plan area was capable of being implemented if these issues could be successfully addressed consistently with the updated Retail Study, anchor store requirements and the emerging update of the ‘Design & Development Brief’. A potential off site relocation of the bus facilities was clearly an early issue together with a potential extension of the Friary Centre Extension site.

REVISED OBJECTIVES

5.4 The new approach to the North Street renewal afforded a re-examination of the objectives in the context of the needs of the town centre as a whole rather than, to a degree, the interests of the owner of the adjacent Friary shopping centre. It also afforded the approach to reconsider the design ambitions and review the former Design & Development Brief.

5.5 The revised Westfield scheme that finally secured planning permission in March 2004 was a significantly different scheme from the one refused permission earlier in 2001. The permitted scheme was to have an open street and covered ‘arcade’ framed by six separate buildings all provided by easy ground level access. Detailed design of each was to be undertaken by different architects so that the resultant townscape would more closely reflect and reinforce the town’s historic urban grain. However, there was the opportunity to go further in this area.

5.6 As noted, the March 2004 scheme only provided for a ‘mini anchor store’. The various reviews led to the critical conclusion that a major new department store offer was required to reinforce the town centre’s status against competing towns by ensuring the unique ‘point of difference’. A new department store was also considered vital in order to properly secure shopping traffic to the site at volumes to ensure the new scheme traded at primary levels. The new scheme should therefore extend the primary floor space offer which should then, in turn, secure more trade for secondary thoroughfares and the specialist or independent traders.
There are only a limited number of department store operators – and both Debenhams and House of Fraser already trade in the town centre. The studies reinforced John Lewis as the target anchor tenant. The company had long expressed interest in the town centre with a possible requirement for a 25,000 m² store. A store of this scale would prove challenging to accommodate within Guildford’s historic fabric. Further discussions with John Lewis established that the full line store requirement might be managed within a 19,880 m² store format (Type B). This had implications for the scale of the potential scheme since, as a broad ‘rule of thumb’, the accompanying unit shopping financially required is approximately twice the store size: an implied scheme size of about 40,000 m².

The Town Centre Development Study pointed to the opportunity to address the decline of North Street by reinforcing a new ‘pedestrian loop’ with High Street through the careful placement of the anchor store at the western end of the site (as per the consented schemes) rather than at the back edge of the Friary centre. This would also support the top end of the town and link to the new G Live centre.

The new approach also proffered the opportunity to revive the North Street Market, create further public realm and to consider the functional linkages to the car parks, river Wey and the station. It also necessitated a review of town centre car parking (‘Steer Davies Gleave ‘Strategic Car Parking Study’ 2012) and the start of work on town centre bus facilities (MVA Consultancy ‘Guildford Bus Study’ 2011).

In this context, BDP explored a number of design formats for locating the department store, both on and off North Street. Their design studies also examined the potential extension of the former ‘Friary Extension’ site across Leapale Road. The potential anchor store envelopes ranged from 16,750-20,000 m² and supporting unit shopping from 26,000 -29,000 m² on the extended site.
5.11 The master plan options involved several potential sites, particularly those that would support the renewal of North Street. However, the critical element was considered to be the anchor store placement. Clearly, a new anchor on the back edge of the existing Friary would improve the centre and enable its internal mall to be connected back to North Street. New shopping streets linking to the back of the Friary tended to present a complex geometry that didn’t echo the traditional street pattern of the town centre.

5.12 A new anchor on or closely related to the North Street frontage would support a more legible structure that more convincingly reflected the historic grain. It also facilitated rear servicing ideally at ground rather than in expensive basement solutions, some on site car parking and some on site bus facilities.

5.13 The Council and their professional advisors held discussions with Westfield and key commercial stakeholders to explore the feasibility and viability of the new approach. Much of the material used in those discussions was covered by non disclosure agreements.

5.14 In response to the BDP/MVA studies, Westfield prepared a number of schemes options for both the core and extended site areas. Over the period March – September 2011, the potential schemes were financially tested and debated in detail with Westfield.

5.15 Options 2 and 3 explored the anchor store placement on the core site with full integration with the existing Friary centre. Option 2 considered the store on North Street and Option 3 at the back of the Friary. Car parking for 600 spaces, it was envisaged, might be provided over the covered scheme with a circular ramp off Leapale Road to give access up.
5.16 All design options assumed the closure of Commercial Road in order to substantially pedestrianise North Street and to enable better integration with the Friary Centre, upper North Street and Friary Walk.

5.17 Options 4 and 5 examined the preferred BDP format on both the core site and the extended site. Option 5, on the extended site, was approximately 17,000 m² larger in retail area. The envisaged car parking for 600 spaces was to be provided in a standalone structure at the rear with internal ramps.

5.18 The final Option 6 variant was a composite approach which sought to combine the North Street anchor store placement with the full Friary centre integration. The design options did not address the bus facility replacement or substantially consider the required amount of shoppers’ car parking. Similarly, likely highway works and impact was to be subsequently addressed once the key retail lay out principles had been tested.
DELIVERY

5.19 The critical prerequisite of scheme feasibility is the anchor store. All the 2011 design options were based upon an assumed John Lewis store size of 18,000 m². It was recognised that a smaller store of some 11 – 13,000 m² would suit Fenwicks or Debenhams. It was also recognised that Fenwicks normally do not trade in close proximity to House of Fraser since many of their lines overlap. Fenwicks are also close to commitment on a new Bracknell store with a sales area of 8,000 m²; effectively a 12,000 m² gross store. Debenhams would not significantly extend the town’s offer being a relocation. The financial viability of relocating Debenhams is also questionable unless the redevelopment value of their existing 25,000 m² building was sufficient for the owner (Prupim) to cover the value of the existing store and the redevelopment costs.

5.20 In the soft market testing, it was clear that potential development partners saw John Lewis as the critical ‘game changer’ capable of extending the town’s attraction and sustaining higher trading levels in a new scheme. In the engagement with store operators, it became clear that John Lewis had a strong preference for a store with a North Street presence or clear and functional proximity to the street.

5.21 Alternative key occupiers were considered. The March 2004 scheme had a supermarket anchor. On balance, it was considered that a food store would;

- not sufficiently anchor the scheme,
- exacerbate car parking need, traffic congestion and servicing issues,
- pose public realm challenge with trolleys,
- and attract single purpose (food) rather than linked trips.

5.22 Allocation had also been made for a new 3,484 m² food store at the edge of the town centre on the Bellerby site in June 2010 following the recommendations in the Town Centre Development Study (March 2010).

5.23 Subject to an agreement securing the full scale anchor store offer, the appropriate scale of supporting unit shop floor space was considered. Clearly the aim was to substantially address market demand but not to over supply with consequent deleterious effect on the rest of the town centre. Similarly the aim was not to reproduce the shop unit size commonly provided in the town centre but to supply the type of unit shops which were rarely available; primarily large units with depths of 30m or more and many units of some 600-900 m². The average standard unit shop size in the above formats was 375-390 m².

5.24 One key issue was the envisaged number of units. An offer of some 60-75 units would ensure continued town centre occupier demand, the rental levels necessary for scheme viability and a managed tenant mix.

5.25 A proportion of the units would be occupied for financial services and ‘food and beverage’ (F&B) offers rather than A1 comparison goods. Commonly schemes now aim to provide a 20% F&B ratio. That ratio may increase if the scheme has a multiplex cinema offer. There has been interest in operating further screens in the town centre. However, the design options and financial testing focussed on the core scheme elements in order to establish broad deliverability.
VIABILITY

5.26 The various design options were financially tested through residual financial development appraisals. The outputs need to be taken with considerable caution as small change in key variables substantially affects the resultants. Inevitably, the financial testing was relatively ‘broad brush’ and a large number of assumptions were made. In particular, estimated costs for highway works, site assembly, tenant incentives and similar were taken as lump costs from comparable projects.

5.27 No cost allowance was made for a bus facility replacement as no particular solution had emerged for specific testing. A broad ‘highway cost’ of some £8-10 million was adopted which might be compared to the recent construction cost of comparable bus stations at some £6-7 million (MVA ‘Bus Station Study’ October 2011). A section 106 cost allowance was taken at just £1 million.

5.28 The appraisals allowed for cost of a 500-600 space car park on site as a common denominator for all appraisals.

5.29 The following points were particularly noted from the history of the previous schemes.

- Programme time: particularly pre development time with both the Friary Extension and the St Dominic’s Square schemes taking 3 years to secure planning permission,
- Cost structures: expensive basement servicing or complex car park structures
- Planning agreement costs: affordable housing or s106 payments

5.30 It was also considered that the continuing operational efficiencies of John Lewis was likely to reduce their required store size from 18,000 m² to a potential 16,750 m². This is an important factor given firstly that – put simplistically – store rents only cover about 40-50% of store development cost and, secondly, because of the opportunity cost of the site area taken by a large store.

5.31 Estimated rental levels were explored in several scenarios broadly ranging at a prime level of ZA £200-250 psf and capital investment values assessed at prime yields of some 5½-5¾% implying a required viability threshold of some 7-8% development yield. The non JLP anchor variants were taken at a prime level of ZA £175-225 psf and capital investment values assessed at prime yields of some 5¾-6%. The target Internal Rate of Return (IRR) threshold was judged to be 15-16%.

5.32 Rental values for the total scheme formats averaged some £366-452 per m² pa which equated to a capital value range of £6,350-8,180 per m² (JLP anchor) as opposed to average costs of some £2,810-2,905 per m². The value range demonstrates the financial variability of the design formats. Construction costs and design fees broadly represent only some 48-55% of total development costs; illustration perhaps of the present complexity of urban development.

<table>
<thead>
<tr>
<th>TABLE 6</th>
<th>DESIGN OPTIONS DEVELOPMENT VIABILITY</th>
</tr>
</thead>
<tbody>
<tr>
<td>ITEM</td>
<td>OPTION 2A (B)</td>
</tr>
<tr>
<td>Lettable area</td>
<td>41,750 m²</td>
</tr>
<tr>
<td>Capital Value</td>
<td>£255 M</td>
</tr>
<tr>
<td>Construction cost</td>
<td>£120 M</td>
</tr>
<tr>
<td>Total Costs</td>
<td>£219 M</td>
</tr>
<tr>
<td>Development yield</td>
<td>7.24%</td>
</tr>
<tr>
<td>IRR</td>
<td>16.15%</td>
</tr>
</tbody>
</table>

5.33 The resultant appraisals for some of the Design Options are summarised in table 6 above for illustration purposes. Two of the formats appeared to be well capable of securing viability. One fell far too short and the fourth appeared to be capable of viability subject to significant improvement. Both large and smaller scheme formats appeared viable. Similarly those reliant upon the anchor store placed at back of the Friary seemed to perform financially better than those with the anchor store on North Street. However, those design variants represented the most complex structures where further evaluation may make material changes to the cost.
estimates. They are also the design options likely to be considered the most challenging by the Local Planning Authority.

5.34 A key financial difference between the options was the site size and the estimated cost of completing the site assembly. One particular issue is the replacement cost and/or capital value of the Council’s multi-storey car park on Leapale Road. The front section is held as an investment by the Prudential (PRUPIM).

5.35 The value placed on the ownership currently held by both Hermes and the Council is another variable. The residual appraisals adopted site values and CPO compensation ranging from some £40 – 60 million depending on the scale of the envisaged scheme and the site interests affected. The greater part of outstanding site cost lay in the properties fronting North Street.

SITE

5.36 The original Friary Extension site (core site) extended to some 20,130 m² and the larger North Street Site to some 26,700 m². The third party site interests left comprise 15.38% of the extended site.

5.37 The Council, as noted, hold the freehold of the Friary Centre, bus station and various properties in the Commercial Road/Leapale Road block. That ownership (with the bus station) represents 37% of the extended site, excluding ownerships underlying the roads.

5.38 The site covered by the 2006-2009 CPO was land bounded by North Street, Commercial Road and Leapale Road. At the time the Order was made in 2004, there were 144 site interests in total of which 30 were owned by the Council or the Wilmslow Partnership outright, 79 were owned by the Council or the Wilmslow Partnership but subject to occupational leases, and 35 were held 100% by third parties.

5.39 Site assembly costs are likely to represent 20%-25% of the total development cost of the redevelopment and therefore the viability of any proposal. Hermes ownership now includes Dominion House, acquired from Aviva Investors for £1.85 million in July 2012.

5.40 The Council’s ownership includes the Leapale Road multi-storey car park; Old Police Station Car Park, Leapale Road; Commercial Road Car Park, Land on Commercial Road to the rear of 20-25 North Street and the Bus Station (although this is let as part of the title for the Friary Centre).
TABLE 7 | NORTH STREET SITE OWNERSHIP

<table>
<thead>
<tr>
<th>OWNER</th>
<th>ACRES</th>
<th>M²</th>
<th>% OF TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hermes</td>
<td>1.94</td>
<td>7,846</td>
<td>29.3</td>
</tr>
<tr>
<td>Third parties</td>
<td>1.04</td>
<td>4,216</td>
<td>15.8</td>
</tr>
<tr>
<td>Guildford Council</td>
<td>2.19</td>
<td>9,823</td>
<td>36.7</td>
</tr>
<tr>
<td>Roads</td>
<td>1.21</td>
<td>4,877</td>
<td>18.2</td>
</tr>
<tr>
<td>TOTAL</td>
<td>6.61</td>
<td>26,762</td>
<td>100%</td>
</tr>
</tbody>
</table>

5.41 Other significant landowners include PRUPIM (a top 20 global real estate fund manager) and Aviva Investors, (the world’s sixth largest insurance group) as owners of Norwich House, 14-15 North Street.

5.42 Smaller third party owners include Socpen Trustees Limited (subsidiary of 44th largest pension fund in the UK at £4.8 billion funds) and Unique Pub Properties (subsidiary of Enterprise Inns PLC).

5.43 Table 7 shows that the Council has the highest level of ownership in area but site assembly estimates suggests that PRUPIM is the most significant ownership of the site in value terms.

5.44 Given the number of interests it is likely that a CPO will be required to assemble the site. In contemplating another Order, the Council should seek to acquire by private treaty before “embarking” upon a CPO. However, it is also acknowledged that, pragmatically, LPAs will often “initiate the formal procedures in parallel”.

5.45 The Council should commence, as early as possible, negotiations for acquiring affected landowners by private treaty. All owners (particularly investors and owner-occupiers) should be made meaningful offers prior to any CPO order being made. Where occupational tenants are not made formal offers, it is commended that an undertaking is proffered on the likely timing, offer basis/approach, relocation options.

CPO REQUIREMENTS

5.46 CPO powers will normally only be granted where the Secretary of State is satisfied that the scheme for which powers are sought will proceed and that sufficient resources are available to the Council or committed development partner to meet any compensation or blight claims arising. Hence the scheme should not be ‘blocked by planning problems’, financial issues, anchor store commitments and so on.

5.47 It is commended therefore that the Council secures full indemnity for all costs associated with progressing a CPO and all liabilities arising as a result of doing so. It must satisfy itself as to the ability of any development partner offering such an undertaking to meet those costs in full.
5.48 The Secretary of State will need to be satisfied that the scheme for which CPO powers are sought is viable and that there is sufficient comfort as to the certainty that the scheme will proceed. Evidence of commitment from the development partner is essential. A Development Agreement where any conditions precedents are either satisfied or likely to be satisfied is a helpful base but reliance on it may require disclosure. A robust s106 Agreement is also strongly commended particularly where the Council is not an existing landowner and has other contractual ability to ensure delivery of the scheme for which CPO powers are sought.

5.49 Where viability is an issue, the Secretary of State will require “evidence to establish the financial viability”. This is not defined as full and detailed appraisals – a “general indication of funding intentions … will usually suffice”.

5.50 Anchor store commitments are usually also required – ideally in the form of Agreements to Lease. Mere Heads of Terms can suffice provide they are sufficiently detailed and public statements by the retail company concerned have been recorded.

5.51 It is essential to identify as far as reasonably possible the identity of all landowners either directly or indirectly affected by a CPO. Use of section 16 notices under the planning act powers is a commended exercise plus detailed land registry searches and use of referencing agencies.

5.52 A full estate file for each interest must be assembled. That must have a comprehensive and accurate portrait of events in the past. For example, did the Council promise a lease renewal several years ago or suggest planning might well be forthcoming for some use change. All subsequent meeting minutes, telephone call notes, correspondence etc with effected interests by all must be copied to this ‘central library’. Given the history on this site and the previous Order, much of this has already been effected.

THE BUS STATION

5.53 The current bus station is located on the edge of the town centre’s shopping area. It must be recognised that the North Street scheme fundamentally proposes an enlargement of the town centre’s retail core with significant implications for the bus station’s present location. In addition, it is noted that the present bus station relies, operationally, upon open access along Commercial Road and that – since 1995 – has been formally acknowledged as being inconsistent with any satisfactory extension of the retail offer. The planning permissions of May 1998 and March 2004 were built on the principle of closing Commercial Road.

5.54 The bus station provides for some 17 stands plus a further 7 stands located along Commercial Road. Due to spare capacity at the bus station, the facility is also being used as a layover/depot. The bus station currently occupies 0.26 ha; about 15% of the North Street Development Site and a relocation of this facility is considered critical to the deliverability of the North Street Scheme.

5.56 The replacement bus station in the 2004/2010 consented scheme occupied 0.33 ha which is larger than the area it currently occupies.
5.57 We have calculated the hypothetical opportunity cost of including the bus station of this scale to the scheme to be in the order of £32 million on the basis that this area could alternatively accommodate 5,500 m² of retail floorspace over two levels and applying average values and build costs. This does not account for the wider issues of scheme feasibility and consequent viability. As noted, the design studies concluded it was not easily possible to accommodate a department store and supporting unit shopping in a satisfactory format with a replacement bus station taking 27.5% of the original site area. Similarly it was considered the potential site enlargement enabled deliverability of the retail component rather than facilitating an on-site bus station replacement.

5.58 The Council appointed MVA to undertake a comprehensive review of the current and future bus passenger requirements for Guildford Town Centre. The bus station currently “operates substantially below its theoretical capacity (40-55%) and occupies a large floor area on a prime town centre site” (MVA ‘Guildford Bus Station: Issues & Options’ October 2011). A number of studies have examined how the bus station might be wholly or largely replaced off site on land owned by the Council in conjunction with more street stands. (MVA ‘Emerging Options Study’ March 2012). This work continues with the Highway Authority (Surrey County Council) and bus operating companies.

5.59 Many of the options are largely based on a smaller bus station footprint but one that still reduces the site area; albeit in a different location. Our recommendation is for an offsite solution capable of being delivered before the main development in order to avoid a lengthy development programme.
5.60 In addition, the provision of a new bus station could be classified as a ‘public works’ contract requiring a specific procurement process in accordance with EU Directives. Consequently, C&W commended separation of the main North Street scheme and the potential provision of replacement bus facilities. There is also an estates issue for the Council to consider. As noted in the past, the Council “has no statutory responsibility in the provision for management of bus services” (Guildford Council ‘New Bus Station Responsibilities’ Report to Executive January 2007) and there remained outstanding from the 2004 scheme agreement on who would be responsible for financially subsidising the operational shortfall of the bus station.

5.61 The previous schemes provided for an on-site replacement at the same size as the existing or, as noted, at a larger scale.

- Current station: 15 bus stands plus 7 layover bays
- St Dominic’s Square: 15 bays plus 7 layover bays
- Friary Extension: 18 bays plus 10 layover bays
- Friary Extension temporary provision on Portsmouth Rd car park: 12 bays plus 5 layover bays

PARKING

5.62 Parking is a significant issue in Guildford and occupancy rates for the public off-street car parks are generally high, despite the current economic climate.

5.63 There are currently 5,234 public off-street spaces in Guildford town centre from Monday to Friday, rising to 5,631 spaces at the weekend, as spaces leased to local business and organisations during the week become available for weekend use. Spaces are spread across a total of 25 Council car parks, Debenhams car park and the car park at the rail station. This is approximately 47 spaces (short and long stay) for every 1,000 m² of retail development in the town centre. This is a little above the average of 43 spaces across the competing centres (Steer Davis ‘Guildford Strategic Parking Strategy Stage 1: Parking Demand’ August 2011).

5.64 It is noted that neither the original Friary Centre development nor the May 1998 nor the March 2004 schemes provided scheme specific car parking. As noted, the 2004 scheme permission provided for the developer to pay for a new ‘Park & Ride’ subject to the Council undertaking to keep adjacent car parks for shopper car parking.

5.65 The comprehensive redevelopment of the North Street area could remove the 384 car spaces currently provided within the Leapale Road multi storey car park. There are also 114 surface car spaces currently provided on the site although such were a temporary provision pending site redevelopment and, as such, is potentially not part of a re-provision case.
5.66  Car parking will need in part to be re-provided on and /off site to appropriate levels following the Guildford Strategic Parking Strategy. The current parking strategy for Guildford, agreed by the Council and Surrey County Council, aims to maintain existing levels of short stay provision, in response to redevelopment of town centre car parks. The second stage of the ‘Strategic Parking Strategy’ will be concluded by January 2013 and will identify how and where the additional space needed can be provided.

5.67  From a commercial perspective we recommend a significant car park is included within the site in order to secure the retailers. John Lewis has indicated it would require adjacent short term shoppers car parking of at least 750 spaces with further required spaces provided for in the locality and an alternative anchor is likely to have a similar requirement.

5.68  The table below illustrated the car parking levels provided in recent retail schemes in centres comparable to Guildford which have averaged at 52 spaces for every 1,000 m² of floorspace. However, Bath has a ratio of 1:45 m², Canterbury 1:70 m² and Exeter 1:74 m². This implies an ‘on site’ car park requirement of some 550-575 spaces.

<table>
<thead>
<tr>
<th>TOWN</th>
<th>SCHEME</th>
<th>DEVELOPER</th>
<th>OPEN</th>
<th>SIZE M²</th>
<th>ANCHOR</th>
<th>CAR SPACES</th>
</tr>
</thead>
<tbody>
<tr>
<td>BATH</td>
<td>Southgate</td>
<td>MultiDevelopments</td>
<td>2010</td>
<td>39,019</td>
<td>Debenhams</td>
<td>860</td>
</tr>
<tr>
<td>CANTERBURY</td>
<td>Whitefriars</td>
<td>Land Securities</td>
<td>2005</td>
<td>37,161</td>
<td>Fenwick</td>
<td>530</td>
</tr>
<tr>
<td>EXETER</td>
<td>Princesshay</td>
<td>Land Securities</td>
<td>2007</td>
<td>36,231</td>
<td>Debenhams</td>
<td>487</td>
</tr>
<tr>
<td>OXFORD</td>
<td>Westgate</td>
<td>Land Securities</td>
<td>Planned</td>
<td>75,000</td>
<td>John Lewis</td>
<td>1,000</td>
</tr>
<tr>
<td>CAMBRIDGE</td>
<td>Grand Arcade</td>
<td>Grosvenor</td>
<td>2008</td>
<td>41,806</td>
<td>John Lewis</td>
<td>950</td>
</tr>
</tbody>
</table>

5.69  It is noted that the scheme at Exeter had car parking provided in two locations: one a new build and the other a remodelled existing car park: “In transportation terms, Princesshay has avoided the shopping mall model of providing one major car park. Instead, to facilitate greater integration with the scheme’s historic environment, a pre-existing underground car park has been adopted, a new 240 space off-site car park has been built and the only new on-site facility has 274 spaces and is designed with natural ventilation using a stainless steel mesh cladding” (Exeter City Council ‘Princesshay summary’ April 2008).

PUBLIC INFRASTRUCTURE

5.70  The 2004 scheme had expensive public infrastructure cost which was to be paid for by the development. One element was to replace the bus station. This was not a public infrastructure need created by the scheme. This former approach of requiring development to cover all the cost of public infrastructure is not a practical stance in the present fiscal environment, as recently acknowledged.
“... we are operating in a new economic landscape. The model of funding development, infrastructure and economic development that worked for the past 15 years is no longer functional in a low-growth, post-crash world.” (Local Government Assoc/BPF ‘Unlocking Growth Through Partnership’ October 2012).

5.71 A TIF scheme was explored with Wilmslow Partnership and a submission made to Government as a pilot scheme in June 2009 and again, as a consultation response to the Local Growth white paper, in December 2010 (Appendix 7). On the cost estimates then available, it was estimated that the capital costs of providing the public infrastructure for the March 2004 scheme was some £70 million: approximately 24% of the total development costs. Using 2008 values, it was calculated that the completed scheme would generate an additional £6.5 million of business rate annual revenue. That future income stream over a 20 year period could enable a present £70 million capital value.

5.72 A viable and deliverable scheme, in our view, will require acknowledgement that the public sector will, to a level yet to be agreed or identified, need to invest public capital in new public infrastructure. A TIF scheme might do that but further work is vitally needed in this area.
6 DEVELOPMENT

6.1 Public intervention in town centre development with public/private partnerships builds on the long experience starting with the post war reconstruction of town and city centres. The old PPS4 policy guidelines principally reflected that experience in anticipating that most local authorities would look to private sector partners to largely adopt the financial risk, deploy highly specialist development expertise, work up detailed designs to address occupational needs and secure development funding.

6.2 A public/private development partnership is therefore the template approach to town centre renewal or regeneration. This is particularly the case for major retail schemes given the long history of these forms of development partnerships evolved over the last six decades. Local authorities have therefore commonly sought experienced and expert development partners through a competitive process. The greater part of all shopping centres developed in the UK over 1951-2001 were undertaken in this manner. Given how complex and challenging shopping centre development in town centres is, there are, unsurprisingly, very few schemes that have been developed by existing landowners with little experience in this specialised field.

6.3 The great majority have been undertaken by development companies with this specific expertise. The shopping centres in the Guildford catchment referred to above were undertaken by Greycoat (Crawley), Grosvenor Estates (Staines & Basingstoke), Hammerson (Reading), London & Edinburgh Trust (Woking), London & Metropolitan (Bracknell), MEPC (Staines & Guildford), Norwich Union (Kingston) and Town & City (Basingstoke & Camberley). The unusual involvement was the Norwich Union pension fund that had in the early 1990s grown direct development expertise.

6.4 Implicit to the public/private partnership approach to town centre development was the recognition that the process can take some 5-10 years in order to complete the scheme and that consequently the development partnership primarily looks to manage change rather than to implement a scheme blueprint. This process is dependent upon more of a ‘strategy’ than a ‘plan’ with full preparation underpinning future success.

“In preparing for battle I have always found that plans are useless, but planning is indispensable.”
Dwight David Eisenhower, American 34th President.

6.5 The key steps in the process are;
1. Assessing required retail demand & surplus capacity
2. Identifying a suitable and viable site
3. Testing development format, scale and anchor store operators
4. Evolving planning policy to support the scheme and site assembly through CPO
5. Promoting the opportunity and securing the development partner

MASTERPLANNING

6.6 There had been a growing recognition in the early 1990s that development needed to be more than just commercially successful. John Gummer, as Secretary of State for the Department of the Environment, launched his Urban Design Campaign in 1995 by inviting submissions for urban design grants. Twenty one schemes were ultimately selected including one shopping centre scheme (Canterbury Whitefriars) which became a landmark ‘by design’ retail development.

6.7 The Whitefriars was developed as one of the first ‘Urban Renaissance’ schemes by Land Securities in partnership with Canterbury City Council, advised by C&W throughout. It comprises a 37,160 m² open street scheme on a site of some 2.74 hectares within the city walls. The four design competition submissions, in response to a detailed Development & Planning Brief, were evaluated in 1996 to test viability and feasibility. Chapman Taylor’s design was considered the ‘best fit’ but it took a further 3 years to negotiate with Land Securities a Development Agreement with a viable financial appraisal meeting their target return and the City’s minimum ground rent requirement. Planning permission and the CPO were secured in 1999 but archaeological works delayed construction until 2002. The scheme opened, fully let, in September 2005. It was cited as a case study in ‘Retail Development in Historic Areas’ (English Heritage 2005).
6.8 Following on from Lord Roger’s report ‘Towards an Urban Renaissance’ (1999) commending that “all major schemes should be conceived as three-dimensional spatial masterplans”, the Commission for Architecture and the Built Environment (CABE) took over from the Royal Fine Art Commission (1999) to improve the design quality of development.

6.9 CABE promoted the use of master planning “as a mechanism for designing and delivering major projects that will be realised over an extended period” although it was never clear how one might fundamentally distinguish town plans (led by town planners), commercial development strategies (led by surveyors) or masterplans (led by architects). All three approaches are very similar in practice.

“What we mean by a masterplan includes both the process by which organisations undertake analysis and prepare strategies, and the proposals that are needed to plan for major change in a defined physical area. This document is concerned with ‘spatial masterplans’, which set out proposals for buildings, spaces, movement strategy and land use in three dimensions and match these proposals to a delivery strategy” (CABE ‘Creating Successful Masterplans’ 2004).

6.10 A number of ‘retail led’ urban schemes were examined by CABE in their ‘major masterplan reviews’ over the period 2000-2004 and cited by them as case studies (CABE ‘Design Reviewed Masterplans’ and ‘Design Reviewed Town Centre Retail’ 2004).

- BRISTOL Broadmead; now Cabots Circus (Land Securities)
- BURY ST EDMUNDS Town Centre Masterplan (Centros Miller)
- EXETER Princesshay (Land Securities)
- GUILDFORD Friary Extension (Westfield)
- LIVERPOOL Paradise Street Development Area (Grosvenor)
- NOTTINGHAM Broadmarsh Centre (Westfield)
- SHEFFIELD New Retail Quarter (Hammerson)

6.11 C&W advised both Liverpool and Sheffield City Councils from the outset through to Development Agreement exchange. All six case studies concerned ‘masterplans’ commissioned by the developer that could equally be described as development scheme plans. All concerned detailed design work commissioned after the development company had secured a position and after a site specific planning policy had been adopted. The detailed design work usually closely preceded a planning application.

6.12 The CABE summary review of the Guildford Friary Extension ‘masterplan’ is enclosed in Appendix 10. This was a review of the Westfield/Hermes scheme that evolved to secure permission in 2004.
6.13 The Liverpool scheme (known as Liverpool ONE) was described as “a strong example of a successfully planned and implemented strategy for a declining city centre” and cited as a case study by DCLG.

“Liverpool City Centre had experienced a protracted period of decline during the 1980s and 90s which prompted the City Council to commission a study in early 1999 to assess the scale of new development needed, to identify the appropriate location to accommodate new development, and to deliver a clear planning and implementation strategy to bring forward development to reverse the decline of the city centre. The study identified the need for a significant scale of new development, and evaluated a range of alternative options including a number of then current proposals for edge of centre development. The study concluded that in order to meet the identified needs within the city centre, it would be necessary to extend the main retail area, and identified a site known as the Paradise Street Area which was actively promoted through a planning framework which subsequently fed into a series of urban development plan (UDP) modifications to bring forward a clear policy basis to support a planning application and Compulsory Purchase Order following the council’s appointment of Grosvenor as its development partner” (DCLG ‘Planning for Town Centres’ December 2009).

6.14 Liverpool One – concerning 234,000 m² on 17 hectares of the city centre - introduced a number of innovations including decisive partner nomination process, creative planning policy formats, full use of hybrid planning permissions, quarter design briefs and multiple architect appointments, sectional head leases, 3rd party developer partner facility, limited liability partnership funding structure and a new model community engagement process.

6.15 Nevertheless, the measures to ensure high quality urban design in Liverpool city centre followed the retail study, site identification, anchor store engagement, evolution of planning policy and securing the development partner. The design quality measures preceded the planning permission and the CPO Inquiry.

6.16 Guildford has a sound evidence base and has long engaged with both the landowners and the likely anchor store operator (John Lewis). It now seeks to deliver a major scheme on a site identified in the 2003 Local Plan that has long had planning permission for major retail development. It has sought to review the town centre planning policy and revise a development brief originally dating to 1995.

6.17 It is considered that the Council now needs to secure an experienced, expert and financially resourced development partner to bring forward the detailed work to test the required site extent, the development scale and format, potential public transport solutions, possible provision of further car parking, three dimensional modelling, infrastructure constraints and, most importantly, feasible and viable development options. After six years of expert studies, the next commended stage is to secure a development partner to deliver the broad town centre strategy.
DEVELOPMENT PARTNER

6.18 As noted, the Council own a substantial part of the North Street Site and the freehold of the Friary. The disposal of land by public authorities is governed by the ‘best price’ regulations (s.123 LGA 1972) which requires that public bodies sell their land for the best consideration reasonably obtainable. This requirement concerns the outcome rather than the process. Authorities are therefore not under an obligation to follow any process involving publically advertising, formally tendering or using European Commission procurement procedure (OJEU process).

“However, both developers and local authorities have raised frustrations that EU procurement processes can be complex, protracted and uncertain. The resulting cost, bureaucracy and timescales can be off-putting to developers making it harder for many local authorities to find a suitable private sector development partner at a time when there are few developers in the market” (Local Government Assoc/BPF ‘Unlocking Growth Through Partnership” October 2012).

PROCUREMENT

6.19 Traditional town centre developments on local authority land were generally viewed as falling outside of the scope of the European public procurement rules (OJEU 1992/3). The legal justification was framed on the basis that such schemes were land transactions or development agreements and therefore fell within the “exemption in the ‘procurement’ rules relating to land disposals”. This approach failed to recognise the pragmatic distinction that the buying (spending money) – or procurement - of goods, services or works fell within OJEU but, clearly, the selling (receiving money) – or disposal – of such couldn’t be governed by OJEU.

6.20 The Roanne (March 2007) judgment watershed was considered to establish that a development agreement which goes beyond a “pure land disposal” may in certain circumstances be classed as a “works contract” and consequently must be publicly procured. The actual details of the case remain largely unappreciated to this day. In fact, what the Roanne judgment clearly established is that a public works contract cannot be ‘dressed up’ as a development agreement in order to avoid OJEU.

6.21 Nevertheless, a large number of authorities considered that rules governing their purchasing also applied to their disposals and applied the OJEU rules to the sales of their land and the selection of development partners. This approach ignored the greater financial risk in inappropriately applying OJEU or that the OJEU application in such circumstances was frequently unlawful.

6.22 The key legal interpretation that bridged the linguistic chasm between ‘selling’ and ‘buying’ was the concept of “required specification being consideration foregone”; namely that a requirement to do something meant that the price received was less and that the difference was actually a purchase of works being the required specification. Clearly, a contract that provides for the authority to accept say £5 million less for the land subject to a requirement to a build a £5 million public facility is, in part, a ‘public works’ contract.

6.23 However, a requirement to undertake certain public works/services in order to offset the external effects of development is a regulatory matter applied by local planning authorities to all development proposals whether from private or public agencies. Such lies outside the OJEU ambit. Local authorities have powers (1972 Act) to dispose of land in any manner they wish and for any purpose they choose only to the constraint that the disposal must be for the best consideration reasonably obtainable. That use and consideration will, for development land, be framed by planning policy.

6.24 Both a leasehold grant subject to a ground rent or a freehold sale for development subject to overage are both ‘land disposals’ and subject to the ‘best consideration’ test. Consequently development agreements providing ‘specification’ on realising development overage or building and letting for the ground rent share lie outside the OJEU ambit.

6.25 The test for judging whether or not such mechanisms are being used to avoid OJEU in the Roanne fashion have cleared emerged in judgments in Midland Co-op v Birmingham City (March 2012), EC v Spain Valencia (May 2011), Hermut Mueller v Bundesanstalt (November 2009), etc in looking at the “pecuniary interest” or who was paying for what or taking the financial risk. Consequently, the position may be summarised as follows:

- The sale or purchase of property by the public sector is not governed by OJEU.
• Authorities may sell or buy development land without any regard to OJEU.
• Such land may be subject to detailed town planning policy that may extend to detailed briefs specifying the form, nature, scale, quantum, materials and arrangement of development.
• The planning policy may also require the development to provide replacement or new public facilities such as bus stations, police stations or public toilets.
• Exceptionally a land disposal – but not an acquisition – may come within OJEU where the authority is using part or all the financial receipt from the land sale to purchase ‘major works’ provided that the price is above the levels periodically specified.
• Cases where authorities are purchasing major works can be discerned by the burden of financial risk or by the specification for a new public facility that cannot be justified by planning policy applicable to all development proposals.

SELECTION

6.26 The Council is not obliged to select a development partner through an open process. The Council could decide to treat exclusively with a landowner who held a substantial part of the site and was also an experienced and expert developer. The Council treated with the Wilmslow Partnership for around 10 years as the Partnership was led by Westfield, an experienced and expert developer.

6.27 Alternatively, and particularly where the interested developer does not own the entire site necessary for the scheme, the Council is perfectly entitled to reasonably conclude it wants to select a development partner in the open market. This is the standard approach. It faces no obligation to follow a particular process bar its general duties. It has no obligation to treat with any one party.

6.28 There are no other companies with expertise and experience of the requisite scale associated with the North Street site. There are the major institutional investors of Hermes, PRUPIM and Aviva. Adjacent commercial parties with a keen interest include Legal & General. Legal & General does have some development resource being presently concerned with leading development proposals at Bracknell, Northampton and Eastbourne.

6.29 Normally Councils select an expert, experienced and resourced partner through an open, limited or nominated selection approach.

- The open process is one which invites all interested parties to make specific proposals. This approach fails to acknowledge that a limited number of companies have the experience, expertise and resource to undertake such major schemes.
- The limited approach is to invite a short list of chosen parties to make proposals.
- The nominated approach is to select the single company thought best to effectively deliver the agreed scheme.

6.30 Evolved experience in development partnerships suggest a limited direct approach is the most effective route for disposals purposely subject to major urban regeneration planning policy. Namely to invite all to register interest and then to short list companies on the grounds of experience, expertise and resource before inviting them to make specific proposals in response to a Brief. This was the approach commended to the Council in the case of the North Street Site.

6.31 The review of the unsuccessful development experience to date with the Wilmslow Partnership highlighted that the Council concluded:

- the partnership was not effective as project objectives were not fully agreed and scheme data was frequently not shared
- the partnership was never formally established as the Agreement was never concluded
- had inadequate completion procedures in that title was granted before a start on site
- involved value parameters tabled without any competitive pressure
- that site assembly under the CPO had no adequate abort position leading to the present situation where the site properties were being traded without the Council’s involvement in their own statutory land assembly
- and did not involve a long stop date leaving the Council bound to await the CPO expiry rather than agreed timetables.
6.32 The Council’s position following September 2005 was locked by virtue of signing the Indemnity Agreement which prevented the Council from effectively dealing with their own land without any long stop date – it could have been effectively be construed as being an option without consideration and, as such, unlawful.

CPO ISSUES

6.33 As noted, one key foundation for public/private development partnerships is the opportunity to deploy the public sector power of compulsory site assembly. However, these powers usually come from the Council as the Local Planning Authority rather than as land owner. The only relevant purpose is to ensure the ‘proper planning of the area’ rather than to directly ensure the Council financially benefit’s from its land ownership. Considerable care should be taken to ensure that these responsibilities remain separate and clearly deployed.

6.34 The standard approach is for the Council to enter into a ‘back to back’ indemnity agreement which provides for the development partner to pay for all CPO costs. There have been challenges to this approach in the past. The House of Lords decision in Standard Commercial v Glasgow City Council (2006) confirmed back-to-back agreements whereby local planning authorities transfer compulsorily acquired land to a private developer to facilitate development were lawful. However, the ruling also noted that such is subject to s.233 TCPA 1990, which essentially provides that where a council disposes of land that has been acquired or appropriated for planning purposes, it must secure the best use of the land for the ‘proper planning of the area’ and ensure that the consideration for any disposal is not ‘less than the best that can reasonably be obtained’.

BEST PRICE

6.35 Although it was agreed that the ‘best terms’ meant best commercial terms, the distinction between the expressions ‘price’ and ‘terms’ in the wording of the provision indicated that terms that would produce planning benefits and gains of value to the authority that could be taken into account, as well as terms resulting in financial benefits. As regards that test, the Lords found that the facts of the case supported the Council’s conclusions that it had obtained ‘best terms’ and, importantly, the Lords confirmed that there was no need for the Council to carry out a full marketing exercise or seek the determination of planning permission before it could enter into a back-to-back arrangement.

6.36 The best price obligation or requirement not to sell at a “consideration less than the best that can reasonably be obtained” does not mean that the LA has to advertise, tender or the like provided it can demonstrate how reasonably it fulfilled the statutory obligation: generally through independent professional advice. Section 123 of the Local Government Act 1972 allows authorities to dispose of land using whatever method it chooses as long as it meets its overriding duty to obtain the best consideration that can be reasonably obtained for the land.

6.37 This has been recently reaffirmed: “s.123 imposed a duty to achieve a particular outcome, namely the best price reasonably obtainable, rather than a duty to conduct a particular process. An authority’s purported discharge of its duty under s.123 could only be challenged on ordinary public law grounds. In light of the expert valuation evidence filed on behalf of the Council, as well as the advice contained in a contemporaneous internal valuation report, there were no public law grounds for concluding that the Council had failed to comply with s.123 in the present case” [Midlands CoOp v Birmingham City and Tesco. March 2012].

6.38 The easiest way to demonstrate ‘best price’ is via public advertising and selecting the highest bid but such is not always appropriate: particularly when special purchasers are involved, when the title is complex (marriage value etc) or when major urban regeneration is proposed. Clearly, no bid for a large urban regeneration schemes is sustainable as the residual land value for a scheme that has yet to be evolved, agreed and appraised cannot be established.

6.39 Inevitably, however, it will be very difficult to judge potential development value if one works with an existing landowner or when it is a direct nomination partnership from the outset without any opportunity to debate/test broad financial parameters such as desired IRR, development management fees, initial design costs in community engagement, etc. Even the ‘limited shortlist’ approach enables Councils to broadly establish market norms in this area.
6.40 As stated earlier, Westfield and Hermes held the long leasehold of the Friary Centre from the Council together with a number of freehold interests on the North Street site. Following Hermes acquisition of Westfield’s interest in February 2012, the Fund initially expressed a desire to develop the North Street site with its own development partner. It also registered interest with the Council in the partner selection process but has since withdrawn its expression of interest by letter on 19th October 2012. Hermes has stated its intent to work closely with the Council in its capacity as a landowner to agree upon a mutually acceptable development to enhance the Guildford’s retail offer.

6.41 Where the development format is the subject of vigorous community debate and the updated planning policy position considered by some ambiguous, it is important for Councils to explicitly and transparently select the independent development partner who they consider would be the best to address the local issues in scheme evolution (the ‘proper planning’ test) rather than necessarily working with the one commercial interest there by historical circumstance.

SELECTION CRITERIA

6.42 Throughout this process, the Council’s objective is to identify a developer who will deliver the vision of a commercially successful and sympathetically designed North Street Site. It is critical to the Council that they have confidence that the preferred development partner has the resources, capacity, experience and track record to carry out and deliver this complex project. It is evident that the method and process of selection must be demonstrably equitable to all parties involved so as to not to prejudice subsequent delivery and to avoid challenge.

6.43 We recommended the selection of a development partner with the requisite expertise, experience and financial resource. More specifically this meant a partner with the following attributes

- **Expertise**
  - Delivering urban retail developments of over 15,000 m²
  - Preferably department store led developments
  - Understanding of local authority partnerships and statutory constraints
  - Making major planning applications and road closure & compulsory purchase procedure

- **Experience**
  - Recent and comparable large scale town centre schemes
  - Community engagement and not just consultation on applications
  - Leasing, funding and asset management of comparable projects

- **Financial Resource**
  - Financial resources of around £5 million available for pre-development costs up to a planning permission given that the total development costs is likely to be some £250 million plus, capability to source and deliver investment partnerships of this scale

RECOMMENDED PROCESS

6.44 We recommended a two stage section process to indentify the development partner.

STAGE 1

6.45 C&W undertook a comprehensive marketing campaign for the development opportunity on behalf of the Council in September 2012, inviting registration of interest by the 12 October 2012. The marketing particulars are attached at Appendix 2.

6.46 Parties registering interest were invited to provide information on their comparable experience, retail development expertise and financial resources together with initial commentary on development objectives, feasibility constraints and delivery challenges. C&W handled in excess of 37 serious enquiries requesting further details.

6.47 In advising on development partners to shortlist, C&W had regard to the following matters:

- Corporate and financial information provided
- Future funding requirements if any
- Relevant previous experience with similar developments in nature and scale
- Demonstration of an understanding of the objectives of the Council
6.48 The following development partners were shortlisted by the Council for the next stage.

LAND SECURITIES
LEND LEASE
QUEENSBERY

STAGE 2
6.49 The Outline Brief (see Appendix 4) was issued to the short listed parties inviting them to prepare a written submission with supporting graphic material which is to be submitted to the Council on 1 February 2013.

6.50 The shortlisted companies attended a workshop in Guildford on the 12th November 2012 with the Council’s Member Panel, Officer Steering Group and consultants. The three companies presented a summary of their company, explored the preliminary issues and discussed how the development partnership could progress.

6.51 The shortlisted companies were also invited to attend an informal Forum in Guildford on the 10 December 2012 with the stakeholder groups in order to outline their development approach, proposed team and draw out relevant points from comparable project experience. The three parties particularly choose to respectively refer to the following schemes.

EXETER PRINCESSHAY  CANTERBURY WHITEFRIARS  SOLIHULL TOUCHWOOD.
BATH SOUTHGATE  BELFAST VICTORIA SQUARE  BLUEWATER

6.52 Following the companies’ submissions on the 1 February 2013, it is understood that the nomination decision will be considered by the Scrutiny Committee on 12 March 2013 and taken by the Executive on 28 March 2013. It is then anticipated the parties will exchange a short Cooperation Agreement and work together in taking forward a master plan and explore scheme options for the North Street Site.

6.53 When both parties are satisfied that a feasible and viable scheme has been identified that addresses the agreed objectives, the nominated Partner will be invited to respond to a full Development & Financial Brief with detailed proposals which, if acceptable, will form the basis of the Development Agreement.

6.54 That Development Agreement will set out the provisions for making a planning application, securing an anchor store agreement, assembling the site and undertaking the development.

DELIVERY PLAN
6.55 Whilst there are a number of ways in which a Council can seek to achieve a major retail development, it has been our recommendation that the Council follows the path adopted by most Local Authorities; namely by entering into a partnership, utilising the experience, imagination, expertise and resources of specialist development companies.

6.56 In the current market with a number of competing opportunities, development companies are reluctant to speculate cost and time partaking in complex and cumbersome developer selection procedures. This is particularly the case for opportunities promoted through OJEU, with multiple stages or with unrealistic expectations. The recommendation to the Council in considering the selection process was to simplify and reduce what was required to matters that were important, relevant and proportionate.

6.57 In order to seek a development partner there are four essential steps which have to be undertaken:-

• Prepare and market the opportunity.
• Prepare a development brief and invite formal submissions.
• Select a development partner and negotiate a development agreement.
• Prepare a scheme, obtain planning permission and secure anchor store.
• Implement the development agreement and monitor scheme progress.
6.58 The Council has already undertaken the first two steps of the process as noted above and, by the end of March 2013, are likely to be in a position to select a development partner. The envisaged delivery plan, following partner selection, is set out in the section below.

6.59 However, it is important to note the role that the development partner is likely to be looking to the Council to fulfil which may be summarised as follows:

- deliver the planning framework to further support the development proposals
- resist any competing proposals, or proposals that might challenge and/or divert primarily retail development to elsewhere within the town.
- ensure that the planning application and any associated agreements, when submitted in accordance with adopted policy, is efficiently progressed by officers and members
- provide the necessary framework to support site assembly through the use of CPO, should that prove necessary
- manage and deliver any CPO process (subject to appropriate indemnities from the development partner)
- identify and assess all options for public sector funding support that might be available to support public infrastructure required to support the North Street initiative
- co-ordinate and orchestrate discussion and consultation with key stakeholders and members of the public in relation to the proposals
- consult with Members to encourage cross party member support for the proposals

CO-OPERATION AGREEMENT

6.60 The initial relationship between the Council and the preferred development partner will be covered by a Co-operation Agreement. The details of this Co-operation Agreement will be subject to negotiation between the parties. The Co-operation Agreement will run until an agreed time when the development proposals are sufficiently designed and costed to enable the financial return to the Council to be quantified and agreed. It is envisaged that this will take a period of some 8 months.

6.61 During this period the preferred development partner will, in partnership with the Council, be:

- Organising such additional research as is necessary to test and inform design variants, evaluate envisaged tenant mix and impact on existing retail, mixed use elements, etc.
- Working with the Council and Highways Authority on ‘best fit’ solutions for the bus facilities and desired car parking strategy
- Developing a master plan with elements of detailed scheme design to illustrate elevations and finishes.
- Agreeing a site assembly strategy with CPO timetable and milestones,
- Providing a robust financial model that demonstrates delivery,
- Reaching a ‘planning performance agreement’ with the LPA on the form of application and permission so as to enable the necessary flexibility to encompass inevitable variations whilst reserving consent in key areas
- Leading community discussion on options and engaging further with stakeholder groups
- Reaching agreement (in principal) with the Department Store
- Providing detail on the investment vehicle required for proof of funding in place to take the development through to completion
- Producing a clear development programme through to delivery of the new scheme that explicitly addresses phasing of infrastructure needs

6.62 During this initial period and subsequently following a Development Agreement, the Council will need to be prepared and resourced to:

- agree/approve the design evolution stages
- negotiate/agree the structure of the financial return to the Council
- negotiate/agree the Heads of Terms
- approve terms of potential land acquisitions from third parties
- negotiate/agree the draft outline legal documentation
- deduce title to the Council’s land
- value the Council’s land interests
- assist (where necessary) in the acquisition of third party interests/relocation and approve costs
- agree/approve the terms of principal pre-lets
- approve the terms of the standard of occupational leases
- approve variations/alterations to the scheme proposals
- agree and implement as appropriate basic management principles in terms of public realm/car parking etc and integration within the town centre management regime

6.63 At the end of the Co-operation agreement period the proposals will have advanced to the stage that;

- A planning application could be made
- The proposals are capable of being fully costed,
- There is agreement as to the process of land assembly
- There is an acceptable transparent financial model.

6.64 The preferred development partner will then be formally invited to make a detailed financial proposal in response to the Financial Brief and the proposal, if accepted, will be formally ratified and the preferred development partner will be required to enter into a Development Agreement (“the Agreement”).

FINANCIAL OBJECTIVES

6.65 It is recognised that the Council currently enjoys income from the site. It is also noted that a ground rent approach is preferable to a capital payment for the Council’s interest and this would theoretically assist viability. Set against that, however is the enhanced investment yield that would be attracted by freehold disposal.

6.66 The long leasehold approach is traditionally based upon the developer acquiring all outstanding interests and investing the freeholds in the Council prior to their grant of a long lease over the entire scheme.

6.67 In the current market, any long lease disposal would need to extend for a minimum of a 150 year period and similarly the gearing and proportion of ground rent to overall rent roll would normally need to be restricted to 10% in order to secure investment interest. A head lease structure would need to provide for side by side geared annual account rent, sharing income with the freehold and proportionally sharing the risk of voids and rents default. Control would predominantly rest with the head leaseholder with the Council relying on the principle of financial probity and responsibility. Such is generally accepted, as the benefit of 90% of the income and the burden of 90% of the costs falls on the leaseholder. The obligations to follow the practices of good estate management can be imposed as a requirement under the head lease.

6.68 The financial objectives, as we see it, could contemplate a long lease disposal approach with a view to securing the relevant percentage of estimated total income which either reflects or improves upon the Council’s present site income or a decapitalised investment value of current assets. In addition, the Council would also have a claim on the development value over the site’s existing use value.

6.69 A further financial objective would be to secure the Council’s participation in surplus profit if the scheme is undertaken more successfully than envisaged at the outset. It would be our advice that a Council’s development partner is only required initially to guarantee certain financial objectives but that further financial rewards should flow from profit participation after the scheme’s successful letting. Clearly, the fuller the financial requirement by the Council at the outside, then the lower its equitable claim to ultimate profit participation.

6.70 Disposal of the freehold interest by the Council would result in the loss of estate control and reliance on its lesser powers of statutory planning control. In either event, we suggest the Council only grants title upon satisfactory completion of the agreed scheme to ensure that the Council achieves its planning and financial objectives.

6.71 In contemplating any partnership agreement, we would usually commend to a Council that such be based upon the following:-
The developer seeks to acquire all outstanding third party interests and invests such at nil cost with the Council upon the grant of a building licence for a specified development period following exchange of a development agreement. All expenses incurred by the developer prior to the exchange of the agreement to be at the developer’s own risk.

In the event of failure to acquire the site by private treaty, the Council agree to acquire outstanding interests by compulsory purchase powers at the developer’s expense.

The Council consider enlargement or improvement of the development if financial and planning benefits accrue; and

Upon satisfactory practical completion and upon receipt of the ground rent and/or capital consideration the Council to grant the long leasehold or freehold title.

**DEVELOPMENT AGREEMENT**

6.72 The Agreement should, inter alia, stipulate the period within which the scheme is to be delivered, together with agreed conditions precedent and the required timescale for satisfying those conditions.

6.73 The Agreement will incorporate the form of the Head Lease that will be granted to the preferred development partner over the entire scheme. The Head Lease should preferably be granted on completion of the agreed scheme in order to ensure completion. It will provide for a ground rent to be paid to the Council, calculated as an agreed percentage share of net rents received.

6.74 The Agreement will also include overage provisions or a share of surplus return in the event that the project is completed more successfully than envisaged. The development partner will be required to work on a fully open book basis, based upon a robust financial model.

6.75 It is anticipated that the Development Agreement will be subject to a number of conditions precedent, including:

- site assembly,
- exchange of agreement with the anchor store,
- and detailed planning permission and other statutory consents

6.76 In our experience, development agreements are necessarily complex, setting out the programme and obligations on both parties to implement the scheme.

6.77 A critical determinant of the development timescale is the need potentially to secure planning permission and a CPO. Given that the necessary period for a CPO often extends to some 12-18 months, this implies, allowing for a period to secure planning and undertake enabling works, that the earliest possible start on site date would be 2015-16. Given that a phased construction timescale, involving the relocation of the bus station and other key occupiers as well as the need to maintain access and servicing to adjoining properties, the development timescale is likely to involve, in our view, a 3 to 4 year build and fit-out programme. This would suggest a potential opening date of 2019-2020.

6.78 This is a significantly shorter period than that previously taken on this site to secure planning permission (up to 36 months) and the CPO (a further 20 months) – nearly five years. Today, this type of timetable is not financially sustainable.

**COMMUNITY ENGAGEMENT**

6.79 One subject that needs addressing at an early point is the engagement of key stakeholders throughout the process. This concerns public participation in the evolution of the project rather than just public consultation in a pre planning application stage.

6.80 Much of this is addressed as a matter of prescribed policy and the Council’s formal engagement policy is set out in the Engagement Strategy (July 2011) and Community Involvement in Planning Statement (July 2011). However, a successful North Street scheme will require positive support, genuine local intelligence and active involvement by key players.
6.81 The material point is how the Council and its development partner propose real engagement on a time related base: namely at master planning, then statutory planning consultation and, most importantly, as the scheme evolves further and then through construction.

6.82 The typical vehicles for major urban schemes outside the normal planning consultation structures are:

- **Advisory Group** – senior / well established representatives of key interests invited to regularly be briefed and provide general counsel to both Council Officers & Developer; established for the project life.
- **Topic Focus Groups** – invited representatives that are ‘topic experts’ to specifically address key issues, review proposed solutions and comment on final thinking. Short lived.
- **Open House Forum** – commonly open to all but require independent ‘chair’ and used to report progress, problems etc and minutes used to brief all involved; established for the project life.
- **Design Workshops** – vary from invited key representatives / issue experts to address specific topics. One off or occasionally used as ‘open forum’ vehicle.
- **Champion Panel** – commonly design champions but usually key figures of national or local repute who are publicly judged as capable of holding up ‘big developers’ to promised objectives /criteria. Pre planning stages.

6.83 As noted, the short listed developers have already participated in an informal Forum event where invited stakeholders were provided the opportunity to listen to the lessons from recent comparable projects and discuss the potential approach to North Street site.

7 CONCLUSIONS

OBSERVATIONS

71. Guildford is one of the best locations in the country outside London to generate economic growth. This stems from its strong underlying economy, which has generated consistent and significant demand from both occupiers and investors. This demand substantiates the high rents and capital values needed to make development viable.

7.2 In the recent period of economic recession, Guildford has fared well, maintaining good levels of demand from space users. Theoretically, it should therefore be in a strong position to capture resurgent growth as part of an improving national economy. It is considered that the medium term position for retail demand in Guildford is little altered from its pre-recession position.

7.3 However, lack of any major development over the past 30 years against the backdrop of competing centres improving their offer has meant that in relative terms, Guildford has declined in retail status. A real opportunity exists to redress this balance, to improve the efficiency of the local economy, attract employment and delivery against national and regional targets. The Council has the advantage of significant landholdings in the town centre that might be used to leverage position.

7.4 Failure to facilitate and deliver appropriate and well located accommodation within the town centre will limit Guildford’s ability to attract investment. In the short term, the effect of undersupply of floor space will be to bolster pent up demand, and raise rental and capital levels. However, over the medium to long term, this demand will dissipate, as occupiers and investors satisfy investment in off centre locations and competing town centres. This will lead to a weakening of Guildford coupled with a strengthening of competitors.

RECOMMENDATIONS

7.5 It is recommended that the Council seek to implement this long standing and important policy objective by:

1. Selecting an experienced and expert development partner
2. Entering into a Co-operation Agreement that sets out the respective responsibilities and timetable to bring forward a masterplan scheme
3. Upon agreement on a feasible and viable scheme capable of addressing the objectives, to invite the development partner to formally respond to 'Development & Financial Brief' with a detailed financial proposal.

4. If acceptable, to negotiate and enter into a Development Agreement.

5. And to separately address the financial issues of required public infrastructure and a supportive planning framework or revised Local Plan.

RESERVATIONS
This report is privy to the Authority to whom it is addressed, for their sole use and no responsibility is accepted to any third party in respect of the whole or any part of its contents. Neither the whole nor any part of the content of this report nor any reference thereto may be included in any document without the prior written consent of Cushman & Wakefield, other than as part of reports to Council under S.100 (A) (4) of LGA 1972 as exempt information under Part 1, Schedule I2A of the Act.
## MAJOR RETAIL DEVELOPMENTS IN THE GUILDFORD CATCHMENT SINCE 1989

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GUILDFORD North Street Site

Expressions of Interest

September 2012
Expressions of Interest

North Street Site

1 Introduction

Lying in the heart of Guildford town centre, the 6.33 acre (2.56 ha) North Street site represents a 350-400,000 ft² (32,500-37,000 m²) retail led development opportunity in one of the best performing UK town centres. The Council is determined to secure a mixed use comprehensive development scheme that protects the town’s future shopping status, provides a new departmental store and reinforces the quality of the historic urban environment.

This note sets out the envisaged scheme, invites prospective development partners to register their interest and provides details of the proposed selection process. It confirms the Council’s clear intention to support the redevelopment of the North Street site by the inclusion of its existing land ownership and use of its statutory powers.

Consultation on the Interim Town Centre Framework and the North Street Design and Development Brief completed in January 2012 and August 2012 respectively. The Council intend bring forward both as policy shortly.

The Council is now seeking a development partner for the redevelopment of the North Street site, selected on the basis of their expertise, experience and financial resource. The Council is not seeking detailed designs and financial bids at this stage.

Prospective development partners are invited to register their interest by 12 October 2012.

GUILDFORD

The cathedral town of Guildford is the main administrative, commercial and shopping centre of Surrey. Its historic retail environment of some 1.293 million ft² (0.12 million m²) serves one of the most affluent catchment populations in the UK achieving prime retail rental levels over ZA £325 psf (ZA £3,500 m²).

Anchored by Debenhams (234,000 ft²/25,190 m²), House of Fraser (182,000 ft²/19,600 m²), Marks & Spencer (109,000 ft²/11,730 m²) and Primark (30,500 ft²/2,830 m²), the town’s pedestrianised and cobbled streets house a wide range of national multiples, particularly upscale and quality fashion retailers. The town also has a notable provision of restaurants/cafes and a strong independent offer.

"... Guildford town centre has a total of 205 independent retailers, which equates to an independent/multiple retailer mix of 35:65. This level of independents helps to define the unique character of the town". (‘Town Centre Development Study’. C&W March 2010)

The town centre is served by 4,959 public car spaces (a ratio of 1:261 ft²/24 m²) and by three ‘Park & Ride’ centres.

SHOPPING CENTRES

Guildford has a below average proportion of managed floor space with around 21% of the total retail floor space accounted for by the town’s three managed shopping centres: the Friary Centre (161,000 ft²/14,960 m² - 1980), White Lion Walk (46,000 ft²/4,270 m² - 1986) and Tunsgate Square (88,000 ft²/8,175 m² - 1989).
After a £40 million refurbishment, the Friary was re-launched in November 2011 with a number of key new tenants including River Island (10,000 ft²/929 m²), Urban Outfitters (9,000 ft²/836 m²) and Hollister (7,500 ft²/697 m²) together with an extended Top Shop (23,000 ft²/2,137 m²).

Having recently acquired Westfield’s part interest in the Friary Centre, Hermes is now sole owner of the long leasehold of the Friary Centre with the freehold being retained by the Council.

OTHERS
Guildford also has a wide arts and entertainment offer. The town centre Odeon provides 2,109 seats in a 9 screen modern format. The nearby Electric Theatre provides a 210 seat drama venue while the riverside Yvonne Arnaud provides a nationally renowned 600 seat theatre.

Recent improvements include the September 2011 opening of the 1,100 seat ‘G Live’ entertainment venue at the top of the High Street alongside a new luxury 4 star hotel and spa in the form of the 185 room Radisson Blu Edwardian.

In addressing the objective of improving the town centre food offer, the Council exchanged a development agreement last year with the John Lewis Partnership for a new 38,000 ft² (3,520 m²) Waitrose food store served by 168 car spaces on the former Bellerby Theatre site situated in the town centre to the north east of the North Street site. A detailed planning application was submitted in June 2012 and a decision is expected later this year. If planning permission is granted the new store is due to be trading in 2014/15.

The development site as originally envisaged was smaller than now proposed (4.074 acres/1.65 ha compared to 6.328 acres/2.56 ha) and was bounded by North Street, Commercial Road and Leapale Road. It was intended as land for a Friary Centre extension with retail development proposals first emerging in 1995 and leading to MEPC securing the 200,000 ft² (18,580 m²) ‘St Dominic Square’ scheme permission (1997). Subsequently Hermes and Westfield secured planning permission for the 270,553 ft² (25,135 m²) ‘Friary Extension’ scheme (March 2004 and renewed 2010) in a proposed development partnership with the Council.

Detailed information on the planning permission is available on the project web site.

www.northstreetsite.co.uk

Assembly of the original development site was secured with the support of a 2006 Compulsory Purchase Order (CPO). However, the changed economic climate led to further studies which suggested that the site was insufficient to accommodate the desired department store and supporting retail. In addition “the existence of a bus station as shown within the 2004/2010 approved schemes for the Friary Centre significantly reduces the viability of the scheme and in practice will continue to be a barrier to redevelopment” (Guildford Council ‘Bus Station and Town Centre Development’ Executive Report 20 October 2011).

The potential development site has consequently been extended across Leapale Road to encompass the Leapale Road multi storey car park and comprises 6.328 acres (2.56 ha).

BUS STATION
Alternative proposals for the reprovision of the bus station have also been explored in detail with relocation designs and costings.

The bus station currently occupies some 10% of the site. A number of studies have examined how the bus station might be wholly or largely replaced off site on land owned
by the Council in conjunction with more street stands. This work continues with the Highway Authority (Surrey County Council) and bus operating companies.

The temporary relocation of the bus station to the Portsmouth Road car park was part of the 2004 planning permission which concerned the laying out of 12 bus stands, 2 set down areas and 3 layover spaces, together with two temporary buildings for customers and bus drivers. The 0.74 acre (0.3 ha) site was known as the former Farnham Road bus depot and is currently owned by the Council. Relocation of the bus station is likely to be required for any new proposals but the Council will not be seeking to specify how this is achieved. Further information on the previous relocation plan is available on the project web site.

3 Planning Policy

The National Planning Policy Framework (2012) requires authorities to “promote competitive town centres that provide customer choice and a diverse retail offer and which reflect the individuality of the town centre” and to provide suitable sites to meet the scale of the development need.

The local planning framework for the development of the North Street site is provided by the saved polices of the Guildford Borough Local Plan (adopted 2003). The Local Plan identifies the area bounded by the Friary Centre, North Street and Leapale Road as a major approved development site. The strategy for the town centre is expressed in the form of a list of key objectives is set out in the Local Plan. Maintaining vitality and viability, together with an efficient, competitive and innovative retail sector, are stated ambitions.

The Council’s draft Core Strategy was last subject to consultation in March 2009. Consultation on the Site Allocations DPD took place in 2008. The future stages of these documents is set out in a revised Local Development Scheme (March 2011) which anticipates adoption of the Core Strategy by February-June 2014 and the Site Allocations DPD by October 2014.

The draft Core Strategy provides for reinforcing Guildford Town Centre’s role as the county’s prime Guildford Centre and location for cultural, leisure, offices, housing and public facilities.

The identified site is intended to realise the long standing ambition to secure comprehensive renewal of the area and a major extension to the town’s retail offer. In particular, the Council wants to secure a major new department store, renewing North Street as a principal shopping thoroughfare and catalyst for the rejuvenation of the adjacent street market.

4 Development Objectives

One key objective is therefore to encourage a design providing for the department / anchor store which may require a presence on North Street as well as on the principal interface within the scheme.

DEPARTMENT/ ANCHOR STORE

Recent outline design studies suggest the comprehensive redevelopment of the North Street site could provide for some 350-400,000 ft² of retail floor space including a department store of some 200,000 ft² (18,500 m²) arranged on three/four levels.

Key retail anchor tenants, such as the John Lewis Partnership, remain committed to securing representation in the town centre, provided that suitable and sustainable opportunities can be brought forward.

“…John Lewis require a 200,000 ft² gross store (160,000 ft² sales space) ideally arranged on three trading levels with 1,000 car spaces in close proximity.”

Further information on the John Lewis Partnership requirement is available on the project web site.

It should be noted that the Council is not committed to the John Lewis Partnership and would welcome proposals from other department store operators. The objectives are to increase consumer choice, meet demand and strengthen the retail offer of the town centre and anchor the proposed scheme.

The scheme would include additional shoppers’ car parking although it is envisaged that part of the required car parking may be provided on other town sites; probably on those presently owned by the Council.

OTHER OBJECTIVES

The Council’s further objectives for the redevelopment of the North Street site are set out below:

- The Council wishes to protect the high quality of the town’s historic urban environment and is concerned to
promote a scheme that reflects the existing architectural diversity and urban grain. An enclosed, unitary and monolithic development would not gain support.

Relevant planning policy documentation is available on the project web site.

CAPACITY
A recent retail study undertaken for the Council – and based upon a catchment population of 620,000 - noted that the town centre retains some 24% of the catchment comparison expenditure and some 61% of the Borough’s comparison spend. Current town centre sales densities were analysed at £9,162 per m²/£851 psf (adj. to 2010 in 2008 prices), approximately twice the UK average.

Adopting the same ‘constant market share basis’, the study concluded that the town centre has spare capacity for some 278,000 ft² (25,840 m²) gross of A1 retail by 2016 and some 628,000 ft² (58,400 m²) by 2021 (including the existing Friary Extension permission). A further 48,250 ft² (4,480 m²) ‘food & restaurant’ capacity was identified by 2016 and 73,000 ft² (6,780 m²) by 2021.

“The levels of sales density experienced by Guildford town centre indicates that there is a degree of pent up demand in the market, which is likely to be due to the high level of comparison expenditure growth experienced between 1992 and 2008 which has not been matched by significant new floor space being developed in the town during that period” (‘Guildford Retail & Leisure Study’ R.Tym & Prts May 2011).

Copies of the retail and leisure capacity study and other relevant consultant reports are available on the project web site.

COMPULSORY PURCHASE
The local planning authority will be seeking a comprehensive redevelopment of the site.

Subject to an appropriate indemnity agreement and a policy compliant proposal, the Council is willing to facilitate the assembly of the site by use of its statutory powers (including compulsory purchase and supporting highway closure). The Council is also willing to dispose of its landownership interest in the site in order to facilitate delivery of the development. As noted, the Council previously secured a CPO for the site in 2006.

- The North Street development site is bounded by Conservation Areas to the south and east. There is one listed building within and several listed buildings adjacent to the site. Design in the redeveloped area will need to reflect the characteristics that make Guildford town centre such an attractive destination. Scope to explore contemporary designs will be encouraged.

- The North Street site is to address the identified retail needs for the town. The future development should provide for this need as part of a mixed use scheme that will form a vital and lively extension to the town centre during the day and into the evening.

- The Council wishes to promote the development of streets and blocks that reflect Guildford’s street structure. A variety of architects and designs should be used in these different parts of the development to achieve vitality in appearance and character. Attractive marker buildings will be sought for main approaches to the town centre.

- Throughout the new development all streets and lanes should be open for public access at all times. The opportunity should be taken to provide east-west connectivity through the development. North-south linkages with the Friary Centre will also be important to retain and enhance.

- Development proposals must use topographic changes across the site sensitively and creatively. Solutions that endeavour to create a single engineered level across the site are unlikely to be acceptable.

- The scheme should create a number of public spaces as part of the future development to widen the potential for a range of street activities to take place.

- Sustainable building design will be sought.
work up an agreed scheme and negotiate a development agreement. It is envisaged that the development partner will take the lead in working up the design of the scheme, securing planning permission, compulsory purchase, securing occupiers and funding, and building out the scheme.

The Council would welcome expressions of interest from land owners with an existing interest in North Street, but would also like to receive interest from other developers with a proven track record and experience of delivering town centre schemes of this nature.

The Council, in its role as landowner, will wish to ensure that it secures best value for its landholding interest in the site but will have minimal involvement in specifying design and content of the scheme. However the Council, in its role as local planning authority, will place reliance on its planning powers and site policy for ensuring that the wider policy objectives are secured. It is not envisaged that the scheme will require any public works or services other than such items as public realm and highway works, which will be secured as part of the planning approval process.

The envisaged partner selection timetable is:

- Registration of interest by 12 October 2012
- Shortlisting w/c 22 October 2012
- Workshops w/c 5 November 2012
- Submission w/c 28 January 2013
- Nomination w/c 11 February 2013

Interested parties are invited to register their interest by Friday 12 October 2012 by providing the following information.

- Company and joint development partners, if applicable, together with annual reports for last three years if not easily available on line.

- Details of the applicant’s track record detailing comparable projects undertaken together with their current status.

- Details of the key personnel who will lead the project, their qualifications and experience on comparable projects.

Whilst initial sketch designs might be helpful to illustrate the understanding of the Council’s objectives and to demonstrate the Company’s expertise, the Council is not seeking detailed designs or financial appraisals.

Commentary on the draft Design and Development Brief, development objectives, feasibility constraints or delivery challenges would be welcomed.
Registrations of interest should be sent to:

Jennifer Miles  
Cushman & Wakefield  
43/45 Portman Square  
London W1A 3BG

6 Land disposal

The Council is intending to dispose of its land interest upon an agreed price calculable in relation to the residual development land value of the scheme as a whole.

This invitation is issued on behalf of the Council’s Economic Development Service who will be leading the disposal process. The Council will be seeking to dispose of a long leasehold interest over the entire site subject to a modern geared annual account ground rent.

DEVELOPMENT AGREEMENT

It is intended that the disposal of the Council’s land will be provided for within a development agreement. That agreement will necessarily be subject to a number of terms aimed at protecting the Council’s ground rent income.

It is recognised that the agreement will be conditional upon the grant of planning and other requisite statutory consents.

The Council will also not consider financially underwriting the developer’s risk or materially adopting any development risk beyond the proposed ground rent provisions. The development agreement will also need to provide for the payment of the Council’s professional and legal fees.

OJEU REGULATIONS

For the avoidance of doubt, it is noted that the Council is not intending to dispose of its land interest under the remit of the EU Procurement Directive (OJEU Regulations) as transactions solely for the disposal of land are outside of the scope of the Regulations.

The envisaged development agreement is not intended to provide for any works and/or services requirements commissioned by the Council and hence the agreement is not intended to comprise a public works or works concession contract.

TENURE

The envisaged development agreement is likely to provide for a disposal based upon a modern 250 year head lease, granted upon completion and subject to a geared annual ground rent share of net rents received.

10 September 2012.

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Disclosure
Prospective Purchasers are required to disclose any family or business links with the Council or their advisors in their submission prior to making any submission.

Misrepresentation Act 1967
These particulars do not constitute the whole or any part of an offer and all information is supplied entirely without prejudice and is given as a guide and no liability is accepted for any error, omission or mistake contained or implied in these particulars.

Disclaimer Clauses
These particulars do not constitute any part of an offer or contract. These particulars and plans are supplied entirely without prejudice and the Council does not accept responsibility as to the accuracy thereof. All prospective purchasers must satisfy themselves by inspection or otherwise as to the suitability or correctness of any statement and the suitability or otherwise of the land for their own purposes. The Council does not make or give nor does any person in the employment of the Council have any authority to make or give any representations or warranty in relation to the land or any particulars or information supplied in respect thereof. Any measurements referring to the site or other areas are approximate and are given for guidance purposes only. Prospective purchasers are requested to rely on their own inspection and measurement of the site.
GUILDFORD North Street Site

Selection Process

October 2012
Selection Process
North Street Site

1 Introduction

Guildford Borough Council is determined to secure a comprehensive development scheme that protects the town’s future shopping status, provides a new departmental store and reinforces the quality of the historic urban environment.

Prospective development partners were invited to register interest in the North Street Site by the 12 October 2012. This Note is issued to the companies who have registered interest and sets out the Council’s intended route to nominating a development partner.

STAGE ONE
Parties registering interest were invited to provide information on their comparable experience, retail development expertise and financial resources together with initial commentary on development objectives, feasibility constraints and delivery challenges.

On the basis of that information and market understanding, the Council will identify an appropriate shortlist for the next stage of the selection process. It is anticipated that the shortlist will consist of 3 companies who will be invited to respond to an Outline Brief and Terms.

The short listing decision is anticipated to take place by the 31 October with the matter being reported to the Executive Committee on the 8 November 2012.

STAGE TWO
The Outline Brief and Terms will be issued to the short listed companies on 9 November 2012. The Brief will invite short listed companies to prepare a written submission with supporting graphic material which is to be submitted to the Council on 1 February 2013. Parties will not be invited to prepare detailed designs or financial appraisals.

The Brief will provide further summary information on bus station options, car parking strategy initiatives and site specific development issues. It will also provide summaries of the urban design and transport studies recently commissioned.

Development companies are anticipated to provide their case for selection as the development partner together with preliminary development strategies, master plan approach and design philosophy. The submission will also need to address the envisaged financial structure of the proposed Agreement (namely key financial parameters such as the developer’s target return).

The shortlisted companies will also be invited to attend a two hour workshop in Guildford on either the 12 or 13 November 2012 with the Councillor Selection Panel, Officer Steering Group and consultants to present their company, explore the issues and discuss how the development partnership could progress.

The shortlisted companies will also be individually invited to attend a two hour informal forum in Guildford on either the 11 or 12 December 2012 with the Officer Steering Group and stakeholder groups.

Following the companies’ submissions on the 1 February 2013, the nomination decision will be taken by the Executive on 28 March 2013.

STAGE THREE
It is then considered the parties will exchange a short Co Operation Agreement and work together in taking forward a master plan and exploring scheme options for the North Street Site.

When both parties are satisfied that a feasible and viable scheme has been identified that addresses the agreed objectives, the nominated Partner will be invited to respond to a full Development & Financial Brief with detailed proposals which, if acceptable, will form the basis of the Development Agreement.

That Development Agreement will set out the provisions for making a planning application, securing an anchor store agreement, assembling the site and undertaking the development.
2 The Outline Brief & Terms

The Council appreciates that competing for opportunities can represent a costly exercise. It is also recognised that any scheme prepared over a short period of time cannot represent anything but an initial response to the opportunity. Consequently the Council will not require worked up schemes and a detailed financial proposal prior to nominating its preferred development partner.

Nevertheless, the Council will at this point require confirmation by the shortlisted development companies of certain financial criteria and proposed head lease structure. It will also anticipate some conceptual design sketches and other illustrative material to show an understanding of the development and design challenges together with comment on the feasibility and viability.

The Brief will set out a concise and simple summary of the proposed Head Lease structure and the key financial terms envisaged in the Development Agreement. Companies will be invited to confirm the required level of return, other forms of company expenses or charges and likely overage sharing proposals.

The Outline Brief & Terms will also invite companies to confirm their envisaged master planning approach, timetable and community engagement thinking. It will also seek details of the proposed professional team.

4 Forum

The Council has formed a North Street Officer Steering Group and will be appointing a dedicated Councillor Selection Panel at Executive Committee in early November. This is likely to consist of the Leader, Lead Councillors with Portfolio responsibilities and a number of appropriate Ward Councillors.

Early engagement with stakeholders is important and, in reflection of that, the Council will be holding a Forum discussion at their offices on either the 11 or 12 December 2012 for the shortlisted developers and stakeholders.

The short listed developers will be asked to present a brief development case study to stakeholders with comparable development issues to those anticipated at the North Street Site and detailing how these were managed or resolved. The stakeholders will be provided with a structured feedback form in which to make their initial comments and observations based on the material discussed on the day.

Officers from the Steering Group and the Council’s consultants will be available for other discussions and meetings throughout the period. Matters discussed at those meetings will be regarded as commercially confidential and will not be minuted.
## 5 Summary timetable

- Registration: 12 October 2012
- Shortlisting: by 8 November 2012
- Workshops: 12 or 13 November 2012
- Forum: 11 or 12 December 2012
- Submission: 1 February 2013
- Council Executive: 28 March 2013
- Nomination: 29 March 2013

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### Disclosure
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### Misrepresentation Act 1967
These particulars do not constitute the whole or any part of an offer and all information is supplied entirely without prejudice.

### Disclaimer Clauses
The Council does not make or give nor does any person in the employment of the Council have any authority to make or give any representations or warranty in relation to the land or any particulars or information supplied in respect thereof.
APPENDIX 4 – ‘NORTH STREET: OUTLINE BRIEF’ 9 NOVEMBER 2012
GUILDFORD North Street Site

OUTLINE BRIEF

October 2012
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1 Introduction

1.1 BACKGROUND

The Council is determined to secure a comprehensive development scheme that secures the town’s future shopping status, provides a new departmental store and reinforces the quality of the historic urban environment.

The 6.33 acre (2.56 ha) North Street area is the only land within the town centre capable of accommodating the required scale of needed retail floor space.

Furthermore, redevelopment offers considerable potential to enhance Guildford’s townscape, extend the public realm, stimulate the regeneration of neighbouring streets and improve Guildford’s position as a popular shopping and visitor destination. Much of the site was assembled under a 2006 Compulsory Purchase Order and area has suffered since with vacant properties and temporary car parking.

The Council wishes to select a preferred development partner (the Developer) to deliver the redevelopment of the North Street area through working up an agreed master plan, securing planning permission and undertaking the agreed scheme. Prospective development partners were invited, by particulars dated 10 September 2012 and subsequent advertising, to register interest by the 12 October 2012. Details of the Council’s intended selection process were provided on 17 October to all parties registering interest. This document is being issued to those parties short listed by the Council.

At this stage, the Council is NOT seeking worked up scheme designs or detailed financial appraisals. This Outline Brief provides further information on;

- preparatory work that has been undertaken by the Council;
- the envisaged form of the proposed development partnership;
- and the Council’s intended approach to selection of a development partner.

1.2 SELECTION

This Outline Brief forms the second stage of the selection process and invites the shortlisted parties to respond, in writing, as outlined at Section 7. As part of the selection process, each of the shortlisted parties is also being invited to:

- attend a two hour workshop in Guildford on the 12 November 2012,
- escort representatives of the Council to view one or two of their comparable projects,
- attend an internal forum in Guildford on the week commencing 10 December 2012 to meet with key stakeholder groups,
- and deliver a written submission with some illustrative material by 1 February 2013.

Informal advice on matters requiring further clarification will be available from nominated staff at the Council.

The selection of the preferred Developer will be taken by the Council’s Executive guided by a specially convened Councillor Evaluation Panel. Details of the Panel are provided at Appendix 1. It is intended that the selection of the preferred Developer will be taken by the Executive on 28 March 2013.

It is then considered the parties will exchange a short Co Operation Agreement and work together in taking forward a master plan for the North Street area. When both parties are satisfied that a feasible and viable scheme has been identified that addresses the agreed objectives, the nominated Partner will be invited to respond to a full Development and Financial Brief with detailed proposals which, if acceptable, will form the basis of the Development Agreement.

That Development Agreement will set out the provisions for making a planning application, securing an anchor store agreement, assembling the site and undertaking the development.

2 North Street

The identified site is intended to realise the long standing ambition to secure comprehensive renewal of the area and a major extension to the town's retail offer.

2.1 DEVELOPMENT OBJECTIVES

As stated in the preliminary particulars, the Council envisages that the North Street redevelopment will encompass the following principal features:

- A design that reflects the high quality of the town’s historic urban environment. An enclosed, unitary and monolithic development would not gain support.
- The North Street area is to address the identified retail needs for the town but as part of a mixed use scheme that will form a vital and lively extension to the town centre during the day and into the evening.
- The development should contribute to an extension of the current prime area through a retail circuit in Guildford to include North Street.
- The Council wishes to promote the development of streets and blocks that reflect Guildford’s urban grain and architectural diversity. A variety of architects and designs should ideally be used in different parts of the development to achieve that vitality in appearance and character.
Throughout the new development, all streets and lanes should be open for public access at all times. It will also be important to retain and enhance north-south linkages with the Friary Centre.

Development proposals must use the topographic changes across the site sensitively and creatively. Solutions that endeavour to create a single engineered level across the site are unlikely to be acceptable.

2.2 SIZE AND CONTENT
The North Street Site development should provide:

- A critical mass of between 30,000 m² and 45,000 m² of predominantly retail accommodation.
- A new department store of some 16,250-18,500 m²
- Sufficient parking to meet tenant requirements balanced with the Council’s sustainable transport policies.
- Bus passenger facilities provision.

One key objective is a new department store offer within the town centre. Details of the John Lewis Partnership’s requirement is provided on the web site and short listed parties are invited to comment on that requirement and other potential department store operator requirements: www.northstreetsite.co.uk

The Council aim to avoid the new scheme competing directly against the existing High Street shop provision. Careful consideration will need to be given to the proposed range and number of units contained within the evolved master plan together with the proposed mix and identity of occupiers of the larger units. Shortlisted parties are invited to outline their intended approach to this aspect.

In addition to the main retail element, the Council will welcome proposals that include a range of complementary uses to the town centre function potentially including commercial, leisure, residential and hotel leading to enhanced sustainability and commercial viability. Again, short listed parties are invited to outline their initial approach.

2.3 PARKING
Guildford offers a total of 47 spaces (short- and long-stay) for every 1,000 m² of retail development in the town centre. This is a little above the average of 43 spaces across the competing centres. (Steer Davis ‘Guildford Strategic Parking Strategy Stage 1: Parking Demand’ August 2011).

The comprehensive redevelopment of the North Street area could remove the 384 car spaces currently provided within the Leapale Road multi-storey car park. There are also 114 surface car spaces currently provided on the site. Car parking will need to be re-provided on and /off site to appropriate levels following the Guildford Strategic Parking Strategy.

The current parking strategy for Guildford, agreed by the Council and Surrey County Council, aims to maintain existing levels of short-stay provision, in response to redevelopment of town centre car parks. The second stage of the ‘Strategic Parking Strategy’ will be concluded by January 2013 and will identify how and where the additional space needed can be provided.

The car parking provided as part of the proposals will need to be well managed, utilising charging policies consistent with the Council’s wider policies in relation to public car parking. Innovative solutions and approaches to car parking within the wider borough will be encouraged.

The Council will continue to own and operate the primary car parks serving the development.

2.4 PREVIOUS SCHEMES
There is a considerable development history relating to the overall site.

MEPC proposed the 18,580 m² ‘Dominic Square’ scheme (1997).
MEPC / Westfield partnership proposed the 24,155 m² ‘Dominic Square 2’ (2000).
The Westfield / Hermes partnership proposed the 26,250 m² ‘Friary Extension’ scheme (2002) and secured planning for the 24,923 m² ‘Friary Extension 2’ scheme (2004).

Details of the previous permissions are available on the web site: www.northstreetsite.co.uk

A large number of alternate designs have been considered over the years and it may be helpful for the shortlisted parties to review and understand the issues which impacted on the viability of previous designs. For example, the 2004 consented scheme was unable to viably support, on the agreed site, a major department store, the on-site bus station replacement, affordable housing requirement, extensive public realm, highway changes, park and ride, community building, utilities and underground car parking following the fall in capital values due to the economic downturn.

3.0 Planning Policy
The promotion of the North Street area has been a long held aspiration of the Council starting in 1995 with the adoption of a development brief; subsequently revised and readopted in 2003 as the ‘Design and Development Brief for North Street, Commercial Road and Leapale Road’.
The Council has consistently promoted its development through its local planning policies. Outline permission (04/P/00090) for a 24,923 m² ‘Friary Extension’ scheme was granted in March 2004 and the permission renewed in December 2009. A Compulsory Purchase and Stopping Up Order was confirmed in support of the scheme in January 2006.

3.1 BACKGROUND
The National Planning Policy Framework 2012 requires authorities to “promote competitive town centres that provide customer choice and a diverse retail offer and which reflect the individuality of the town centre” and to provide suitable sites to meet the scale of the development need.

The development plan currently consists of the saved polices of the Guildford Borough Local Plan (2003). The Local Plan identifies the area bounded by the Friary Centre, North Street and Leapale Road as a major approved development site.

The Council’s draft Core Strategy was last subject to consultation in March 2009. Consultation on the Site Allocations DPD took place in 2008. The future stages of these documents are set out in a revised Local Development Scheme (March 2011) which anticipates adoption of the Core Strategy by February-June 2014 and the Site Allocations DPD by October 2014.

The draft Core Strategy provides for reinforcing Guildford Town Centre’s role as the county’s prime shopping centre and location for cultural, leisure, offices, housing and public facilities.

Consultation on the draft Interim Town Centre Framework and the draft North Street Design and Development Brief were completed in January 2012 and August 2012 respectively. Both documents will be used to form part of the evidence base in support of the Council’s impending Local Plan review.

It is, however, envisaged that the North Street Development will be promoted in advance of the completion of the Local Plan review on the basis of using existing development plan policies and the application of the provisions of Section 38(6) of the Planning and Compulsory Purchase Act 2004.

3.2 EVIDENCE BASE
The desired design principles are set out in the draft North Street Design and Development Brief which is intended to inform the Local Plan preparation. It is available to download on; www.northstreetsite.co.uk

The web site also provides copies of a number of expert studies in respect of car parking strategy, infrastructure requirements, economic development, town centre development and vitality and viability.

3.3 TRANSPORT ISSUES
Initial work undertaken by the Council and its transport advisor (MVA Consultancy) has explored a range of solutions for the provision of bus passenger facilities including on and off street schemes. However work remains ongoing with the Highway Authority (Surrey County Council) and bus operating companies.

The Council and its preferred development partner will need to continue working closely with the bus operators and the Highway Authority.

The Portsmouth Road car park, a site owned by the Council, has been reserved for a temporary bus station in the event that such is found to be a satisfactory solution. This was the interim solution agreed for the extant planning permission (December 2009). Shortlisted parties are invited to make observations on how this issue might be tackled.

Guildford town centre currently faces traffic congestion issues. Shortlisted parties should also consider, as part of their preliminary assessment, how the North Street Site development will relate to the transport network.

The County Council is currently working on the traffic model scenario for growth in the county and will commence more detailed transport modelling for Guildford Town Centre in November 2012.

Following the selection of the preferred partner and initial master planning work, a full transport assessment will be required addressing issues of integration with the public transport networks, justification of levels of customer car parking and servicing, as well as the effect of generated traffic on the existing highway network.

There is a recognised need for a more integrated approach to car parking across Guildford, with clear signposting providing real-time information to motorists. At this stage shortlisted parties are asked to provide an indication of the likely level of car parking to be required, identifying the means of access to the car park, together with examples of best practice in car parking solutions from other developments.

3.4 STAKEHOLDER ENGAGEMENT
A high level of stakeholder engagement and consultation is proposed in bringing forward the master planning of the North Street site.

It is essential that at an early stage the Developer, together with the Council agree a detailed and structured strategy in relation to stakeholder engagement. This will
be required to cover the whole ‘life cycle’ of the development above and beyond the statutory pre-planning requirements.

At this stage the Council have indicated that they would favour the ‘Advisory Group’ approach whereby senior and well established representatives of key interest groups are invited to regular briefings and provide general counsel to both Council officers and Developer.

In addition, the Council would favour ‘Open Forum’ events open to all interested parties held at periodic intervals through the master planning stages. As part of the developer selection process, an informal Forum on 10 December has been arranged to engage with the community and key stakeholders. Section 7.3 sets out further detail of what the forum will entail.

Information in regard to the Council’s statutory approach is set out in their ‘Engagement Strategy’ (July 2011) and ‘Community Involvement in Planning Statement’ (July 2011), available on: http://www.guildford.gov.uk/ces

4 OWNERSHIP

4.1 COUNCIL
A plan indicating the extent of the Council’s freehold ownership within the preferred development area and the wider zone of influence is available to download on: www.northstreetsite.co.uk

As a landowner, the Council has given an undertaking to assist the Council’s policy initiative in order to effect the delivery of this important policy objective.

4.2 OTHER OWNERS AND OCCUPIERS
A plan indicating the Council’s understanding as to the principal freehold and leasehold interests within the preferred development area and the wider zone of influence is available to download on www.northstreetsite.co.uk

Shortlisted parties are reminded that the existing property interests of the shortlisted parties will not be a material consideration in their selection as the preferred development partner.

Shortlisted parties are required to reconfirm any existing ownerships within the North Street area or the wider zone of influence, or relationships with existing landowners (including option agreements) as part of their written submission.

4.3 COMPULSORY PURCHASE
Subject to a full cost indemnity provided by the preferred development partner and the provisions of the future Development Agreement, the Council, will, if ultimately necessary, seek to exercise its statutory powers of compulsory purchase in order to assemble the site to enable the development to proceed.

4.4 KEY TERMS
During development, it is envisaged that ownership of all the development land will vest in the Council who will hold as trustee subject to the provisions of the Development Agreement. The preferred development partner will be responsible for procuring all land outside the Council’s ownership and it will be transferred to the Council at nil cost. The preferred development partner will, upon ratification, enter into a Development Agreement and an Agreement to Lease.

Following the completion of the construction of the North Street Development, and on certification of practical completion of the building works, as provided for within the Development Agreement, the preferred development partner will be granted a 250 year lease. The lease will provide for an annual rent to be paid to The Council, and the rent shall be calculated as a percentage of rents received. The relevant percentage shall be agreed prior to ratification, dependent upon the financial model finally agreed and adopted. It is anticipated that the relevant percentage shall not exceed 10 per cent.

Should the development be undertaken in phases, arrangements will be considered to permit phased drawdown, so as to facilitate funding and delivery.

5 FINANCIAL REQUIREMENTS

5.1 WRITTEN SUBMISSION
The written submission should provide a clear indication as to how the proposed development is thought to be funded.

Please note that the Council will wish to seek particular clarification from short listed parties as to the extent that funding is, or will be made available, particularly between selection and start on site. The submission should provide full details sufficient to address the point.

As part of the written submission, shortlisted parties are required to provide the following financial information:

- The company’s required minimum internal rate of return or capital profit on total cost and/or the required development yield
- Any development or project management fees envisaged and how such would be calculated
- An indication of anticipated retail rental levels for each different element of the proposals including the target prime Zone A rental levels considered achievable
- A provisional estimate of the likely investment yields potentially applied to the completed project
• Clarification of the short listed party’s short term debt finance rate which it may seek to apply to any financial provisions
• An undertaking to reimburse all reasonable costs incurred by the Council, including costs incurred in promoting the opportunity, the cost of the Council’s property advisers, legal and other professional fees.
• Confirmation of capital available to progress the opportunity from selection until ratification and then until satisfaction of conditions precedent, including an estimate of the sum involved.

5.2 FOLLOWING SELECTION
Following selection and prior to ratification, the preferred development partner will work with the Council to agree a detailed transparent financial model.

Part of the process of ratification will include detailed consideration of all financial matters, including financial and commercial feasibility, the timing and amount of all payments to be made to the Council, both as reimbursement for expenses properly incurred and in respect of land assembly and future rents, a complete development appraisal including the timing and amount of all expenditure and receipts.

Ratification will depend upon agreement between the Council, the preferred development partner and their respective advisers as to all financial matters, together with a regime as to how changes to the base model can be agreed and effected during development process.

6 PROGRAMME
The preferred development partner will be notified by 29 March 2013.

Immediately following selection the preferred development partner will be required attend a press briefing with the Council. Please note that no contact is to be made with the press either during the selection process, or following selection without the specific authorisation of the Council.

The preferred development partner will as a matter of urgency be required to enter into a Co-operation Agreement and Confidentiality Agreement immediately thereafter.

6.1 CO-OPERATION AGREEMENT
The relationship between the Council and the preferred development partner will be covered by a Co-operation Agreement. The details of this Co-operation Agreement will be subject to negotiation between the parties, and will be based on the draft Co-operation Agreement attached as Appendix 5.

The Co-operation Agreement will run until exchange of a Development Agreement being the time when the development proposals are fully designed, costed and the financial return to the Council can be quantified and agreed. It is envisaged that this will take a period of 8 months.

During this period the preferred development partner will, in consultation with the Council, be:
• Organising such additional research as is necessary,
• Commissioning further analysis,
• Developing scheme design
• Agreeing a site assembly strategy,
• Providing a robust and transparent financial model,
• Reaching agreement (in principal) with the Department Store
• Producing a clear development programme through to delivery of the new scheme
• Provide proof of funding in place to take the development through to completion

At the end of this period the proposals will have advanced to the stage that
• A planning application can be made
• The proposals are capable of being fully costed,
• There is agreement as to the process of land assembly
• There is an acceptable transparent financial model.

At the end of this period the status of the preferred development partner will be formally ratified and the preferred development partner will be required to enter into a Development Agreement (“the Agreement”)

6.2 DEVELOPMENT AGREEMENT
The Agreement will, inter alia, stipulate the period within which the scheme is to be delivered, together with agreed conditions precedent and the required timescale for satisfying those conditions.

The Agreement will incorporate the form of the head lease (“the Head lease”) that will be granted to the preferred development partner over the entire scheme. The Head lease will be granted on completion of the agreed scheme.

The Head lease will provide for a ground rent to be paid to the Council, calculated as an agreed percentage share of net rents received.

The Development Agreement will also include overage provisions.

The Council require the preferred development partner to work on a fully open book basis, based upon a fully transparent financial model. Details of the model and way in which the development account is to work will be provided for within the Agreement.
It is anticipated that the Development Agreement will be subject to a number of conditions precedent, including:

- Site assembly; and
- Receipt of detailed planning consent and all other statutory consents

The Council are looking to a timetable that provides for a start on site no later than October 2014.

The Development Agreement will incorporate provisions to safeguard the Council’s interests as a landowner, and will stipulate the form, criteria and timescales for the delivery of the proposals.

7 STAGE TWO SUBMISSIONS

The Stage Two submission intended to demonstrate that shortlisted parties wholly support and fully understand the vision and ambitions of the Council to regenerate and re-energise the centre of Guildford by way of the North Street Site development, and that the shortlisted parties have the commitment, experience and resources to deliver a commercially successful and sustainable proposal within a clearly agreed timeframe.

The information requested has been kept to minimum and the procedure has been designed to provide sufficient and equal opportunity to each of shortlisted parties to obtain the information required and to meet those representatives of the Council who will be involved in the life of the project.

There are a number of stages within the submission process.

7.1 MEETINGS

This Outline Brief and accompanying documents are being made available immediately following selection to the shortlist.

- On 12 November 2012 the shortlisted parties will be invited to Guildford for a workshop with the Councillor Selection Panel, Officer Steering Group and consultants to present their company, explore the issues and discuss how the development partnership could progress.
- It is anticipated that the workshop will take approximately 2 hours.

Representatives of the Council and their advisers wish to visit no more than two recently completed projects, or projects nearing completion, of a similar scale and/or complexity to the new retail quarter.

Visits are to be arranged during December 2012.

Each shortlisted party will be individually invited to attend a two hour informal forum on week commencing 10 December 2012 with the Officer Steering Group and representatives from stakeholder groups. These will not be limited to, but may include representatives from the following, for example:

- Guildford Business Forum
- Guildford Society
- Surrey County Council
- Local residents associations
- Bus companies and other public transport providers
- Guildford Borough Councillors

The Forum is designed to review work in progress, to provide feedback to inform further work, and to initiate a dialogue that will inform future design development. The shortlisted parties will be asked to present a brief development case study with comparable development issues to those anticipated at the North Street area and detailing how these were managed or resolved. The stakeholders will be provided with structured feedback forms in which to make their initial comments and observations based on material discussed on the day.

7.2 SUBMISSIONS

The written submission and any supporting material is to be in A3 format and bound into a single volume. Six copies are required plus one loose set for further copying. Submissions will not be returned following the selection process.

The written submission is to contain the following information and to be generally in the following format:

Part One
Confirmation of Information previously supplied, including a full list of the professional team, including legal advisers, with the name and contact details of the principal contact within each firm.

Part Two
Illustrative schematic design thinking

- Site plans at street level demonstrating the overall extent of the schematic proposal
- A site plan of the proposed vehicular and pedestrian access
- Schematic plans at a scale of 1:1250 of proposed buildings with indicative sections to demonstrate the general bulk and massing of the proposals
- Supporting sketches to help illustrate key elements of the proposals
- Details of the uses proposed and indicative floor areas against each
- An estimate of the number of shoppers car parking spaces to be provided
- Graphic material provided should be of sufficient detail to explain the broad concept approach. Each drawing should be clearly numbered, carry a scale
and where appropriate show the names of surrounding streets and buildings.

**Part Three - A written statement**
- Anticipated approach to the development opportunity
- The design philosophy behind the concept plans submitted
- A description of the further research and analysis anticipated following selection
- Provisional views on anchor tenants and key target occupiers
- An explanation of provisional transportation solution, including if appropriate the justification for the indicative number of car parking spaces provided
- A clear statement as to how the developer proposes to engage with the community
- Any additional information that shortlisted parties may wish to include to demonstrate their ability to deal with the complex issues arising from the development.

**Part Four - An indicative development programme**
The programme should run from selection, taken as March 2013 for comparison purposes.

**Part Five - A transport statement**
A concept statement is required outlining key issues to be resolved.

**Part Six - Financial Information**
The financial information set out in Section 5 including details of the financial reference.

**Part Seven - Confirmation**
Please confirm the following matters:
- Any existing ownerships/options within the identified development area.
- A written commitment that any such ownerships will be transferred to the Council at nil cost as part of the development process
- A statement that the ownership/tenure proposals set out in Section 4 are acceptable
- An undertaking to enter into the Co-operation Agreement if selected

The written submission and supporting material is to be delivered to the offices of Cushman & Wakefield, marked for the attention of Alistair Parker.

The deadline for submitting all the information required (both the illustrative material and the written statement) is noon on 1 Feb 2013

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### 8 SELECTION CRITERIA

It is intended that the selection of the preferred Developer will be taken by the Executive on **28 March 2013**.

In reaching their decision the Executive will have due regard to information provided to them by the Evaluation Panel, officers of the Council and key stakeholders as part of the ongoing consultation process.

Shortlisted parties are reminded of the need to supply all the information requested. There is however no need to provide additional information, and any additional information supplied will not be considered as part of the evaluation process.

Although every effort will be made to accommodate the shortlisted parties, it is unfortunately not possible to change the dates scheduled for briefings, technical workshops and the presentation day due to the commitments of all those involved.

#### 8.1 PRINCIPLES

The Council does not require fully worked up schemes, detailed financial appraisals or financial offers prior to nomination. The desire is to select a preferred development partner with sufficient track record, resources and experience to undertake this significant urban development. The selected development partner must demonstrate an understanding of the complexity of the issues involved and offer potential solutions.

The preferred development partner will have shown a willingness to explore and review a number of possible design solutions to achieve the planning and development objectives.

#### 8.2 CRITERIA

In selecting the preferred development partner, the selection panel will have regard primarily to the following matters:
- Demonstration of an understanding of the objectives of the Council
- Views on the size and content (including the range of uses) proposed
- Means of integrating the redevelopment within the Town Centre
- Illustrative schematic proposals
- Means of protecting and enhancing the exiting retail provision within the town centre
- Financial information provided
- Consideration and understanding of transport issues
- Provisional programme and the strategy for the implementation of the development
• The level of capital and management resources immediately available for progressing to ratification and beyond
• Local training and employment opportunities and the socially inclusive aspects of the proposals.
• Commitment demonstrated by the shortlisted parties and their advisers.

9 RESERVATIONS

Reasonable care has been taken in the preparation of the information provided to the shortlisted parties, but its accuracy cannot be guaranteed. Shortlisted parties are responsible for satisfying themselves by way of independent verification, inspection and inquiry that the information upon which they rely in preparing their submissions and proposals is accurate.

Further information provided by Guildford Borough Council or by their respective officers, consultants or advisers is given without any guarantee, warranty or representation.

Subject to Contract

This document shall not form part of any contract and its particulars are expressly excluded from such.

This invitation to make a submission to the Council is made without prejudice to the Council’s statutory powers and is subject to the restrictions and limitations placed upon it by virtue of its role as a Local Authority.

Rights to Alter the Selection Process

The Council reserve the right to alter, extend or amend the selection process and assessment criteria contained herein.

The Council reserve the right not to select a preferred development partner.

The Council accept no liability whatsoever in relation to costs and expenses incurred by shortlisted parties during the selection process.

Costs and expenses incurred by the shortlisted parties in responding to this Outline Development Brief are entirely at the shortlisted parties’ cost and risk. Furthermore, the Council will not consider any submission costs to form a proper part of the scheme’s development expenses.

The Council is determined to secure a comprehensive development scheme that protects the town’s future shopping status, provides a new departmental store and reinforces the quality of the historic urban environment.
Appendix 1

Evaluation Panel

Guildford Borough Council representatives

Councillor Stephen Mansbridge (Leader)
Councillor James Palmer (Deputy Leader and chairman of Evaluation Panel)
Councillor Nigel Manning (Finance)
Councillor Monika Juneja (Planning and Governance)

Friary and St Nicolas Ward Councillors

Surrey County Council representative.
APPENDIX 5 – “NORTH STREET: JOHN LEWIS REQUIREMENT’ 30 AUGUST 2012
**Requirement** guildford north street

**Introduction**
The aim of John Lewis is to make great places for our Customers to shop and for our Partners to work. This is achieved through creating a compelling retail offer within shops which clearly identify the John Lewis brand, provide simple and timeless architecture, and in destinations which help create successful shopping areas and revitalise town centres.

The aim is to also provide sustainable buildings, responsibly sourced, economical in their use of resources and which provide a healthy environment for our Partners and Customers.

John Lewis has identified a requirement for a full line department store in Guildford.

**Requirements for a successful department store in Guildford**
The department store must be a fully integrated and sustainable part of Guildford town centre as a whole, not just part of the new development.

The proposed development should be high quality reflecting the existing urban fabric in the High Street, distinctive, imaginative and be a compelling shopping attraction for the local catchment area.

The department store must:

- have a strong architectural identity from North Street with high visibility and excellent signage
- ideally comprise circa 200,000 ft² GIA configured over 3 or 4 selling floors
- have good pedestrian accessibility internally and externally to the scheme plus easy access for car borne customers
- include a convenient Customer Collection Point accessible by car and foot with adequate free car parking spaces (no 20)
- provide an attractive environment with interesting outlooks for customer catering
- provide adjacent short term shoppers car parking of at least 750 spaces built and managed to a high quality specification (to Park Mark Standard) with further required spaces provided in the locality
- be capable of being serviced adequately by a multi decker vehicle (4.75 m height, 16.5 m length)

John Lewis will be keen to understand the developer’s commitment to developing a high quality scheme, establishing a good tenant mix policy, the long term holding of the asset and effective property management for the benefit of the tenants, the Landlord and Council alike.

**Operational Requirements**
John Lewis has identified a requirement for a shop of circa 200,000 ft² GIA, providing a net selling area of 140,000 ft² plus a catering offer. The proposed store should be configured over 3-4 similar sized levels within a simple rectangular selling floor plate with a central escalator well.

At the sides of the selling floors are staircases, service risers, support spaces, and the main shop warehouse for stock, adjacent to 3 delivery bays. Customer entrances should be placed on the central axis of the shop aligned to the main customer flow.

The Customer Collection point must be easily accessible and be located close to the warehouse areas, and be capable of accommodating 20 car park spaces for customers’ sole use.
**Brand Expression**

The department store architecture should achieve a feeling of permanence and also a sense of style responding to the high quality urban environment in Guildford. The building should have a simple clarity and timeless elegance of design expression capable of providing a lasting legacy.

The principal customer entrances should be the main visual attractors but additional visual features to signal the presence of the department store may also be required. Powerful and distinctive architecture for the key corners should become a defining feature on the building to act as a visual landmark within the town centre.

Windows should be included flanking the main customer routes and at upper levels around the corner features and entrances to provide space to display the retail offer within the shop. The principal entrances should be positioned at the natural points of customer flow to encourage customers to enter the shop.

Entrances and brand signs must be prominent and clearly visible from all main shopping routes principally North Street and the High Street signalling the presence of John Lewis, and helping customers navigate the town centre as a whole.

**Materials**

The choice of materials will be influenced by the local Guildford context.

The functional elements of John Lewis break down into 3 broad categories: Selling Areas; Selling support functions; and Cores/service risers. Selling Areas are subject to constant change reflecting the dynamic nature of retailing and thus where expressed in the architecture the external materials should be capable of adapting to change without constraints on the internal use.

Materials should offer the opportunity to introduce daylight and views. Fritted glass can provide a combination of screening and translucency. As the most critical part of the year falls when shoppers will visit the shop in darker light it is important to deliver a design which expresses a brand message as clearly at night and thus lighting is a key element.

Fritted glass gives the potential for striking appearances by day and night and allows the opportunity to express the local character. John Lewis requires the freedom to build solid selling perimeters or open ones without compromising the architecture.

Cores/Selling support areas are more predictable in terms of their patterns of use and less likely to change. There is also a limited need for glazing other than functional requirements.

John Lewis is committed to delivering buildings which are sustainable. A degree of flexibility must be integral to the architecture to allow adaptation. Natural daylight and ventilation is encouraged and materials should be from a sustainable source. A BREEAM excellent rated building is our target.

**Role of John Lewis**

The presence of John Lewis is considered a major retail attraction encouraging the growth and vitality of adjacent retail businesses, raising the quality of the retail centre and acting as a catalyst for further investment. John Lewis believes that our shops have a civic as well as retail role and should thus aim to become a landmark in Guildford regenerating North Street. The aim is to create a sustainable retail business which becomes an integral part of the social and cultural fabric of Guildford.

The building should be sympathetic and responsive to the surroundings and be an integral part of Guildford. To function as a landmark building at a key focal point in the retail circuit John Lewis must have a prominent identity and be clearly visible from North Street.
Role of the development
In order to achieve a successful scheme and John Lewis the overall scheme must address the need to secure:

- A well connected highway infrastructure for the whole town centre
- The integration of the historic core of High Street to North Street
- The role of North Street and the reduction of vehicular traffic to encourage pedestrian flow
- A strengthened shopping circuit integrating the Friary and North Street to High Street
- A well serviced scheme limiting impact on the retail core
- A relocated bus station
- A high quality pedestrian experience
- Buildings with vitality
- A mix of uses with retail at its heart
- Vibrant public spaces
- Clear signage
- Accessible and safe links to the town centre as a whole
- A strong presence on North Street

Partnership
A new John Lewis department store represents a long term commitment to working in partnership with local stakeholders, Landlords and Councils. John Lewis not only aims to establish ourselves at the heart of the retail economy but also be an active and integral part of the community we serve. That positive impact extends to employment, active community support, and regeneration.

Contact
Sue Stephens

Acquisitions & Development Manager
Retail Development | Commercial
171 Victoria Street, London SW1E 5NN

Direct line: 020 7592 4316
Sue_Stephens@johnlewis.co.uk
MEPC JOINS FORCES WITH WESTFIELD
31-07-2000

MEPC has agreed heads of terms for a joint venture which will acquire and operate the bulk of MEPC’s retail portfolio. The nine major shopping centres are to be sold for £930m to a 50:50 JV between MEPC and the Australian shopping centre giant, Westfield Holdings, which will manage the shopping centres on behalf of the JV.

The JV will raise new debt facilities for approximately 70% of the value, with the balance being split between the two partners. After MEPC’s investment in the JV, its net cash proceeds will be £763m. The deal gives the UK’s fourth largest property company a pre-tax surplus of £6.5m over the book value of the shopping centres at 31 March 2000.

MEPC has also granted an option to Westfield under which the shopping centre specialist, at its sole discretion, can acquire a 100% interest in six of the shopping centres for £667m and MEPC would retain a 100% interest in the remaining three shopping centres. The shopping centres are: CastleCourt (Belfast), Millgate Centre (Bury), The Eagle Centre, Main Centre and Coliseum Centre (Derby), The Friary (Guildford), Brunel Centre (Swindon), Royal Victoria Place (Tunbridge Wells), The Kensington Arcade (London), Two Rivers Retail Park (Staines) and Yate Town Centre (Yate).

MEPC said it intends to use the proceeds from the deal to reduce its debt. It is currently the subject of a bid by GE Capital and Hermes to take it private.

HERMES TAKES MEPC’S STAKE IN RETAIL CENTRE JV WITH WESTFIELD
30-09-2002

Hermes has bought MEPC’s 50% interest in a shopping centre limited partnership with Westfield Holdings for £115m. The £700m portfolio comprises six shopping centres: The Eagle Centre, Derby; Brunel Centre, Swindon; Friary Shopping Centre, Guildford; CastleCourt, Belfast; Royal Victoria Place, Tunbridge Wells and Mill Gate, Bury. The deal represents a slight shifting of ownership: MEPC is half-owned by Hermes and half by GE Capital.

MEPC had been keen to exit from the limited partnership, as part of its programme of concentrating on business space. Hermes Property Asset Management chairman Richard Harrold commented: “We’re very pleased to purchase this interest as we believe the portfolio has considerable potential. We look forward to working with Westfield with whom we already have a strong relationship through the Broadmarsh partnership in Nottingham.”

HERMES PONDERS SALES FROM WESTFIELD MALL JV
23-08-2010

Hermes Real Estate is considering a potential sale of its joint venture stakes in two shopping centres it owns with Australian developer Westfield.

The fund manager is weighing up options for its 50% shares in the 1.1m sq ft Westfield Derby in the East Midlands and Belfast’s 330,000 sq ft Castlecourt. It is expected to seek around £185m and £150m respectively for the two shareholdings. A source close to Hermes said: “Hermes is carrying out a strategic review and would like to disinvest. It is reviewing its exposure and focusing on those joint ventures with big financial commitments. If there is a chance to sell, it will look at it.”

Hermes has tried to sell out of Castlecourt before. In 2006, it sought around £160m for its stake. At the same time, it attempted to sell 28% of its 64% stake in thecentre:mk in Milton Keynes for £200m. Sales could not be agreed on either scheme. Hermes and Westfield have been working together in joint ventures since 2002, when the fund manager bought MEPC’s 50% equity interest in six Westfield shopping centres.

The six were Derby and Castlecourt, plus the 595,000 sq ft Brunel Centre in Swindon, Wiltshire, the 400,000 sq ft Mill Gate in Bury, Lancashire, the 320,000 sq ft Royal Victoria Place in Tunbridge Wells, Kent, and the 150,000 sq ft Friary Centre in Guildford, Surrey. The Brunel Centre and Mill Gate were both sold in 2005.
WESTFIELD EYES £400M MALL SELL-OFF
16-12-2011

Westfield is in discussions to sell out of three of its shopping centres as part of a strategy to concentrate on its larger UK assets.

The Australian shopping centre owner and developer is understood to be in talks to sell its 50% stakes in 319,000 sq ft Royal Victoria shopping centre in Tunbridge Wells, Kent, the 149,700 sq ft Friary mall in Guildford, Surrey, and the 332,300 sq ft Castlecourt shopping centre in Belfast to its joint venture partner, Hermes Real Estate. Hermes is said to have teamed up with another partner to make the purchase for close to £400m.

The malls are part of a nine-strong portfolio that Westfield bought in a joint venture with MEPC in 2000. The £930m deal marked Westfield’s first significant entrance into the UK market. Hermes had previously attempted to exit the malls itself and in August 2010 appointed CBRE to review options for Westfield Derby and Castlecourt. However, the sales never progressed.

Westfield’s disposal of the malls is in line with proposals announced by founder Frank Lowry in its most recent results to reduce its “exposure to less productive assets in the US and UK”. Last month, Westfield agreed to sell its 75% interest in the Broadmarsh shopping centre in Nottingham to Capital Shopping Centres for £55m.

It has also been in talks to sell a 50% stake in its stalled 550,000 sq ft Broadway shopping centre development in Bradford, West Yorkshire, to Dutch investor Meyer Bergman for around £120m. The Australian group is increasingly focusing its investment on larger, iconic centres particularly in London, such as Westfield London and Westfield Stratford City, and now Croydon.

WESTFIELD SELLS STAKES IN THREE UK MALLS
15-02-2012

Westfield has today confirmed the sale of its stakes in three non-core shopping centres in the UK.

As first revealed by Estates Gazette, the Australian giant has agreed to sell its 33% interests in Castlecourt shopping centre in Belfast and Royal Victoria shopping centre in Tunbridge Wells, Kent, and its 50% stake in the Friary Mall in Guildford, Surrey. The sale - understood to be to Hermes Real Estate - will result in gross proceeds of £159m and net proceeds of £107m. The deal sees Hermes gain whole ownership of all three centres.

The Friary centre, Guildford, is nearing the end of a £40m repositioning project that has introduced a number of new large-format stores and attracted new retailers including Urban Outfitters and Hollister.

Steven Lowy, Westfield’s co-chief executive, said “These assets were originally purchased in 2000, at the time of our initial entry into the UK. Since that time we have refocused our business into iconic assets such as Westfield London and Stratford City and we continue to examine new growth opportunities in the UK. Along with the recent sale of Nottingham, these assets divested today became non-core to our UK portfolio.”

Chris Taylor, chief executive of Hermes said: “The acquisition of these centres comes at the right time in the cycle, and accordingly they offer good long term value. This transaction fits our UK investment strategy which seeks to focus upon direct ownership of properties which we asset manage and acquired through bottom up stock selection. The three centres are each commanding assets within their respective catchments and we believe our strong asset management platform will enable us to deliver significant added value in the long term.”

HERMES MULLS PARTNERSHIPS FOR SHOPPING CENTRES
02-07-2012

Hermes Real Estate is in the early stages of drawing up plans to seek joint venture partners on several of its shopping malls.

Despite only taking full ownership of the Castlecourt shopping centre in Belfast, Royal Victoria centre in Tunbridge Wells, Kent, and Friary Mall in Guildford, Surrey, from partner Westfield in January, sources said that the firm was
looking at new ways to raise cash. Together the three properties total more than 800,000 sq ft. Hermes paid around £400m for Westfield’s 33% stakes in Castlecourt and Royal Victoria and 50% stake in Friary Mall.

Head of property Chris Taylor is understood to have held early talks with agents about the potential appetite for stake sales. A spokesman for Hermes said: “We have only recently completed on the Westfield transactions and continue to have an active dialogue with all stakeholders, including local authorities and tenants, as we work up our business plans for each of our assets.” It declined to comment on any sales plans.

The marketing of any assets or stakes would be a fillip for the shopping centre investment sector, which, excluding the forthcoming £1.1bn sale of a 75% stake in Meadowhall, Sheffield, to Norges Bank Investment Management and the circa £300m sale of Festival Place in Basingstoke, Hampshire, to US pension fund TIAA-CREF, is in the doldrums.

PRUPIM SET TO BUY FRIARY
06-12-2012

PRUPIM is set to buy the Friary mall in Guildford, Surrey, from Hermes Real Estate.

The fund manager is understood to be in discussions to acquire the 150,000 sq ft mall for around £160m - a low 5% yield. As revealed by Estates Gazette, Hermes began drawing up plans to seek joint venture partners on a trio of malls in July. Hermes took full ownership of the Castlecourt shopping centre in Belfast, Royal Victoria centre in Tunbridge Wells, Kent, and Friary Mall from partner Westfield in January.

PRUPIM DIVINES POTENTIAL IN £160M FRIARY BUY
08-12-2012

Fund manager PRUPIM is in talks to buy the Friary Mall in Guildford in a move that could pave the way for a wider redevelopment of the Surrey town centre. PRUPIM is lined up to buy the 150,000 sq ft mall from Hermes Real Estate for around £160m - a low 5% yield. Other investors that eyed the opportunity include REITs Land Securities and British Land.

The fund manager’s proposed acquisition is thought to include Hermes’ stake in the 6.2-acre North Street site, which has been earmarked for a 400,000 sq ft retail development by Guildford council. It would make PRUPIM, which already has an existing stake in the development site, into a major shareholder in the regeneration of the town centre. The council has shortlisted Land Securities, Lend Lease and Queensberry Real Estate for the North Street redevelopment.

As revealed by Estates Gazette, Hermes began drawing up plans to seek joint venture partners on the Friary Mall as well as the Castlecourt shopping centre in Belfast and the Royal Victoria centre in Tunbridge Wells, Kent, in July. It took full ownership of the malls, which total 800,000 sq ft, from Westfield in January.
GUILDFORD DOMINIC SQUARE
Tax Incremental Finance

Local Growth White Paper | Consultation response

DECEMBER 2010
Following the publication of HM Government White Paper ‘Local growth: realising every place’s potential (28th October 2010) and the invitation to comment on the Tax Increment Financing (TIF) proposal, please find below this public/private partnership’s initial views along with details of the original GUILDFORD Dominic Square proposal for a TIF.

We welcome the new policy thinking that local enterprise partnerships should focus on the critical drivers of growth such as transport, housing and planning. We also welcome the Government’s preference for decisions being made at the right level with the emphasis on devolving decision-making wherever possible.

The thinking to reward local communities who promote sustainable economic growth through a New Homes Bonus or Business Increase Bonus is also to be broadly welcomed although such may overlap – or conflict - with either TIF proposals or a more radical approach to enable local authorities to retain more of the locally raised business tax revenue.

BIBs and TIFs represent different tools necessarily aimed at different objectives. Project specific TIFs can provide the means to make ring fenced commitments to transformational infrastructure which will drive growth. BIBs, however. would appear to largely represent year to year district wide revenue supplements. The Business Increase Bonus (BIB) would probably suffer the same shortfalls attributed to the Local Area Business Growth Incentive (LABGI);

(a) that the link between local community endeavours and economic growth may be tenuous,
(b) potentially derived from wide areas where would be little connection between public intervention and economic outcome,
(c) with levels of reward too thinly spread as to realistically provide the suggested ‘powerful incentive’,
(d) not provide a desirable and specific vehicle for capital investment,
(e) have ‘deadweight’ that would allow benefit by relative circumstance rather than relative performance,
(f) And may be insufficiently transparent, clear and predictable.

TIFs, by contrast, can be framed to genuinely incentivise local communities to promote economic growth, and realise subsequent additional tax revenue, through the long term investment of capital in infrastructure that will trigger that growth. With a clear causal link between the TIF and economic growth and satisfactory evidence that the infrastructure cannot be secured any other way, public intervention and support is justified.

Frequently, economic growth is prevented by the lack of public infrastructure. Over the past, major development schemes generated sufficient value to cover public infrastructure and other planning gain costs. Our project proposal concerns a scheme that would be delivered where it not for the financial cost of the public infrastructure; estimated at some 24% of total development costs. Consequently, competition and economic growth within Guildford town centre has been constrained.
Local Growth and the Business Rates System

1. Would you favour a business rates retention model, as a more radical alternative to Business Increase bonus?

The Lyons Inquiry into Local Government (March 2007) identified the need for local authorities to have greater flexibility to raise revenues to invest in their areas. A business rates retention model, albeit one necessarily circumscribed at the national level and naturally limited by regional redistribution, would provide higher levels of local autonomy and the part restoration of the link, between local business and their local community. It is recognised that local rate setting would cause substantial concern in the private sector.

The supplement rate levy, whilst useful, does not go far enough in providing the financial scale necessary to raise major new revenue for significant capital investment with the active consent of local businesses and investors. The debate over TIFs is a clear illustration of the problem.

Our partnership is willing to invest in the proposed infrastructure required for Dominic Square and needed to support future growth in Guildford. We propose utilising the future UBR revenue increment that will accrue as a specific and measurable result of the scheme but would, otherwise in the absence of a TIF, not be realised.

2. How would such a model change your approach to TIF, if at all?

A greater degree of local autonomy, it is suggested, might obviate the need to secure central government approval to local hypothecation for each TIF project proposal. It is recognised that such proposals must clearly demonstrate genuine additionality, avoid capital market distortion, not facilitate tax displacement and be incapable of proceeding without TIF. Clearly such proposals must address both the ‘public policy’ test and the public audit at a local level.

3. Do you have any specific issues, concerns or proposals in relation to a business rate retention model, or TIF?

a) PRIVATE SECTOR INVESTMENT - Our project concerns an infrastructure cost or ‘gap funding’ need of £70 M. The Council would consider it imprudent to borrow £70 M given the uncertainty of when the remaining £224M of capital would be committed, when the tax revenue would flow and the risk in estimating that yield. Our current prudential capacity is limited and is already allocated to other competing priorities. Moreover, our private sector partners are, by contrast, experienced and expert in managing that risk. Our private sector partner would be wholly responsible for the TIF capital investment; a capital level which represents 24% of the total estimated Project cost.

b) PSBR - Our private sector partners will be wholly responsible for the ‘risk and reward’ of the infrastructure. Furthermore, under the terms of the proposed head lease to be granted to them by the Council, they will also be responsible for the operational control. Hence the risks of construction, availability and demand will be borne by the private sector. The public revenue to finance the capital infrastructure investment will be actually be created by that investment. It is therefore suggested, for national accounts purposes, this TIF format would not represent a ‘on balance sheet’ public debt.
c) **STATE AID/PUBLIC PROCUREMENT** - Our private sector partners where competitively secured but, in any event, ours is a development partnership undertaking a comprehensive development scheme that involves no pecuniary interest passed from the ‘contracting authority’ to the developer with the cost, and risk, of the development resting with the private sector. Given that this authority is not spending any public funds, there appears no danger of distorting competition.

b) **TIF PERIOD** – The suggested TIF period is 20 years. With an estimated investment yield of 6.5%, this is the period required to realise the £70 M capital required to pay for the public infrastructure. The precise length of the TIF period is the critical financial parameter that needs to be negotiated between the public and private partners. In part, this forms part of this authority’s ‘best price’ obligations in contemplating a disposal of it’s land interests to the developer.

c) **TIF INCREMENT** – It is proposed that 100% of the NDR increment is retained in the TIF in order to ensure that the future NBR revenue increment is returned to the community as quickly as possible. The entirety of the increment is regarded as revenue wholly created by the TIF project.

d) **ADDITIONALITY** – The proposed TIF area is one framed by highly specific boundaries; an area defined by land title in the draft head lease. Given the proposed TIF area is small and specific, it is relatively simple to consider the issues of genuine additionality and displacement. Some retail company relocations within the town will occur but the former premises will still have NBR paid. New retail company representations have been considered in detail. The professional advisors consider that is it highly unlikely, if not improbable, that tenants taking space in the Dominic Square scheme will result in closure of branches in other towns. Again such will not result in lost NDR revenue. Trading turnover levels between town centres will doubtless adjust but such inevitably reflects market competition. The increased market competition resulting from Dominic Square would have increased anyway, in line with adopted local public policy, if the project had not been burdened by public infrastructure cost.

y) **NDR INCREMENT** – It is proposed that TIF baseline is the NDR income yield receivable for the specific area for the year preceding the commencement of the TIF without allowance for deductions/reliefs. The baseline utilised in the feasibility studies has been calculated on the standard multiplier applied to rateable value of each hereditament that is wholly redeveloped. No account was taken of refurbished or altered buildings. It is proposed the baseline will be revised each year to take into account any change in the multiplier or valuation reviews. No account will be taken of adjacent, or spillover, increases generated by the scheme.

4. **How should Government support local authorities to introduce TIF?**

The LTRIP model appears relatively simple to introduce. Given there is no public sector capital or revenue risk/commitment, the critical elements are framing the ‘but for TIF’ test, establishing genuine additionality to establish the amount of the NDR increment retention and the financial basis for agreeing the TIF period.

There would need to be clear guidance on proper local governance/audit together with regular and transparent disclosure.
The Government could consider enabling the establishment of early LTRIP pilot projects. It is considered that such may be possible without primary legislation through the grant route in common with the proposed New Homes Bonus.

DOMINIC SQUARE SUMMARY

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<thead>
<tr>
<th></th>
<th>Status</th>
<th>Progress</th>
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<tbody>
<tr>
<td>1</td>
<td>Significant project</td>
<td>40,000 m² town centre incl’ 170 residential units £210 million investment</td>
</tr>
<tr>
<td>3</td>
<td>Social &amp; Economic</td>
<td>Fulfil role as Primary Regional Centre and Regional Growth Hub</td>
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<tr>
<td>4</td>
<td>Masterplan</td>
<td>New Area Action Plan intended to transform wider area</td>
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<tr>
<td>5</td>
<td>Development partner</td>
<td>Westfield &amp; Hermes Joint net assets £64.62 billion</td>
</tr>
<tr>
<td>6</td>
<td>Defined area</td>
<td>Recognised town centre area. 3.76 hectares set by street boundaries</td>
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<td>7</td>
<td>Site assembly</td>
<td>A Compulsory Purchase Order was confirmed in 2006</td>
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<tr>
<td>8</td>
<td>Financial</td>
<td>Extension &amp; remodelling of existing Friary Centre</td>
</tr>
<tr>
<td>9</td>
<td>Public infrastructure</td>
<td>bus station, public realm, highways, car park</td>
</tr>
<tr>
<td>10</td>
<td>But for TiF test</td>
<td>Viability gap £75 M</td>
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Guildford town is an identified regional hub in the Regional Economic Strategy and South East Plan. An historic centre that is an increasingly important regional administrative and commercial centre, it is now designated as a Primary Regional Centre and a Centre for Significant Change serving a wider area. Dominic Square, or the 25,000 m² Friary shopping centre extension scheme, has long been the most significant regeneration opportunity for the town centre and its comprehensive renewal will address many of the town centre deficiencies; including the bus station, park & ride, highway improvements and a major new public square.

The project is to cover an 3.76 hectare site, create 40,000 m² of new floorspace, including 170 residential units, public car parking and a new bus station. Arranged around a new open streets, Dominic Square will create a new high quality urban environment in the heart of the town centre. The project will represent a £295 million investment in the town.
GUILDFORD  Dominic Square  
LTRIP pilot project proposal

Originally conceived in 1980, the current recession has ended the 3rd attempt to implement the project by the Borough Council and the Wilmslow Partnership: owners of the Friary Centre (Westfield & Hermes). The current scheme had planning permission in March 2004 (renewed in 2010), a development agreement in September 2006 and a 2006 Compulsory Purchase Order (both now lapsed). Between the Council and Wilmslow Partnership, site assembly is now largely completed.

However, the economic recession has led to a substantial fall in commercial property values. The effect, for Dominic Square, has been to reduce the estimated completed value leaving a financial shortfall of £75 million. Whilst the scheme has been re-engineered in order to reduce the viability gap, the project remains unable to support the substantial and necessary public infrastructure.

The project involves £70 million of required public infrastructure consisting of bus station, affordable housing, extensive public realm, highway changes, park & ride, community building, utilities and public underground car parking.

PROPOSAL

A ‘pay as you go’ Local Tax Reinvestment Programme (LTRIP) is proposed to fund the public infrastructure. The NNBR tax increment of £6.55 million pa would be available to the Wilmslow Partnership Investment Vehicle for a 20 year period when, and if, the project is satisfactorily completed.

The Investment Vehicle, led by Westfield and Hermes, would remain responsible for raising the required capital cost of £294 million. With LTRIP, the estimated internal rate of return on capital would be 15%. Further design refinement and cost engineering is thought likely to marginally improve that to the level where one can be confident, in the present investment market, of securing the capital.

The scheme has Council design approval, largely completed site assembly, anchor tenant support and strong occupational demand. With Westfield, an expert and experienced development partner with net assets of some £34.62 billion, the project is demonstrably capable of proceeding.

This LTRIP proposal could lie within existing legal powers with the grant route. It does not:

(a) present significant issues of State Aid or public procurement of public works,
(b) need a contingent revenue guarantee by the public sector,
(c) or require the commitment of public sector capital.

With LTRIP, the project can make an early start. Without LTRIP, it is difficult to see how it can be delivered, leaving Guildford with a large part of it’s town centre having temporary car parking behind site hoardings.

The present agreement between the Borough Council and Westfield would provide for the entire scheme freehold to be held by the Borough Council, a share in the project rental revenue and claw back of surplus profit returns. It would also provide for controls on building quality and future estate management.

PILOT SCHEME

Without any significant retail improvement for 24 years, Guildford has a substantial retail capacity
Fundamentally Dominic Square will absorb only it’s own catchment shopping expenditure growth. Hence this LTRIP proposal will not ‘displace’ current tax revenue and would be genuinely additional.

The scheme is a single phase, limited site development with defined ‘start & completion’ events; readily measurable in outputs. Dominic Square is critical to the town centre’s future. The town is a Primary
Regional Centre designated as a growth hub. The site has now been largely assembled and the project developers are substantial and experienced investor/developers with a large vested financial interest.

As one of only a handful of UK centres with continued strong tenant demand and undiminished retail rental values, Guildford offers a real opportunity to build on success. Guildford is weathering the financial downturn well. However, and despite this economic strength, has not possible to secure a major redevelopment and supporting housing with the necessary infrastructure that has been clearly identified to maintain the economic development of Guildford and replace key jobs that have been lost over the past five years.

And as one of the few projects of scale genuinely capable of an ‘early start’ in the South East, Dominic Square would prove an excellent TiF pilot project.

**DOMINIC SQUARE FINANCIAL APPRAISAL**

<table>
<thead>
<tr>
<th>Item</th>
<th>£ M</th>
<th>£ M</th>
<th>£ M</th>
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<tr>
<td>CAPITAL VALUE</td>
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<tr>
<td>Commercial</td>
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<tr>
<td>Residential</td>
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<tr>
<td>Interim Income</td>
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<td>Public sector</td>
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<tr>
<td>Value total</td>
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<tr>
<td>Funding gap</td>
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<td>Total inc Funding</td>
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<td>COSTS</td>
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<tr>
<td>Site assembly</td>
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<td>Planning &amp; Prep</td>
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<td>Construction</td>
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<tr>
<td>Fees</td>
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<td>Other costs</td>
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<td>Contingency</td>
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<td>Costs exl Finance</td>
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<tr>
<td>plus Finance Costs</td>
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<td>DEVELOPMENT RETURN</td>
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<td>Profit on Cost</td>
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<td>IRR</td>
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<td>LTRIP Value</td>
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<tr>
<td>New RV £17.916 M</td>
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<tr>
<td>Old RV £ 4.406 M</td>
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<tr>
<td>Increment £13.511 M</td>
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</tr>
<tr>
<td>Increment pa @ 48.5% = £6.533 M</td>
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<tr>
<td>£6.533 M pa @ 6.5% for 20yrs</td>
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### DOMINIC SQUARE PUBLIC INFRASTRUCTURE

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<th>£ M</th>
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<td>Highways</td>
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<tr>
<td>Bus station</td>
<td>5.408</td>
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<td>Public realm</td>
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<td>Utilities</td>
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<td>Community building</td>
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<tr>
<td>Public car parks</td>
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<tr>
<td>Other s106</td>
<td>5.69</td>
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<tr>
<td>Fees on above @ 20%</td>
<td>9.55</td>
<td>57.306</td>
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<td>Contingency @ 3%</td>
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<tr>
<td>Finance</td>
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<td><strong>TOTAL</strong></td>
<td></td>
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*Financial figures are estimates from June 2008 expressed in June 2009 values.*
## Appendix 8 – Evidence Base: List of Relevant Reports and Studies

### Retail Evidence Base

<table>
<thead>
<tr>
<th>Date</th>
<th>Study Description</th>
<th>Consultant</th>
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<tbody>
<tr>
<td>June 2006</td>
<td>Guildford Retail Study</td>
<td>Chase &amp; Partners</td>
</tr>
<tr>
<td>Sept 2008</td>
<td>Town Centre Vitality and Viability</td>
<td>Guildford Borough Council</td>
</tr>
<tr>
<td>July 2009</td>
<td>Economic Development Study</td>
<td>University of Surrey</td>
</tr>
<tr>
<td>Mar 2010</td>
<td>Town Centre Development Study</td>
<td>Cushman &amp; Wakefield</td>
</tr>
<tr>
<td>Sept 2010</td>
<td>Guildford Masterplan Options</td>
<td>BDP</td>
</tr>
<tr>
<td>Oct 2010</td>
<td>Guildford Masterplan Option 3A</td>
<td>BDP</td>
</tr>
<tr>
<td>Mar 2011</td>
<td>Bedford Road Bus Station Study</td>
<td>BDP</td>
</tr>
<tr>
<td>Apr 2011</td>
<td>Guildford Economic Strategy</td>
<td>Guildford Borough Council</td>
</tr>
<tr>
<td>May 2011</td>
<td>Guildford Retail and Leisure Study</td>
<td>Roger Tym &amp; Partners</td>
</tr>
<tr>
<td>Oct 2011</td>
<td>Bus Station Study: Issues &amp; Options</td>
<td>MVA Consultancy</td>
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<tr>
<td>Mar 2012</td>
<td>Bus Station: Emerging Options Study</td>
<td>MVA Consultancy</td>
</tr>
<tr>
<td>Aug 2012</td>
<td>Guildford Strategic Parking: Stage I</td>
<td>Steer Davies Gleave</td>
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</tbody>
</table>
APPENDIX 9 – OUTLINE OF TOWN CENTRE POLICY EVOLUTION.

REFERS TO INFORMATION PUBLICLY AVAILABLE
REFERS TO INFORMATION EXEMPTED FROM FULL DISCLOSURE DUE TO COMMERCIAL CONFIDENCE.

JUNE 2003 | FRIARY EXTENSION
EXECUTIVE – DRAFT NORTH STREET DESIGN & DEVELOPMENT BRIEF
Approval of draft consultation brief revising previous brief of October 1995.

SEPTEMBER 2003 | FRIARY EXTENSION
EXECUTIVE – NORTH STREET DESIGN & DEVELOPMENT BRIEF
Approval of amended brief and adoption as an SPG policy document.

MARCH 2004 | FRIARY CENTRE EXTENSION
PLANNING COMMITTEE - APPROVAL OF OUTLINE PLANNING APPLICATION
The outline planning application 04/P/00090 for comprehensive mixed use redevelopment of land bounded by North Street, Friary Centre/Commercial Road and Leopale Road ... The Wilmslow (No. 4) Limited Partnership (whose current investors are the Westfield Group and the British Telecom Pension Scheme (“BTPS”) managed by Hermes) is the current owner of the Friary Centre (“the Developer”) ... In summary, the proposed development will consist of up to a maximum of 170 residential units, shops (Use Class A1), professional and financial units (Use Class A2), restaurants and cafes (Use Class A3), community space (Use Class D1), replacement bus station, a public square, residential car parking, servicing, plant, the refurbishment of the existing Friary Centre and ancillary works ... The principle of redevelopment of this site, which is underutilised and in need of comprehensive renewal, is thus acceptable to the Council. The Council’s long term aspirations for the site is set out in a Design and Development Brief which was approved in 1995 and updated towards the end of 2003 following further public consultation. The outline scheme achieves the vast majority of the aspirations set out in the Brief, which recognised a comprehensive approach to development. The Brief is supplementary planning guidance that was taken into consideration by the Planning Committee in determining the application and was an important material consideration in that decision.

JUNE 2004 | FRIARY CENTRE EXTENSION
EXECUTIVE – REPORT ON NEW BUS STATION RESPONSIBILITIES
... an integral element of the proposed redevelopment and extension of the Friary Centre by Westfield is the provision of a much-improved bus station to replace the current outdated and unsatisfactory facility, which is now some 25 years old.

During the period between the closure of the existing bus station and the opening of the new facility, a temporary bus station will be operated from the site of the former Farnham Road Bus Station site, now known as the Portsmouth Road Car Park. Planning permission for this temporary use is already in place, and whilst it will not be possible for all services currently using the existing bus station to be accommodated on the temporary site, it is anticipated that the use of on-street stops in certain locations will provide the necessary continuity of service.

Borough and County Officers and representatives from Westfield have met with each other and with representatives of the bus operators on numerous occasions over the past year in an effort to identify and agree the respective responsibilities of the various parties with an interest in the ownership and efficient running of the new facility.

JULY 2004 | FRIARY CENTRE EXTENSION
EXECUTIVE - APPROVAL OF COMPULSORY PURCHASE ORDER
Approve the use of its powers of compulsory acquisition in order to achieve the land assembly necessary to enable mixed use proposals including an extension to the Friary Shopping Centre and provision of new bus station to be implemented following the Council’s resolution to grant planning permission in March 2004.

SEPTEMBER 2005 | FRIARY CENTRE EXTENSION
EXECUTIVE – UP DATE ON NEW BUS STATION RESPONSIBILITIES
Since the commencement of negotiations with Westfield in connection with the redevelopment of The Friary, the Council has consistently maintained the stance that as it has no statutory responsibility for (nor expertise in) the provision of bus services, it is not willing to do anything other than provide the land upon which the new bus station is to be constructed ... In spite of this, Westfield’s Solicitors have submitted a draft Maintenance Agreement which places the onus of meeting any deficit in the funding of the new bus station squarely upon the Borough Council. Westfield have been told that this is totally unacceptable, tantamount as it is to asking the Council to write a blank cheque ... The root of the current problem, which has seen all parties displaying a marked reluctance to assume any responsibility for the bus station, is purely financial.
SEPTEMBER 2005 | FRIARY CENTRE EXTENSION
EXCHANGE OF INDEMNITY AGREEMENT FOR THE COMPULSORY PURCHASE ORDER
Legal agreement between GBC and Westfield/Hermes providing for the developer to meet all site acquisition cost & expenses.

NOVEMBER 2005 | FRIARY CENTRE EXTENSION
INSPECTORS REPORT INTO THE SEPT 2005 COMPULSORY PURCHASE ORDER INQUIRY
Recommendation that the Order should be confirmed being in the public interest that the development should proceed and that the planning aspects were fully taken into account.

JANUARY 2006 | FRIARY CENTRE EXTENSION
COMPULSORY PURCHASE ORDER CONFIRMED BY SECRETARY OF STATE
CPO confirmed and effective until 29 January 2009

FEBRUARY 2006 | FRIARY CENTRE EXTENSION
DEVELOPMENT AGREEMENT BETWEEN GBC & WESTFIELD/HERMES
Date of final travelling draft of Agreement which was never completed and exchanged together with a draft new head lease (dated January 2007). Draft agreement was subject to viability test (15% profit on cost) with the new head lease granted ‘up front’ for a capital consideration + £2.36 M ‘community building’ and a geared ground share of net rents received. GBC also to receive car parking income compensation of £50,000 per ¼ up to a maximum of £0.5 M.

JUNE 2006 | TOWN CENTRE DEVELOPMENT
REPORT TO COUNCIL - CHASE & PARTNERS ‘GUILDFORD RETAIL STUDY’
... the town centre’s comparison goods retail offer is good but, as already noted, in retail terms, standing still is akin to decline. It is therefore in the town centre’s interests to continue to review and improve its quantitative and qualitative offer. In this connection, the proposed extension to the Friary Shopping Centre is an important development for the future performance and prospects of Guildford town centre.

JUNE 2006 | TOWN CENTRE DEVELOPMENT
EXECUTIVE – ‘TOWN CENTRE AREA ACTION PLAN – PREFERRED OPTIONS’
To approve the consultation draft of AAP policy which notes: ‘The site is identified as a Major Approved Development Site in the current Local Plan. No policy is required for this site because planning permission has recently been granted for a major redevelopment, which is due to commence’.

JANUARY 2007 | FRIARY CENTRE EXTENSION
EXECUTIVE – FURTHER UP DATE ON NEW BUS STATION RESPONSIBILITIES
Members will know from those earlier reports that the Council has consistently maintained the stance that as it has no statutory responsibility for (nor, significantly, any expertise in) the provision or management of bus services, it is not willing to do anything further than provide the land upon which the new bus station is to be constructed. That said, there is unanimity that Guildford should be provided with a pleasant, efficient, clean and well-managed bus station and an acknowledgement that such a facility will cost money.

In order to secure some sound information on which to base further discussions and in an attempt to break this impasse, the Head of Legal & Property Services commissioned WSP, a large firm of public transport finance specialists, to pull together all available information with a view to producing as accurate a forecast as possible of the likely deficit (or indeed surplus) arising from the operation of the bus station, the intention being that once that figure has been established, all parties involved (including the Council) would be able to make informed decisions on matters including the extent to which (if any) it may be necessary to provide any financial support. It is clear that operational expenditure will need to be subsidised for a number of years while departure charges are gradually increased to the level necessary to match net expenditure. To that end, a ‘joint account’ is to be established, the account holders being Westfield and the County and Borough Councils. Income from departure charges and other sources will be paid into the account and the cost of subsidising the early years’ deficiencies of maintaining the bus station will be met from it. The discussions have assumed contributions from the three main parties as follows:

<table>
<thead>
<tr>
<th>Party</th>
<th>Contribution</th>
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</thead>
<tbody>
<tr>
<td>Westfield</td>
<td>£215,000</td>
</tr>
<tr>
<td>Surrey County Council</td>
<td>£307,000</td>
</tr>
<tr>
<td>Guildford Borough Council</td>
<td>£307,000</td>
</tr>
</tbody>
</table>

In the case of the Borough Council, any such contribution would of necessity be financed from the capital receipt arising out of the Development Agreement with Westfield.
A PROPOSAL FOR GUILDFORD NORTH STREET DEVELOPMENT STRATEGY

GUILDFORD BOROUGH COUNCIL     CUSHMAN & WAKEFIELD             63

REPORT TO COUNCIL - SURREY UNIVERSITY ‘GUILDFORD ECONOMIC DEVELOPMENT STUDY’
Guildford’s retail sector is an important part of its business base and leisure and tourism offer. The retail sector is also supported by a vibrant night time economy based around the town centre and the town’s youth and student population. However, evidence shows that employment within this sector has declined slightly in recent years and that property rental levels are high compared to those in other areas. There is a need to ensure that the Borough maintains the quality and diversity of its retailing and town centre activities. To this end issues such as the provision of a quality hotel in the town centre, regeneration of the Friary Centre, attraction of an additional major departmental store, the provision of officer support for the Town Centre Manager and the redevelopment of the Civic Centre are all issues that need to be addressed by the Borough in the near future.

EXECUTIVE – STRATEGIC PROPERTY ADVISOR
The Strategic Asset Review and Westfield’s decision not to implement the planning permission to extend the Friary Centre gives an opportunity to review the future development of Guildford Town Centre. It is also important as the progress of the Guildford Development Framework (GDF) Core Strategy has slipped as a result of changing national demands, but also because of our decision to legally challenge the South East Plan. This in turn delays the GDF Town Centre Area Action Plan.

To avoid the absence of a development framework for the town centre, it is essential to begin a master planning process which will not only give a framework but will also promote the continued economic vitality of the town centre. The study will provide an evidence base for this master planning work.

Recommendation to approve the appointment of Cushman & Wakefield to complete a Strategic Guildford Town Centre Development Study. Having regard to the limited availability of suitable specialist consultants, a number of which currently act for other landowners and interests in the town centre, coupled with the detailed local knowledge held by Cushman & Wakefield, it is not considered appropriate to invite other firms to bid for this work.

DECEMBER 2009 | FRIARY CENTRE EXTENSION
WESTFIELD PLANNING APPLICATION - TO EXTEND EXTANT PLANNING PERMISSION
To extend December 2004 planning permission for 24,923 m² of commercial floorspace, 170 residential units and replacement bus station.

MARCH 2010 | NORTH STREET REGENERATION
STAKEHOLDER PRESENTATION
North Street Regeneration Working Group - Presentation to commercial key stakeholders on GBC’s plans to move forward the redevelopment of the North Street site and revive the status of North St.

MARCH 2010 | TOWN CENTRE DEVELOPMENT
C&W ‘TOWN CENTRE DEVELOPMENT STUDY’

(2) There is a pressing need to improve the town centre convenience offer; which is an immediately deliverable opportunity. There is strong demand in the market place from food store operators. The Bellerby Road site has been identified as being suitable for a food store-led development, and recommend in the short term the Council initiate a disposal strategy to secure the identified need, subject to a prescribed planning brief.

(3) In addition, the Council should place emphasis and commit resource to the delivery of a major town centre retail scheme centered on North Street, in order to ensure that Guildford does not lose ground to competing towns, by commissioning architects and cost consultants to articulate and test development appraisal for the town centre that tie together the various proposals.

JULY 2010 | TOWN CENTRE DEVELOPMENT
EXECUTIVE - GUILDFORD TOWN CENTRE DEVELOPMENT STUDY
This report considers the programme of work which is being undertaken to support the longer term economic development and spatial planning of the town centre. Building on the draft Town Centre Area Action Plan, and this study, a Masterplan will be produced. To assist this process, the Council has commissioned a Town Centre Development Study which will provide a commercial assessment of the potential options for the land within the Council’s ownership.
SEPTEMBER 2010 | NORTH STREET SITE
REPORT TO COUNCIL - BDP ‘MASTER PLAN DESIGN STUDIES’

DECEMBER 2010 | NORTH STREET SITE
REPORT TO COUNCIL - ‘BDP MASTER PLAN VIABILITY REVIEWS’

JANUARY 2011 | FRIARY CENTRE REFURBISHMENT
PLANNING COMMITTEE - WESTFIELD PLANNING APPLICATION
Approval of the Oct 2010 proposal which involves the creation of 594 m² additional retail floor space on both the ground and first floor. This, together with the amalgamation of 6 existing units, will result in the creation of two major space units, one on each level.

MAY 2011 | TOWN CENTRE DEVELOPMENT
REPORT TO COUNCIL - ROGER TYM & PARTNERS ‘GUILDFORD RETAIL & LEISURE STUDY’
... recommend that the Council should be actively considering how the Friary extension development will proceed. It might also think about whether it is possible to consider a re-designed scheme to meet at least a similar scale of floorspace as promoted previously in order to meet the existing needs to 2016 and 2021.

The consequence of not delivering a substantial quantum of comparison floorspace over the next 10 years, ideally at the Friary Extension site, is that there will be more reliance on edge and/or out of centre sites, and potentially the centre could lose market share as competing developments come on stream. Therefore, whilst the short term needs (excluding the floorspace approved in the Friary extension) are somewhat modest, this should not preclude the Council from taking active steps to bring forward improved retail floorspace in the town to maintain Guildford’s position at the top of the retail hierarchy.

JUNE 2011 | NORTH STREET SITE
NORTH STREET DESIGN & DEVELOPMENT BRIEF
draft consultation brief ..............

JULY 2011 | NORTH STREET SITE
REPORT TO COUNCIL - WESTFIELD ‘DESIGN OPTIONS STUDY’

AUGUST 2011 | NORTH STREET SITE
REPORT TO COUNCIL - WESTFIELD ‘FINANCIAL APPRAISALS OF DESIGN OPTIONS’

OCTOBER 2011 | TOWN CENTRE DEVELOPMENT
EXECUTIVE – BUS STATION & TOWN CENTRE DEVELOPMENT
To consider the feasibility and scoping work for the option to relocate the bus station to Bedford Road car park. The potential to bring forward a development of the Friary/North Street area as part of the wider town centre regeneration will be directly assisted by the relocation of the bus station. As such, the Council as landowner is well placed to explore the scope for a joint development project with the major landowners of the Friary Centre through an ongoing dialogue. To assist this work, the Council will need to procure specialist commercial development and legal advice and will undertake a procurement exercise in line with the Council’s procedures.

Advice from the Council’s property advisors confirms that the existence of a bus station as shown within the 2004/2010 approved schemes for the Friary Centre significantly reduces the viability of the scheme and in practice will continue to be a barrier to redevelopment. The enhancement of North Street both as a retail area and as a potentially vibrant pedestrian space is seen as equally important.

‘the opportunity to revisit the brief in the context of the current and emerging economic factors will support the longer term regeneration of this site. It is proposed that the brief is reviewed and a further report to the Executive will set out the timetable for this process and any external resources required to complete the review at the earliest opportunity’.

- To approve the preparation, design and submission of a planning application for a new bus facility and associated highway works at Bedford Road surface car park.
- To authorise the Head of Economic Development, in consultation with the Lead Councillor for Service Transformation, to procure specialist planning, design, transport, commercial property and legal services to co-ordinate and deliver the planning application and development of the bus station and wider town centre regeneration.
- To approve the review of the North Street, Commercial Road, Leapale Road Design and Development Brief.

DECEMBER 2011 | TOWN CENTRE DEVELOPMENT
EXECUTIVE – TOWN CENTRE MASTERPLAN
Approval of draft consultation masterplan
The masterplan has been prepared in accordance with current national planning policy in 2011. We have also taken account of the emerging National Planning Policy Framework. Its content reflects the draft Guildford Town Centre Area Action Plan and the responses to the consultation on that plan. This document also takes account of the views expressed through the early engagement held in June and July 2011. Sites allocated for development by the 2003 Local Plan will remain until superseded by the new Local Plan/Core Strategy or the Site Allocations and Development Control Policies Development Plan Document (DPD).

The North Street/Leapale Road/Commercial Road site has a long planning history. Aspirations for this land have long included a new town square and an improved/new bus station. The 2003 design and development brief (still current) includes a requirement for a new bus station, and the 2004 outline planning permission includes a new bus station (still current). The Retail and Leisure Study 2011 explains why development of this North Street site is so crucial to maintaining the competitive edge that the town centre currently enjoys.

The Council's Economic Service considers that the development potential of the North Street/Woodbridge Road site is substantially affected by the current position of the town's bus station. The Council's property advisors have concluded that for reasons of viability, the presence of a new bus station in the current planning permission is a barrier to its implementation. The future redevelopment of this important site is outlined in the report to Executive of 20 October 2011.

Reflecting the Council's land owning interests and its wider regeneration objectives, its Economic Development Service will soon (between January and late March 2012) appoint specialist commercial property, transport, design, planning and legal consultants. These consultants will advise the Council how to achieve the most advantageous and sustainable development for the town centre, in particular on the North Street/Leapale Road site. The approach is outlined in a report to the Executive of 20 October 2011, which includes a study on relocation of the bus station. To facilitate the redevelopment of the site adjacent to the Friary, the Council will submit a planning application in 2012 for a bus facility at Bedford Road surface car park. This will be a smaller facility than the current bus station and will operate more effectively and efficiently.
Outline of development market, future of High Street retail, history of Friary proposals, required changes for delivery, key anchor store role, revised planning policy and bus station issues.

MAY 2012 | NORTH STREET REGENERATION
REPORT TO COUNCIL – C&W ‘NORTH STREET SCHEME - SUMMARY ISSUES BRIEFING’

AUGUST 2012 | NORTH STREET REGENERATION
REPORT TO COUNCIL – C&W ‘DEVELOPMENT PROCESS NOTE’

SEPTEMBER 2012 | TOWN CENTRE DEVELOPMENT
REPORTS TO EXECUTIVE – INTERIM TOWN CENTRE FRAMEWORK / NORTH STREET BRIEF

- Approval of draft consultation framework. The interim town centre framework is based upon the draft Guildford Town Centre Area Action Plan, the responses to the consultation on that plan, updated evidence, and the views of interested organisations and individuals at two subsequent engagement opportunities on a draft masterplan. This interim framework was written by Guildford Borough Council in consultation with Surrey County Council as highways authority for the area, and other interested parties.

- Adoption of the North Street Design and Development Brief SPD that will replace the Design and Development Brief for North Street, Commercial Road and Leapale Road from 2003. This SPD was prepared in liaison with officers across the Council and Surrey County Council and other key stakeholders before being subject to public consultation.

SEPTEMBER 2012 | NORTH STREET SITE
PROPERTY PRESS ADVERTISEMENTS
APPENDIX 10 – CABE SUMMARY REVIEW OF THE GUILDFORD FRIARY EXTENSION
FRIARY CENTRE EXTENSION
GUILDFORD

The proposal

The design and development brief for the site was prepared by Guildford Borough Council in September 2003. It sets out the need for comprehensive, mixed-use development on a prominent and sloping site of almost four hectares in the centre of Guildford. The area is bounded by Onslow Street to the west, North Street to the south, and Leasale Road to the north and east.

The scheme proposes mixed-use development around a series of open streets and public spaces, forming an extension to the existing urban grain and street pattern. Its focal point is a new public square. The scheme includes the provision of 22,500 sq m of new retail space over two principal levels, with below-ground servicing access, up to 170 residential units, a new bus station, the relocation of existing car parking spaces below ground and 922 sq m of community space. The project budget is approximately £160m.

Westfield Design Group has led the design process throughout, and has been assisted by Todd Architects, The Design Solution and Townshend Landscape Architects. Their response to the natural topography of the site was to vary building heights, and step the levels down the slope. This was also designed to maximise views from the residential areas to the surrounding hills. Vehicle movement across the site is limited to the bus station only. All service vehicles and private cars will access the scheme via the basement.

The public realm and landscape design includes the use of quality hard landscape materials. The proposals for North Street are currently under review by Guildford Borough Council, and Westfield is making a contribution to the works. The proposals include pedestrian priority with restricted vehicle access, and retain the existing street market. Landscaped courtyards above the shops will provide amenity space for the residents.

CABE’s advice

The Design Review Committee welcomed the opportunity to comment on this proposal at an early stage in the design development. We admired the way the presentation conveyed the proposal as a series of urban design and architectural opportunities as well as response to development needs.

We applauded the detailed urban design analysis of the wider area, particularly the figure-ground plan, and of the specific site constraints. We did feel, though, that a model was necessary to convey the topography of the area and the complexity of the design response to it. Most welcome was the considerable thought that has been given to resolving the problems of the unsuccessful, at least in urban terms, Friary Centre and bus station.

The development approach to transforming this part of Guildford, by encouraging mixed-use in new built form and the careful modification of the existing retail centre was convincing and, in our view, likely to have a positive impact on the wider area. We made a number of detailed comments, which were primarily directed at the next stage of design development.

We had some concerns that the proposed form had become alien to the character and pattern of Guildford. The blocks appeared formal and rigid when compared with the older and more irregular block sizes of the High Street, for example. While welcoming the inclusion of residential uses above the retailing, we felt the way they were planned could be contributing to the awkward feel of the block size and shape. Reconciling the requirements of a modern mixed-use scheme with the historic context has been achieved successfully elsewhere and, with further design work, we were confident that it could be done here.

In a similar way, the proposed Town Square exhibited a formality and rigidity foreign to the urban grain of Guildford, and its form did not flow clearly from an analysis of the town. We felt further consideration of how the space would work and where formal and informal activities could occur at different times of the day, and in different seasons, was needed if it was going to work.

The architects proposed an interesting and variegated roof treatment, acknowledging the local sensitivities of the context. The committee felt, however, that further work was required to the buildings and facade design. Giving greater emphasis to the vertical, perhaps by creating discrete elements, rather than reinforcing the large footprint block, would assist, we thought, in achieving a better relationship to the historic core.

The project created natural and direct routes, and we thought this was central to dealing with the problems of the complex and considerable changes in level. If this was to work, it was crucial to avoid too many escalators and lifts, to ensure that the scheme would appear to be part of the town rather than an extension to the shopping centre. For the pedestrian routes to be successful, then, ramps and stairs need to be generous and clear in terms of where they lead.

Further consideration of the proposed covered arcade was required, in our view. We were not convinced of the need to glaze over this street – we noted that the most popular parts of the present retail environment in Guildford are unroofed, and the least popular are roofed.

We were encouraged by the intention to use different architectural practices in the next phases of the development of the design. This will help the architecture develop naturally, rather than artificially, as is often the case when a single office designs the whole of a large project of this kind. This can now take place within the overall design framework, which we found largely successful. We thought it important that a landscape architect be added to the team as well, and that this should happen at the earliest possible opportunity.

Key points

The merits of ‘going with the flow’ of existing townscape grain to help assimilate large new developments.

The need to challenge the assumption that shoppers prefer glazed streets to open ones – sunshine and fresh air in good weather are as important as shelter in bad weather.