

PEEL LAND & PROPERTY (PORTS) LTD

EAST FLOAT

**SUPPLEMENTARY NOTE REGARDING PPS4
ASSESSMENT FOR CLASS A2- A5
COMPONENT**

21 JULY 2010

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1. Introduction

- 1.1 In the preparation and review of the Officer's Committee Report in respect of the East Float planning application a question has arisen as to whether the Retail, Leisure and Office Statement (December 2009) and Addendum (June 2010) adequately deal with the proposed A2-A5 uses of the scheme. This supplementary Note therefore reviews the scope of that work and summarises the main points within the existing reports that deal with these matters.
- 1.2 Following that review and summary, the Note sets out additional information and commentary which is intended to assist the Council in considering the potential impact of this component of the East Float development on existing centres.

2. Review of Previously Submitted Documents

- 2.1 The Applicant's assessment of the need for, and potential effects of, the retail, office and leisure components of the East Float application is set out in two distinct elements. There is an Economic Impact Assessment by Regeneris Consulting, a detailed piece of assessment work looking at the social and economic impacts of the development, including the potential impact of the proposed office component upon town/city centres, most notably Birkenhead and Liverpool. There is also a Retail, Office and Leisure Statement (RLOS, December 2009) prepared by Turley Associates, submitted with the planning application; this document reviewed and assessed the proposals in relation to PPS6. An Addendum to the RLOS, also prepared by Turley Associates (June 2010) was subsequently prepared to provide an updated assessment. This followed the publication of PPS4 in December 2009 and the need to present additional information in response to the new national policy framework. The Addendum also addressed other matters which had arisen since the lodging of the planning application. The two reports have to be read together in order to fully understand and consider the assessment that has been carried out.
- 2.2 Having reviewed these documents it is Turley Associates' view that the overall assessment set out in these documents has, in general terms, taken the A2-A5 uses into account in considering the relevant tests in PPS4, although there is no separate quantitative assessment in respect of these uses. Our reasons for taking this view are set out below.
- 2.3 Except where there is a specific reference to Class A1 convenience or comparison floorspace, the term "retail uses" has been used throughout the assessment process to include Class A2 – A5 uses. This is clear from the Introduction to the December 2009 report and, in particular, paragraph 1.16 and Table 1.1 of that report, which clarify the "retail" content of the scheme proposals. Similarly, in Section 3 dealing with the Retail Context for consideration of the proposals, the existing "retail offer", in terms of the make up and strength of the various existing centres, comprises an analysis of the totality of retail uses, including service and food and drink outlets, in order to inform the assessment.
- 2.4 The Sequential Assessment set out in Section 5 relates to all of the retail content of the East Float proposal. This is clear in particular in respect of the parameters used in the assessment. Paragraph 5.8 explains that the assessment parameters include the potential ability of alternative sites to accommodate the total 60,000 sq m gross of retail uses (50% of which is assumed to be Class A1 with the balance comprising A2 -A5 uses). It is clear from the assessment that alternative sites

should be capable of accommodating a similar retail mix to East Float, including large scale convenience, comparison and retail service floorspace (i.e. Class A2-A5 accommodation) in order to replicate the type and quality of retail development proposed.

- 2.5 The detailed quantitative assessment of need and impact in Section 6 of the report focuses on the convenience and comparison (Class A1) retail components, as these were considered to have the greatest potential to impact on existing town and local centres. However, the assessment clearly encompasses the office and leisure components of the proposal, which are addressed in Section 7.
- 2.6 In respect of leisure components, that assessment relies upon the findings of the Retail and Leisure Study undertaken for the Council by Roger Tym & Partners which had identified both substantial expenditure growth (quantitative need) and a clear and strong qualitative need for Class A3-A5 uses and, in particular, for the type of quality restaurants, cafes and bars etc. , which East Float is seeking to attract. It was on the basis of this growth, and the additional expenditure which would result from population increase arising as a direct result of East Float (which is not included in the RTP forecasts) that the Assessment concluded that there was substantial quantitative and qualitative need, and that no harmful implications in terms of impact would be likely to arise.
- 2.7 No specific assessment was included in relation to Class A2 uses as there is no established or accepted methodology which would provide for a valid assessment, either of the need for, or potential impact of, such facilities. However, Section 7 of the RLOS (December 2009) does set out a justification for the office component of the scheme based on the identified “shortfall” in office floorspace in the Borough, which has been assessed at 130,000 sq m of accommodation. Although not identified separately within the figure, this shortfall has been taken to include the unmet occupier demand and potential for the development of office accommodation, which would strictly fall within the Class A2 definition. Given the fact that it would take some 14 years for this quantum of B1 floorspace to be built out at East Float (paragraph 7.8) and our conclusions with regard to the likely implications of the office development for Liverpool and other centres, it can safely be concluded that there is ample capacity to absorb that proportion of the A2 floorspace that would be completed over the usual 5 year period of any assessment, without any harmful effects elsewhere.
- 2.8 The Addendum report specifically addresses the PPS4 (as opposed to PPS6) ‘tests’ and adopts the same approach to the use of the term “retail” component, in that this generally includes the Class A2-A5 uses except where specific reference

is made to convenience and comparison floorspace. Also, very many of the references to “leisure” uses are qualified to the effect that these included food and drink outlets. Specifically, the assessment of the proposals against Policy EC10 of PPS4 at paragraph 4.14 emphasises that this assessment applies **equally to the office, leisure and retail elements of the scheme** (a direct quotation from the report). We are therefore satisfied that the A2-A5 uses have been considered against, and shown to be in compliance with. PPS4 Policy EC10.

2.9 With regard to Policy EC16, our view is that the assessment carried out does embrace the A2-A5 use class accommodation in respect of all of the relevant tests, although it is acknowledged that there is no quantitative assessment as of the type referenced at sub-paragraph EC16.1 d of PPS4 (this is discussed further below). Our firm view is that all the conclusions set out in paragraph 4.48 of the June 2010 Addendum apply equally to Class A3-A5 uses, as they do to all the other “leisure” components of the scheme.

2.10 Throughout the assessment the applicant has taken the view that the retail (including Class A2-A5 uses) and leisure components of the scheme are ancillary to the predominant commercial and residential elements. This view has been taken for the following reasons:

- The retail component (at 60,000 sq m gross) represents only 4.3% of the total planned floorspace of the development, which is relatively modest by comparison with other large scale mixed used schemes;
- The retail uses will not be viable in this location unless they form part of a much larger commercial and residential scheme, and will to a significant extent be supported by expenditure generated by people living and working at East Float; and
- The inclusion of a range of good quality retail units within a development of the scale of East Float is essential to the place-making agenda, making the location attractive to inward investors and occupiers and creating a successful and sustainable community.

2.11 It is for this reason that the Addendum concludes that EC16.1 d is not intended to apply to a development such as this, although we have provided an impact assessment in relation to the Class A1 component of the scheme.

2.12 As far as the A2 elements are concerned, we are not aware of any reliable methodology which would allow for a quantitative assessment of the potential impacts of this element to be undertaken. As noted above, we consider that this

has been addressed in general terms in the December RLOS having regard to the shortfall in provision and unmet demand for office accommodation in Wirral, which can be taken as indicating the position with regard to A2 uses. Further work has since been undertaken by Regeneris Consulting, who have produced a supplementary report on the potential economic impacts of the development on Liverpool City Centre and elsewhere. This demonstrates that there would be no adverse impact resulting from this element of the development. Although this assessment does not explicitly include the small A2 component (in addition to the substantially larger B1 component), it is reasonable to conclude that any assessment that could be undertaken of the A2 element of the scheme would draw the same conclusion. There is, therefore, not only no established method for assessing A2 impacts, but also no merit in undertaking any further or separate assessment.

- 2.13 However, in responding to the request of the Council that we consider this issue further, our assessment of the existing centres (Section 3 of the December report) shows that none of these has a disproportionately high representation of service outlets (which would include the A2 uses) . Moreover, none of the centres reviewed in terms of their attraction to visitors and overall economic and trading performance is dependent upon the presence of such uses. Indeed, in the larger centres, such as Birkenhead, A2 uses are generally focused in secondary rather than primary frontages, and are therefore less critical to the vitality and viability of those centres.
- 2.14 It is also the case that the majority of A2 uses which will be attracted to the scheme will be completely new to the area, and a net addition to existing provision within the Borough. For example, a post office, bank or other financial outlets will locate in the development primarily to serve the population working or living at East Float. Other A2 uses, such as estate/letting agencies, employment or job centres, reprographic facilities, etc will be attracted to East Float because of the new demand for these services directly generated by the development.
- 2.15 For all of the reasons set out above, we are of the firm view that the inclusion of A2 uses as part of the retail mix of the East Float proposals will have no realistic potential to impact adversely on the vitality and viability of any existing centres.
- 2.16 With regard to the A3-A5 uses, the assessment of impact undertaken within the two reports has been based on RTP's conclusion that there is substantial capacity within the borough to 2026 to accommodate additional development.. This has allowed us to conclude that there will also be an absence of harm, given the likely scale of development that would take place over this period or, more particularly,

over the 5 year period of assessment referenced in PPS4. This conclusion has been reinforced by our knowledge that the RTP assessment has not included any allowance for the additional expenditure capacity generated by the development itself; this would be available to support existing food and drink outlets in Birkenhead and other centres, as well as new development at East Float. As noted in RTP's final report, if Wirral Waters is developed as planned this will create additional need for restaurants, cafes and other food and drink outlets (footnote to P87 of the RTP report).

- 2.17 However, in light of the query from Wirral Borough Council, we have expanded upon this conclusion in the following section of this briefing note drawing upon the RTP Capacity Assessment relating to leisure uses.

3. Quantitative Assessment for A3-A5 Uses Floorspace

Introduction

- 3.1 The assessment of the impact of the A2-A5 uses upon the trade / turnover of existing uses set out below is based upon the RTP 2009 Report. The RTP Report incorporated an assessment of existing retail and leisure facilities in the Wirral including, uses A3-A5. RTP's assessment provides the means to calculate the impact of the food and drink elements of the East Float proposals. However, it does not include an assessment of existing A2 uses or the potential need for A2 uses. There are several reasons for this, not least the absence of a recognised methodology. The size of A2 uses varies considerably; unlike other A-class uses, this factor has no implications for unit turnover or impacts
- 3.2 On the basis that we have the means to calculate the impact of existing A3-A5 uses in accordance with Policy 16.1 d of PPS4, but not of A2 uses, it is necessary to disaggregate the A2 floorspace from the total proposed retail floorspace at East Float. The total proposed retail floorspace is 60,000sqm, 30,000sqm of which will comprise A1 uses; this leaves a further 30,000sqm for A2-A5 uses. To calculate what percentage of the 30,000sqm is likely to be given over to A2 uses, we carried out an analysis of the proportion of A2 floorspace in existing centres using GOAD Centre Reports. Examination of GOAD Centre Reports indicates that approximately 15% of the total floorspace would be likely to be occupied by A2 uses. Therefore, to calculate the potential floorspace at East Float that would be given over to A2 uses, we have assumed that 15% of the total retail floorspace (60,000sqm) is subtracted from the amount of proposed floorspace which would be in use for A2-A5 (30,000sqm). Using this calculation the potential split of floorspace is:
- 30,000sqm A1 Use
 - 9,000sqm A2 Use
 - 21,000sqm A3-A5 Use
- 3.3 A2 uses are most commonly found within secondary retail frontages; they perform a 'supporting role' within the offer of a town. Therefore, their presence or otherwise is not fundamental or critical to the vitality and viability of a retail centre; they add diversity but do not underpin economic performance. This is recognised by the fact that a number of local authorities have policies within development plans that actively discourage A2 uses within primary retail frontages

- 3.4 Taking these factors into account, the focus of the assessment below is on the impact of the 21,000sqm of A3-A5 uses upon existing trade and turnover.

Food and Drink Methodology

- 3.5 Table 5.11 of the RTP Report provides population per head expenditure figures for leisure activities in 2009. It shows that the UK average expenditure per head on restaurants, cafes, bars etc is £1,161. This is used by RTP to calculate the potential growth in expenditure on food and drink to 2021 - £38m (Paragraph 5.75). RTP then make an allowance for some of the growth in expenditure to be absorbed by existing businesses in the same manner as A1 retailing. It is assumed by RTP that 50% of projected growth will be retained by existing businesses, leaving £19m available to support new facilities. At paragraph 5.76, RTP take the assessment a step further and calculate how many new outlets could be supported by £19m up to 2021. The calculation is made using indicative turnover levels for different types of food outlets i.e. high profile restaurant operators, branded pubs/bars and smaller casual dining pubs.
- 3.6 We have some reservations about this methodology. First, the assumption that 50% of expenditure growth will be retained seems high considering the limited provision of existing leisure facilities in the Wirral. In particular, Birkenhead was found by RTP to have a very poor leisure provision, which is reflected in it having a market share for food and drink of only 6%.
- 3.7 Secondly, whilst the report gives an indication of turnovers of different types of food and drink establishments, it does not provide a percentage break down to show how an additional 20 units could be supported; the supporting calculations are absent from the report. In addition, the turnover of take-away restaurants does also not appear to have been taken into consideration.
- 3.8 Lastly, the RTP calculations make no allowance for Wirral Waters. Therefore, the total available expenditure figure will be significantly underestimated.

On the basis of RTP's baseline figures and with alterations for the discrepancies noted above, we have prepared a revised assessment of the capacity for new food and drink facilities.

Food and Drink Assessment

- 3.9 For the A1 retail assessment for East Float Turley Associates adopted a maximum forecast period to 2022; in contrast, the RTP study looks at food and drink

expenditure growth to 2021 or 2026 using a growth rate of 0.8%. To ensure that the study period for food and drink uses is comparable with the A1 retail assessment, the £38m expenditure growth figure (RTP estimate for 2021) needs to be projected to 2022. £38m increased by 0.8% is £38.3m. Within the same period 2009 – 2022, it has been estimated that an additional 8,875 people will have migrated from outside the Wirral to live at Wirral Waters. If the national average expenditure per head figure of £1,161 is applied to the Wirral Waters population, there would be additional growth in food and drink expenditure of £10.3m. Therefore, total expenditure growth in food and drink between 2009 and 2022 is assumed to be £48.6m.

- 3.10 Rather than assuming that 50% of growth in expenditure will be retained by existing units we believe, for the reasons indicated above, that 30% is a more realistic figure. This means that total expenditure in the Wirral to support additional food and drink establishments is £34m.
- 3.11 The RTP report provides the following estimation of turnover of food and drink establishments at paragraph 5.76:
- High profile restaurants - £1,000,000
 - Good quality restaurants - £850,000 - £1,000,000
 - Branded pubs / bars - £800,000 - £1,200,000
 - Small casual dining pubs - < £500,000
- 3.12 In addition to the above turnover assumptions, it is necessary to assume an appropriate figure for take-away restaurants. As no figure is provided by RTP, we have carried out research to find out the average turnover of take-away restaurants. Our research has indicated that they typically have a turnover of between £2,000 and £4,000 a week, or £104,000 - £208,000 per annum. For the types of establishment that have a turnover range, a mid point is assumed for take-away restaurants a figure of £156,000 is used, and £250,000 is assumed for small casual dining pubs. We have also adopted a mid point in the RTP estimates of turnover for the other type of outlet.
- 3.13 RTP have not provided an indication of the percentage of each type of establishment that has been assumed to calculate how many additional units can be accommodated. Therefore, we have utilised the following percentages based on the Salford Quays development (researched as part of an earlier assessment carried out for Media City in Salford):

- High profile restaurants – 18%
- Good quality restaurants – 18%
- Branded pubs / bars – 12%
- Small casual dining pubs – 28%
- Take-away restaurants – 24%

3.14 At East Float there is a total floorspace of 21,000sqm for A3-A5 uses. If we apply the above percentages to the total floorspace, it provides the following breakdown (cafes are included within small casual dining pubs):

- High profile restaurants – 3,780sqm
- Good quality restaurants – 3,780sqm
- Branded pubs / bars – 2,520sqm
- Small casual dining pubs – 5,880sqm
- Take-away restaurants – 5,040sqm

3.15 Using the above floorspace breakdown it is possible to calculate the potential turnover of the proposed A3-A5 floorspace at East Float.

- High profile restaurants – 3,780sqm
- Good quality restaurants – 3,780sqm
- Branded pubs / bars – 2,520sqm
- Small casual dining pubs – 5,880sqm
- Take-away restaurants – 5,040sqm

3.16 The average size of food and drink establishments which were being developed at Media City was calculated to be 363sqm. If we assume the same average floorspace per unit for East Float it is possible to calculate the potential turnover of the A3-A5 uses, and to assess if the growth in available expenditure is sufficient to support the new floorspace. The turnover of each element is calculated to be:

- High profile restaurants – 3,780sqm = 10.4 units. 10 units@ £1m = turnover of **£10m**

- Good quality restaurants – 3,780sqm = 10.4 units. 10 units @ £0.925m = turnover of £9.25m
- Branded pubs / bars – 2,520sqm = 6.7 units. 7 units @ £1m = turnover of £7.25m
- Small casual dining pubs – 5,880sqm = 16.2 units. 16 units @ £0.25m = turnover of £4m
- Take-away restaurants – 5,040sqm = 13.8 units. 14 units @ £0.156m = turnover of £2.18m
- Total Turnover = **£32.68m**

3.17 Total available expenditure growth for A3-A5 uses (to 2022) was estimated at £34m (see above). Therefore, leisure expenditure growth in the Wirral alone is capable, by 2022, of supporting slightly more than the total quantum of A3-A5 floorspace proposed within the East Float application. However, this conclusion needs to be considered in the context of a number of other key factors.

3.18 First, the food and drink outlets would also be supported by the expenditure generated by people employed at East Float but not resident within Wirral, and by those people visiting East Float for business, leisure or other reasons. Hence, the food and drink outlets will not be dependent solely on the expenditure growth within the resident population in order to achieve viable levels of turnover. However, even if all of the floorspace was completed by 2022, the scope for diversion of trade from existing outlets in the designated centres is likely to be so negligible that it would not have any material quantitative impact upon existing A3-A5 uses in those centres. The scope for a harmful impact is reduced also because we have allocated £34m (30% of the predicted growth in expenditure) to support the growth and development of the existing food and drink outlets within Wirral, hence allowing them to continue to grow their turnover at a significant rate to provide further protection from new competition.

3.19 More importantly, only a proportion of the 21,000sqm of A3-A5 floorspace will have been developed by 2022, and the rate of delivery of this floorspace is to be controlled by condition such that it remains in proportion to the quantum of commercial and residential space which is built out. In reality, only half of this floorspace would have been provided by 2022, according to the trajectory submitted as part of the original application submission. The trajectory illustrates that, at 2022, it is anticipated that only 21,000sqm of the total 60,000 sq m of “retail” development would be provided. Based on the agreed ‘split’ of the total

retail space, 50% of this figure (10,500 sq m) would be for A1 retailing. If it is assumed that 15% (3,150 sq m) would comprise A2 retailing, and the remaining 35% would be A3-A5 retail uses, which equates to only 7,350 sq m of food and drink floorspace, our analysis demonstrates significant capacity and little potential for harmful impacts. On the basis of the above calculations the forecast expenditure growth alone (including the Wirral Waters resident generated expenditure) would support nearly three times this quantum of development.

4. Conclusion

- 4.1 Given the significant capacity identified in the above assessment it can be concluded that there will be no adverse impact upon the existing A2-A5 uses within the established centres or on the centres themselves resulting from new floorspace created at East Float. Indeed, the proposals will respond to the quantitative and qualitative need identified in the RTP study, and the development as a whole will generate additional expenditure to support both existing and new floorspace.
- 4.2 Planning Conditions are to be attached to the planning permission, should it be granted, which would ensure that the total quantum of A3-A5 uses remains in proportion to the commercial and office development completed. Hence, the development of that floorspace is supported by the creation on-site demand for these facilities.
- 4.3 However, it has been demonstrated that, by 2022, growth in available food and drink expenditure could accommodate all of the total proposed A3- A5 floorspace in any event. This means that the proposed A2-A5 floorspace at East Float is not reliant upon trade draw from existing A2-A5 facilities, and it would not, therefore, have a negative impact in terms of the PPS4 test at EC161.d, particularly as that test requires that an assessment be made only of the position at five years from the date of the application.

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