

## Queens Market

### Development Agreement and Lease Summary

The Council and St Modwen have entered into a Development Agreement. The date of exchange was 16 March 2006. A summary of the transaction is provided below.

#### **1. SALIENT POINTS**

- 1.1 The Developer will work up a Planning Application, carry out pre-application consultation with stakeholders, and use all reasonable endeavours to submit the Planning Application in 6 month's time (and, in any event, no later than 12 months). The Developer is likely to submit a full planning application in October 2006.
- 1.2 The base scheme for the development will include a minimum of 160 market stalls, not less than 42 shops (49 units are currently planned), 214 residential flats, car park, a Library and Local Service Centre, public realm, and a medium sized food-store. Base Plans and specifications for the development have been appended to the Agreement.
- 1.3 Only when the development is physically completed, the Council will grant a 150 year lease to the Developer. The Council will then receive its financial return via the mechanism of the ground rent in the lease.
- 1.4 The Development costs and revenue will be tracked using a Development Appraisal, which will be based upon an agreed format and which will be produced by the Developer for the Council every 2 months. There will be further development appraisals created following the Final Date of Practical Completion and, again, on the earlier of the date of the completion of the last sale of a residential unit or 18 months from the final date of Practical Completion.
- 1.5 The Developer's profit is a fixed 12% of the total costs of the development. The Developer will pay all the Development costs. (It is more common for Developers to achieve a 15% profit on Development Costs, but in this case the profit is capped at 12%.)

- 1.6 All proper and reasonable costs incurred by the Developer prior to exchange of the Development Agreement are to be accounted for as Development Costs. The Council's external fees are also to be accounted for as Development Costs.
- 1.7 There is a mechanism to provide the Council with an equal share of the development surplus profit. The Council, however, will not share a loss (if any), which will be borne by the Developer.
- 1.8 Under the Development Agreement, the Developer will take over management of the existing Property, as Managing Agent. The first phase of management handover will be the shop units, currently scheduled for 23 June 2006. The second phase is to occur for the remainder of the Property following approval of the Planning Consent and the stopping-up order granted for the highway and the subsequent de-designation of the street market currently in existence.
- 1.9 The Development of Queens Market is to include the construction of a library and local service centre. The cost of the construction is capped (subject to indexation), plus VAT, and will be payable by the Council. The fit-out is to be subject to tender and will not automatically be awarded to the Developer. The Council is to be granted a lease of the Library and local service centre for 150 years.

## **2. STRATEGIES**

The Development Agreement makes reference to a number of strategies which are to be agreed between the Developer and the Council and which will be informed by further consultation with stakeholders:

- 2.1 The Land Assembly Strategy (which includes the Compulsory Purchase Order (CPO) Process, the CPO Plan and the Decanting Programme);
- 2.2 the Car Park Management Strategy including the New Car Park Plan (this Strategy will deal with the operation, charging regime, use, opening hours, and maintenance of the car park);
- 2.3 the Market Management Strategy including the Market Plan (this Strategy will deal with the allocation of market pitches, the cleansing and facilities management);
- 2.4 the Stopping-Up Plan;
- 2.5 the Development Programme.

### **3. THE LEASE**

The salient provisions of the Lease are:

- 3.1 It will be granted by the Council to the Developer 20 Working Days following the Final Date of Practical Completion, currently scheduled for 2010.
- 3.2 The Council and the Developer's income will depend on the success of the new shopping centre. The Council will receive a ground rent, for its Land, calculated as a percentage of the gross revenue received for the Development post-completion. The percentage is to be calculated in accordance with the Development Agreement. The current estimate of the income which the Council will receive under the ground rent is £311K per annum, which may be subject to change as a result of variations in cost and income.
- 3.3 The term of the Lease will be 150 years.
- 3.4 The Developer will fully insure the all the buildings under the Lease including the car park and market area within the new Development, against fire, flood, etc. The Developer will recover any expenditure via a service charge from occupiers.
- 3.5 The Developer will be responsible for full repairs (apart from to the shops below Hamara Ghar, which will be internal repair only with a reasonable and proper service charge payable to the Council for structural repair and maintenance). The Council will not be responsible for contributing towards repairs of the shops or market.
- 3.6 The permitted use of the new development will be only for retail, residential, office and leisure uses and/or uses within Classes A2, A3, A4, A5, B1, D1 and/or D2.
- 3.7 The Developer cannot use the Market for anything other than the operation and use of Market Stalls (together with reasonable ancillary uses) without the prior consent of the Council.
- 3.8 The Developer is under an obligation to use all reasonable endeavours to let or grant licences of the 160 Market Stalls. The Developer will provide new market stalls.
- 3.9 The Developer is not permitted to carry out any 'Refurbishment' or material alterations without the consent of the Council (not to be unreasonably withheld or delayed). However, in the event that such 'Refurbishment' is to include the addition of any new residential accommodation, the Developer requires the approval of the Council and

the only obligation on the Council when considering such approval is to act expeditiously; i.e. the Council has absolute discretion. The Council will not be required to contribute towards any future Refurbishment.