

PROOF OF EVIDENCE

on

RETAIL

I/R-01

Mr Tim Hamilton-Cox

On Behalf of It's Our City

Planning Inquiry APP/A2335/V/09/2095002

Canal Corridor North Site, Lancaster

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1.0 Qualifications and experience

Timothy Rex Hamilton-Cox will say:

1.1 I have a B.Tech. (Hons.) in Industrial Technology and Management from Bradford University, a MSc. in Information Technology for Manufacturing from Warwick University and postgraduate diploma in Accounting and Finance awarded by ACA. I have over 20 years' experience in manufacturing and business management. During that time I part-owned and managed a waste collection and processing business in Lancaster for nearly 12 years. Prior to that I worked for companies including IMI and Johnson&Johnson. I have lived in the Bulk ward of Lancaster, where the scheme is located, for 17 years.

1.2 I have extensive experience in applying quantitative techniques both academically and in business.

1.3 I have been involved with It's Our City since September 2006 and have focussed on retail planning during that time. I produced the retail elements of It's Our City's objections to Centros' retail impact assessments in 2007 and 2008. I have studied White Young Green's 2006 LRS, including its extensive appendices. Over the last two and a half years I have studied retail impact assessments in other developments across the country, the retail and commercial property press and retail planning policy. As a result I have gained considerable knowledge and understanding of shopping provision and patterns in Lancaster district and the surrounding area. Accordingly I have knowledge of the application site, Lancaster city centre and surrounding centres, as well as the proposed development and relevant background information in relation to retail matters, and the retail policy issues that this development proposal raises.

2.0 Introduction

2.1 My evidence focuses on Centros' retail impact assessment and the documents which are associated with it, in the context of the following issues raised in the Secretary of State's call-in letter:

4.a. whether the proposed development accords with the development plan for the area (in this instance the Regional Spatial Strategy for the North West, the Lancaster District Local Development Framework and saved policies from the Lancaster District Local Plan) having regard to the provisions of Section 38(6) of the Planning and Compulsory Purchase Act 2004;

4.c. Whether the application would deliver a sustainable form of development, as outlined in PPS1: "Delivering Sustainable Development", with particular regard to:

i whether the proposed development would contribute to the sustainable economic development of the the city and its surrounding area.

4.d The extent to which the proposed development is consistent with government policies in Planning Policy Statement 6: Planning for Town Centres, with particular regard to:

i whether a need for the retail and other types of development, as proposed, has been adequately demonstrated;

ii whether the scale of the proposed development has been demonstrated to be appropriate;

iii whether there are any more central, sequentially preferable, sites capable of accommodating the proposed development as a whole or in disaggregated [form];

iv the impact of the development on the vitality and viability of Lancaster city centre and other centres within and beyond the city, including Kendal and

v the degree to which the proposal would be accessible by a choice of transport modes.

3.0 EVOLUTION OF THE PLANNING CONTEXT

3.1 In providing a review of events, it is necessary to comment that WYG's 2006 district-wide Lancaster Retail Study (LRS) (CD101) was prepared contemporaneously with the emergence of the ambitious Centros (Miller) proposals. Given the timing, it is legitimate to question how independent of these proposals it is in its assessment of quantitative and qualitative need for additional convenience and comparison floorspace in Lancaster district up to 2016 and thus how far should it be used as a benchmark. The fact that ME complained to the Chief Planning Officer about the LRS findings should not distract from the question of how far WYG was informed of Centros' proposals – certainly they were in the public domain before publication of the LRS.

3.2 The Core Strategy of the LDF (CD63) was also being developed as Centros' plans were being worked up. It is noticeable how the scope of proposals for development of the Canal Corridor North changed between 2002 when the

development brief (CD65) for the site was produced and when the Core Strategy which was put out to consultation in May 2007 - at the same time as the first set of planning applications from Centros Miller were submitted to the council.

- 3.3 The development brief split the site into three roughly equal parts and gave different emphases to each. The elements of development included retail but on a modest scale and couched in generally cautious terms to avoid negative impacts on the city and other district centres. For example:**

‘Para. 2.4 The relationship between major development in the area and the vitality and viability of the City Centre requires very careful consideration.’

Para 2.7 [Key concerns] ‘The impact of any commercial proposals, particularly retailing and leisure, on Lancaster City centre and other shopping centres in the District and the development of strong linkages with the CityCentre.’

Para 5.4 The 1998 Lancaster and Morecambe shopping study indicates some capacity for both convenience and comparison retailing. Although a significant quantity of new retailing has been completed within the District since the completion of the study, there may be scope for retailing within a mixed-use scheme.

Para 5.5 Major retail schemes will need to provide an up-to-date demonstration that there is sufficient capacity within Lancaster and Morecambe for the scale of development proposed.’

Para 5.6 Retail development will not be acceptable in parts of the area which are remote from the City Centre and public Transport or have inadequate pedestrian links to the City Centre.

- 3.4 The limited vision for retailing was reflected in the principles of development for each site.**

‘Site 1 - The former Mitchells Brewery and Bottling Plant [which accounts for one quarter of the area of the Canal corridor North]’

‘Principles of Development 6.5 The City Centre Strategy proposes a comprehensive mixed-use development of considerable quality making use of this major development opportunity. ...The location of any new retail floorspace at the western end of the site linked to strong linkages to the City Centre;’

Para. 6.12 ‘...A large retail unit on the Brewery site could be linked with the City Centre via an arcade of smaller shops.’

- 3.5 ‘Site 2 -The Alfred Street Workshops and the Heron Chemical Works’**

This area includes the footprint of proposed retail units including Debenhams although it was earmarked in the development brief for

continued employment use (or replacement by residential use), open space and housing:

'7.8 This area is relatively remote from the City Centre and the Primary Bus Corridor and has a residential emphasis. The Council would not wish to encourage retail, commercial, leisure, food and drink uses and other uses likely to attract a lot of people.'

3.6 'Site 3 - St Leonardgate Car Parks'

Principles of development refer to landscaped car parking; an access road to it; and pedestrian and cycle route permeability. There is reference to

Para 8.8 'Development proposals affecting car parks in this area will be considered if equivalent replacement provision is provided.'

But there is no reference to retail development, beyond that it could be a part of a mixed use development of site1.

3.7 SPG 6 The City Centre Strategy (CD64) was also produced in 2002 ahead of the appointment of Centros as preferred developer. The emphasis is on preserving and enhancing the 'Primary Shopping Area':

'3.9 The maintenance of Priority Area 1 – The Primary Shopping Area as a first rate safe, attractive shopping location with the best possible environmental quality and standards of maintenance; where most of the centre's clothing and footwear shops and key high street multiples are located and where the vacancy rate is at or below current levels.'

3.8 Specific reference is to location of the clothing and footwear shops since it is widely acknowledged that clothing and footwear shops drive footfall disproportionate to share of comparison goods expenditure. It is no accident that it is the primary objective of the applicant to locate clothing and footwear stores in the proposed scheme. At a consultative workshop on 31/01/07, Mr. Lewis said that the scheme was to be 'predominantly clothing and footwear'. Contrast the thrust of intention of the City Centre Strategy in the Primary Shopping Area with the objectives for the Canal Corridor:

**'3.11 Priority Area 3 – The Canal Corridor
- A major upgrading of the Canal Corridor as a series of mixed-use neighbourhoods with improvements to vehicular access to car parks, new residential and employment development , new retail development if fully justified, better pedestrian linkages between the City Centre and surrounding areas and development of the City's cultural facilities;'**

3.9 This is reiterated in 11.1 when discussing the general aims and uses for the Canal Corridor.

‘General Aims

Achieving a major change in the current open and under-used character of the Strategy Area and a smoother transition between the commercial and employment centre of Lancaster and surrounding residential areas;

Achieving a series of distinct ‘quarters’ with individual distinctive characteristics building on existing strengths;

New tree planting and landscaping to soften the harshness of the environment;...

‘Employment and Commercial

Retaining and developing the area as an employment location. Ensuring that any new retail development is fully justified, has the best possible linkages to the City Centre and does not have a harmful impact on the vitality and viability of the existing centre.’

3.10 The ‘striketthrough’ version of the Local Plan (CD63) also shows the direction of thinking for development of the Canal Corridor. The bottling plant, part of the Mitchell’s brewery site west of Brewery Lane, was identified as a housing opportunity site.

‘Stonewell, Lancaster

2.3.21 In the vicinity of the Mitchell’s bottling plant at Stonewell, there are a number of vacant and under-used buildings and plots of land. The possible closure of the bottling plant offers the opportunity to plan for the comprehensive redevelopment of this central site for high density housing with minimal car parking.

Redevelopment should also allow for dwellings created by the conversion of the upper floors of adjacent shops to be integrated into the overall scheme for the area (Policy H20). Around 70 new dwellings could be created on this 0.4 ha site in addition to any upper floor conversions.’

Para. 2.3.22 says:

‘Lancaster Central Canal Corridor

...Although the area must continue to provide shopper car parking, there are opportunities to create new housing, particularly on areas created by the relocation of temporary uses.’

3.11 When addressing specifically retailing in the district, the Local Plan is also firmly behind a town centre first policy. The section on retail is headed:

‘3.5 Maintaining and Enhancing the District’s Shopping Centres’

and continues:

'3.5.2 The District's retail hierarchy elaborates on the hierarchy set out in the Lancashire Structure

Plan which identifies Lancaster and Morecambe town centres as preferred locations for new retail Development...

...3.5.5 The shopping hierarchy identifies the town centres to be protected and enhanced. It ensures that as many services as possible are provided locally, that high order services are provided at the most public transport accessible locations and that local services are accessible on foot. New development should be located in the centres identified and should be appropriate to the size and catchment area of the centre concerned.'

3.12 When dealing with retail development on the edge of, or outside, identified centres the Local Plan says (and this section has been deleted in the strikethrough version):

'3.5.8 In considering edge and out-of-centre retail schemes, the Council will have regard to the possibility of accommodating demonstrated need on more than one site and, in considering bulky goods proposals, the extent to which the type of goods to be sold could also be sold in town centre shops. Where out-of-centre and edge-of-centre retailing is permitted, it will only be in locations with good public transport links to its potential catchment area. Out and edge of centre permissions will be limited to ranges of goods which can be shown not to have a significant adverse effect on the overall vitality of a city, district or local centre.'

3.13 Retained in the strikethrough edition though is this comment:

'3.5.12...There is some evidence to suggest that there will be some capacity for new comparison retailing in Lancaster during the plan period. At the same time, caution is needed to ensure that the current compact, pedestrian friendly retail core is not undermined by excessive retail development outside the City Centre. Concerns remain about the high level of secondary retailing activity such as charity and discount shops in primary frontages.'

3.14 Perhaps unsurprisingly deleted is the section which says:

'3.5.17 To allow the City Centre to consolidate and adjust, a cautious approach to new retail development is needed. There is enough vacant floorspace to absorb most expenditure growth.'

3.15 Even a relatively modest site near the bus station, within but on the edge of the town centre boundary, is treated with great circumspection.

‘3.5.22 The Lancaster Local Plan also identified a large site at Damside for major retail development. This would include Lancaster Bus Station and the car parks in the vicinity. There is currently no likelihood of such a development being achievable. There is also concern that such development on this scale could harm the City Centre.’

3.16 The caution about development which might seek to undermine the primary aim to maintain and enhance the existing centres; the reluctance to contemplate edge-of-centre retail development; and the modesty of the council’s retail expectations for the Canal Corridor at this time, are obvious. There is clear confirmation of the view that the Centros-proposed development of the site (or three sites, if we look at the different treatments afforded to each within the 2002 development brief) is an application-led development with the development plan – now in the form of the Local Development Framework - trailing in its wake. The development brief, city centre strategy (also adopted in 2002) and Lancaster District Local Plan (adopted in 2004) may now seem somewhat distant. But it is worth looking at their dates of publication and comparing them with the date of the city council’s cabinet decision – which would have been preceded by months of negotiation – to award Centros (Miller) preferred developer status: March 2005 (Inquiry library L5).

3.17 The vision for Lancaster city centre retailing changed dramatically around 2004/5. According to the Core Strategy introduction:

‘The Council consulted on Issues and Options for the Core Strategy in Spring 2005.’ (CD62, para 1.8).

3.18 Then there is the guidance that:

‘4.8 Lancaster is a major shopping centre of sub-regional significance, whereas Morecambe caters primarily for local and visitor needs. Accordingly 60% of new retail development, including most comparison goods retailing is anticipated to be completed in Lancaster.’

3.19 More specifically – and contrary to the principle that core strategies should not allocate sites – the Core Strategy identifies the Canal Corridor as the locale for ‘most [new] comparison goods retailing’.

‘5.28 The District’s key retail development opportunity is the Canal Corridor site in Central Lancaster. If sound linkages with the City Centre are accompanied by measures to reinforce the vitality of the existing centre, then the Corridor offers the opportunity to combine its current role as a cultural centre with an extension to the City’s primary shopping area...’

3.20 The Town Centres Shopping and Monitoring Report identifies weakness in Morecambe's comparison offer:

'8.13...[Morecambe] is not fulfilling the expectations of existing and potential comparison shoppers. The choice of retailers (and clothing and footwear retailers in particular), high levels of vacancy, low levels of multiple representation and low levels of investment are key weaknesses.'

3.21 But the substantial investment in comparison space and occupation by major multiples including clothing and footwear by JJB and Next (which opened in spring 2008) suggests that the pronouncement of the death of Morecambe's comparison goods offer is somewhat premature. When the same Core Strategy directs only 40% of new housing units to Lancaster (and 40% to Morecambe) there is a fundamental contradiction between the strategy's sustainable development/communities aspirations.

3.22 The LDLP was much more supportive of a 'protected and enhanced' (para. 3.5.5) role for Morecambe's mixed retail offer. To reiterate:

'3.5.2 The District's retail hierarchy elaborates on the hierarchy set out in the Lancashire Structure Plan which identifies Lancaster and Morecambe town centres as preferred locations for new retail development.'

3.23 The LDLP set Morecambe below Lancaster in the retail hierarchy, but it did not seek to manage the decay of its comparison goods floorspace. Policy S8 is now deleted.

**'POLICY S8
WITHIN MORECAMBE TOWN CENTRE, PROPOSALS FOR NEW RETAIL DEVELOPMENT WHICH ARE CONSISTENT WITH POLICY S1 AND WOULD IMPROVE THE RANGE AND QUALITY OF SHOPS IN MORECAMBE WILL BE PERMITTED.'**

3.24 Policy S2, which laid down stringent requirements for edge-of-centre developments to meet was also deleted. Criterion no5 is apposite.

'5. THE PROPOSAL, BY REASON OF ITS SIZE, LOCATION, RANGE OF GOODS SOLD, PROJECTED TURNOVER AND POTENTIAL CATCHMENT AREA CAN BE SHOWN TO HAVE NO SIGNIFICANT ADVERSE EFFECT ON THE VIABILITY AND VITALITY OF A CENTRE IDENTIFIED IN POLICY S1 OR A TOWN OR DISTRICT CENTRE OUTSIDE THE DISTRICT'

3.25 The reasoning for directing all available new comparison space into Lancaster becomes clear from the projections in topic paper 5 Economic Regeneration (I/R-02), which was prepared for the Core Strategy examination in March 2008. This identified, without explaining on what basis the calculations were done:

‘5.30 Having regard to the foreseeable issues outlined above. the Table [below] sets out how new retail development might be accommodated in the period up to 2021. It must be emphasised that the forecasting of retail need is an inexact science, particularly over long periods. The table does not represent evidence of need for specific development proposals.

	Convenience sq m net		Comparison sq m net		Total	
Lancaster	6,750	41.7%	25,000	69.6%	31,750	60.9%
Morecambe	7,000	43.2%	9,300	25.9%	16,300	31.3%
Carnforth	2,000	12.3%	1500	4.2%	3,500	6.7%
Rural	450	2.8%	100	0.3%	550	1.1%
	16,200	100.0%	35,900	100.0%	52,100	100.0%

3.26 We have to accept as coincidence that the figure for comparison floorspace in Lancaster in 2021 – which ‘does not represent evidence of need for specific development proposals’ is 25000 sq.m. net versus the 24900 sq.m. net of comparison floorspace which is contained in Centros’ proposals.

3.27 Around 2002 the possibility of a development at Damside was of concern because of its peripheral (but adjacent to the bus station) location and potential harm to the viability of the city centre. In 2008 we move forward to a vision of 2021 where, just possibly (the other side of a recession deeper than anything since the 1930s and in the context of changing patterns of shopping), we may need to accommodate a floorspace equivalent to more than 80%¹ of the current occupied comparison space in the existing city centre, coincident with an application from Centros for the very same quantum of floorspace.

3.28 It is interesting that the distribution of comparison floorspace between Lancaster and Morecambe mirrors that of the WYG LRS (CD101, para. 7.61 but note the caveat about proportioning more to Morecambe if regeneration considerations are deemed to be of strategic importance). This possible distribution contradicts the statement in the Core Strategy: ‘most comparison goods retailing is anticipated to be completed in Lancaster’. As the topic paper helpfully points out,

Para.5.5 ‘RSS documents identify the City Centre as a location for new retail development.’

¹ Current occupied comparison floorspace in Lancaster city centre is 30159 sq.m. See cell V86 of Lancaster and Morecambe Floorspace Stats 2009.

3.29 But RSS documents do not point to Lancaster city centre as *the* location for new comparison development, although as the topic paper points out, it is already performing a sub-regional role by virtue of its existing floorspace capacity, demand for floorspace reflected in the lower yield, and its more accessible location.

'5.16 For all of the above reasons, Lancaster is the only appropriate location for major new retail development. However it is a historic city. Its present Primary Retail Area within the central one-way system is within conservation areas and contains a large number of listed and historic buildings. Because Lancaster is a compact centre, there are few gap sites or backland sites capable of accommodating large scale development. Because of the sensitivity of Lancaster's townscape and roofscape, it is difficult to successfully accommodate large buildings and some recent developments such as the Vue Cinema on Church Street, have been integrated into the centre with limited success and are particularly discordant in long views.

5.17 The only realistic option to ensure that Lancaster City Centre maintains its market share, improves its retail offer and satisfactorily meets the comparison needs identified in the Lancaster and Morecambe Shopping Study is a planned expansion of the City Centre incorporating strong pedestrian links and sensitive design. The Core Strategy cannot allocate a site for such an extension and the necessary consideration of options can only be addressed through the allocations document. However there is a current planning application for a major retail development east of Lancaster City Centre. This scheme is still the subject of negotiation [sic] and detailed floorspace figures for this scheme have yet to be submitted but an overall figure of 44,411 sq m gross retail floorspace [2007 figure: increased in 2008 to a maximum gross of 46314 sq.m.] is put forward in the application.'

3.30 'Particularly discordant in long views' is an opinion argued against Centros' proposed scheme elsewhere. So that aside, I wish to note the assumption that need is proven. The second assumption is that the development to meet the perceived need must necessarily be delivered in a single expansion. 'Planned expansion' of course: but it does not have to be a single development. The additional comparison retail space at Frontierland in Morecambe would not have happened if the strictures of the Core Strategy had been applied. There is no reason why demonstrated need for additional comparison space cannot be disaggregated and thereby be accommodated within the centres of both Lancaster and Morecambe. As the table from the topic paper shows, one scheme of the scale proposed could – and according to the objections of the operators of Marketgate and St. Nicholas Arcades will – eliminate the opportunity for other operators to take a more evolutionary approach. Such an approach is particularly important when growth in comparison expenditure has stalled (MapInfo update, March 2009: I/R-04). What is 'realistic' is the subject for debate, not a given. Sites may become available at any time, such as the vacation by Woolworths of the unit in Market Square which is now being tenanted by leading comparison

retailer TK Maxx. There is significant car parking space in both Marketgate and St. Nicholas Arcade, some of which could be used to provide sales space – and in the case of the latter, active frontages on Great John Street/Lower Church St. perhaps. Allied Lancaster has sketched out a possible scheme to expand the amount of floorspace under management when economic circumstances are more propitious.

3.31 The topic paper also points out the relative failings of Morecambe.

‘5.18 Morecambe is a smaller centre than Lancaster with a more local catchment. Morecambe has suffered for many years from high vacancy, low investment, poor retailer representation, low rents and high yields.’

3.32 But the paper fails to address the issue of why investment would be undertaken when there is a planned concentration of comparison floorspace in Lancaster.

‘5.28.... The Morecambe Action Plan proposed the redevelopment of the Arndale Centre in Morecambe. This centre dates from the 1970s and is in need of a major upgrade. Whilst any redevelopment is some way away towards the end of the Strategy period. Such a proposal could incorporate both convenience and comparison retailing.’

3.33 During the debate on Centros’ schemes, it has been commonplace for supporters to question the the viability of Lancaster as a shopping destination without the proposed 80% (relative to the existing city centre) increase in comparison floorspace. It is useful in this review to refer back to earlier comments on the performance of the Lancaster city centre. Thus the Shopping and Town Centres Monitoring Report dated January 2004:

‘7.1 The Lancaster and Morecambe Shopping Study in 1998 stated that Lancaster was currently achieving reasonably robust performance, as evidenced by a steadily-improving property market, retailer demand, declining yields and improving investor confidence, and increasing rental values.... The balance of the evidence suggests that Lancaster is a vital and viable city centre, with a strong retail core.’

‘7.3.... It is also worth noting that [whilst] the quantity and proportion of comparison retailing has risen significantly [between 1993 and 2003].’

‘7.4 These figures indicate a City Centre that is relatively diverse and whose diversity is being maintained.’

3.34 Vacancy rates were reported to be below national average (para.7.8) and yields

'7.11 ...in Lancaster are competitive with other major centres in Lancashire and Cumbria whilst they are higher than larger centres such as Manchester, Leeds and Preston. In examining changes over time, it can be seen that retail yields in Lancaster have remained steady since October 1994. This, read in combination with other indicators is another indicator of steady performance.'

It is noticeable that yields have declined to 5.5% as reported in topic paper 5 (I/R-02).

- 3.35 Similarly White Young Green's 2006 LRS (CD101) was supportive of the idea of Lancaster city centre performing well, even whilst projecting additional comparison floorspace requirements over the succeeding ten years.**

[Para.] '7.53 ...These results would suggest that facilities in the city centre are performing well, which is further supported by the limited vacancy rate in the town centre.'

'7.57 From our assessment of the current vitality and viability of the existing town centre it is evident that Lancaster is well presented with national multiple high street retailers.'

- 3.36 The key summarising point is that Centros' application has coincided with an obvious metamorphosis of development plan policy as evidenced by the Core Strategy, the economic regeneration paper, and the deletion of key LDLP policies. The process appears to have been application-led since Centros expressed its initial interest at the turn of 2004/5. At paragraph 6.4 of PPS12 re. spatial planning, local planning authorities are warned that they should not produce planning guidance, other than formal Supplementary Planning Documents, where that guidance is intended to be used in decision making or the coordination of development. The Core Strategy and associated topic paper 5, I argue, breach the guidance of this clause of PPS12. In sum, the application has been the horse and the development plan process has been the plough.**

4.0 ADDITIONAL PLANNING POLICY CONTEXT

- 4.1 Policy W5 of the RSS seeks to establish a three-tier retail hierarchy for the north-west region. The city centres of Liverpool and Manchester/Salford were identified as the top-tier in order that they continue to function as the North West's primary retail centres. A network of 26 (if Workington and Whitehaven are treated separately) towns and cities across the region were then identified as being within the second tier, including Lancaster.**
- 4.2 Regional policy goes out of its way to avoid the suggestion of concentrating growth in one centre at the expense of others. Policy W5 of the RSS states:**

Plans and strategies should promote retail investment where it assists in the regeneration and economic growth of the North West's town and city centres. In considering proposals and schemes any investment made should be consistent with the scale and function of the centre, should not undermine the vitality and viability of any other centre or result in the creation of unsustainable shopping patterns.....

....Investment in centres not identified [above, includes Lancaster] will be encouraged

in order to maintain and enhance their vitality and viability, including investment to underpin wider regeneration initiatives, to ensure that centres meet the needs of the local community, as identified by Local Authorities.....

- 4.3 The City Council has given Supplementary Planning Guidance status to White Young Green's 'Lancaster Retail Study' which says that its 2006 report was, among other objectives, to inform the Local Development Framework. Paragraph 7.61 states:**

From analysis of the market share proportion, the majority (75%) of this development should be focused in Lancaster City Centre, with 23% going to Morecambe. However, given the historic nature of Lancaster and the regeneration needs of Morecambe, it may be considered appropriate to assess whether this identified capacity can be redistributed to Morecambe Town Centre. In light of these findings, it would appear that the City Council have some significant strategic planning decisions to make on the distribution of the identified need through the local development framework.

- 4.4 The Secretary of State asked whether the proposed development would contribute to the sustainable economic development of the the city and its surrounding area.**

Paragraph 27 of PPS1 sets out the general approach to delivery of Sustainable Development and includes the following:

(v)

Provide improved access for all to jobs, health, education, shops, leisure and community facilities, open space, sport and recreation, by ensuring that new development is located where everyone can access services or facilities on foot, bicycle or public transport rather than having to rely on access by car...

(vi)

Focus developments that attract a large number of people, especially retail, leisure and office development, in existing centres to promote their vitality and viability, social inclusion and more sustainable patterns of development.

(vii)

Reduce the need to travel and encourage accessible public transport provision to secure more sustainable patterns of transport development. Planning should actively manage patterns of urban growth to make the fullest use of public transport and focus development in existing centres

and near to major public transport interchanges”.

4.5 The Core Strategy in section 4 on ‘Building Sustainable Communities’ says:

‘4.2 Whether a development is sustainable will depend on a combination of all the factors set out in Policy SC1. These are intended to manage the demand for travel, minimise the consumption of natural resources and safeguard environmental capital.’

5.0 EXAMINATION OF THE NEEDS ASSESSMENT

5.1 Following receipt of the draft retail Statement of Common Ground on 13th May and new data for population and convenience/comparison expenditure in each of the WYG LRS 16 study zones, it is clear that WYG on behalf of the LPA is intending a fundamental restatement of all data presented hitherto, including the 2006 baseline study which was commissioned to inform the LDF/Core Strategy and which ME was directed to use by the LPA. This will be the fourth statement of need.

5.2 When assessing the need for a proposed development, PPS6 recommends that, wherever possible, any assessment should be based on the assessment carried out for the development plan document, updated where required. Here the update was presented four working days before proofs are to be submitted, without even being explicitly acknowledged as such, in a do-it-yourself format but with values for key assumptions unstated. Certainly to date the applicant and LPA have failed to demonstrate on an intellectually defensible basis that need is proven.

5.3 But in the circumstances, I can only review what has been submitted to date, and provide a further proof once the LPA has submitted its revised needs assessment. I intend to review what was proposed by the applicant and WYG on its behalf, by analysing the data and assumptions used in the component parts of the needs assessment.

5.4 The component parts of the needs test are:

1. the catchment defined for the assessment;
2. the per capita expenditure on goods, subdivided by type of goods: firstly defining convenience and comparison goods expenditures; and then expenditure on types of comparison goods;
3. the allowance made for special forms of expenditure where expenditure is not made in a retail store – principally catalogue and internet-based expenditure;
4. the destination of retail expenditure, which was derived from a household survey and on-street survey;

5. the market shares which are derived from data on expenditure and the destinations of that expenditure, including inflow from outside the catchment; and statements on leakage of expenditure from the catchment to other retail destinations;
6. data on existing retail floorspace in the district;
7. data on retail floorspace proposed by the scheme, including the assumption on the gross to net floorspace ratio;
8. the turnover per sq.m., or sales densities, of floorspace - derived from destination of expenditure and data on floorspace;
9. assumptions on the population of the catchment area into the future;
10. the assumptions on sales densities used in the proposed scheme;
11. the assumptions made on future market shares (clawback of leakage);
12. the assumption(s) made on future rates of convenience/comparison expenditure growth;
13. the assumption(s) made on future rates of retail productivity growth: the increase in sales per sq.m. of existing retail space;
14. the impact of other retail developments, both built and in the pipeline, on the need assessment.
15. the risk analysis conducted to test the sensitivity of the needs assessment for changes in values for assumptions made.

5.5 Firstly, it is worth reviewing the caveats on needs assessments spelled out by WYG in the LRS, and which underline the care with which projections must be handled and the requirement for extensive risk analysis through sensitivity testing.

'6.01 In assessing the future 'needs' of a particular centre, it is possible to use a 'desk top approach' based on experience of similar market conditions and professional assumptions. However, for such an approach, the definition of a centre's true catchment or sphere of influence is very difficult to accurately assess even when relying on local knowledge. Therefore, any future modelling of 'need' undertaken on this basis will rely on quite a 'leap of faith' and the robustness of the results is always uncertain. We should note that the capacity forecasts become less robust over time and that forecasts for 2011 are considered more reliable than those for 2016....

7.18 However, if an excess of comparison expenditure manifests itself within the defined catchment area, this does not translate directly into a requirement for additional floorspace. It will also be necessary to take account of:

- existing development proposals;
- expected changes in shopping patterns (including E-commerce);
- the current capacity and efficiency of retail floorspace within established Centres; and
- future changes in business productivity and current development commitments....

7.20 However, it must be stressed that, although capacity assessments are based on factual data, the conclusions must only be treated as a guide/indicator rather than providing unchallengeable evidence. This caveat reflects the complexity of the modelling exercise and the dependence upon a high number of assumptions, which consequently can be interpreted in a number of different ways.'

5.6 Catchment area

One of the key components of proving retail need is to show the amount of expenditure available from the catchment. In its 2006 LRS, WYG determined the catchment of Lancaster to be zones 1,2,3,6 of the study area.

'5.05...From our knowledge of the competing centres and the likely sphere of influence of the retail facilities currently found within this part of Lancashire and Cumbria, it is anticipated that the town centres would draw the majority of its trade from within a 15 to 20 minutes drive time around each town centre.....

5.11 Of the whole study area WYG identified that Zones 1 to 3 and 6 represent the administrative area of Lancaster District Council, whilst parts of zone 5 and a small part of Zone 7 fall within the authority boundary. In addition, these zones represent the zones taken from the Donaldson's Retail Study 1997. For the purposes of this analysis of the results, WYG will examine the shopping patterns within Zones 1 to 3 and 6.'

5.7 As WYG describes, these zones roughly represent Lancaster city council's administrative area except for the northern part of zone 6 which lies within South Lakeland. Hornby, Wennington and the surrounding area in zone 5 is part of the city council's administrative area, as is Silverdale in zone 7. Centros adopted zones 4 (Garstang, Great Ecclestone, Preesall and Pilling from Wyre BC), and 5 (Hornby; Kirkby Lonsdale in South Lakeland DC; High Bentham and Ingleton in Craven BC) into its defined catchment area when calculating quantitative need in 2008, having used a different definition of catchment in its 2007 need assessment.

5.8 Although this differed significantly from WYG's definition, Centros provided no explanation for the validity of this manoeuvre; nor did WYG in its 'independent assessment' offer any comment at all on this expansion in its Impact Appraisal.

'Para. 2.07 ...in assessing quantitative need, ME considers that zones 1 to 6 of the defined Study Area represent the primary catchment of the proposed development. WYG considers this represents an appropriate catchment area.'

5.9 According to WYG (CD101, App.F, table 47), zones 4 and 5 add a total population of 33040 to the original catchment (zones 1-3 and 6) of 132055, and £118.2mn. of comparison expenditure () to add to the £438.6mn. of the original catchment. If the larger catchment is the valid one, why didn't WYG adopt it in the first place? If it isn't, why did WYG conduct its audit of ME's retail impact assessment as though nothing had changed? Almost all areas of zones 4 and 5 are beyond the reasonable 15-20 minutes' driving time of the city centre which WYG used to define the catchment originally. Zone 5 locations may be nearer Kendal. In the case of zone 4, many areas are equidistant from, or closer to, Blackpool or Preston. As WYG writes (2008, para.2.21):

'...residents within Zone 4 of the primary catchment are as well positioned to shop in Preston than they are to Lancaster despite any improvements in the retail offer of Lancaster...'

5.10 In its glossary of terms, WYG (CD101, page i) defines 'catchment' in these terms:

'This represents an area around retail facilities from which the majority of its trade is generated.'

5.11 This definition cannot be other than the 'primary catchment': a 'catchment' accounts for all the trade generated. The definition of primary catchment matters when circumscribing the expenditure available to Lancaster city centre and therefore when justifying the quantum of additional comparison retail space which the applicant is seeking to provide. Without zones 4 and 5, using WYG data, it is possible to calculate that Lancaster city centre has a comparison goods primary catchment share of 53.7% (CD101, App.F, tables 18,23,28,33,38,43) and that specifically excludes existing edge of centre sites including Bulk Rd. Retail Park and B&Q. If zones 4 and 5 are included within the primary catchment, the apparent market share of Lancaster city centre reduces to 47.7%, again excluding edge of centre sales. Both ME and WYG (2008), using different data from mine and, slightly different from each other (WYG2008, table 2.2), arrive at a market share for Lancaster city centre of 47.8%. Thus by expanding the catchment into zones 4 and 5, the enlarged primary catchment area is no longer accounting for a 'majority of [its] trade' in Lancaster city centre and therefore ipso facto is not part of the primary catchment area. Clearly, zones 1-3 and 6 provide the area from which the majority of Lancaster city centre's trade is drawn.

5.12 Market share

Lancaster city centre (and the small sample sizes in WYG's LRS household survey need to be considered when judging the accuracy of all these figures) has comparison goods market shares of zones 1,2,3 and 6 of 64.6%,

39.4%, 67.5% and 54.9%. If existing edge of centre sites – Bulk Rd retail park and B&Q - are added in the market shares become: 68.2%, 41.5%, 71.2% and 57.2%. Obviously the share of zone 2 (Morecambe/Heysham) is lower because local facilities such as Morecambe town centre and the retail park at Mellishaw Lane (and facilities at White Lund) retention a significant proportion of expenditure. WYG (2008) asserts that a 67.4% market share of the enlarged primary catchment – zones 1 to 6 – is realistic (table 2.2) in order to make the figures fit with Centros' scheme.

5.13 WYG takes a somewhat different approach in the LRS:

'7.70... The quantitative need identified is based upon maintaining the existing market share (which is recognised as the 'do minimum' approach). WYG do not believe that it is appropriate to test potential increases in market share. [My italics.] This approach is recognised in regional guidance (Policy SD3), whereby historic towns should be regarded as historic towns requiring continual conservation with sensitive integration of new development, where needed, plus a regard for maintaining and enhancing their setting. In addition the guidance recognises the need for development and re-development to ensure the physical enhancement of Regeneration Priority Areas; this includes Morecambe which requires significant regeneration and gradual restructuring.'

5.14 It is clear that existing market shares in the primary catchment are already reaching the WYG aspiration in table 2.2, zone 2 aside for good reason if we are not to see comparison goods retailing decline in Morecambe further. The impact of the comparison goods development on zone 2 shopping patterns (in particular) at Frontierland is not of course included here because it postdates the household survey. For perspective, the Lancaster city centre shares of comparison goods expenditure in what is properly the secondary catchment area of zones 4 and 5 are 20.7% and 33.3% respectively (21.3% and 34.4% respectively with edge of centre B&Q and Bulk Rd. retail park included).

5.15 Thus, and WYG(2008) does not spell it out, it would be of interest for WYG to make clear what market share in each of the zones 1-6 is assumed to be achieved. In 2007, ME balanced the projected expenditure books by assuming that no-one from Lancaster would ever shop for clothing and footwear in Preston, Manchester or the Trafford Centre ever again (Retail Impact Assessment, App.F, table 8); and by transferring £37.7mn. of expenditure from zone 16 (part of West Cumbria) in Carlisle into its scheme in Lancaster (Retail Impact Assessment, App.F, tables 8,9). This was indicative of ME's approach which drew this rebuke from WYG wrote 2007 Retail Impact Appraisal that:

WYG are concerned that some of ME assumptions on existing spending patterns and market share analysis do not reflect those identified by available survey evidence. It is not clear from the evidence presented by ME where some of the assumptions have been formed (see qualitative commentary below). If WYG are to provide a robust assessment, then we will require that a clear and concise quantitative need assessment demonstrating the proposed level of retail floorspace is provided which is based on information currently available (i.e. WYG LRS) or based on new survey evidence undertaken by ME. The current retail statement by ME does not provide any reasoned justification for any of the assumptions, thus WYG find it difficult with any certainty to assess whether ME's approach is robust and reasonable.

5.16 Also, it is necessary to make clear to the inspector, what shares of each type of comparison goods are assumed for the overall market share of 67.4% to be achieved in Lancaster city centre. It is clear that not all types of goods can be treated equally: people shop in different locations for 'bulky goods' against 'non-bulky goods'. I indicated above that Lancaster city centre has an overall market share of zone 4 of 20.7%. But for those categories which drive footfall disproportionately, Lancaster city centre has a higher share of 'small household goods' expenditure at 23.6% (CD101, App.F, table 43); and of 'clothing and footwear' of 27.3% (CD101, App.F, table 51). Interestingly, this compares with Preston city centre's clothing and footwear share of zone 4 of 36.4% (CD101, App.F, table 38). Centros has already said that the centre will be 'predominantly' about clothing and footwear. But this category of expenditure only accounts for 26.6% of the total of comparison goods expenditure (CD101, para.6.26).

5.17 It is noticeable that the town centres of Kendal and Lancaster have equal shares of the clothing and footwear expenditure in zone 5 (CD101, App.F, table 51) of 33.3%. The share of small household comparison goods expenditure in zone 5 splits 34.1% and 46.3% (CD101, App.F, table 52) between Kendal and Lancaster. These sorts of market shares in key expenditure categories might explain at least partly why South Lakeland DC has expressed an objection to the Centros scheme on the basis of its scale and its impact through trade diversion.

5.18 A lower market share is used to create the image of a failing centre which is not fulfilling its potential. WYG (2008, para.2.24) says that:

'...facilities in Lancaster are identified to retrain [sic] less than half of expenditure generated in the primary catchment. This reflects the limited retail offer of Lancaster City Centre currently and evidence that it is not performing a 'true' sub-regional retail role.'

5.19 The contrast with WYG's 2006 view needs to be noted.

'[7.53] This suggests that the estimated turnover per sq. m for units in Lancaster City Centre is approximately £7,078. This appears to be a strong average sales density for a large comparison destination such as Lancaster.

From experience WYG are of the view that Lancaster City Centre should be achieving an average sales density of between approximately £6,000 and £8,000 sq. m. These results would suggest that facilities in the city centre are performing well, which is further supported by the limited vacancy rate in the town centre.'

'7.57 From our assessment of the current vitality and viability of the existing town centre it is evident that Lancaster is well presented with national multiple high street retailers.'

WYG will perhaps explain to the inspector the discrepancy between its sanguine view of the performance of Lancaster city centre in 2006 and its much less rosy view in 2008.

5.20 Projected rate of increase of comparison goods expenditure growth

WYG (CD101 p.ii) defined the assumed expenditure growth rate thus:

'Actual comparison growth rates have been used for the period 2001 to 2004 (actual growth is 9.6% in 2002, 8.7% in 2003 and 9.3% in 2004). Thereafter, ultra long-term growth rates for comparison expenditure are estimated at 3.8% per annum.'

ME duly obliged by using this rate of increase in its expenditure growth projections to 2013 in its 2008 Retail Impact Assessment.

Para. 6.6 'Note: *2006-2013 figures calculated using 3.8% growth rate.'

5.21 But WYG's 2008 Impact Appraisal again failed to endorse ME's quantitative model.

'2.20 As previously highlighted, WYG considers that ME has underestimated the potential turnover of outstanding commitments. On this basis, by applying a more cautious assessment of the potential turnover of outstanding commitments (£27.40m) there is insufficient growth in expenditure (at current market shares and assuming a growth rate of +3.8% per annum) to support the potential turnover of the proposed development. 2.21 Furthermore, as acknowledged by ME not all the growth in expenditure identified is available to support additional facilities in Lancaster. Indeed, the primary catchment includes the nearby centres of Morecambe, Garstang, Carnforth and Kirby Lonsdale. Furthermore, some expenditure within the primary catchment will continue to go to competing centres elsewhere. Indeed, residents within Zone 4 of the primary catchment are as well positioned to shop in Preston than they are to Lancaster despite any improvements in the retail offer of Lancaster. Given this, we question ME's assertion that the capacity based on expenditure growth alone could largely support the proposed development.'

5.22 This time however, WYG(2008) proceeded to fashion an alternative case for the scheme to enable the proposal to go to planning committee in October 2008. This involved increasing the projected rate of comparison goods expenditure growth to 5.0% per annum based on forecasts in MapInfo 07/02 which preceded the onset of the ‘credit crunch’.

‘2.22 However, by applying the latest growth rate identified by MapInfo (+5.0% per annum) the growth in expenditure within the primary catchment increases to almost £236m between 2006 and 2013. By taking into account outstanding commitments there is identified to be sufficient growth in expenditure within the primary catchment to support the potential turnover of the proposed development, regardless of which scenario is adopted (£235.5 - £27.4m = £208.1m). However, as previously highlighted this level of capacity assumes 100% retention and that the current growth rate identified by MapInfo is maintained through to 2013.’

5.23 But a major problem lies in the caveat that the ‘current’ growth could be maintained through to 2013. Even MapInfo 07/02 (I/R-07,p.3) said that

‘growth in consumer credit has fallen markedly over the past year, signalling that appetites for debt-financed spending are waning. Households are being constrained by historically high levels of debt in relation to incomes.’

And that (p.5)

‘Short-term growth rates, particularly for comparison goods are clearly unsustainable and some correction is necessary to revert to levels dictated by medium and long-term trends.’

5.24 The forecast growth rate in MapInfo 07/02 (table 2) for per capita comparison goods expenditure for 2005 to 2012 was 4.6% per annum, below what WYG claimed in its Impact Appraisal, with even lower rates for clothing and footwear (3.9%) and household goods (2.3%). Thus WYG over-egged the quantitative forecasts and under-played the qualitative guidance from MapInfo 07/02 in order to provide the expenditure headroom necessary to justify the quantum of comparison floorspace in the scheme.

5.25 Experian Retail Planner briefing note 5.1 (I/R-05) which came out in November 2007 was even more guarded in its predictions for expenditure growth. It reported comparison goods expenditure growth per head forecasts of between 3.6% and 3.8% per annum between 2007 and 2011 (table 3.1); and of 3.5% between 2007 and 2016 (table 3.2). Experian reported that:

‘Forecasts for total retail and comparison goods spending growth are less buoyant than trend-based projections. This reflects a view among economists that the growth in spending will slow. Household savings rates are already very low and household indebtedness is at an all-time high - regarded as unsustainable in the long term.’

5.26 WYG’s projected 5% growth rate looked even more heroic (and dated) an assumption by October 2008 (the month of the planning committee) when MapInfo 08/02 (I/R-04) was released. This forecast a growth in per capita comparison volumes of 3.2% per annum between 2008 and 2013 (table 2).

‘Short-term growth rates, particularly for comparison goods are clearly unsustainable and some correction is necessary to revert to levels dictated by medium and long-term trends.... We would be very surprised to see a return to the boom conditions of the last decade, when spending rose on average by 4.2% per annum in real terms and house prices almost trebled.’

5.27 Allowance for non-store retail expenditure (SFT)

Neither ME in its Retail Impact Assessments nor WYG(2008) make any reference to any consideration of the increasing share of comparison goods expenditure accounted for by non-store retail expenditure. It is clear that expenditure on special forms of trading (catalogue purchases, but principally internet-based sales) should be deducted from forecast increases in expenditure before those increases are applied to justify additional ‘bricks and mortar’ floorspace. Experian Retail Planner briefing note 5.1 (I/R-05) projects the share of non-store comparison retail expenditure to grow from 8.8% in 2006 to 14.4% in 2013 (table 5.1), wholly accounted for by an increase in internet-based trading. This is a serious deficiency in the needs assessment analyses conducted by both ME and WYG.

5.28 Assumed sales densities

WYG (CD101) gives the following definition of sales density (p.v):

‘Retail capacity figures are routinely expressed in terms of floorspace, relying on the application of assumed sales density figures to the surplus expenditure identified. Again, variations in the rate used can have a considerable effect on the results, reflecting assumptions as to whether future development will comprise (for example) retail warehouse, standard high street end uses or top-end fashion floorspace.’

5.29 WYG (CD101) estimated that Lancaster city centre’s sales density was £7078 per square metre of net floorspace (para. 7.53, though it is clear that the quantum of space in the denominator for this calculation is an over-stated

estimate: there is no statement of net comparison floorspace in the LRS). Going forward, WYG used a sales density of £6000 per sq.m. (table 7.10). ME (I/R-08) complained that this was unrealistically high but in its 2008 Retail Impact Assessment used three sales densities to test floorspace capacity requirements: £5000 to £6600 per sq.m. (excluding the department store floorspace which was deemed to be £2500 per sq.m.)

5.30 Experian Retail Planner briefing note 5.1 (I/R-05) makes the following observation (section 8.2).

‘The total volume of sales that can be delivered by a given floorspace – the sales density – is a variable in any planning inquiry. Projections of sales density will profoundly influence how much of any increase in in-store retail sales can be accommodated from existing space without new building.

Sales density can change for many reasons, including:

- Improvements in the efficiency of existing processes or technology, for example, a more effective till arrangement to reduce peak-time queues**
- The replacement of older capacity with newer, more efficient space**
- Changes in opening hours (such as Sunday trading), potentially increasing the amount of sales made from the same floorspace in a given time**
- Shifts in the mix of goods offered towards smaller or higher value items, such as a move from furniture to electronic equipment**
- Planning restrictions limiting the amount of new space, forcing densities higher as sales increase from existing capacity**
- Retailers squeezing more selling space out of a building, for example by cutting down on storage, increasing gross, but not net density.**

Sales densities also tend to move with the economic cycle. In sales booms, they tend to rise as people buy more, only to decline again in the subsequent slowdown. Although they do have an impact on sales density, such cyclical fluctuations in demand are temporary and need to be carefully isolated from the underlying trend in any long-term analysis.’

5.31 Assumed increase in sales from existing floorspace

The assumed rate at which sales from existing floorspace will increase is an important variable in calculation of the requirement for additional floorspace, as represented by this scheme. WYG (CD101,p.v):

‘Rate of productivity. There is no agreed national source for increases in productivity it is evident that figures of between 1% and 1.5% are commonly used by retail planning consultants. Research undertaken by Experian suggests that increases in productivity are very difficult to assess. Moreover they suggest that future rates for increases in productivity could be between 2% and 3.4%. For the purposes of this study, we have assumed an increase

in productivity of 1.5% although future monitoring and research may confirm whether this is too conservative or too optimistic.'

No sensitivity testing of this assumption was undertaken in any of the retail analyses.

5.32 Experian Retail Planner briefing note 5.1 (I/R-05) makes the following observation (section 8.5).

'• Comparison goods sales densities have shown exceptional growth in the recent past. Comparison goods sales space increased at an average annual rate of 3.0 per cent between 2000 and 2005 (including for comparison goods sales in convenience stores). But sales volumes rose at an annual rate of almost 7 per cent over the same period, implying that net sales density has risen by 3.6 per cent a year to accommodate this (after rounding). This average was actually dragged down by an increase in the share of floor space taken by, lower density, out-of-town stores. Allowing for this the underlying growth rates were actually 3.9 per cent per annum. Retailers are therefore using new and existing space more efficiently to make more sales.'

Further (section 8.6):

'The rapid increase in comparison goods sales densities in the recent past was a product of the retail spending boom and is unlikely to be sustainable. On balance the 1987-99 trend of 2.5 per cent a year increases in sales density may be a better start point for projections. Yet even this includes one-off changes because of the advent of Sunday trading. As noted, the introduction of Sunday trading could have accounted for up to 0.7 per cent a year of the estimated increase in sales densities in this period. On the other hand, not all Sunday trading effects occurred between 1986-99 and there is still scope for further changes were the current restrictions on hours to be relaxed. Consequently, projected sales densities are only reduced from the 1987 and 1999 by 0.3 per cent a year in the central case, to 2.2 per cent and 0.6 per cent a year for comparison and convenience space respectively. The move towards more modern, higher density, stores and the demolition of older inefficient space means that the observed comparison rate is likely to be closer to 2.4 per cent a year.'

5.33 If we combine lower increases in per capita comparison expenditure with higher rates of productivity increase for existing floorspace, and an increasing share of sales from internet-trading, the headroom for additional retail capacity in Lancaster diminishes very significantly. This is before considering what sales density of that additional floorspace should be assumed.

6.0 AN INAPPROPRIATE SCALE OF DEVELOPMENT

6.1 The issue of the inappropriateness of the scale of the development is obviously linked to the contention that there is insufficient demonstrable quantitative need. Therefore I have dealt with the inappropriateness of the scale of retail development proposed in section 5.

7.0 THE SEQUENTIAL ASSESSMENT

7.1 Government guidance in PPS6 requires that the sequential approach to site selection should be applied to all development proposals for sites that are not in an existing centre nor allocated in an up-to-date development plan (paragraph 3.13). (As I understand the process, the site has not been 'allocated'. But it is mentioned in the Core Strategy.)

7.2 Paragraph 3.15 of PPS6 indicates that, in applying the sequential approach to site selection, developers and operators should be able to demonstrate that, in seeking an appropriate site within or at the edge of a centre, they have been flexible about their proposed business model in terms of the scale of development, the format of development, car parking provision, and scope for disaggregation.

7.3 In considering the PPS6 requirements and in commencing a critique of the applicant's approach, it is important to emphasise that in the preceding sections of my evidence it has been demonstrated that there is not a demonstrable quantitative need for the scale of development proposed, and therefore that the scale of development is inappropriate in relation to maintaining the viability and vitality of the existing city centre of Lancaster. There follows the question of whether a more appropriate scale of development could be accommodated on more central sites. Clearly, PPS6 at paragraph 3.15 indicates that this should be taken into account as part of the applicant demonstrating flexibility. PPS6 is quite clear that the responsibility of demonstrating that there are no sequentially preferable alternatives rests with the applicant (paragraph 3.15).

7.4 It is considered that the applicant's approach to the sequentially test, undertaken by ME, is flawed, and as such compliance with the test has not adequately been demonstrated. In particular, in applying the sequential approach, it is considered that the applicant has not been flexible in terms of the scale of development nor has the applicant even assessed the potential for disaggregation. It is an easy exercise to demonstrate that there are limited sites of such a scale which offer practicable alternatives to the application site within the catchment area. ME claims that no alternative sites are claimed to be suitable and/or available. In response, it is considered that the suggestion that the sequential test has been satisfied on the basis that a comparable large site cannot be found is erroneous. The

scope for disaggregation and the potential to develop more of the town centre to accommodate components parts (such as a foodstore) has not properly been explored because the scale of the development is an 'idee fixe'.

- 7.5 It is possible that appropriately sized development could be disaggregated and accommodated on smaller sites within the primary shopping area. IOC understands that Allied Lancaster will discuss in its proof of evidence potential investment plans for its Marketgate development and for investment in the units set back on the opposite side of Common Garden St. The rise in vacancies provides opportunities, as has been seen with the use of the Woolworths unit by TK Maxx.

8.0 ACCESSIBILITY

- 8.1 From the plans submitted to date, it is evident that the proposed development focused on the foodstore and large non-food retail units will not form a natural extension to the existing city centre. The location of the foodstore and retail units ensure that the focus or centre of this development is the multi-storey car parking area in the middle. Whilst there appear to be pedestrian routes through the centre and around the edge of the car parking area, the scale of the parking provided and the potential conflict with vehicles means that St. Leonardgate and Great John St. will not be very permeable for pedestrians.
- 8.2 The proposed road infrastructure means that the scheme is highly accessible by private motor vehicle. The design of this scheme does not appear to create a high quality, pedestrian friendly environment which encourages ease of movement between the proposed shop units and the established city centre. From the proposals submitted to date, it is obvious that the proposed development has been designed primarily with the car-borne shopper in mind.
- 8.3 When assessing the propensity for linked trips and spin-off expenditure for the rest of the city centre, it is reasonable to question the ability for this scheme to bring new shoppers into the heart of the established city centre if they arrive by car and park in the multistorey 'short stay' car park. Distance from Debenhams to Market Square assuming the bridge link were ever built is 370m, beyond what PPS6 regards as a easy walking distance.
- 8.4 With a large supermarket, (nearly 90% of the current net floorspace of Sainsbury's on Cable St.) supported by major non-food retail units that could include Argos, Next, H&M and other stores where the leasing agreement does not, and cannot in commercial reality, provides no effective prophylactic against the migration of existing anchor stores like Boots or Marks & Spencer, etc., there is no logical reason why anyone who arrives at

the development would then walk into the existing retail core of Lancaster. Centros, in its PPG15 Assessment (p.45), boasts a claim by WYG that the scheme could attract 8.5 million visitors. It then says that

'Unless there is an easy, at grade link, there is a real possibility that visitors to the new scheme will stay there and not venture to the existing historic retail core. White Young Green, consultants working on behalf of the City Council, estimate that the scheme will attract 8 to 8.5 million visitors per year and that 60% to 70% of these visitors are likely to visit the rest of the City Centre via the bridge link. Without the bridge link, they estimate that only 20% to 30% of visitors would visit the City Centre as well as the development.'

8.5 As I have previously indicated, there is no guarantee that the bridge link will be built, partly because its realisation depends on third-party agreements. (This is aside from seeking an explanation as to exactly where such a number comes from.)

8.6 It is not axiomatic that that there will be significant 'spin off' expenditure created by the proposed development which, given its bias to food and clothing and footwear, will dominate shopping patterns within Lancaster and beyond. In reality, the development is more likely to draw trade away from existing city and other district centre units rather than bring additional expenditure into the heart of Lancaster.

8.7 It is evident that the proposed development has been specifically designed to operate on the edge of the definition of 'edge of centre' retail development with easy access to and from the north and west, and significant amount of additional on-site car parking. With the possibility that linked trips or spin off benefits will be limited, especially if the bridge link is not built, there is a real prospect that the proposed development could undermine the future vitality and viability of the established retail core of Lancaster rather than create a 'step change' in retailing.

9.0 RETAIL IMPACT

9.01 In assessing the potential impact of the proposed development, PPS6 states that:

'Local planning authorities should consider the impact of the proposal on the vitality and viability of existing centres...including the likely cumulative impact of recent permissions, developments under construction and completed developments. The identification of need does not necessarily indicate that there will be no negative impact.'

9.2 When seeking to assess the impact of the proposed development and the cumulative effect of recent permissions, Paragraph 3.22 of PPS6 sets out the

key factors that local planning authorities should consider when assessing the centres likely to be affected. The six that are relevant here are:

- The extent to which the development would put at risk the spatial planning strategy for the area and the strategy for a particular centre or network of centres, or alter its role in the hierarchy of centres;**
- The likely effect on future public and private sector investment needed to safeguard the vitality and viability of the centre or centres;**
- The likely impact of the proposed development on trade/turnover and on the vitality and viability of existing centres within the catchment area of the proposed development...;**
- Changes to the range of services provided by centres that could be affected;**
- Likely impact on the number of vacant properties in the primary shopping area;**
- Potential changes to the quality, attractiveness, physical condition and character of the centre or centres and its role in the economic and social life of the community.**

9.3 Even in its revised 2008 form the cumulative comparison goods trade diversions from district centres and from Kendal are likely to have unacceptable impacts. As has been previously indicated, in reviewing the retail impact assessment in September 2008 for the city council, concern was raised by WYG that the likely comparison turnover of the scheme was insufficient to justify it.

10.0 Economic context

10.1 This development was proposed in the boom times. The recession clearly explains the non-appearance of Centros at the public inquiry. The way in which the recession will impact on the realisation of the scheme is best demonstrated by a parallel retail-led development by Centros in Portsmouth where outline planning permission was obtained as far back as 2005 and full permission in June 2008. The following quotation is from a letter from Centros (I/R-03, p.8) to Portsmouth city council dated 19th February 2009.

Due to the worsening economic and financial crisis, which has led to the current poor demand in the retail sector, we cannot progress the Northern Quarter development on the basis of the reserved matters consented scheme as it currently falls short of any reasonable financial expectations. We will continue to undertake a detailed review of the scheme to ensure the development has the flexibility to meet current and ongoing retailer requirements, and to improve the financial viability of the scheme.

In view of the termination date from March 2010 onwards we need comfort from the City Council that, under clause 15.2 of the Development Agreement, the termination provisions will not be operated prior to March 2015. This confirmation will provide us with the platform to revise and improve the scheme and it will allow a sufficient period to accommodate, in particular, the following lengthy but important processes in delivering the development;

Centros is projecting that reserved matters could be submitted in early 2013.

10.2 A report commissioned from property consultants, DTZ, by Portsmouth city council is worth quoting extensively.

'Since the time of our last report to the Council in March 2008, there has been a considerable deterioration in the property market as outlined in section 3. The viability of the consented scheme has been significantly negatively impacted, due in part to changes in construction costs, but principally due to this very severe reduction in property values.'

P.16

'Commercial property has seen six years of capital growth lost in just eighteen months of successive falls. If this 22.1% fall was to be applied to the expected income of the Northern Quarter development, it would likely lead to a significant loss.' P.18

'One of the most pessimistic predictions for the direction of property values over the next few years comes from the bank, Société Générale. They reviewed their prediction as to the value of UK commercial property in December 2008. They believe that from the top of the market in 2007 to the point where values stabilise, there will be a 46% drop in property values.'

As a generality, any town centre schemes not already committed to site before the economic downturn have now entered into a 'scheme review' to improve viability or are being delayed, including major schemes in Oxford, Chester and Stockport.

In addition, unfortunately a number of other town centre schemes have been affected by developer withdrawals altogether.' P.19

'Along with many other developers around the country, CMPLP have been examining ways to reduce the construction costs on the scheme by redesigning the layout and content of the scheme... One of the major reasons identified by CMPLP for the rise in costs was associated with the basement servicing of the retail units. In some of the potential scheme options which the Council has seen, the servicing has been at street level and the retail units have had no underground element.' P.20

'This design review which is discussed in section 1.1 has also looked at the ability to enhance the value of the scheme through a redesign.

CMPLP consider the most profitable element of the scheme to be the retail element.

Increasing the quality and layout of these units is deemed by CMPLP to be the most effective way in which to add value to the scheme. DTZ support this view. CMPLP are looking to increase the value of the scheme by having separate retail units on two floors as opposed to individual shops operating on two levels. This increases value as the units can have a wider

frontage (which is more valuable) and also do not have an upper floor which is valued at a significant discount to the ground floor. This would mean a redesign to have a two level street designed into the scheme.' P.21
'As discussed in section 4.1, a major cost reduction could be achieved by above ground servicing as opposed to via a basement. CMPLP envisage that this could be achieved by way of servicing outside core retail hours (i.e. before 10 am and after 5pm). CMPLP are examining different options in terms of how this could be achieved.' P.22

7. Key Conclusions

7.1 The General Market

The overall economic climate in the UK is obviously currently very poor, and the country is in recession. The retail sector has been severely affected. An early recovery, in each instance, is not envisaged by general market commentators. These aspects have a real relationship to the Northern Quarter project, and the way it can be progressed from this point.

7.2 Scheme Viability

The current scheme appraisal now shows a very significant deficit, directly due to the impact of the factors in 7.1 above. The scale of this is such that CMPLP now consider a revision of the schemes design is required in order to achieve the necessary improvement in viability.

DTZ agree with CMPLP's view; the issues here are affecting all such schemes in the UK at present. Whilst a revision of the schemes design is a commercial necessity, it does also provide the opportunity for some of the very latest 'best practice' ideas on scheme design to be incorporated in any review.

7.3 Developer investor commitment to town and city centre schemes

Again due to the factors outlined in 7.1 and 7.2 above, the development and investment industry has generally withdrawn from substantively progressing with development proposals, and this situation is likely to continue for the foreseeable future. A number of developers have closed their development operations down altogether; most others have significantly reduced their resourcing and general activity. Unfortunately, various developers have already gone bankrupt – there will inevitably be more such instances during 2009. As a consequence a number of town/city centre schemes, countrywide, have seen developer withdrawals, with various schemes now being 'mothballed'. There are few developer competitions and where there are, general interest is much weaker than 12-18 months ago, and on much less competitive terms.' P.28

11.0 Conclusion

- 11.1 The methodology adopted is not a robust approach to assessing quantitative need for retail floorspace in Lancaster city centre. the methodology applied by ME and WYG is far too simplistic and does not take into account existing shopping patterns within Lancaster and the (newly-defined) wider PCA. Indeed, the approach adopted by the applicant and WYG in seeking to demonstrate quantitative need simply identifies retail expenditure generated by residents within a defined catchment and compares this against what the 'expected' turnover of existing floorspace within the catchment could be. The methodology adopted then relies on this estimated turnover figure being deducted from the available expenditure figure to arrive at a theoretical surplus capacity.**
- 11.2 Not only does this approach rely on assumptions about the turnover/performance of existing floorspace but it also ignores the fact that there are retail facilities which lie just beyond the catchment and will continue to draw expenditure from it. A catchment cannot be treated in isolation and cannot ignore what exists beyond the boundary. ME did conduct some analysis of existing shopping patterns which respond to the catchment's proximity to the city regional shopping centre of Preston in addition to other higher order centres. But the assumptions on trade draw – particularly the trifling amounts of expenditure which will be spent beyond the catchment by people in the urban core of the catchment: see ME(2008) App.G table 9 – are heroic and unrealistic (as well as being completely at odds with WYG (CD101) data for existing Lancaster district centre turnovers) given the shopping as leisure culture which is so prevalent. For evidence of the wide spread of 'last destination' locations for comparison purchases, see the WYG appendices (CD101, App.F, for example table 38) which contain the household survey responses.**
- 11.3 The methodology adopted by ME and appraised and then adapted by WYG in 2008 is wholly inadequate for the size and type of development proposed. By defining a PCA which is too extensive and does not reflect current shopping patterns that exist on the ground, WYG has effectively 'overplayed' the potential role of Lancaster within the sub-region and therefore the retail need for additional net comparison floorspace of 24900 sq.m. is not proven.**
- 11.4 Where is the evidence that Lancaster currently fails to provide a vital and viable centre? Clearly, I accept that the district could potentially be enhanced through new retail (and leisure/cultural) development but the question is not whether this is true but what quantum of new space is justifiable and in which location(s). New development should complement the current health of the centre rather than compete with it. A scheme which involves an increase of 80% in new retail comparison goods floorspace (relative to the existing city centre) and a very substantial car parking**

facility, focussed on clothing and footwear; and with no guarantee that a bridge link will or can be built, is just such a competing centre.

11.5 The proposed scheme is a major transformational change that is not in accordance with Policy W5 of the adopted RSS, both for the city centre itself and for other district centres (and beyond into south Lakeland). The situation that existed in Lancaster in 2005 when the scheme was conceived, was much the same as in 2002 or 2004. Surely if such a significant transformation was required in 2005 it would have been identified before then. However, neither SPG8, nor the city centre strategy SPG6, promoted transformational change within Lancaster. Centros' transformational scheme proposal has dragged recent policy-making at district level – as evidenced in the Core Strategy - along in its wake. There is now a clear divide between policy on retail at regional and national level, and policy on retail at local level.

References

Inquiry Library Documents

CD48 Planning Policy Statement (PPS) 1– Delivering Sustainable Development; and Supplement Document – Planning and Climate Change

CD50 PPS 6 – Planning for Town Centres

CD62 Lancaster District Core Strategy (Adopted July 2008)

CD63 The Core Strategy of the LDF

CD64 SPG 6 The City Centre Strategy

CD65 CCN Development Brief.

CD101 WYG 2006 district-wide Lancaster Retail Study (LRS)

CD54 PPG 15 – Planning and the Historic Environment

CD61 Regional Spatial Strategy for the North West (Adopted September 2008)

CD101 Lancaster Retail Study and Appendices, White Young Green (February 2006)

L 5 Bryning/Stone report

Additional Documents

I/R-02 topic paper 5 Economic Regeneration Core Strategy pp 27-33

I/R-03 Centros letter to PCC 19-02-09T

I/R-04 MapInfo update, March 2009

I/R-05 Experian Retail Planner briefing note 5.1

I/R-07 MapInfo 07/02

I/R-08 Letter of comfort

I/R-09 LDLP Shopping and Town centre monitoring report.

<http://www.lancaster.gov.uk/Documents/Planning/Town%20Centres/Shopping%20and%20Town%20Centres%20Monitoring%20Report%20January%202004.pdf>

I/R-10 WYG 2008

I/R-11 High Street Britain 2015

I/R-12 WYG audit of CM Retail Impact Assessment

I/R-13 Centros 2008 ME to WYG 080828 P Shuker jns.doc

I/R-14 Planning Policy Statement 12: Local Spatial Planning

<http://www.communities.gov.uk/planningandbuilding/planning/regionallocal/localdevelopmentframeworks/>

I/R-15 Centros additional retail statement

I/R-16 Lancaster and Morecambe spreadsheet

I/R-17 LCC core strategy reported response Now referenced CD 63 Appendix 10

I/R-18 Centros2008 SLDC.pdf

I/R-19 development agreement 1 redacted version.pdf

I/R-20 BCSC slide. NB Corrected ID.

I/R-21 Leasing agreement 4