Appendix 1
Plan of Royal Arcade site within Crewe Town Centre
Appendix 2
Boundaries of Royal Arcade site within Crewe Town Centre

NB Red Line: Boundary of site.
Blue Line: Additional site area allowable for vehicular access/egress to be retained by CEC.
Appendix 3
Proposed layout of new Royal Arcade development (subject to finalisation and planning consent).

Preliminary Ground Floor layout
Appendix 4
Indicative visual impressions of Royal Arcade development scheme
Appendix 5
Summary of provisions with the development agreement

1. Parties

1.1. Cheshire East Council (in its capacity as landowner) (the “Council”).

1.2. Peveril Securities (the “Developer”).

2. Development

2.1. The development of the site shown edged red on the plan in Appendix 2 along with access rights over the land edged blue in Appendix 2 (together the “Site”). The development of the Site is to include the following mandatory key elements:

   a) A Multi-Screen Cinema with a minimum of 5 screens;
   b) Between 300 and 10,000 square metres (assessed at ground floor) of leisure uses, being hotel, restaurant or other uses within use classes C1, A3, A4, A5, D2;
   c) Between 300 and 10,000 square metres (assessed at ground floor) of retail uses within use class A1 or other uses in use class A2;
   d) the creation of high quality public realm within the development and enhancements to retained buildings;
   e) the creation and integration of pedestrian linkages from the existing town-centre into the Site;
   f) the provision of on-site public car park of [453] spaces;
   g) the provision of the Bus Interchange in accordance with the Council’s specification; and
   h) the provision of infrastructure

3. Pre-Conditions

The Development Agreement will be conditional on the following conditions being satisfied within 30 months from the date of the Development Agreement (the “Target Date”). The date once all the conditions are satisfied or waived will be the “Unconditional Date”: 
3.1. Planning

The Developer obtaining a detailed planning permission for the Development which is acceptable to the Council and does not contain any of the following Unacceptable Conditions:

a) A condition and/or an obligation in any Planning Agreement and/or Highways Agreement requiring the payment or expenditure of money or other consideration above £100,000.

b) A condition which makes the permission (temporarily or otherwise) personal or seeks to impose a requirement of occupation by a particular company person or entity or group or class of companies persons or entities or otherwise materially restricts use of the companies persons or entities who may occupy.

c) A condition which imposes or creates any obligation or restriction which in the reasonable opinion of the Developer is likely to materially restrict the free operation construction and use of the Development or materially inhibit members of the public from using it.

d) A condition which imposes any restrictions or obligations or controls on the operation use and charging in respect of any car park within the Development (save in accordance with a car park management strategy to be agreed between the Council and the Developer).

The application for planning permission must be made within 12 months of the date for the Development Agreement. The relevant challenge period for the permission will also need to have expired without a successful challenge in order for this condition to be satisfied.

3.2. Vacant possession

The Council obtaining vacant possession of the Site other than the premises demised to BHS/Santander/Wetherspoons, where the Council will not obtain vacant possession the Developer can either retain these tenancies or negotiate with these tenants in respect of their termination/relocation. For those tenancies where the Council is to obtain vacant possession it will bear the cost of securing vacant possession provided the aggregate costs of this including fees and any compensation due to the tenants does not exceed £150,000.

3.3. Bus Interchange Condition

The Developer obtaining the Council's approval to: the design, detailed specification, planning application and planning permission, and all other necessary statutory approvals for the Bus Interchange; the form of the building contract, procurement of contractor; and providing evidence to the satisfaction of the Council that the Developer can fund the completion of the Bus Interchange (including the Bus Interchange Funding Contribution (see below)) and complete the same within the Council's required timeframe.
The Bus Interchange Funding Contribution means the funding contribution the Council will make towards the cost of the Bus Interchange, to be made as a single sum less retentions once the Bus Interchange is developed and operational. The funding contribution will be the lower of:

a) The Developer’s costs directly incurred and solely in relation to the delivery of the Bus Interchange with evidence as required by the Council to validate the costs; and

b) £ 3,745,000.

3.4. The Car Park Condition

Developer obtaining the Council’s approval to the design, detailed specification, planning permission for the Car Park; form of the building contract, procurement of contractor; and providing evidence to the satisfaction of the Council that the Developer can fund the completion of the car park.

Car Park Funding Contribution means the funding contribution the Council will make towards the cost of the Car Park. The funding payment is to be made as a single sum less retentions once the Car Park is developed and ready for use by the public. The funding contribution will be the lower of:

a) The Developer’s costs directly incurred and solely in relation to the delivery of the Car Park with evidence as required by the Council to validate the costs; and,

b) £ 9,465,000.

3.5. Road closure orders

The Developer obtaining all road and/or footpath diversion stopping-up or closure orders (if any) as shall be agreed by the Council and the Developer (both acting reasonably and properly) as being necessary to enable the Development to be carried out and completed, and the challenge period expiring.

3.6. Site surveys

The Developer obtaining a Satisfactory Ground Conditions Report in relation to the Site. To be satisfactory it must reveal no new matters (not revealed by the information provided on the data room or which would not have been contemplated by a prudent developer acting reasonably and properly) which would mean that the Development is not Viable (see paragraph 3.7 below).

The ground conditions survey of the Site is to be prepared by a suitably qualified and experienced consultant and addressed to both the Developer and the Council.

The Developer may waive this Condition by notice in writing to the Council.
3.7. Viability

An agreed financial working model is to be annexed to the Development Agreement (Model Appraisal) for the purposes of satisfying the viability condition. The agreed form of appraisal is to be updated by the Developer from time to time for approval by the Council.

Following satisfaction of all of the other Conditions, the Developer is to provide the Council with an updated form of the Model Appraisal in order to ascertain whether the Development is Viable. To be Viable, the Model Appraisal must demonstrate that the Minimum Return, for the Developer, of 15% on Development Costs (excluding the Bus Interchange Funding Contribution or the Car Park Funding contribution and any other funding for the Development provided by the Council), has been achieved immediately following the satisfaction of all the other Conditions. The Developer may waive this condition by notice in writing to the Council.

3.8. Pre-letting

The Developer entering into unconditional agreements for lease (or an agreement which is conditional only on the Development Agreement becoming unconditional save for satisfaction of the pre-letting condition) for 45% of the commercial floor area and the cinema. Except in the case of the cinema pre-letting, the Developer may waive this condition. The lettings to be carried out in accordance with an agreed marketing strategy, and the proposed tenants are subject to the Council’s approval.

3.9. Funding

The Developer entering into a Funding Agreement with a Funder (being a bank, insurance company, pension fund or other reputable investor approved by the Council acting reasonably) for the provision of finance in amounts and subject to conditions and otherwise on terms satisfactory to the Council acting reasonably, for the carrying out and completion of the Development. The Developer shall produce a strategy for satisfying this condition, for the approval of the Council acting reasonably, within 3 months of the date of the Development Agreement. The Developer shall implement the strategy in accordance with its terms. The Developer may waive this Condition (with prior approval of the Council acting reasonably).

4. Extension of Target Date

The Target Date may be extended to allow for delays due to an undetermined application or legal challenge, or delays to the decision of the Secretary of State or the making of a Closure Order. However there is an absolute longstop date of 5 years from the date of the Development Agreement.

5. Development obligations

5.1. The Developer is to construct the Bus Interchange in accordance with all plans, specification and other matters required/ previously approved by the Council and
the Council’s project manager, and deliver the Bus Interchange to the satisfaction of the Council ready for immediate operational use by [date tbc].

5.2 Subject to the Developer meeting the requirements outlined in 5.1 above the Council will pay the Bus Interchange Funding Contribution.

5.3. The Developer must ensure that the existing bus station is maintained and fully operational at all times pending the completion and opening for operational use of the Bus Interchange.

5.4. The Developer is to make up any shortfall between the cost directly associated with the provision of the Bus Interchange and the Bus Interchange Funding Contribution.

5.5. The Developer is to commence the Development within 6 months of the Unconditional Date and complete the Development by the date shown in the agreed Programme subject to extensions of time for events outside the Developer’s control and which would entitle a contractor to an extension of time under the building contract.

5.6. The Developer is to construct the Car Park in accordance with all plans, specification and other matters required/ previously approved by the Council and the Council’s project manager, and deliver the Car Park to the satisfaction of the Council ready for use by the public.

5.7. Subject to the Developer meeting the requirements outlined in 5.6 above the Council will pay the Car Park Funding Contribution.

5.8. Prior to commencing the Development, the Developer is to hoard the boundaries of the Site and take measures to protect any legally enforceable rights of third parties over the Site (to the extent that the same have not been overridden or varied by agreement).

5.9. During the carrying out of the Development, the Developer is to ensure that minimal disruption is caused to the areas occupied by the Retained Tenants so that those Retained Tenants are able to continue their businesses without disruption or without breach of the terms of their leases. The Retained Tenants are BHS, Santander and Wetherspoons who are to remain in occupation either for the duration of their existing lease or pending termination by the Developer or relocation within the completed Development (if any).

5.10. The Developer is to carry out the Development in accordance with the usual standards and procedures required for developments similar to the Development. A site licence to enter to carry out the works will be given to the Developer on the Council’s standard terms.

5.11. The Developer is to take all ground and environmental risk in respect of the Site and indemnify the Council in respect of this.

5.12. The Developer will be responsible for implementing an employment, training and skills plan in line with their tender proposals.
5.13. The Council shall have a right to inspect the Site at intervals throughout the carrying out of the Development and serve notice of any defect or failure to comply with the terms of the Agreement on the Developer.

5.14. The Developer will be obliged to maintain any roads, footpaths and services forming part of the Development until such time as they are adopted.

5.15. The Developer shall be responsible for remedying any defects which arise following completion of the Development (or any part thereof), for a limited period.

5.16. Final sign-off of the Development following practical completion will be triggered by service of a notice by the Council that they consider the Development complete in all material aspects following certification under the terms of the building contract.

6. Variations

6.1. Material variations to the Development are not permitted without the Council’s consent. The Council is entitled to withhold its consent where the proposed variation would result in the removal or variation of any of the elements set out in paragraph 2 above.

6.2. The Developer cannot make any material alteration to the development programme without the consent of the Council, and is to keep the Council advised of delays or anticipated delays. The Development Agreement provides for the usual extensions of time in respect of force majeure.

7. Sub-contracting arrangements

7.1. The Developer is to use a competitive tendering process to identify contractors/sub-contractors, obtaining three quotes on the basis of a detailed specification. If the Developer wishes to use its own connected contractors the cheapest of the three tenders would be used to benchmark a price for the connected contractor.

7.2. The Developer is to appoint a building contractor (to be approved by the Council) to carry out the Development. The building contract shall be on terms which would be acceptable to a prudent developer acting reasonably and properly and shall incorporate such other requirements as the Council reasonably requires including the provision of an institutionally acceptable warranty to the Council and, where reasonably required by the Council, a construction bond.

7.3. All members of the professional team having a responsibility for design (including any sub-contractors) are to provide the Council with an institutionally acceptable warranty in a form acceptable to the Council prior to the commencement of any works on Site.

7.4. The Developer is to ensure that any contractor they appoint for asbestos related works e.g. removal, encapsulation, must be licenced by the HSE, and a member of ARCA (Asbestos Removal Contractors Association) or ACAD (Asbestos Control & Abatement Division). The Council may appoint its own UKAS accredited asbestos consultants for undertaking monitoring works and clearance.
8. **Grant of building lease**

8.1 The Council is to grant the Developer a long leasehold interest of the Site once the development has been completed.

8.2 The Developer will pay a premium of £100,000 (plus vat) for the grant of the lease. It will also pay an annual ground rent of £200 (plus vat) per annum.

8.3 The Council may opt to omit the Bus Interchange site from the head lease or alternatively take a long sub lease (term coincidental with the head lease). The Council acknowledges that whichever option is exercised, this should not materially fetter the developer’s ability to fund the development. The Council and/or its appointed provider will operate the Bus Interchange and contribute a service charge towards maintenance of any shared facilities within the Development.

8.4 The Council may opt to omit the Car Park site from the head lease or alternatively take a long sub lease (term coincidental with the head lease). The Council acknowledges that whichever option is exercised, this should not materially fetter the developer's ability to fund the development. The Council and/or its appointed provider will operate the Car Park and contribute a service charge towards maintenance of any shared facilities within the Development.

9. **Insurance and Indemnity**

9.1 The Developer shall take out material damage and public liability insurance in respect of the Development and the Site from the date of entry (sums to be agreed by the Council) and shall be responsible for reinstating any damage caused.

9.2 The Developer will indemnify the Council in respect of losses arising out of the carrying out of the Development, the use of the Site or in respect of any breach by the Developer of its obligations.

9.3 The Developer will indemnify the Council against all liabilities, expenses, costs (including but not limited to any solicitors’ or other professionals costs and expenses), claims, damages and losses suffered or incurred by the Council and/or any of the Retained Tenants located on the Site arising out of or in connection with the development of the Site or any breach of any of the terms of the Development Agreement, or any act or omission of the Developer or their respective workers, contractors or agents or any other person on the Site with the actual or implied authority of any of them.

10. **Assignment**

10.1 The Agreement will contain change of control restrictions to ensure that the Developer retains its essential identity and skills base. The Developer will only be permitted to assign the Development Agreement by way of a legal mortgage to the Funder for the purpose of raising finance and subject to the terms of the Development Agreement.
11. **Termination**

11.1 Either the Council or the Developer may give notice to terminate the Development Agreement by not less than 1 month’s notice in writing if any one or more of the Conditions has not been satisfied or waived (where appropriate) by the Target Date (30 months from exchange) or where the Planning Application has not been submitted by the date that is 12 months from the date of the Development Agreement and the Development Agreement will terminate at the expiry of the notice unless all of the Conditions have been satisfied by that date, or the Planning Application has been submitted (as appropriate).

11.2 Subject to paragraphs 11.3 and 11.4, the Council may terminate the Development Agreement on material breach that is not remedied following service of notice; on insolvency of the Developer or any guarantor; and, if the Development is not commenced within 9 months of the Unconditional Date or is not completed by the relevant date stated in the Programme (as the same may be updated from time to time in accordance with the terms of the Development Agreement). The Council will first serve notice on any Funder allowing them to step-in and remedy any breach.

11.3 In the event that the Development Agreement is terminated, the Council will require the ability to take forward the redevelopment of the Site (or the remainder thereof) with another developer. The exercise of termination rights will be suspended where any approved interested party (such as a Funder) steps in to complete or procure the completion of the Development and provides the Council with a deed of covenant in a form acceptable to the Council.

11.4 The Development Agreement will provide for the following on termination:

(a) a right for the Council to recover its reasonable costs of remarketing and/or exercising the right of step in within 12 months of the termination date;

(b) a right of step-in for the Council including the assignment of the building contract (with the Developer paying any then outstanding sums);

(c) a right for the Council to use the planning permission, drawings and technical data relating to the Site free of charge.

12. **Overage**

12.1 Profit in excess of the Minimum Return is to be shared on an equal basis between the Developer and the Council.

13. **Steering Group**

13.1 The Development Agreement will provide for the formation of a steering group, a formal regime of meetings and agenda setting to regulate the relationship between the Council and the Developer.
14. Disputes

14.1 Disputes arising out of the terms of the Development Agreement shall be referred to an independent expert for determination.

15. Guarantor

15.1 The Guarantor will covenant to observe and perform the Developer’s obligations under the Development Agreement and indemnify the Council in respect of any breach.

16. Saving of Statutory Powers

16.1 The Development Agreement will record that the Council is entering into the Development Agreement as landowner only and that actions of the Council under the terms of the Development Agreement (for example, in approving plans) shall not fetter the powers of the local planning and highway authorities.
Appendix 6
Summary of Council Obligations in relation to the Development Agreement

The following are the Council's material obligations in the Development Agreement:

1. The Council is to comply with obligations to be set out in a decant protocol.

2. The Council is to:
   (a) use all reasonable endeavours to acquire, extinguish or otherwise render ineffective any third party interests over the Site or to appropriate such land so as to come within the provisions of section 237 of the Town and Country Planning Act 1990;
   (b) use all reasonable endeavours as land owner to assist with any application for any Stopping Up Order as made by the Developer; and
   (c) release or procure the release of any rights, covenants and other interests over the insofar as it has the right to do so and provided that such release would not put the Council in breach of any obligation to a third party or parties.

3. The Council is to grant the Lease to the Developer at the appropriate time.

4. Following the grant of the Lease to the Developer, the Council shall (in its capacity as freehold owner) enter into any planning agreements with any relevant authority, statutory undertaker or utility company as are required in relation to the satisfactory planning permission or to enable the provision of or adoption of any infrastructure in respect of the Site to which the Lease relates.

5. The Council is responsible for site security in respect of the Site up to the date the Council grants a Licence or Lease to the Developer.

6. Subject to the Developer complying with the related provisions below, the Council will allow the Developer and its contractors and consultants with or without requisite plant and machinery such access by way of licence to that part or parts of the Development Site as are not built upon (meaning that there are no buildings on it) at the relevant time to carry out such reasonable tests surveys and investigations as the Developer reasonably requires in order to assess the suitability of the Site for the Development.

7. The Developer is to give the Council at least five Working Days’ prior written notice of the need to exercise this right, specifying such parts of the Site to be accessed and the estimated length of licence period required. The parties are then to agree a date for access and the length of the licence period.

7.1 When exercising such rights of access, the Developer shall:
   (a) comply fully with the reasonable requirements of the Council in respect of health and safety, noise and nuisance at all times;
(b) carry out such tests, surveys and investigations with all reasonable due diligence and care and cause as little disturbance and inconvenience as is reasonably practicable;

(c) once the tests, surveys and investigations are completed, unless the Council agrees otherwise (acting reasonably) procure the restoration of the Site affected to the same state and condition as it was prior to the carrying out of such tests, surveys and investigations including the removal of any plant, machinery, materials, excavated waste and rubbish which is on the Site; and

(d) unless otherwise agreed by the Council (acting reasonably) to make good all damage caused to the Site to the satisfaction of the Council (acting reasonably) including the back filling and making good of any boreholes, trial pits or other excavations.

8. The Developer indemnifies the Council against all losses, damages, costs and expenses arising as a result of the exercise by the Developer of this right (save where the losses, damages, costs or expenses arise from the default or negligence of the Council).

9. At the request of the Developer, the Council is to provide all reasonable assistance and support to the Developer as reasonably necessary to facilitate the planning application and application for the stopping up orders. However, the Council shall not be required to do anything which would affect the rights, powers and obligations of the Council or fetter the discretion of the Council in the exercise of its functions as a local authority.
Appendix 7
Indicative location of public realm improvements