Elephant & Castle Properties Co. Limited

Craigmuir Chambers, PO Box 71, Road Town, Tortola, VG1110, British Virgin Islands

Southwark London Borough Council
160 Tooley Street
London SE1 2TZ

(FAO Catherine Brownell)

Date: 25 September 2023

Confidential and commercially sensitive

Dear Sirs

Elephant & Castle Properties Co. Limited ("the Company")

Elephant & Castle town centre redevelopment scheme ("the Scheme")

Funding intentions

We refer to our letters of 10 November 2022 and 6 February 2020 (**"the Previous Letters"**), which we sent to you pursuant to your request for information regarding the proposed funding of the Scheme, in the context of the potential use of compulsory purchase and related powers by the Council to facilitate the Scheme. Copies of the Previous Letters are appended to this letter.

The purpose of this letter is to provide an update on the funding intentions for the Scheme, to inform the Council's updated decision as to whether to use compulsory purchase powers to facilitate the Scheme.

Unless the context demands otherwise, defined terms used in this letter have the meaning given to them in the Previous Letters.

There have been no substantive changes in respect of any of the matters that were referred to in the Previous Letter of 10 November 2022, save as set out below.

The Company's owners and backers

There has been a change in one of the constituent entities in the Triangle Partnership. Aware Super, an Australian superannuation fund, has purchased QD's 22% stake in Get Living Plc. This change has no effect on the Company's ability to meet its obligations, nor on Get Living's ability to meet its obligations as guarantor under the CPO indemnity agreement.

Investment to date

The total funds expended, in connection with the Elephant & Castle town centre redevelopment has now increased to approximately £385m, being further significant increase since the £269m reported as at 10 November 2022. This reflects the significant progress being made with the ongoing construction works and the funds being drawn on a monthly basis as works proceeds from the available £365m development debt. A further £5m of equity has also been provided from the Company's shareholders and £[redacted] has now been provided from London Underground Ltd with a further £[redacted] of LUL funds still to come. Significantly, a Golden Brick milestone was achieved on the new London College of Communication building in August 2023 resulting in a £94m Golden Brick payment from UAL with the remaining costs of the university now to be provided via monthly drawdowns from UAL.

Development Stage Funding

As stated in the previous letter, the East Site redevelopment is fully funded via development debt, the GLA affordable housing grant and the ongoing contracted payments from London Underground Ltd and the University of Arts London Ltd. The construction works are proceeding well and remain on programme for the new town centre to open in 2026.

Whilst the debt market has seen turbulence since the project commenced, the Company remains confident that debt funding will be available for the West Site for the reasons set out in the previous letter. Namely; the strength of the development proposal, Get Living PLC as the scheme's sponsor with its highly experienced and deep funded shareholder base, no better evidenced than Aware Super's recent entry into the shareholder group and the continued successful delivery of the East Site and it setting Elephant & Castle as a credible Zone 1 prime London location.

Conclusions

As per the conclusions in the Previous Letter of 10 November 2022, the East Site redevelopment under the July 2021 permission is fully funded. Confidence remains that given the quality of offer and provided the Council continues to support the Scheme through the use of its CPO powers, there is unlikely to be any difficulty in procuring the West Site debt funding. Accordingly, the Council has the requisite information that the necessary funding for the Scheme will be available.

Yours faithfully

Dan Greenslade (Sep 25, 2023 14:31 GMT+1)

Director, Elephant & Castle Properties Co. Limited

APPENDIX

PREVIOUS LETTERS

Elephant & Castle Properties Co. Limited

Craigmuir Chambers, PO Box 71, Road Town, Tortola, VG1110, British Virgin Islands

Southwark London Borough Council
160 Tooley Street
London SE1 2TZ

(FAO Mr Jon Abbott)

Date: 10.11.22

Confidential and commercially sensitive

Dear Sirs

Elephant & Castle Properties Co. Limited ("the Company")

Elephant & Castle town centre redevelopment scheme ("the Scheme")

Funding intentions

We refer to our letter of 6 February 2020 (**"the Previous Letter"**) , which we sent to you pursuant to your request for information regarding the proposed funding of the Scheme, in the context of the potential use of compulsory purchase and related powers by the Council to facilitate the Scheme. A copy of the Previous Letter is appended to this letter.

The purpose of this letter is to provide an update on the funding intentions for the Scheme, to inform the Council's updated decision as to whether to use compulsory purchase powers to facilitate the Scheme. As the Council is aware, substantive construction works (beyond demolition and site clearance) on the East Site of the Scheme began on 17 March 2022.

We have used the same subject headings as were referred to in the Previous Letter. You are, of course, aware of the July 2019 *Guidance on Compulsory Purchase Process and the Crichel Down Rules* and we do not repeat the relevant sections from that guidance as to funding intentions – these were set out in the Previous Letter.

Unless the context demands otherwise, defined terms used in this letter have the meaning given to them in the Previous Letter.

The Company

There have been no changes to the composition of the Company or its assets since the Previous Letter, save that a number of relatively small parcels of TfL land have been acquired by the Company around the periphery of the Shopping Centre site as part of the contractual arrangements put in place with TfL and LUL to facilitate the redevelopment. The Company has also obtained possessory freehold title to the accessway lying adjacent to some of the railway viaduct arches immediately to the south of New Kent Road (title number TGL554072).

On 1 September 2020 a registered charge was registered at the Land Registry against title number SGL473011 in favour of GL Elephant Two (Holdco) Limited, a company incorporated in Jersey with registered number 131912. This company is within the same group of companies as the Company.

As explained below, external debt funding was secured for the East Site redevelopment in December 2021. As would be expected, a charge over the Company's freehold title to the Shopping Centre site and 30-32 New Kent Road (title number SGL473011) has been given in favour of the security agent under the loan, Trimont Real Estate Advisors, U.K., Ltd. As at the date of this letter, an application to register that charge at the Land Registry is pending.

On 14 February 2022, by way of a deed of subordination, it was agreed that the more recent charge in favour of Trimont would rank in priority to the 2020 charge in favour of GL Elephant Two (Holdco) Limited.

The Company's owners and backers

As compared to the corporate ownership structure which was previously provided to the Council in 2020, the Company is now owned (indirectly) by Get Living Plc, an English company (company registration number 11532492). Get Living forms part of the Triangle Partnership. The constituent entities in the Triangle Partnership are still as per the Previous Letter, as are the respective percentages that they own in the Triangle Partnership.

Investment to date

Since the Company acquired the Elephant & Castle Shopping Centre, the total funds expended, in connection with Elephant & Castle redevelopment proposals, stands at approximately £269m, a significant increase since the £124m reported as at 6 February 2020. These funds comprise £204.6m of equity by the Company's past and present ultimate corporate shareholders, £[redacted] funds from London Underground Ltd, a £9.6m GLA affordable housing grant and £50.1m of development debt funding to date. This increase in the development expenditure is attributed to the following:

- Cost of implementing the 2019 planning permission by way of the demolition of the Shopping Centre and surrounding buildings;
- The construction and fitting out of the temporary affordable retail units at Castle Square, and the affordable retail units at Elephant One (50 New Kent Road), which are now in use by independent traders;
- Payment of the requisite contributions under the section 106 agreement and required CIL payments;
- Design development to incorporate a number of amendments, including 4 additional residential units and a larger London Underground station box (as required by LUL) to futureproof the station for a Bakerloo Line extension along with obtaining the associated section 73 planning permission;
- Successfully defending the judicial review challenge, in conjunction with the Council, against the 2019 planning permission in the Court of Appeal;
- Concluding the necessary third-party agreements with UAL, London Underground Ltd and Network Rail;

- Securing the GLA affordable housing grant;
- Obtaining the development financing required to implement the East Site of the Scheme;
- Procurement and payment of the main works since their commencement in March 2022

Furthermore, the Company has committed to full construction of the new buildings on East Site, with Multiplex being appointed as the Main Contractor for the East Site on 18 December 2021 pursuant to a fixed price Design and Build Contract. Under this contract the main works commenced in March 2022 and are due for completion in early 2026. The building contract sum is confidential but the Company confirms this is in excess of [redacted]

As stated in the Previous Letter, such significant levels of funding, and the consistency and persistence of the Company in pursuing its objectives over the course of the last 6 years, demonstrate the Company's determination and intention to progress and complete the Scheme, with the new town centre due to open in 2026.

Funding for the acquisition of land

As was envisaged in the Previous Letter, the Company was able to successfully utilise contractual provisions to bring to an end the occupational tenancies and licences within the Shopping Centre and its associated market place. Accordingly the use of CPO powers was not required in respect of the interests held by those occupiers. The Company also acquired the interests in 30-32 New Kent Road, and the TfL parcels of land, without the need for CPO powers.

Matthew Bodley of Matthew Bodley Consulting, an experienced specialist CPO surveyor, continues to advise the Company on the acquisition of the necessary third party land interests required for the Scheme. There has been patient and steady progress in acquiring those interests. The Council is aware of which third party interests are outstanding.

As the Council will appreciate, the Company is understandably reluctant to put into the public domain the estimated CPO compensation estimates in respect of the acquisition of third party interests, as that would very likely prejudice fair negotiations with third parties as to the acquisition of those interests.

[redacted] For the avoidance of any doubt, the compensation figures are commercially sensitive and are not to be disclosed to third parties other than the Council's advisors.

The intention is that the Council and the Company will shortly enter into a CPO indemnity agreement so that all such costs will be met by the Company, with suitable security for those obligations being given to the Council's satisfaction.

Council officers are also aware of rights of light over the Scheme site. The Council has used powers to acquire land for planning purposes by agreement, to override such rights pursuant to section 203 Housing and Planning Act 2016. As such, the holders of those rights cannot injunct the Scheme and, as and when the Scheme is built to a height that infringes those rights, the party who infringes the rights (i.e. the developer) would be liable to pay compensation (under section 204 of the 2016 Act) on a diminution in value basis. The Council would have default liability to pay that compensation if the developer failed to do so.

There is no change to the rights of light compensation estimate provided by GIA referred to in the Previous Letter, nor to the estimate of likely compensation that would be payable under section 204 of the 2016 Act in respect of the other rights and covenants (ie excluding rights of light) that are overridden under section 203. Again, those figures are commercially sensitive and are not to be disclosed to third parties other than the Council's advisors. The Council now has the benefit of an indemnity in respect of the overriding of rights under section 203, backed by a guarantee by Get Living Plc.

It is intended that the proposed initial acquisition of the remaining third party land will be funded by the secured development finance as detailed below.

Development stage funding

The ongoing development of the East Site is now fully funded via development debt, the GLA affordable housing grant and ongoing contracted payments from London Underground Ltd and the University of Arts London Ltd.

The historic development costs including the site acquisition and demolition of the Shopping Centre and surrounding buildings on the East Site were met through internal funds and equity from the JV Partners.

On 23 December 2021, external debt funding was secured for the East Site, with a Debt Facility Agreement being completed with two lenders, SPT Real Estate Capital LLC (a US entity) and Starfin Lux 5 Sarl (a Luxembourg entity). The loan sum is £365 million, which covers the entire cost of the remaining construction of the East Site as envisaged by the July 2021 planning permission. Get Living Plc is also providing a Cost Overrun Guarantee under the Debt Facility Agreement to ensure completion of the East Site of the Scheme in the event of a cost overrun above an agreed level of contingency.

As with the East Site, the costs of the West Site redevelopment will be financed by a combination of JV Partner equity to fund the already contracted site acquisition from UAL with external development debt funding secured to fund the construction works. As detailed below, it is anticipated that further GLA affordable housing grant will be available to assist with the delivery of the affordable housing on the West Site. Typically, the Company would expect to fund circa 40% of the development costs including the land via equity and the available grant, with the remaining 60% being provided by the development financing. Understandably, the debt funding for the West Site will not be sought until closer to the time when the construction contract for the West Site has been procured and the West Site is ready to commence. Vacant Possession of the West Site is not available until the London College of Communication moves into the new campus building on the East Site, which under current contract arrangements will be in mid 2027. The parties are working together to seek an improvement on this date to enable possession in late 2026.

The Company remains confident that the required development debt funding for the West Site will be obtainable at the time on reasonable commercial terms. This confidence coming from the strength of the development proposal, Get Living Plc as the Scheme's sponsor with its highly experienced and deep funded shareholder base, and by then successful delivery of the East Site which will further establish Elephant & Castle as a credible Zone 1 prime London location .

Delancey and Oxford Properties who advise the Company, are highly experienced in and have obtained significant debt funding on other large scale redevelopment projects for their clients across London and beyond. There is no better example than the £365m of debt funding recently procured to fully fund the East Site redevelopment.

In summary, provided that the Council continues to support the Scheme through the use of its CPO powers, it is likely that there will be little difficulty in procuring external debt funding for the West Site in the run up to vacant possession in late 2026.

GLA affordable housing grant

As noted above, GLA affordable housing grant funding was also pursued in respect of the redevelopment.

Previously the total grant offered by the GLA was £21.24 million across both East and West Sites. However, following further discussion with the GLA, it became apparent that they cannot presently allocate grant funding out of their 2016-2021 (extended to 2022) grant funding budget for the West Site, because a start on site for West Site will not take place within that budget's timeframe. Accordingly, the GLA advised that a further application for grant funding would need to be made for the West Site at a nearer time to its delivery

On 18 January 2022, a grant funding agreement for the East Site was completed between the GLA and T3 Residential Limited, a company which has been established to be a for profit provider of affordable housing on the site. It secured grant from the GLA in the sum of £9,631,750, with the grant to be applied towards the provision of the East Site affordable units (45 London Living Rent, 124 discounted market rent units and 3 social rent equivalent). The change in the grant funding offer does not cause a significant change to the overall funding of the Scheme nor to the Company's intentions as to progressing the Scheme.

Conclusions

The East Site redevelopment under the July 2021 permission is now fully funded, as was envisaged by the Previous Letter. Given the precedent of obtaining debt funding for the East Site, there is justifiable confidence that debt funding will be available for the West Site and that, provided the Council continues its support through the use of CPO powers, there is unlikely to be any difficulty in procuring the West Site debt funding. Accordingly, the Council has the requisite information that the necessary funding for the Scheme will be available.

Yours faithfully

Rick de Blaby
Rick de Blaby (Nov 10, 2022 13:01 GMT)
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Director, Elephant & Castle Properties Co. Limited

APPENDIX

PREVIOUS LETTER

Elephant & Castle Properties Co. Limited

Craigmuir Chambers, PO Box 71, Road Town, Tortola, VG1110, British Virgin Islands

Southwark London Borough Council
160 Tooley Street
London SE1 2TZ

(FAO Mr Patrick McGreal)

Date: 6 February 2020

Confidential and commercially sensitive

Dear Sirs

Elephant & Castle Properties Co. Limited ("the Company")

Elephant & Castle town centre redevelopment scheme ("the Scheme")

Funding intentions

We refer to your request regarding the proposed funding of the Scheme, in the context of the potential use of compulsory purchase and related powers by the Council to facilitate the Scheme.

Pursuant to the Department for Communities and Local Government's *Guidance on Compulsory Purchase Process and the Crichel Down Rules* (as updated in July 2019) (**"the Guidance"**), local authorities considering the use of compulsory purchase powers are advised that:

- *"[they must be able to show] that all necessary resources are likely to be available to achieve [the intended use of the land] within a reasonable time-scale."* (Paragraph 13 of the Guidance.)

- in preparing their justification for the making of a CPO, the authority should address:

"(a) sources of funding – the acquiring authority should provide substantive information as to the sources of funding available for both acquiring the land and implementing the scheme for which the land is required. If the scheme is not intended to be independently financially viable, or that the details cannot be finalised until there is certainty that the necessary land will be required, the acquiring authority should provide an indication of how any potential shortfalls are intended to be met. This should include:

- *the degree to which other bodies (including the private sector) have agreed to make financial contributions or underwrite the scheme; and*
- *the basis on which the contributions or underwriting is to be made*

(b) timing of that funding – funding should generally be available now or early in the process. Failing that, the confirming minister would expect funding to be available to complete the compulsory acquisition within the statutory period ...following the operative date [of the CPO], and only in exceptional circumstances would it be reasonable to acquire land with little prospect of the scheme being implemented for a number of years.

Evidence should also be provided that sufficient funding could be made available immediately to cope with any acquisition resulting from a blight notice." (Paragraph 14 of the Guidance.)

This document sets out funding information which the Council requires pursuant to the Guidance.

The Company

As the Council is aware, the Company is a private limited company registered in the British Virgin Islands. The Company's main asset is the freehold title to the Elephant & Castle Shopping Centre, incorporating the Hannibal House office premises above, the Charlie Chaplin public house and the adjacent Coronet Theatre at 28 New Kent Road. The Company has also recently acquired for the purposes of the proposed redevelopment the freehold titles to 30 and 32 New Kent Road.

There is no outstanding bank debt on the property.

The Company's owners and backers

Information has been separately provided for the Council to review, so that it can verify the corporate ownership structure applicable to the Company, including an explanatory structure chart prepared by by CMS Cameron McKenna Nabarro, the Company's taxation legal advisors. The Council will see from that information that, above the Company in that structure, a joint venture limited liability partnership (**"the Triangle Partnership"**) has been formed between (1) Door SLP (a Jersey separate legal partnership) (**"Door"**) , (2) Dutch pension fund Stichting Depository APG Strategic Real Estate Pool (**"APG"**) and (3) QD UK Holdings Limited Partnership (**"QD"**), a Scottish limited partnership. These three parties are referred to as the **"JV Partners"**.

Door itself is a fund advised by Delancey Real Estate Asset Management Limited (**"Delancey"**) and established by (i) DV4 Limited, a private limited company registered in the British Virgin Islands, which is an evergreen real estate opportunity fund also advised by Delancey and (ii) Oxford Properties. An overview note has been prepared to further explain the JV Partners' respective stakes in the Triangle Partnership and their respective net asset values – please refer to **Appendix 1**.

Investment to date

Since the Company acquired the Elephant & Castle Shopping Centre, the Company's past and present ultimate corporate shareholders have invested approximately £124 million in connection with Elephant & Castle and the Company's redevelopment proposals. Of this, £80 million was spent on the initial acquisition, and a further £44 million has been spent towards the design, promotion and progression of the Scheme, including: considerable fees incurred as to all relevant professional disciplines in the design of the Scheme; professional fees incurred in the lengthy planning application process; fees incurred in negotiating with third parties for the acquisition of their interests, notwithstanding the fact that planning permission was only granted for the Scheme on 10 January

2019; the acquisition of the long leasehold title to the Charlie Chaplin public house, again notwithstanding that planning permission had not been granted at that time; the acquisition of the freehold titles to 30 and 32 New Kent Road; the acquisition (by the Company's wholly-owned English subsidiary company, Elephant & Castle Properties Limited, the long leasehold title owner of the Shopping Centre) of the bingo and bowling operator leases within the Shopping Centre; professional fees incurred in the planning application process for Castle Square, which is to be used as temporary retail space available to displaced traders; and, alongside the Council, successfully defending the grant of planning permission from judicial review challenge in the High Court.

Moreover, the board of directors has committed to further expenditure in the sum of £33 million for works including demolition [1], Stage 4 design of the new buildings (albeit given its cost the implementation of that aspect may, understandably, be delayed until the Council decides to use its planning powers to assist the Scheme), implementation of the Castle Square permission and section 106 agreement payments prior to demolition. The board has given approval for the delivery of the Castle Square retail units for the relocation of independent traders and for the procurement process for the demolition contract to be undertaken – this is already well under way, with the preferred demolition contractor now selected and contract negotiations being finalised.

These significant levels of funding, and the consistency and persistence of the Company in pursuing its objectives over the course of the last 5 years, demonstrate the Company's determination and intention to progress the Scheme.

Funding for the acquisition of land

The Company has retained Matthew Bodley of Matthew Bodley Consulting, an experienced specialist CPO surveyor, to advise on the acquisition of the necessary third party land interests required for the scheme. The Council would be liable for compulsory purchase compensation, based on the compulsory purchase compensation code, if it exercised CPO powers. However; the Company intends to meet in full all costs associated with the CPO process, so that there is no adverse impact on the Council's financial resources. In addition, it is envisaged that Landlord & Tenant Act 1954 tenancy powers/break clauses would be utilised wherever practicable to bring occupational tenancies to an end in accordance with their agreed terms, thereby minimising the need for CPO acquisitions.

As the Council will appreciate, the Company is understandably reluctant to put into the public domain the estimated CPO compensation estimates in respect of the acquisition of third party interests, as that would very likely prejudice fair negotiations with third parties as to the acquisition of those interests.

The Company is satisfied that its CPO surveyor has fairly estimated the amounts which would be payable to those third parties under the compulsory purchase compensation code. [redacted]

[1] The demolition of the Shopping Centre site will be procured by Elephant and Castle Properties Limited, which is the immediate landlord of the occupational tenants of the Shopping Centre, or by a development company on its behalf. Elephant and Castle Properties Limited is promoting the redevelopment of the Shopping Centre along with the Company and the two companies are referred to as "the Developer" in the section 106 planning agreement for the redevelopment.

[redacted] For the avoidance of any doubt, these figures are commercially sensitive and are not to be disclosed to third parties other than the Council's advisors.

Council officers are also aware of rights of light issues over the Scheme site which may frustrate the Scheme. The Council is being asked to use its compulsory purchase powers, and related powers to acquire for planning purposes by agreement, to override such rights pursuant to section 203 Housing and Planning Act 2016. If it did so, as and when the Scheme is built to a height that infringes those rights, the party who infringes the rights (i.e. the developer) would be liable to pay compensation (under section 204 of the 2016 Act) on a diminution in value basis. The Council would have default liability to pay that compensation if the developer failed to do so. Again, though, the clear intention is that the Council would receive the benefit of a full undertaking to meet all and any claims made.

The Company is advised by specialist rights of light surveyors, GIA. They have provided advice as to the likely levels of compensation payable for infringing rights of light over the scheme. Again, as the Council will appreciate, the Company is understandably reluctant to put into the public domain these estimated compensation figures, lest that compromises fair negotiations in the future.

[redacted] For the avoidance of any doubt, these figures are commercially sensitive and are not to be disclosed to third parties other than the Council's advisors.

[redacted] Again, this figure is commercially sensitive and is not to be disclosed to third parties other than the Council's advisors.

It is intended that the LCC site would be purchased by the Company's group company, Elephant Three Properties Limited (**"Elephant 3"**), also a private BVI limited company, with the same ultimate shareholders as the Company. Accordingly, it is intended that the Council would receive a full

[2] This excludes any applicable VAT and the Council's associated costs as acquiring authority. However, the intention is that the proposed agreement with the Council would ensure that these costs were also met in full by the Company. The total also excludes the agreed purchase price for the acquisition of the short leasehold interest in 30 New Kent Road – the surrender of that interest to the Company should occur by the end of March 2020, as terms and documentation have been agreed.

undertaking to meet all costs for overriding rights and covenants in relation to the West Site from Elephant 3, rather than from the Company.

As regards the exercise of CPO powers or the voluntary acquisition of land by the Council to engage section 203 of the 2016 Act to override rights, the intention is to provide the Council with satisfactory financial security arrangements which will give the Council comfort that in the very unlikely event of default by the Company (or Elephant 3, as appropriate) the Council can meet any claims. Discussions about those arrangements are progressing separately with the Council.

It is intended that the proposed initial acquisition of third party land would be funded by the Company's internal funds and further equity injections ultimately from the JV Partners.

As regards the overriding of rights or covenants, the liability to third parties pursuant to section 204 of the 2016 Act would not arise until such time as the rights or covenants were actually infringed. Accordingly, such compensation would fall into the development stage funding referred to below.

Development stage funding

The proposed development of the site will be funded by internal funds, equity injections and external debt. The demolition of the Shopping Centre is being procured by Elephant and Castle Properties Limited (or a development company on its behalf) and internal funds and further equity from the JV Partners will continue to fund that demolition and other initial development costs.

The intention, and expectation, is that external development finance will be put in place prior to the commencement of new construction. That is to be expected for a scheme of this magnitude.

Delancey advises the Company, and DV4 limited, on all external financings and would be the advisor to the Company in respect of sourcing external debt funding for this project. Examples of Delancey's considerable experience in this regard are set out in **Appendix 2**.

The reader will know the UK development finance market is well-established, with a wide number of lenders who are providing development finance.

Assuming that the Council is able to support the Scheme through the use of its planning powers as referred to above, the envisaged development is likely to attract great interest from lenders, particularly given the product mix of build-to-rent residential units, education, leisure and retail space. Lenders' interest in the Elephant & Castle area has also grown significantly over the last few years. It is clear not only from the Company's investment in the area, but also that of developers such as Lendlease, London & Regional and Peabody, that Elephant & Castle is undergoing significant regeneration and radical growth, and lenders are keen to invest in the area. The envisaged development will transform the town centre, and it is expected, reasonably, that various lenders will wish to be associated with such a scheme.

The Company understands that Delancey intends to approach a wide range and number of financiers to find the best lender(s) for the scheme, as they have done successfully on other major schemes. It may be the case that one single lender would provide the necessary external funding, or (as is relatively common) it may be that one lead lender brings in other lenders in a syndicate of banks. In any event, the Company would only consider lenders with significant financial strength on their balance sheet.

The most likely lenders for the E&C development would include traditional UK bank lenders, certain Middle Eastern and Chinese bank lenders, investment banks, alternative lenders and a few pension funds as well.

In summary, provided that the Council supports the Scheme through the use of its planning powers, it is likely that there will be little (if any) difficulty in procuring external debt funding for the development stages. Furthermore the intention, and reasonable expectation, is that such funding would be available and put in place (if not before) immediately following the confirmation of a CPO which was satisfactory to the Company (acting reasonably) and the successful use of the Council's powers to override rights in respect of the Scheme.

As the Council is aware, GLA grant funding is also being pursued in respect of the proposed redevelopment. In the event that grant funding becomes available from the GLA for the purposes of reducing maximum income levels for discounted market rent units on the East Site of the Scheme, the Company is under a section 106 obligation to use reasonable endeavours to secure that grant funding and apply it towards the reduction of the maximum income levels for eligible households from £90,000 to £60,000. The total grant available is £21.24 million and from this £10 million would be required to be applied to the purpose of reducing the maximum income levels. Whilst the grant funding has not yet been guaranteed, the Company is confident that it will be forthcoming in 2020. As part of that process, T3 Residential Limited ("T3") has already been established by DV4 for the purpose of being a registered provider of affordable housing on the site, and the Regulator of Social Housing ("RSH") confirmed in October 2018 that the Stage 1 submission for the establishment of T3 as a registered provider demonstrated that T3 met the Stage 1 requirements. The documentation for the second stage of the RSH application process is currently being collated by T3. There is no obvious reason why that application would be refused nor, consequently, why the grant funding application would be refused. In any event, the proposed grant funding would represent only a relatively small proportion of the overall development funding for the Scheme.

The Company is also in the process of applying for a loan from Homes England's infrastructure funding scheme, which may result in a loan of up to £50 million at an interest rate that is typically less than that applied to external debt funding from banks etc. The Company is confident that the loan application will be successful but if for some reason it was not then the Company would intend to cover that sum via external debt funding with other lenders (as referred to above).

The Company further notes that it is a proposed pre-condition to the implementation of a CPO by the Council that it is demonstrated to the Council that continuing progress is being made in respect of the Scheme, which includes funding.

Conclusions

In accordance with the Guidance, this document provides the Council with the requisite information that the necessary funding for the Scheme will be available.

Yours faithfully

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Director
Elephant & Castle Properties Co. Limited

Andrew Parsons
Duly Authorized Signatory of
DV4 Administration Limited (Director)

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APPENDIX 1

OVERVIEW NOTE – THE TRIANGLE PARTNERSHIP

Introduction

The purpose of this note is to provide an overview of the partners in the Triangle Partnership ("Partnership").

The Partnership is a strategic joint venture between APG Asset Management ("APG"), Qatari Diar Real Estate Investment Company ("Qatari Diar") and DOOR, S.L.P. ("DOOR"). These strategic partners represent a recognised group of global institutional investors with combined assets under management in excess of £500 billion.

The Partnership has committed to a long-term investment strategy in the residential rental sector, focusing only on estates that deliver at least 500+ units. The Partnership's existing portfolio has 2,850 built units and a further pipeline of 4,420 units in construction or to be developed.

Each of APG and DOOR has a 39% stake in the Partnership and Qatari Diar has the remaining 22% stake.

APG

APG is the largest pension fund manager in the Netherlands.

It provides services such as executive consultancy, asset management, pension administration, pension communication and employers services.

APG performs these activities on behalf of pension funds and employers in the sectors of education, government, construction, cleaning and glass cleaning, housing associations, energy and utility companies, sheltered employment, medical specialists and practices of architects.

As of May 2019, APG manages €496 billion in pension assets for its clients in these sectors. It also offers supplementary income products for individuals as well as the administration of defined contribution schemes for Premium Pension Institutions (PPIs), (company) pension funds, insurance companies and asset managers.

The APG entity that owns the 39% stake in the Partnership is APG Strategic Real Estate Pool acting by its depositary Stichting Depositary APG Strategic Real Estate Pool and managed by APG Asset Management N.V. This fund was set up on 1 July 2009 for an indefinite period of time and invests in real estate assets globally. As at 31 December 2018, its NAV is €33.6 billion. Approximately 9.5% of its investments are in the United Kingdom.

Qatari Diar

Qatari Diar was established in 2005 by the Qatar Investment Authority ("QIA"), the sovereign wealth fund of the State of Qatar. Qatari Diar is a global leader in sustainable real estate, building landmark projects of unrivalled scope and vision. Qatari Diar creates vibrant communities dedicated to capturing the hearts and imaginations of the people it serves. These developments are conceived from Qatari Diar's commitment to preserving and reflecting local characters and traditions and its visions have created places with a sense of identity and purpose where people aspire to live, work and visit.

Globally, Qatari Diar is currently involved in over 39 signature projects in more than 21 countries around the world, with a combined value of over $35billion. Qatari Diar has created some outstanding, world-class real estate developments in iconic locations across Europe, the Americas and the Middle East.

Qatari Diar's European operation is based in London, and boasts several key local projects, including a landmark residential development at the 13 acre Chelsea Barracks site in Belgravia; Southbank Place, a mixed-use joint venture between Qatari Diar and Canary Wharf Group situated on the south bank of the River Thames; 30 Grosvenor Square, the former US Embassy in London, which will become a luxury Rosewood hotel, with prime retail and event space creating a new destination in Mayfair; finally, the extensive Get Living platform and PRS portfolio, a joint venture with APG and DOOR, offers diversification to this growing portfolio.

Qatari Diar seeks to harness the world's greatest architectural and design talent in order to create sustainable communities that will stand the test of time.

Qatari Diar holds its 22% stake in the Partnership through QD UK Holdings Limited Partnership ("QDUKH"), a Scottish Limited Partnership. QDUKH also owns many of Qatari Diar's key investments in the UK. As at 31 December 2018, its NAV was £1.56 billion (this figure includes the impact of third party loans, but excludes shareholder loans, which are in effect equity and merely a common way of funding an investment vehicle).

DOOR

DOOR is a co-investment platform focused on the residential rental sector. It was co-founded by Oxford Properties Group ("Oxford Properties") and DV4 Limited ("DV4"), a client fund of Delancey Real Estate Asset Management Ltd ("Delancey"), in August 2018. For a further description of each of Oxford Properties and DV4, please refer to the sections below.

DOOR owns its 39% of the Partnership directly. As at 31 March 2019, its NAV is £460.5m. All of its assets are in the United Kingdom. Oxford Properties and DV4 have committed £500m and £100m respectively to DOOR and it is currently fund raising with the aim of attaining aggregate commitments of £1.3bn.

Oxford Properties

Oxford Properties is one of the world's premier real estate investment, development and management companies. Established in 1960, Oxford Properties manages over ~$58.0 billion of real estate assets on behalf of its co-owners and investment partners. Oxford Properties has built an internationally recognised real estate portfolio of the highest quality, comprising over 424 assets and totalling over 104 million square feet of office, retail and industrial space, as well as 3,000 hotel rooms located across Canada and select gateway cities in Western Europe and the US. In the residential space, Oxford Properties is an active player with a global portfolio comprising over 10,500 units.

Headquartered in Toronto, Oxford Properties operates from offices across Canada, the US, London, Luxembourg, Singapore and Sydney, employing 2,200 real estate professionals worldwide. With the benefit of experienced investment, development and asset management teams supported by a multitude of other best-in-class services, Oxford Properties' performance has been driven by a focused strategy and investment philosophy enabled through its fully integrated operating and management platform.

Since 2007, Oxford Properties has been an active investor in the multifamily space with a dedicated team of 242 professionals and a portfolio of 10,500 units valued at ~$3.5 billion. The portfolio is well diversified by geography and product type, with both new, well located city centre product, and a significant development pipeline exceeding 11,000 units.

Oxford Properties is the global real estate arm of the Ontario Municipal Employees Retirement System ("OMERS"), the AAA credit rated defined benefit pension plan for Ontario's municipal employees. Founded in 1962, OMERS was established to serve municipal employees and now represents almost 500,000 members. With approximately ~$97.0 billion in net assets, OMERS is one of Canada's largest and most respected pension funds combining patient and disciplined investment with direct, active management of assets. The OMERS global asset mix is split across public markets, private equity, infrastructure and real estate.

DV4

Delancey's principal client fund, DV4 Limited, was launched in 2007 with £1.1 billion of discretionary third party capital commitments. DV4 is a value-add perpetual life real estate investment vehicle which allows it to undertake larger scale, innovative and complex projects with the flexibility to hold investments for the long-term. In 2011, recognising the long-term housing dynamics in the UK, Delancey was a first mover into the large scale private rented residential sector through the acquisition of the former London 2012 Olympic Athlete's Village, now known as East Village, in Stratford (East London). Delancey also established Get Living, the in-house operating and property management platform for all of the Partnership's residential rental assets.

APPENDIX 2

EXAMPLES OF DELANCEY'S EXPERIENCE IN ARRANGING REAL ESTATE FINANCING

Delancey has a long history of financing real estate investments and developments for their clients. And as the finance market has evolved, Delancey has evolved as well, building relationships with a diverse range of third party lenders and obtaining finance through different sources and via different debt instruments. Delancey has financed assets across all sectors, including: office, retail, residential, logistics, ground rents, hotels, and schools.

Please see below a few examples:

- Since 2014, Delancey has sourced on behalf of DV4 and its JV partners approximately £1.8 billion in new financing.
- Of the £1.8 billion, £635 million in third party financing has been obtained for development assets, and £790 million has been obtained for built-to-rent assets.
- Delancey has sourced and arranged debt from a wide range of third party lenders, including the UK Government. In 2015, Delancey obtained £200 million in development financing from the Housing and Communities Agency's Build to Rent financing programme for its client QDD Limited (the build-to-rent joint venture between our client fund DV4, Dutch state pension fund APG and sovereign wealth fund Qatari Diar). This was supplemented with a further £140 million of subordinated development finance to fund the development of 483 units at East Village, the former 2012 London Olympics Athletes' Village.
- In 2012, DV4's educational platform Alpha Plus issued a £48.5 million bond, which was not only the first secured retail bond, but also the first retail bond issued by an unrated company. Alpha Plus followed with a second retail bond in 2016, raising a further £80 million for the business.
- In 2014, Delancey refinanced its clients', DV4 and property fund Ares Management's, interests in the City office property the Walbrook Building. The £325 million financing was one of the largest single-asset financings of that year.

Delancey has experience obtaining finance from a variety of funders and sources. These include traditional banks, investment banks, insurance lenders, alternative lenders, Islamic financiers, the retail bond market and the UK Government's HCA's Build to Rent financing programme. The list below shows a number of lenders that Delancey has arranged borrowing from for its client funds in each category:

Banks:	RBS, Santander, Lloyds, Barclays, Royal Bank of Canada
German Pfandbriefbanks:	Deutsche Pfandbriefbank, Deka Bank, Eurohypo (*now Wells Fargo*)
Investment banks:	Citi, Deutsche Bank
Middle Eastern / Islamic financiers:	Masraf al Rayan, Qatari National Bank, Al Khaliji Bank
Alternative funders:	Venn Partners, Cain International, Blackrock
Government:	Homes and Communities Agency (now Homes England)