



*Achieve
Ambitions*

Central Winchester Regeneration

JLL Roadmap Review

Q4 2019

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Introduction

JLL/Arup



Our Role

Following a successful tender process JLL, in partnership with Arup, were appointed as the Strategic Placemaking Consultant for Winchester City Council (WCC) in May 2019.

The project is being led by Katie Kopec, International Director based in JLL's Head Office in London. The project is being supported by JLL's regional offices in Southampton and Bristol, with Arup's Winchester office providing technical and masterplanning expertise.

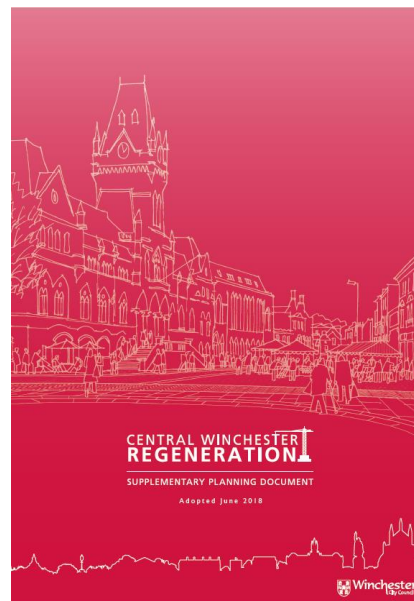
Central Winchester Regeneration

Central Winchester Regeneration is a mixed use development opportunity in the city centre. It is the subject of an adopted SPD. This document forms our review of the CWR delivery roadmap.

The Objective

JLL have been instructed to provide site-specific development advice and overarching strategic advice to WCC to inform key real estate decisions across the city. This document details our review of the CWR project to date and will help inform the following:

- Land uses/mix
- Delivery options and associated timeline
- Key risks, constraints and opportunities



In all of our workstreams, we have had regard to the Central Winchester Regeneration Supplementary Planning Document, adopted June 2018. The policy is described in the box below and the nine key objectives of the SPD are adjacent:

POLICY WIN4 SILVER HILL MIXED USE SITE
Winchester District Local Plan Part 2 – Development Management and Site Allocations
Adopted April 2017

Development proposals for a comprehensive mixed-use development within the area known as Silver Hill as shown on the Policies Map, will be granted planning permission provided that detailed proposals accord with the Development Plan and demonstrate how proposals for all or parts of the site will accord with the following principles and achieve the form of development intended by this allocation as a whole:

- (i) provide an appropriate mix of uses that reinforce and complement the town centre, including retail, residential, community/civic uses, and other town centre uses
- (ii) proposals should include a high quality design response
- (iii) respect the historic context, and make a positive contribution towards protecting and enhancing the local character and special heritage of the area and important historic views, especially those from St Giles Hill
- (iv) enhance the public realm
- (v) improve pedestrian and cycle access
- (vi) provide a high quality landscape framework
- (vii) include proposals which accommodate buses and coaches, improve conditions in the Broadway, and remove traffic from Silver Hill (except for servicing). Appropriate car parking should be provided and proposals should include any on or off-site mitigation measures identified through the Transport Assessment
- (viii) include an archaeological assessment to define the extent and significance of any archaeological remains and reflect these in the proposals, as appropriate
- (ix) include a Strategic Flood Risk Assessment, with suitable mitigation measures

1. Vibrant Mixed-Use Quarter

A new city quarter for Winchester offering a wide range of uses that will complement and not compete with the existing city quarters, further enhancing the city's retail and cultural/heritage offer. Consistent with the NPPF, which promotes competitive town centre environments that are locally distinctive; LPP2: WIN2: Town Centre and WIN4: Silver Hill, which requires an appropriate mix of uses that reinforce and complement the city centre.

2. Winchesterness

Local distinctiveness, in keeping with the historic context whilst providing for 21st Century needs of residents, workers and visitors. Drawing upon the rich heritage and culture that makes Winchester unique, and in line with NPPF requirements for local distinctiveness. Reference should be made to policies within the LPP2 including WIN3 – Views & Roofscape, DM15 – Local Distinctiveness, and DM27 – Development within the Conservation Area. The High Quality Places SPD provides detailed analysis and principles for development of the public realm and buildings within Winchester.

3. Exceptional Public Realm

A network of streets and spaces, which may seek to incorporate the reintroduction of water features to capture the spirit of the place and to reinforce the local street pattern, as well as performing their principal function which is to channel water effectively through the area especially in times of flood. The Public Realm Framework of this SPD outlines aspirations for the spatial network which aim to promote local trade through the delivery of spaces with activity and character. A high quality design response is expected, as outlined in LPP2 policy WIN4 and described in the High Quality Places SPD.

4. City Experience

Further enrich the distinctive brand of the city by creating a place of experience - offering retail, cultural/heritage, food, leisure and markets – as supported by national and local planning policies including the NPPF, LPP1: DS1 and WT1, LPP2: WIN4.

5. Sustainable Transport

A pedestrian and cycle friendly environment that encourages and promotes active travel, and reduces dependence on other modes of transport. A new bus hub that serves the city and supports more sustainable city-wide movement. Consistent with LPP1: CP10 which requires new development to be located and designed to reduce the need to travel, and for the local planning authority to seek to reduce demands on the transport network.

6. Incremental Delivery

A flexible framework of streets and spaces that enables and supports phased delivery, reducing risk and capturing variety. Within phased development implementation, there needs to be a consistent and coordinated approach to delivery of the public realm, following the guidance contained in this SPD. The creative use of land and buildings for meanwhile opportunities is promoted. Ensuring viability and deliverability of the development and uses coming forward, in line with NPPF.

7. Housing for All

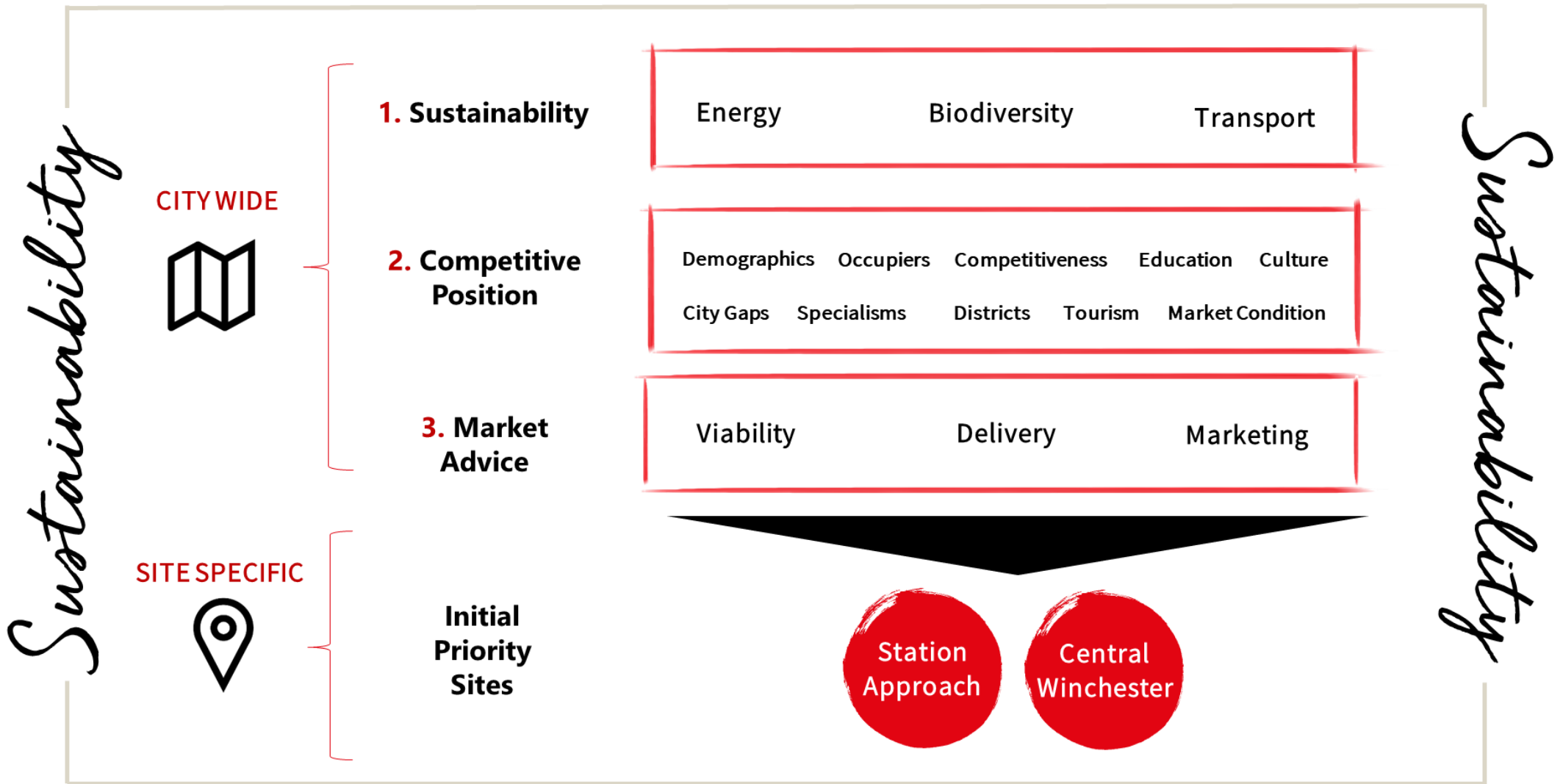
Increase the city centre's residential capacity by providing a diverse range of housing typologies and affordabilities, including those suitable for the young and the elderly where possible and catering for a full spectrum of the community, consistent with the requirements of the NPPF and LPP1 policies CP1, CP2, CP3, and DM2.h NPPF.

8. Community

The development process should build on the community engagement undertaken to date, harnessing the enthusiasm and creativity of the community and ensuring that people of all ages and backgrounds are well represented, as required by NPPF, Local Plan and the Winchester District Statement of Community Involvement (January 2007).

9. Climate Change and Sustainability

New development should be designed to be resilient to the impacts of climate change, particularly flooding in this location, and to minimise its impact on climate change. High standards of sustainability should be achieved in accordance with LPP1 policy CP1 I, incorporating measures to minimise energy and water use, generate and store renewable energy.



JLL's Approach



The first task for the JLL and Arup team has been to review the roadmap produced by Winchester City Council for the delivery of the Central Winchester Regeneration (CWR) Scheme.

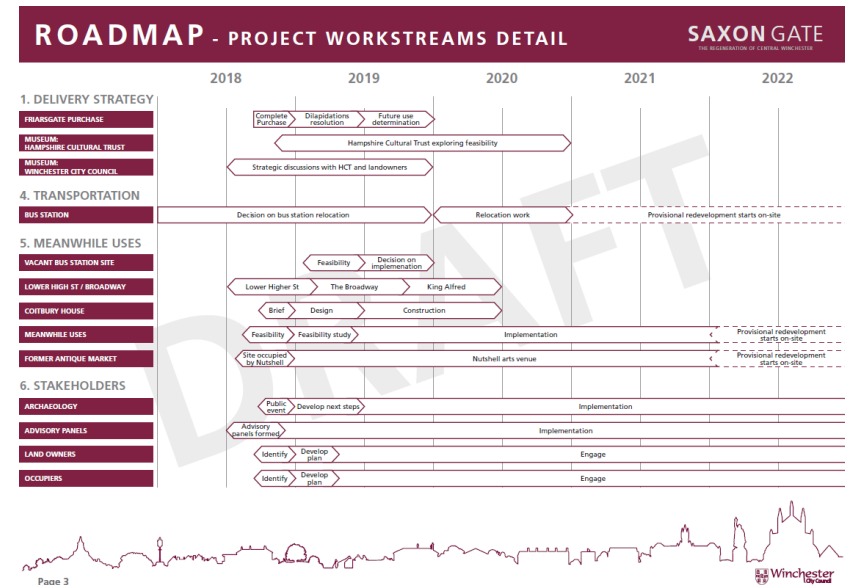
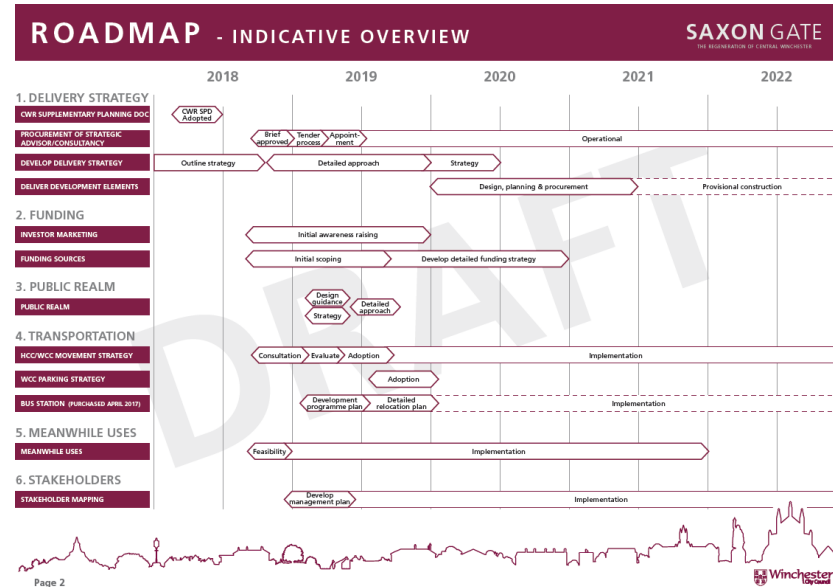
To conduct this review we have undertaken the following tasks since May 2019:

- **Strategic 'Competitive Position' review of Winchester;**
- **Data Review;**
- **Weekly meetings with the WCC's CWR project team;**
- **Stakeholder, Councillor and public engagement.**

This document details our findings from these workstreams and provides conclusions as to their meaning from a real estate perspective in relation to the Central Winchester Regeneration Scheme.

The ultimate objective of this review is to help inform the following:

- Land uses/mix
- Delivery options and associated timeline
- Key risks, constraints and opportunities



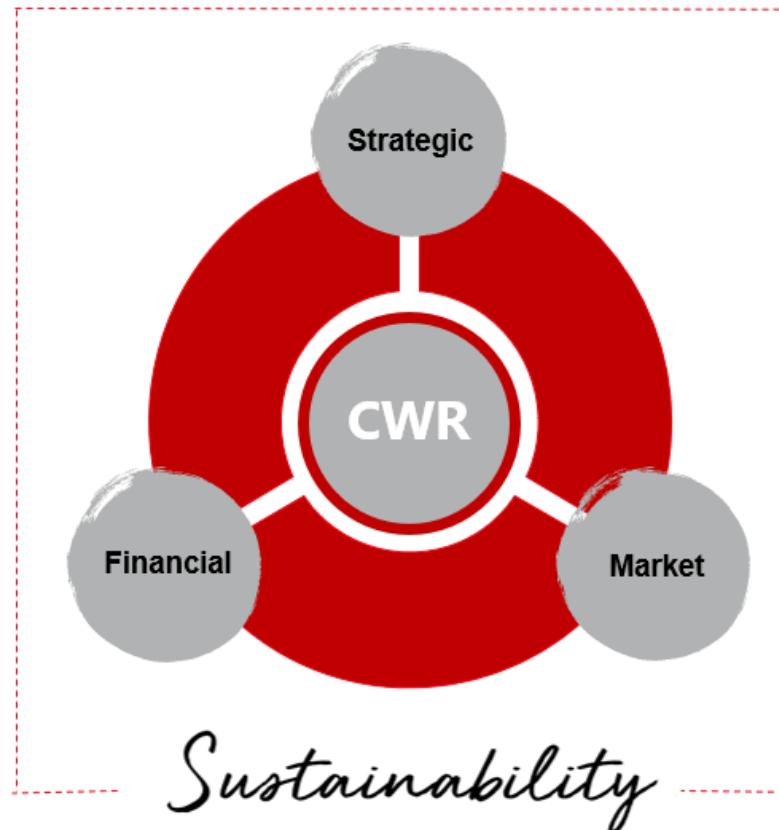
Competitive Position

Key Findings

Competitive Position

We have undertaken a strategic review of Winchester as part of our role as WCC's Strategic Placemaking Consultant. The review looked at the City from a real estate and demographic perspective to identify the City's strengths and weaknesses.

We intend to use this information to help inform WCC's strategic real estate objectives across the City and in relation to site-specific opportunities. With WCC being the majority landowner within the CWR site, an opportunity exists to deliver a scheme that can help to bridge some of Winchester's social, economic and real estate gaps. Our intention throughout this project has therefore been to balance the following demands:



Strategic: these are demands that are driven by the social and political needs of Winchester. We have considered political needs on a site-specific basis through internal and external stakeholder engagement and our data review workstreams, alongside our 'city gap' findings in our competitive position workstream.

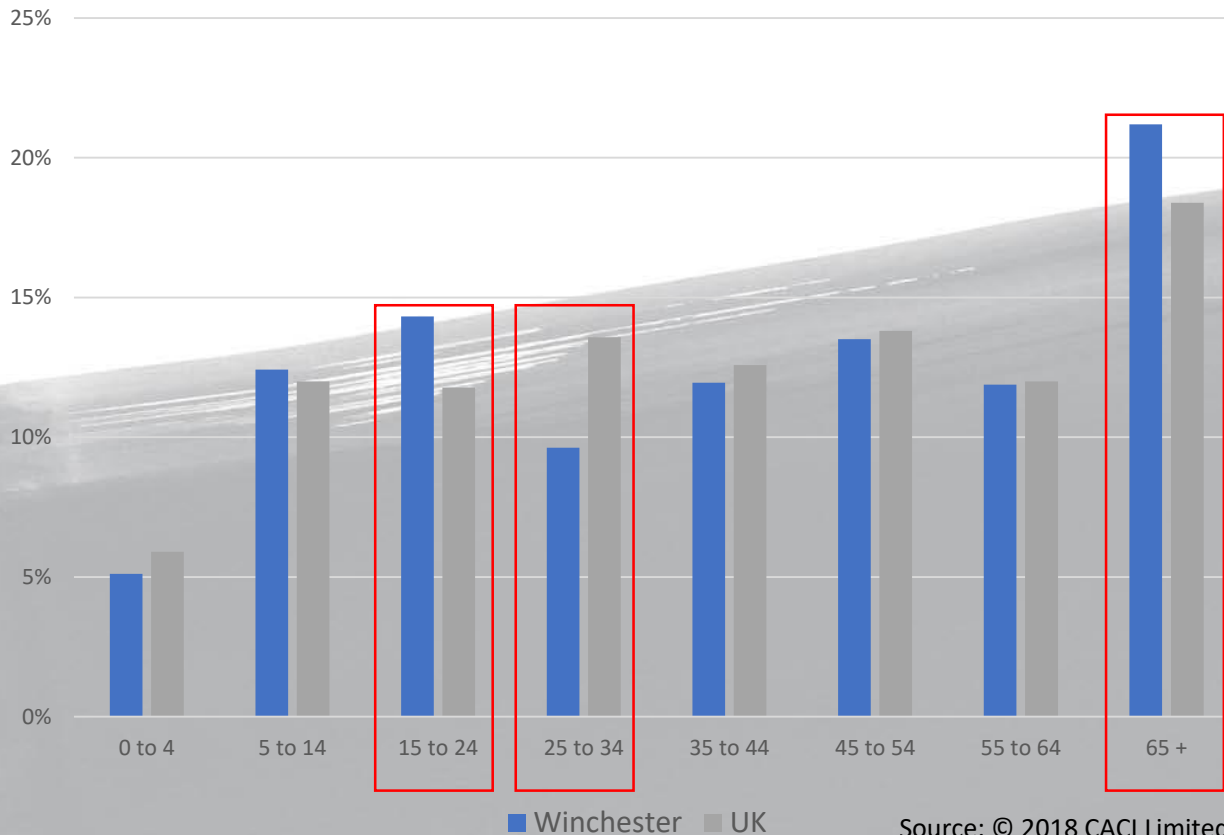
Market: these are demands that are driven by the private sector development and end-user market. Where market demand is strong, the less likely it is that direct intervention by WCC is required.

Financial: these demands are driven by the financial and economic needs of WCC. Whilst an opportunity exists to add social value in the scheme, we must retain a focus on the scheme being financially viable and, if required, generating an income stream.

Our Competitive Position workstream has identified where the city has strengths, weaknesses, threats and opportunities from a real estate perspective. In this review we will establish how the CWR site might capitalise on these 'city gaps'.

Age Structure and Population Projection – 10km radius

We have used age structure and population projections to inform our opinion of Winchester’s current competitive position and where there are currently ‘gaps’ which need to be filled. The data below and on slide 9 demonstrate that Winchester has an aging population and is struggling to retain people within the 25-34 age demographic, despite having an above average number of 15-24 year olds.

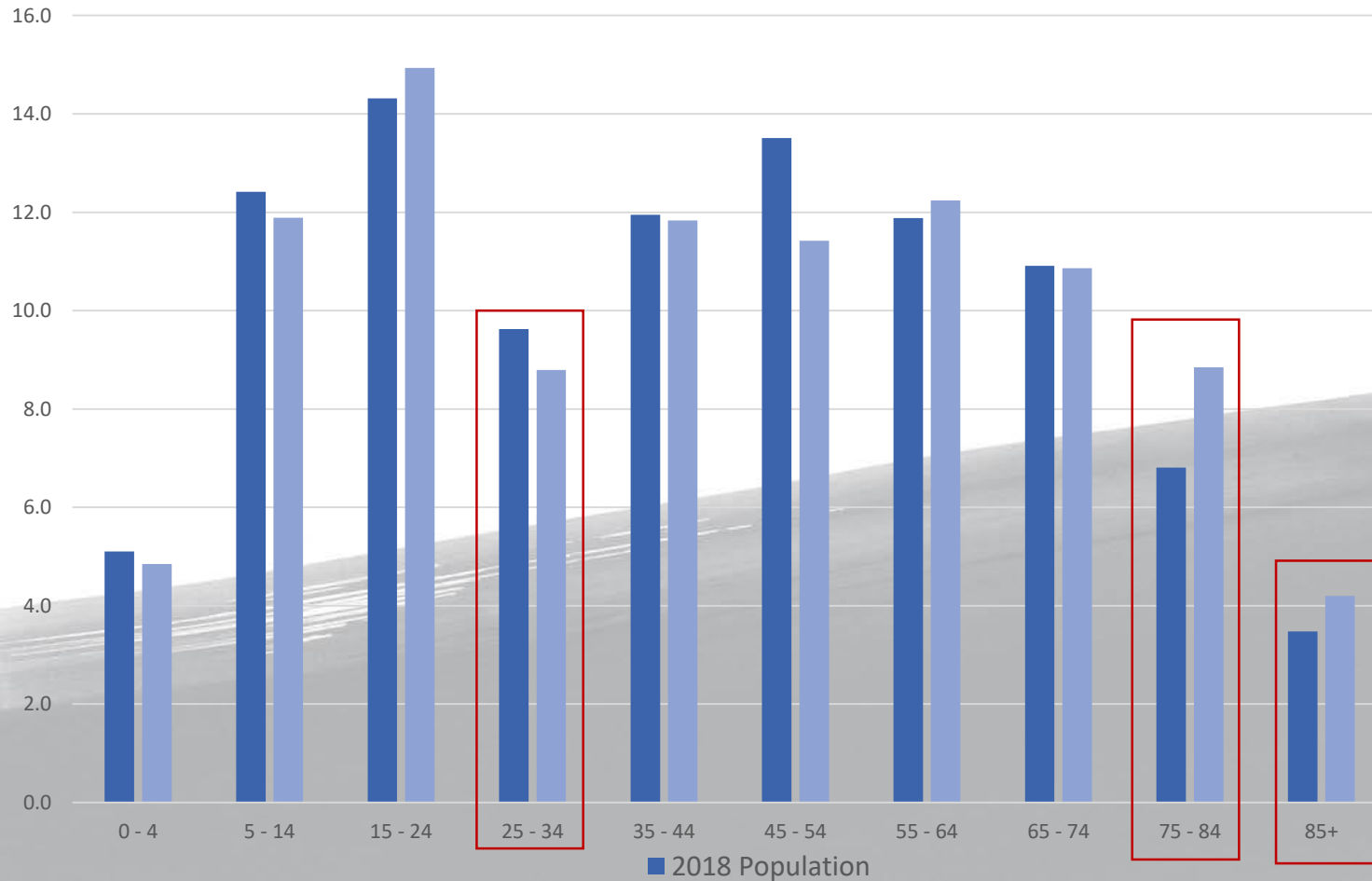


Source: © 2018 CACI Limited

- ❖ At present, over 20% of Winchester’s population are 65+, this is above the UK average of 18%.
- ❖ 14% of Winchester’s population are between the age of 15-24, this is above the UK average of 12%.
- ❖ c.10% of Winchester’s population are between the age of 25-34, this is below the UK average of 14%.
- ❖ The population of Winchester is projected to increase from 95,025 in 2018 to 101,279 in 2028.
- ❖ The rate of population growth in Winchester is projected to be greater than the rate of growth in the UK.

Resident Population Projections		
	Data for area	Data for UK
Population 2018	95,025	64,587,260
Population 2023	98,230	66,368,971
Projected Growth 2018 to 2023	3.4%	2.8%
Population 2028	101,279	67,867,549
Projected Growth 2018 to 2023	6.6%	5.1%

Population Projections – Winchester – 10km radius

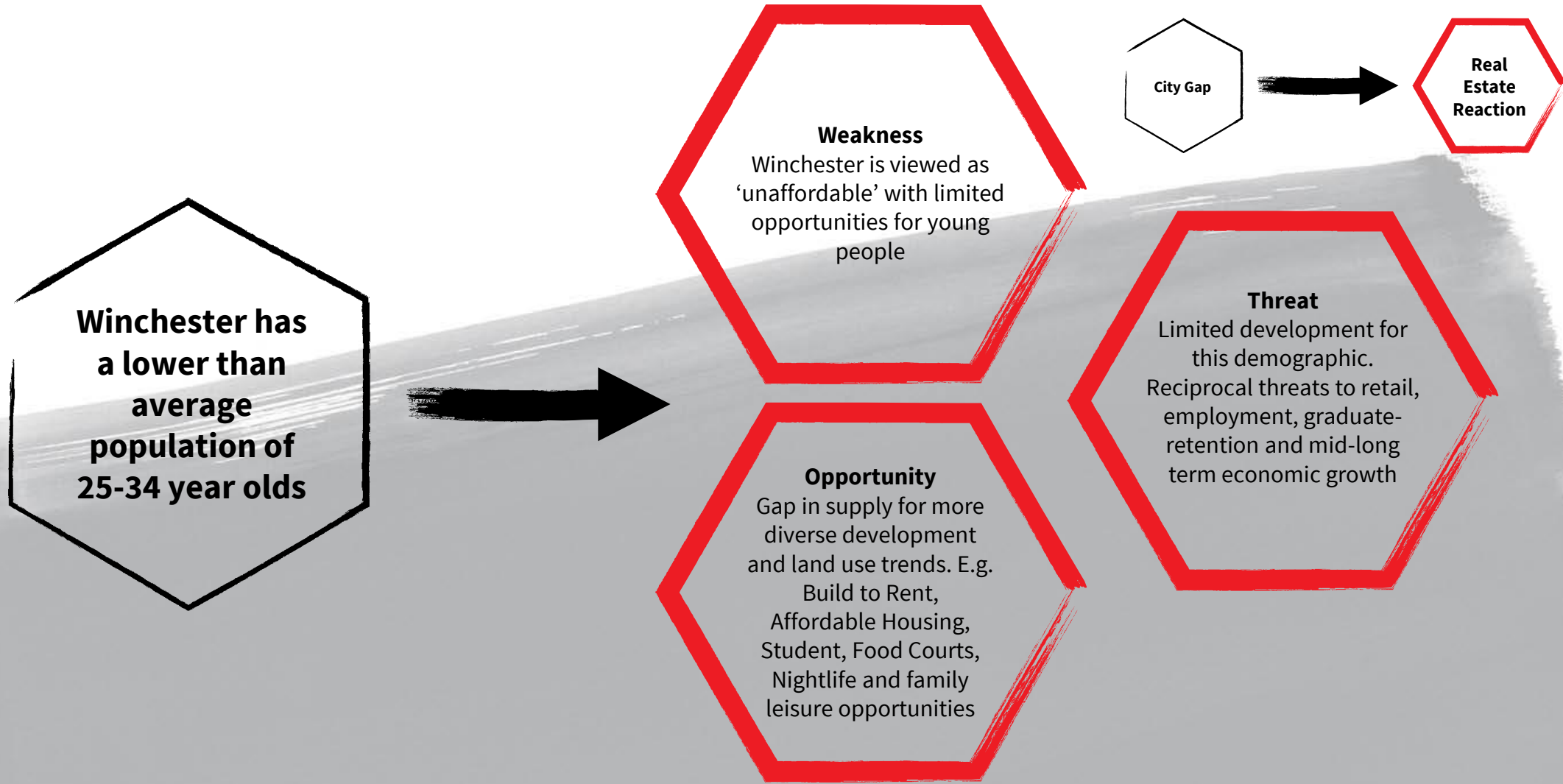


Source: © 2018 CACI Limited

Key messages:

Of the anticipated population growth in Winchester up to 2028, there are two key themes:

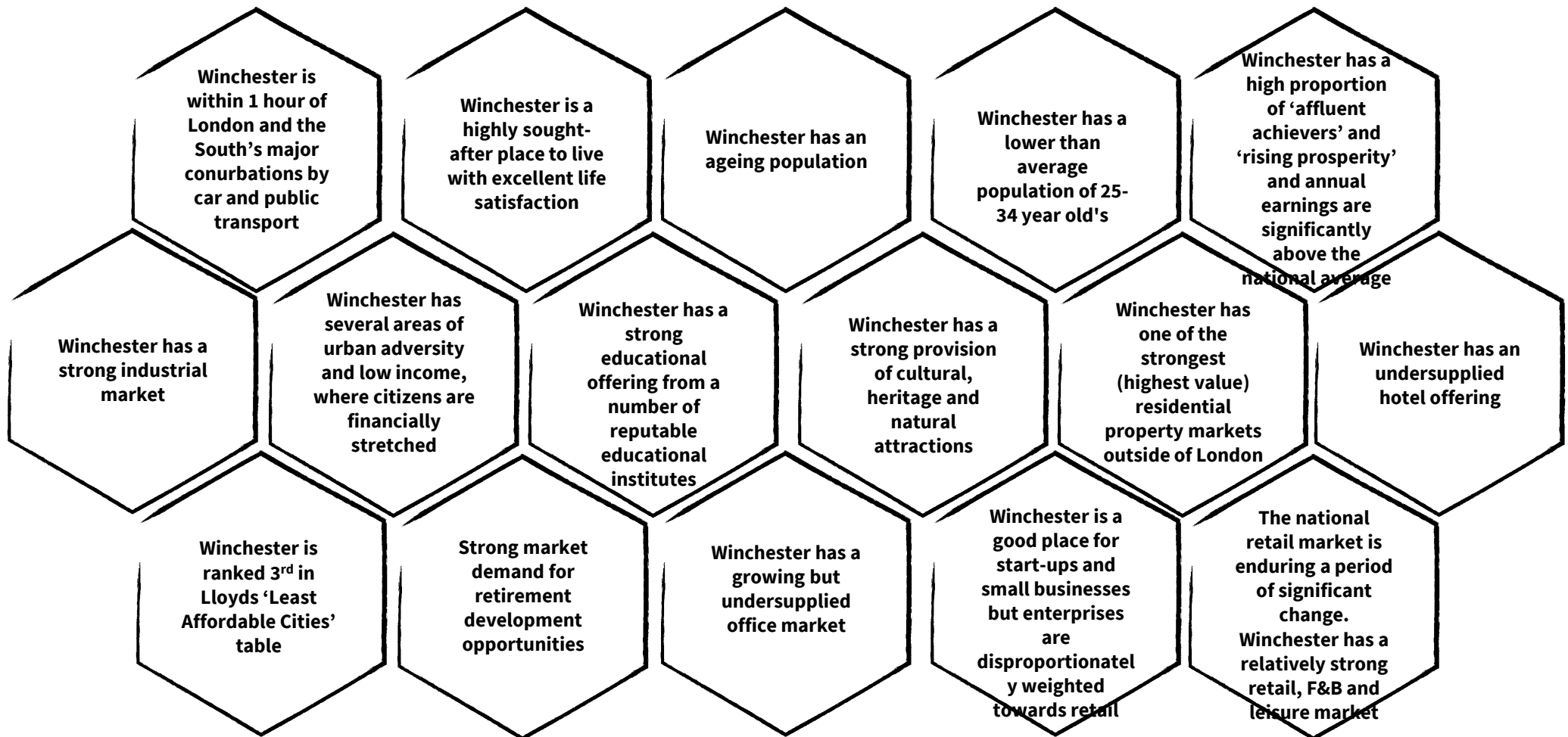
- ❖ Continued under-representation for 25-34 year olds;
- ❖ Continued growth of Winchester’s aging population.



Competitive Position



We have identified the following from our research into Winchester's underlying demographics and city profile.



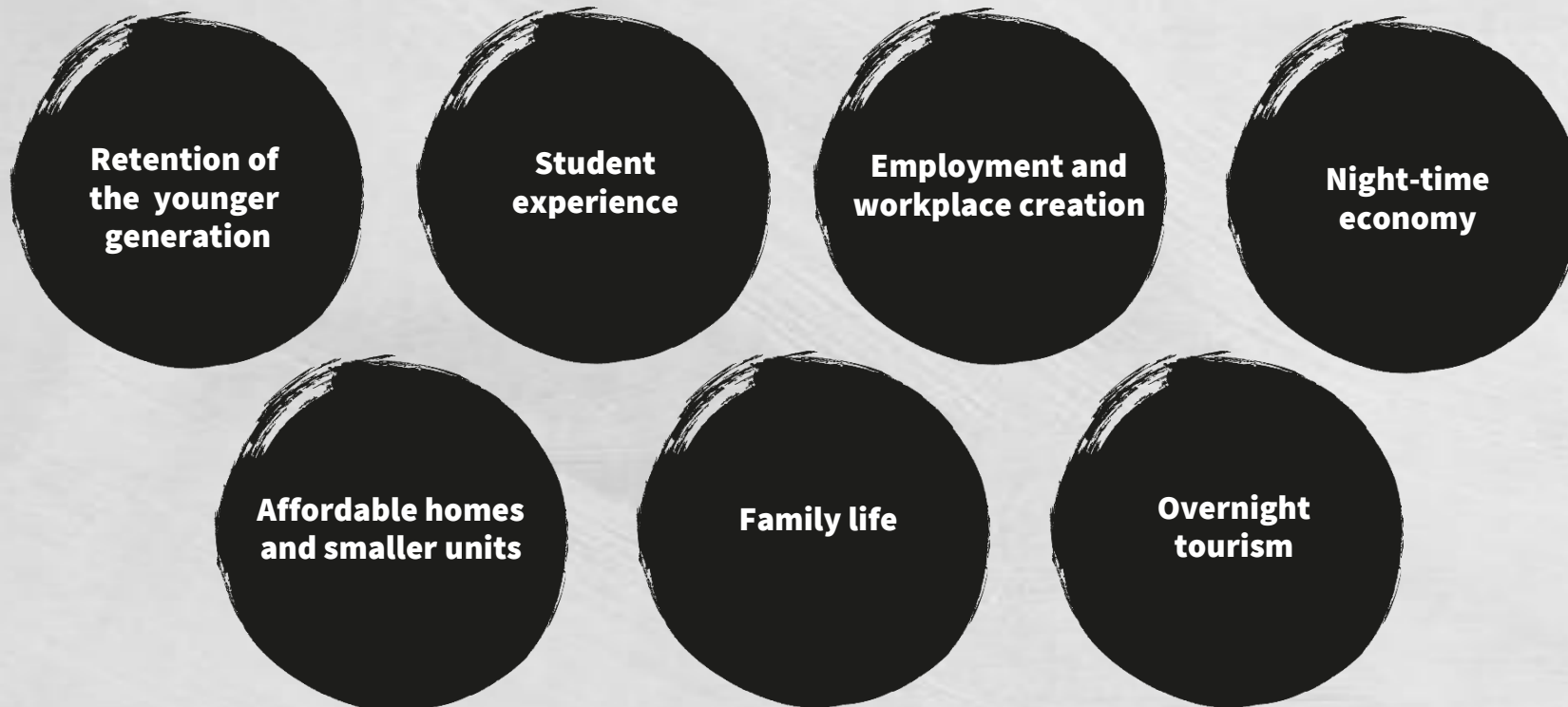
City Gaps

An analysis of the characteristics and suitability of WCC owned sites across the district in relation to the 16 city gaps identified (previous slide) has been carried out to identify the suitability of each site to fill an identified gap.

An assessment of the CWR SPD guidance, the key characteristics, location of the CWR site and surrounding land uses in comparison to alternative sites has shown that the CWR site offers an opportunity to focus on retaining a younger population demographic in Winchester and is therefore the most suitable location in the district within WCC ownership to help fill this gap.

As identified on slides 9, 10 and 11, population projections for Winchester show that this issue is likely to be exacerbated over the next 10 years. It is therefore important to address the issue as soon as possible.

We have distilled these issues down to seven distinct areas which we perceive the site at CWR has the ability to address:





Market Research and Engagement

Key Findings

Key for the Matrix of Uses on slide 16

Developer Demand and End User Demand was established through assessing existing market conditions, speaking with JLL’s sector experts and taking local and national trends into consideration.

Developer Demand	Description
High	Strong level of demand anticipated
Medium	Medium level of demand anticipated
Low	Low or limited level of demand anticipated

End User Demand	Description
High	Strong level of demand anticipated
Medium	Medium level of demand anticipated
Low	Low or limited level of demand anticipated

Indicative viability	Description
Green	Development is very likely to be viable. Anticipated to generate a land receipt for WCC
Yellow	Development is likely to be viable and may generate a land receipt for WCC.
Red	Development is very unlikely to be viable. Unlikely to generate a land receipt and may require gap funding.

Matrix of Uses

Viability Summary



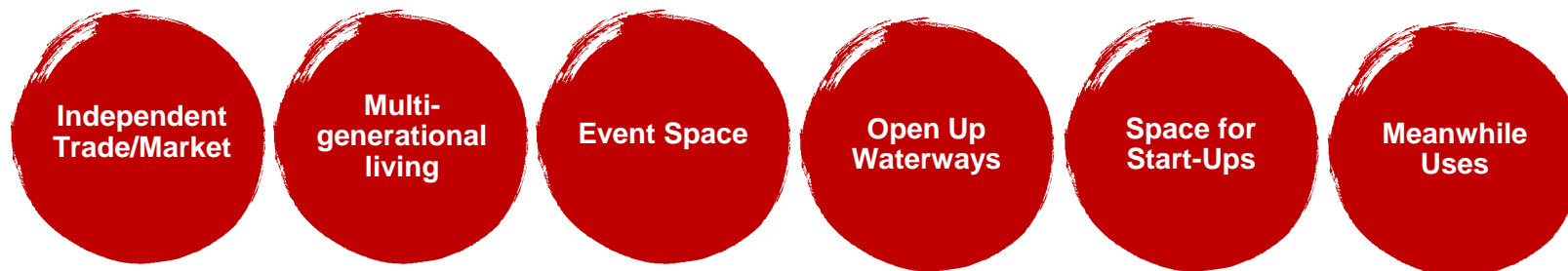
Sector	Developer Demand	End User Demand	Indicative Viability	Comment
Residential - Private	High	High	Green	We anticipate there to be very strong demand for private residential provision within the CWR site.
Residential - Affordable	High	High	Yellow	As above, we anticipate there to be strong demand for affordable housing within the CWR site.
Retirement	High	High	Green	As above, we expect there to be extremely strong demand for retirement opportunities within the CWR site.
Students	Medium	High	Yellow	The CWR site is ideally located for a student scheme but the student market may not deliver the highest financial return relative to other residential uses.
Care	High	High	Green	As with retirement accommodation, we expect there to be extremely strong demand for care accommodation.
Co-Living	Low	Unproven	Red	This is an emerging market in the UK and the viability is therefore likely to be challenging at this stage.
Build-to-Rent	Medium	Medium	Yellow	Whilst not a proven Build-to-Rent location, we anticipate there to be some appetite for such a scheme within CWR.
Traditional Offices	Medium	Medium	Yellow	Strong latent demand from end-users but Station Approach (140,000 sq. of Grade A offices) may absorb this demand
Co-working / Flexible Offices	Medium	Medium	Yellow	An emerging and undersupplied market that would be suited to the CWR site.
Life sciences / Incubator	Low	Low	Red	The key drivers of demand in the sector are currently absent or lacking in Winchester city centre.
Retail	Low	Medium	Red	A quality retail and leisure offering will be key to the delivery of successful mixed use regeneration. The 'traditional' retail shopping market is undergoing a generational change in structure with the challenges faced by UK High Streets being well documented. There are emerging markets and the need to diversify and complement the existing retail offer in Winchester in this sector will be key to making CWR a success.
Food & Beverage	Medium	Medium	Yellow	Winchester has a strong F&B offering. The restaurant market is undergoing a significant shift away from chain brands and towards independent operators. Food hall concepts could be considered at CWR.
Leisure	Medium	Medium	Yellow	Winchester is undersupplied in terms of its Leisure offering although there is proven demand for more diverse uses, the Everyman cinema being an example of this.
Culture	Low	Medium	Red	Depending on performance, there is the potential to consider cultural offerings within CWR.
Hotel	High	High	Yellow	We believe that the CWR site would be very suited to the provision of a hotel, although hotel values are unlikely to match residential.
Logistics / Large Industrial	Low	Low	Red	The location of the CWR site is not appropriate for large industrial.
Light Industrial	Low	Low	Red	The location of the CWR site is not appropriate for light industrial.

At a workshop with Cabinet Members on 20th September 2019 we presented our work to date which included findings in relation to the City Gaps (slide 12) and Winchester's real estate market. We asked Cabinet members to detail their key priorities for CWR. The response to this discussion is summarised below:

Must Haves



Desirables



Open Forum Feedback



An Open Forum event was held on 24th September 2019. We asked members of the public to write down their ideas for what they would like to see on the CWR site on Post it notes. The responses are summarised below:

Main themes:

Mixed use environment with links to creative industries

High quality public realm: Trees, places to sit, green space

Transport solution: Car free, pedestrianised, cycle routes

Additional themes:

Cinema

Independent retail

Covered market

Creative convention space

Enhance the evening economy

Event and festival space

No parking in the centre

Accessibility

High air quality

Place to build social networks

Open Up Waterways

Links with the universities

Wayfinding from the High Street

Family friendly

Key Issues

Findings from:

- *Data Review*
- *Project Meetings*
- *WCC Officer Engagement*

Key Issue - Finance



The WCC Finance Team have provided a baseline income and expenditure schedule for the CWR site relating to land that is in the Council's ownership.

Item	Amount (per annum)
Income	£1,328,633
Expenditure	£263,751
Cost of capital	£360,000
Net position	£704,882

The figures in red, which can be seen in the table above, demonstrate there is an ongoing cost to the Council to maintain the site in its current use.

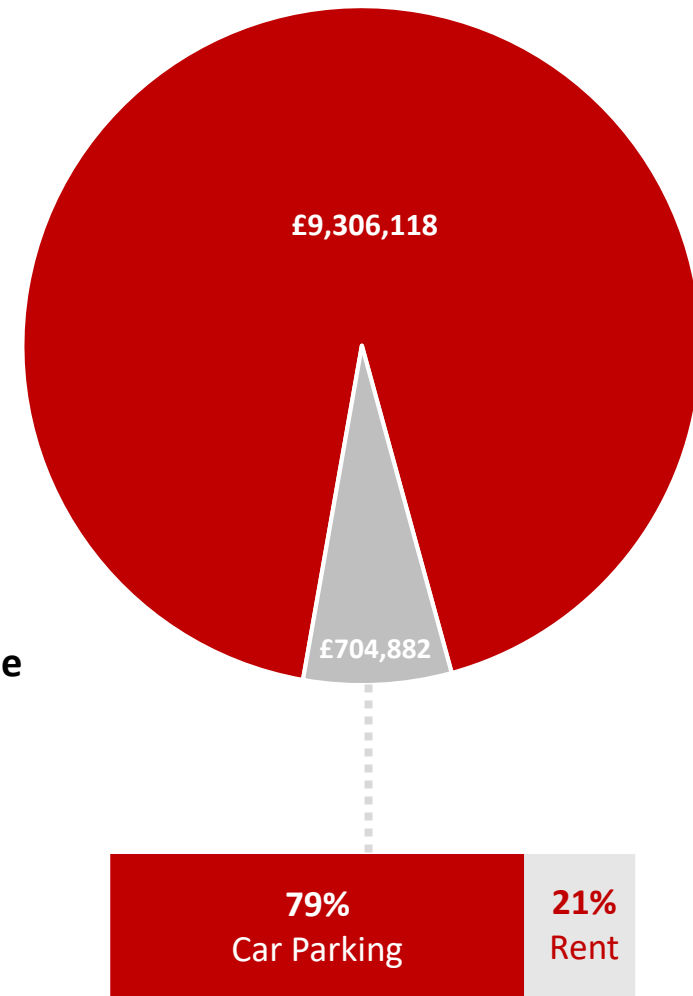
In addition to this WCC have spent just under **£10m in assembling the site** for regeneration.

This output will help us frame the parameters by which we consider the viability of the site.

As a benchmark we understand that WCC will be looking to recover the capital expenditure incurred through assembling the site, and to replace the current income stream.

CWR Financial Overview

■ Land Assembly ■ Net Income



Key Issue – Archaeology



- ❖ The CWR site is located in an area that contains a “rich buried archaeological resource”
- ❖ The presence of archaeological remains has a potential to provide considerable constraint to development of the site
- ❖ Any development on the site will require a mitigation strategy, which will require associated costs, risks and expertise
- ❖ There is public interest in the archaeological value of the site and developers will be expected to engage appropriately qualified and experienced archaeological consultants and specialists
- ❖ This element of the site will need to be de-risked before the opportunity comes to the market
- ❖ We understand that Cabinet have given approval for WCC to commission early investigations at the CWR site. The results of these investigations are awaited

“Approaches to the development of archaeological mitigation strategies should be flexible but it is anticipated that preservation in situ will form a key mitigation approach. This is related to the need to preserve important archaeological remains for future generations and also to the high financial costs associated with large scale excavation(s). Winchester City Council has a duty to satisfy itself that any archaeological excavation undertaken within the CWR site, attendant post-excavation analysis and the public dissemination of the results is adequately funded; otherwise a preservation strategy should be adopted.”

CWR Archaeology Advisory Panel
09/03/2018

Key Issue – Movement Strategy & Bus Station

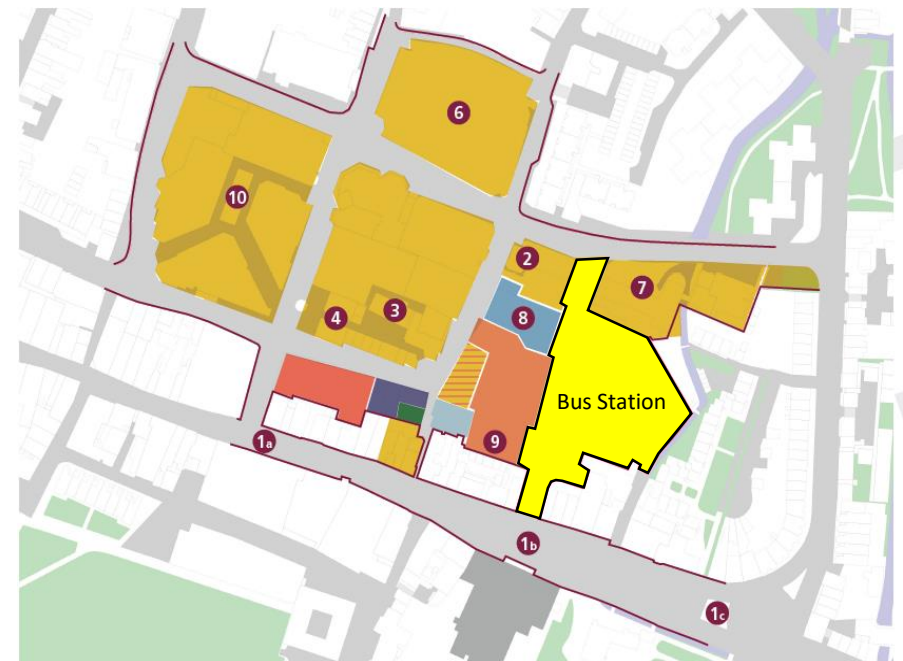
The bus station presents several issues for the development of the site:

1. The costs and time associated with physically moving the bus station such as: planning, technical, legal (plus cabinet approval), surveys and construction (high level estimate from WCC £5m - £10m);
2. Financial impact – Land receipt and loss of income considerations. For example, loss of MBS Car Park income of c.£400,000 per annum;
3. The move will require considerable engagement with Stagecoach, WCC and Hampshire County Council.
4. The City of Winchester Movement Strategy was adopted by WCC and HCC in early 2019. This strategy considers the whole of the Winchester district.

Timings:

Within the movement strategy there are specific timings related to the workstream that will deal with public transport across the city. This work will have an effect on the bus station. The below is an indicative timeline to achieve Vacant Possession assuming this work is completed imminently:

- *Oct 2019 to Jan 2020 - Feasibility study as per the brief seen*
- *Jan 2020 to Jun 2020 - Details, modelling and scheme proposals developed*
- *Jun 2020 to April 2021 - Detailed design and planning*
- *April 2021 – April 2022 - Implementation and relocation (assuming that procurement occurs in parallel with design and planning)*



The site is currently owned by WCC but Stagecoach operate their services from the bus station. The SPD outlines the potential to relocate these services to a bus hub on the Middle Brook Street (MBS) Car Park site.

Key Issue – Coitbury House

Overview:

- Currently vacant
- Work has been undertaken to understand refurbishment options (latest plans below right)
- This work demonstrates that all proposed office refurbishment options are unviable:
- Estimated total project cost: **£3.72m** (exc. developers profit)
- Indicative land value: **£1.27m**
- Potential income: **£287,150** per annum
- Occupies a key position / site within the Central Winchester Regeneration site

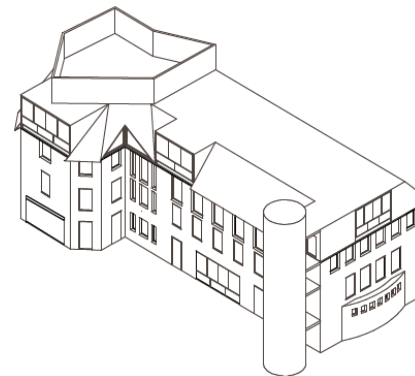
Key issues:

1. Are there more appropriate buildings, e.g. Kings Walk, within the CWR site that would be more suitable to refurbish?
 - Kings Walk provides the opportunity to work with and build on an existing tenant base
2. The refurbishment has the potential to compromise or contradict future development on the site
3. There are still questions over the fit-out of the building. Will a 'basic' office space attract the occupiers we want to see in the future?
4. Is the occupational demand pressing and imminent? Will occupiers wait 18 months for refurbishment?

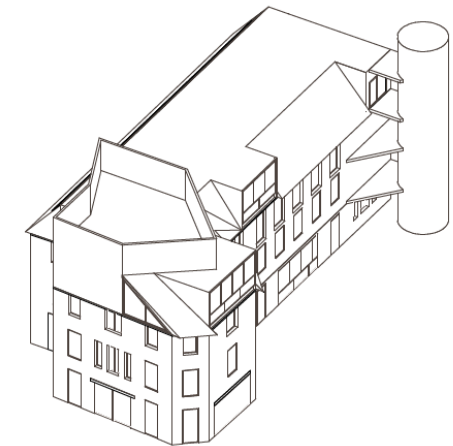
Decision to be made:

Retain and Refurbish v Demolish and Identify Alternative Suitable Buildings

Initial Conclusion: Demolish or Include for Consideration within Wider Development Options/Alternative Options



South East



South West

Key Issue – Meanwhile Uses



Overview:

- In May 2019, Carl Turner Architects undertook a study which assessed the feasibility of utilising meanwhile uses on the bus station site
- The proposed mix of uses included; workspace, co-working, event space, garden area, F&B, retail, maker-space and an outdoor forum/seating area. JLL have identified that many of these uses could be included in a repositioning of an existing asset such as Kings Walk.

Costs:

- Phase 1: £150-200k
- Further Phases: £1.1-£1.35m
- Payback period: 4-5 years

Key issues:

- Public and councillor support
- Timing
- Mix of uses
- Duration
- Pay back time

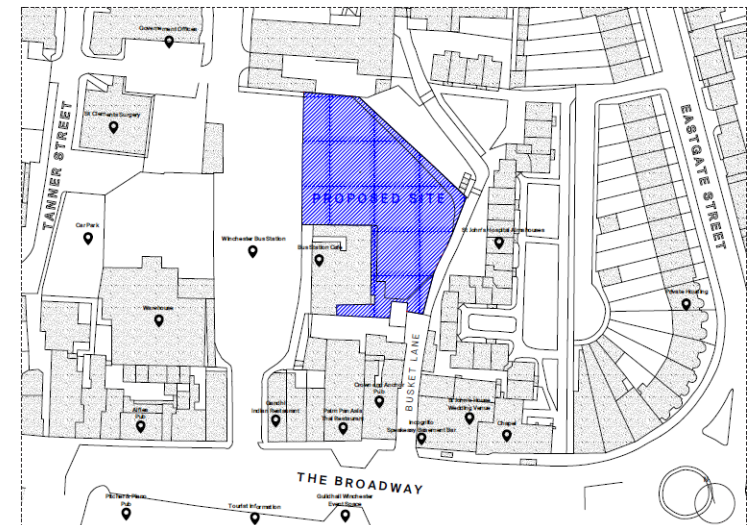
Key benefits:

- Active use of the space prior to the start of development
- Engage the community and show progress,
- Provide space for new businesses, support creativity, generate an income stream.

Decision to be made:

- To pursue a meanwhile strategy, or not, as part of the redevelopment of the CWR site;
- To identify the optimal location – Kings Walk?

Initial Conclusion: Include meanwhile uses within the CWR scheme.



Key Issue – Land Ownership



The satellite image above shows the 'red line' boundary of the CWR area. The site plan to the right shows the land ownerships within that boundary. There are a number of tenancies in addition to these land ownerships.

To deliver development on the site, a clear and achievable strategy for land assembly will need to be constructed. At present, third party land ownership could significantly hinder the developable area and the ability to achieve the objectives of the SPD. A clear strategy to secure vacant possession of the sites currently in WCC's ownership should be enacted.



- | | | |
|-----------------------|------------------------|------------|
| WCC | M&S | R.A.O.B |
| King Edward VI School | Aegon UK Property Fund | M&S Leased |
| Tanner Street Limited | Southern Electric | |

Issue	Cost
Finance	Current income (PA): £1,328,633 Expenditure (PA): £263,751 Cost of Capital (PA): £360,000 Land assembly: £10,011,000
Archaeology	£250,000 to establish baseline position Further cost to be established
Bus station relocation	c. £5-10m (high level estimate from WCC)
Coitbury House	£3.72m
Meanwhile use	£1.25 - £1.5m

In addition to the above, the proposed public realm works to the lower section of the High Street and Broadway have been costed at £10m, with a phased approach.

Conclusions

How our findings will inform emerging proposals

Approach to balancing objectives:



Sustainability

Strategic: these are demands that are driven by the social and political needs of Winchester. We have considered political needs on a site-specific basis through our engagement and our data review workstreams, alongside our 'city gap' findings in our competitive position workstream.

Market: these are demands that are driven by the private sector development and end-user market. Where market demand is strong, the less likely it is that direct intervention by the Council is required.

Financial: these demands are driven by the financial and economic needs of Winchester City Council. Whilst an opportunity exists to add social value in the scheme, we must retain a focus on the scheme being financially viable.

Next Steps

