



Town Centre North, Crawley

Viability and Delivery Study

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Executive Summary

This viability report has been produced to aid the Council's decision making processes on the future delivery of a major mixed use retail led development in Crawley town centre.

The Council has a continued desire to allocate part of Crawley town centre for a major retail led expansion of its comparison shopping offer with DTZ's recent updated retail capacity analysis work supporting this. However, due to the recent recession and associated property crash we consider Grosvenor's previous Town Centre North scheme, submitted to the Council in 2008, to be unviable and undeliverable in the current and foreseeable marketplace.

In light of this we believe that the Council will need to restructure its approach to reflect these revised market conditions, and requirements, if it is to successfully realise its ambitions. This can be seen in other town centre schemes around the country with the 'building blocks' that enable the creation of a viable and deliverable retail led town centre scheme having fundamentally changed.

The report briefly reviews the past Grosvenor proposal, provides a commentary on the current town centre development market, underlying retail demand and the implications of these on the Town Centre North (TCN) scheme.

A number of alternative sites and options for Crawley Town Centre have been analysed in order to identify the most appropriate strategy for delivering new retail development which most effectively responds to market conditions whilst attempting to meet the Council's priorities and objectives.

Following this analysis a set of initial '2010 world' building blocks for the most appropriate strategy within the current market context have been developed in this report. An interim strategy for the town centre has also been outlined, along with a set of high level cost and revenue assumptions to test the viability of these 2010 building blocks. The appraisal has been analysed through the development of 4 sensitivity tests and a strategy in relation to forthcoming projects has been developed.

Although the Council needs to respect the requirements of paragraph two above, if it moves forward on this basis, we are confident that a successful project can be created, and then delivered. It should be noted that not all town and city centres in the country are in this position – for a number, there is now no realistic likelihood of scheme progression for the foreseeable future.

The report analyses all options for the retail led expansion of Crawley Town Centre and as a result of this we consider the Council should continue to focus this on the Town Centre North policy area. However, as mentioned above, the fundamental 'building blocks' of creating such a scheme have changed with the Council needing to recognise that the overall redevelopment of this area will most likely occur on a phased basis and with different developers taking forward different elements. This does not however mean that the resulting revised scheme will be in any way less attractive than the original proposed. It is simply the commercial reality of the revised marketplace which requires change in order to become a reality in the foreseeable future. However, to ensure this is the case,

and that the Council ultimately achieves the right overall redevelopment, it will be fundamental that the Council has a proactive involvement throughout the development process. Two particular aspects which will be crucial are:

An overall revised masterplan for the entire area, which ensures that each element is complementary, and appropriately linked – both to each other, and the wider town centre.

An overall delivery structure, to ensure each element contributes appropriately to the financial and physical delivery of the whole.

Whilst the proportion of the retail element of TCN will need to reduce to reflect revised market factors, our proposed new concept for this element still has the ability to create the desired step change in the retail offer of the town.

Crawley has a real opportunity to become the pre-eminent retail location for the area immediately South of London, but only provided that it now moves redevelopment proposals forward proactively, and on the right basis. There is, therefore, a current 'window of opportunity' for the Council.

With various existing retail proposals in the town centre; at its edge, and out of town being in existence, we have outlined an approach that we consider would provide the best interim position to sustain the town centre. However, we have also proposed a solution which we feel provides most comfort that the medium to long term delivery of the retail step change is not impaired.

What the Council wants from the TCN area – both in terms of revised policy requirements, and financially, for its associated property and occupational needs – will have a significant impact on whether a revised project will ultimately be viable and deliverable. Equally, what the Council is prepared to contribute directly, and indirectly, will also have a significant impact. The same applies for the Council's two key Public Sector Partners – the HCA and the County Council. Clarity on these base 'inputs and outputs' at the earliest point is necessary.

In terms of delivery structures, there is a variety available to the Council. However, none is a panacea by itself, with some such as Local Asset Backed Vehicles (LABV's) having potentially serious negative impacts or side effects. All should be considered by the Council and its Public sector partners. These structures should help deliver the project – not drive it.

An overall, updated marketing strategy for Crawley Town Centre, agreed by all key stakeholders, is an important parallel activity to the above.

1. Introduction & Background

Introduction

- 1.0 This viability report has been produced to aid the Council's decision making processes on the future delivery of a major mixed use retail led development in Crawley town centre.
- 1.1 The report briefly reviews the past Grosvenor proposals, provides a commentary on the current town centre development market, underlying retail demand and the implications of these on the Town Centre North (TCN) scheme.
- 1.2 A number of alternative sites and options for Crawley Town Centre have been analysed in order to identify the most appropriate strategy for delivering new retail development which most effectively responds to market conditions whilst attempting to meet the Council's priorities and objectives.
- 1.3 This report develops a set of initial '2010 world' building blocks for the most appropriate strategy within the current market context, outlines an interim strategy for the town centre and applies a set of high level cost and revenue assumptions to test the viability of the 2010 building blocks. The appraisal has been analysed through the development of 4 sensitivity tests and an interim strategy in relation to forthcoming projects has been developed.
- 1.4 In section 9 the report looks at ways forward reviewing delivery mechanisms and planning strategy. The next steps in terms of procurement, timescales and recommended action points are provided in the concluding section 10, for the Council to consider.

Background

- 1.5 Crawley's TCN proposal is allocated in the adopted Core Strategy 2008 for major mixed use retail led development in the region of 50,000 sq m net gain of comparison floorspace. In 2005 Crawley Borough Council ('the Council') selected Grosvenor Ltd as its preferred development partner to deliver the TCN project to include a John Lewis department store, c. 100 shop units, 800 residential units, new leisure facilities and new offices, possibly including relocated Council offices. A number of objectives recur for the TCN project as highlighted in bold below.

*'The scheme is intended to help Crawley fulfil its role as a **primary regional centre**, enhance the retail offer within the sub- region, provide a **step change** to the **quality** of the facilities of the town centre and act as a **catalyst** to improve the wider town centre environment'.*

- 1.6 The impact of the downturn on town centre retail led developments in the UK has been sudden and has proved deep rooted. Since late 2007, the lack of capital from the credit crunch and onset of the recession has significantly impacted town centre development, with most schemes either put on hold, slowed considerably, or halted

completely (either through developer withdrawal, and/or a recognition by the Council that their project is now unviable/undeliverable. In Crawley, progress on TCN has stalled as a result of the economic recession.

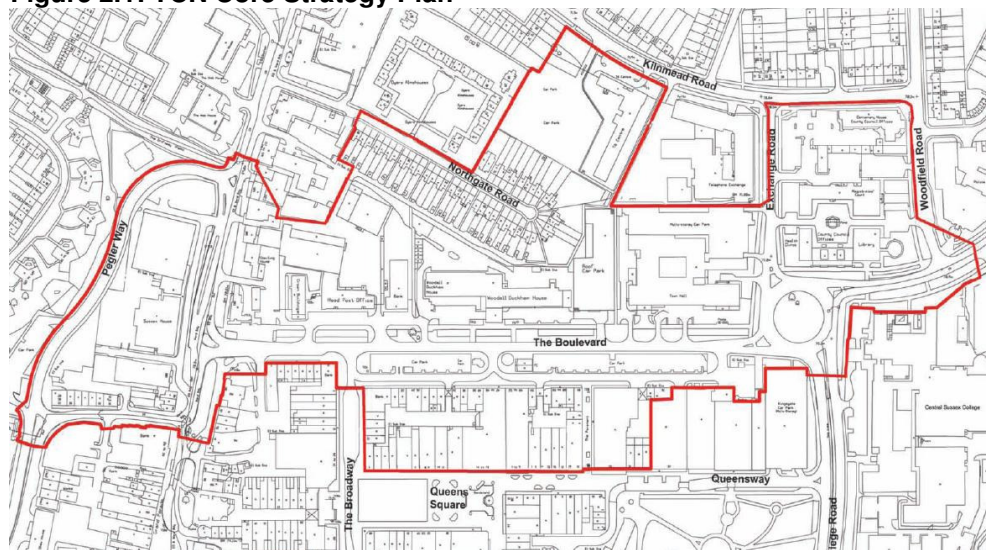
1.7 The analysis described above and contained within this report has been underpinned by consideration of the Council's priorities and objectives for the town centre, which have been interpreted through a comprehensive review of Crawley's Core Strategy and Town Centre SPDs, together with information gathered from a Member and officer workshop held in July 2010. We understand that the key priorities and objectives for the town centre are:

- Delivering a genuine, positive step change within the town centre, both in terms of the retail and physical environment.
- Improving the quality and quantity of the town centre's retail offer, including a new major retail anchor, alongside 'high end' retailers, to complement the existing mid-market and mainstream retailing.
- Raising the town centre's profile as a sub-regional centre with a key emphasis on Crawley's role in the Gatwick Diamond. Becoming one of the Top 50 UK centres is considered to be a benchmark target.
- Improving the town centre's image and identity and instilling a sense of pride of place in the local community.
- Stopping the loss of trade to other town centres, particularly primary sub-regional centres and the larger regional centres some distance away, through effective 'expenditure clawback' within the catchment area.
- Expand and enhance the land use mix, facilities and activities on offer in Crawley town centre, including increasing the amount of residential development.
- Timely delivery of improvements in other parts of the town centre, but not at the expense of achieving a positive step change.

2. 'Context' - Grosvenor's Proposals

- 2.1 This section of the report provides a brief summary of Grosvenor's proposals, which were developed with the Council between 2005 and 2008. Grosvenor was selected as Crawley Borough Council's preferred development partner in 2005. DTZ has had access to the masterplanning drawings, schedule of areas and some earlier financial appraisal summary documents from which this information has been drawn.

Figure 2.1: TCN Core Strategy Plan



- 2.2 Grosvenor's original scheme covered the majority of land within the red line boundary of the allocated Core Strategy site (shown in Figure 2.1 above), and was developed up until August 2008 when the last 'large' scheme proposal was submitted to the Council. Table 2.1 below summarises the headline schedule of areas for this proposals. It is worth noting that the Grosvenor proposal had a commercial office element and a replacement Town Hall.

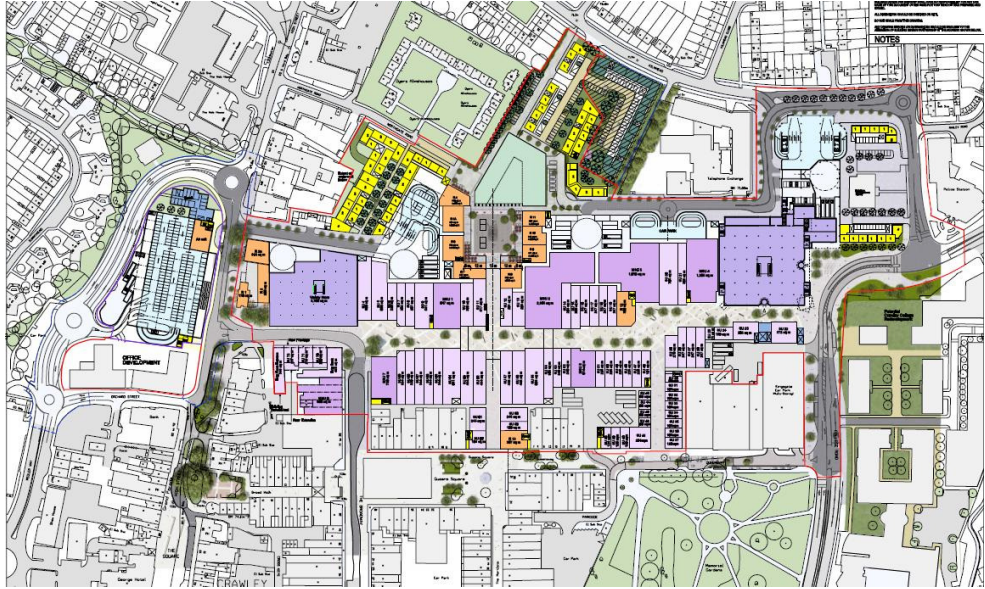
Table 2.1 – TCN 2008 Scheme

	Areas (sq m) or no. of units
	Grosvenor Aug 2008
Department Store (sq m)	24,610
Variety Store (sq m)	12,612
No of Shop Units (units)	69
Area of Shop Units (sq m)	28,766
No of Medium Shop Units (units)	7
Area of Medium Shop Units (sq m)	17,360
No of A3 Restaurants (units)	26
Area of A3 Restaurants (sq m)	16,707
Cinema (sq m)	4,049
Town Hall (sq m)	7,837
Primary Care Trust (sq m)	4,696
Shop Mobility (sq m)	160
Management Suite (sq m)	250
Car Parking Spaces (cps)	290
No of Residential Units (units)	760

The August 2008 Grosvenor scheme

- 2.3 In August 2008 Option '5Ea Revision G' for the TCN scheme, shown in Figure 2.2 below, was presented to the Council by Grosvenor, covering the majority of the redline area on the Core Strategy Plan for TCN. This was generally supported by the Council and was linked to the (unsigned) Development Agreement.

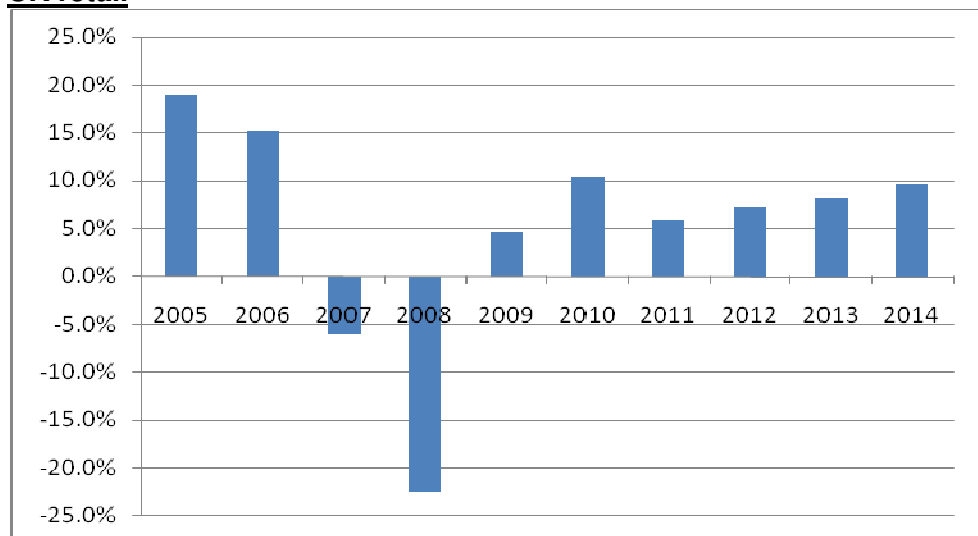
Figure 2.2 Masterplan Option '5Ea revision G' August 2008



3. Market Summary

- 3.1 The impact of the contraction in commercial property values seen in the 2007–2009 period still generally persists in the retail led town/city centre development market; by certain measures, the value of such developments dropped by up to 45% - 50%+ in some instances. Recently, there has been capital growth via yield compression, but the consensus is that this is essentially over and DTZ are currently generally forecasting flat yields in 2011 for such projects.
- 3.2 Figure 3.1 below shows the trend in total returns on investment grade, UK retail assets since 2005 and includes DTZ's projections for 2010-2014.

Figure 3.1 – Change in Total Returns (historical and projections) on UK retail



- 3.3 The drop in returns during 2007 and 2008 are clearly shown and the 2009 figure includes the first quarter of the year where returns were still negative in many cases. To put this into perspective, the worst change in returns registered in the last recession of the early 1990's was circa -9% and there was only one year of retrenchment.
- 3.4 Overseas demand for UK development opportunities has also eased substantially, with the UK market losing some of its allure over foreign counterparts. UK institutions remain significant investors but several of the major Parties have signalled that they are currently stepping back from the commercial property market for fear of it overheating and a 'double-dip' 'crash' in property values occurring.
- 3.5 The major developments that are on site currently are very few and far between and tend to have either a specific outside driver (eg Stratford City is attached to the Olympic Park) or be already contractually committed (eg. Bath Southgate)
- 3.6 Generally, there is a significant degree of negative sentiment towards complex, town centre regeneration projects at the current time.. Unfortunately, recent

analysis by the Investment Property Databank (IPD) of almost 3,500 developments completed over the last 26 years shows a median Internal Rate of Return (IRR) of 7.0% (compared to investment property which has a median of 8.3%). Within this, shopping centres were the worst performing sector with an average of 3.0% IRR. This has probably helped to reinforce this negative view. What the analysis does not take into account is the performance of shopping centres after opening where very high growth after the 5 and 10 year rent reviews can often occur as a result of market movements after pre-lets are secured and the boost in headline rents once the scheme is fully launched.

UK Developer Market

- 3.7 The number of developers looking to take on major retail led development schemes in the UK has decreased substantially over the last three years. Some of the biggest developers and investors in the UK retail market over the last decade have signalled that they are no longer looking to take on new town centre retail led development schemes (certainly in the UK) for the foreseeable future, and in some cases are disposing of their existing planned schemes.
- 3.8 There remains a high degree of caution from developers, who are typically unwilling to move schemes forward unless they have been substantially de-risked. A number of the major developers have highlighted that, in general, they are currently looking for developments with a relatively short turnaround time, minimal site assembly issues and the ability for a number of upfront pre-lets. This has led to an increased preference for schemes anchored by food stores, with retail warehousing and car parking provision on the edge of town centres.
- 3.9 At present, the only significant town/city centre development schemes that still really have a developer on board are those where there is an existing incumbent, who has invested too much capital to now withdraw from the scheme, and who really has to move the project on, to try to recover as much of this as possible; and where those parties feel the project is a high quality one with opportunity, even in the current market.
- 3.10 There are limited examples of Councils marketing town centre, retail based development opportunities and being successful in putting together a Development Agreement with a selected party over the last two years. Where this has been achieved, it has generally been on smaller schemes and/ or extensions to existing centres.
- 3.11 Another significant issue is the difficulty in obtaining bank debt on development projects. Banks are generally demanding that a relatively higher proportion of equity (compared to pre the credit crunch) be injected into projects by developers and that projects are de-risked considerably before they will lend.
- 3.12 On a more positive note, however, Crawley is considered amongst the remaining major relevant developers in the town centre retail development market as one of the best opportunities in the south east given the location, retail catchment and identified retail capacity forecasts. In addition, we consider that the development

industry is beginning to appreciate the significant 'opportunity' that this 'pipeline halt' to town centre schemes has created, and is seriously considering selected projects in that area. We also consider that Crawley will be one of these in that 'selective category', as a principle.

- 3.13 The recession has also caused a majority of Local Authorities to slow progress on their major town centre retail schemes which to some degree, in the backdrop of the reduced number of developers looking to take forward projects of this scale, has also reduced the supply of opportunities available.
- 3.14 DTZ's view is that if the Council decides to proactively pursue a major retail led development scheme in the immediate future, they could place themselves ahead of competing retail centres in time to harness the next peak in the property market cycle.

Impact of Market Changes on TCN

- 3.15 The condition of the property market, and particularly the market for complex town centre development sites outlined above, has significant implications for the TCN project and the manner in which it can now be taken forward.
- 3.16 Despite Crawley having advantages over a majority of major town centre retail led development schemes across the UK, any future scheme in Crawley town centre will need to be significantly reworked in order to make a viable proposition that is attractive to developers.
- 3.17 The viability of the August 2008 TCN scheme was naturally extremely challenged and is no longer a realistic and deliverable option in today's market.
- 3.18 Although we emphasise that the scale of a revised major retail led town centre scheme will inevitably have to be reduced in comparison to the August 2008 TCN scheme, in order to be deliverable in the current market, the key themes around any future proposals in terms of a major department store, a significant number of Medium Shop Units (MSU's) and a strong retail circuit will need to remain in order to ensure that the scheme still secures Crawley as a sub-regional retail centre. The key building blocks of a revised major retail led town centre scheme are discussed in Section 6 below.

4. Retail Capacity

- 4.1 In May 2010, DTZ was instructed by Crawley Borough Council to prepare a Retail Capacity and Impact Study, the purpose of which was to provide a new evidence base for the retail development policies to be included in the forthcoming Core Strategy. It was also to guide the Council on actions needed to implement its vision for a 'step change' in Crawley Town Centre's retail offer. The report was intended to replace the previous 'Crawley Retail Capacity Study' (2005) with a new study based on the most up-to-date information available. It was to provide a more up-to-date view of the potential for major prime retail development in the town centre than that provided in the 'Town Centre North Retail Assessment' by GVA Grimley undertaken for Grosvenor Developments in 2006.
- 4.2 The report examined capacity for new retail development in Crawley for the period up to 2026, and forecasted the likely retail impacts on surrounding town centres and within the town centre itself, of a major prime retail development in Crawley Town Centre on the scale indicated as being supportable by forecast retail capacity.
- 4.3 Our analysis of Crawley Town Centre concluded that it is currently vital and viable as a retail centre, with a good range of shops and services for a town centre of its size. New household interview survey data showed that the town centre attracts expenditure from a wide area, particularly on comparison goods. Whilst there is a number of vacant shops, these are mainly below the average size of shops in the town centre, and located mainly in the more secondary shopping streets and areas. This is not unusual, and does not indicate any particular weaknesses in the town centre.
- 4.4 With regards to future retail capacity, we examined two possible scenarios for retail development in Crawley. Scenario 1 assumed constant market shares of expenditure within the catchment area, while Scenario 2 considered a scenario which took into account a major new comparison goods retail development in Crawley Town Centre opening by 2016, thus increasing the town centre's market share of catchment area comparison goods expenditure from that date onwards.
- 4.5 Applying these scenarios, our forecasts indicate that there should be a growing, and eventually substantial, expenditure capacity for new comparison goods shop floorspace in Crawley Town Centre. The Scenario 2 forecasts would be sufficient to support a major retail led mixed use town centre scheme opening between 2016 and 2021.
- 4.6 Under Scenario 2 our forecasts show that this will likely generate capacity for additional floorspace of about 37,450 sq m net in 2016, rising to about 50,400 sq m net by 2021, and further to about 64,750 sq m net by 2026. These forecasts are on the basis that a major retail development in Crawley Town Centre is able to achieve a 'step change' in the town centre's retail offer, capable of permanently elevating Crawley's status as a shopping centre in the sub-region. This also assumes there are no similar 'step change' retail developments in the competing major centres,

which would cancel out that assumed in Crawley. The Scenario 2 forecasts also allow for some impact on comparison goods sales in the non-central retail warehouses and food superstores in Crawley. The Scenario 2 forecast (which allows for the increased TC market shares and reduced out-of-centre market shares) shows there will still be capacity for a small amount of non-central comparison goods floorspace, of about 2,500 sq m net in 2021, rising to about 7,550 sq m net by 2026, trading at typical retail warehouse sales densities. Table 4.2 also shows a theoretical over-supply of non-central floorspace in 2016; and indicates that capacity for more such floorspace will not start to arise until about 2018/9. Therefore if the Council commits to TCN, it means no more non-central comparison goods floorspace, in retail warehouses or food/non-food stores, is supportable for at least 8 years.

- 4.7 On the basis of our detailed retail analysis we consider there to be sufficient capacity for a major comparison goods retail development, albeit not quite fully on the scale previously envisaged for Town Centre North, by about 2021.

5. Possible Sites for the Retail Led Schemes

- 5.1 In this section we analyse a number of alternative options for delivering the Council's retail led regeneration aspirations for Crawley Town Centre, with the intention of being able to identify the most appropriate strategy for delivering new development in the town centre. The options that are tested within this section can best be described as:
- Option 1 – Continuing with the current Town Centre North scheme;
 - Option 2 – Develop the overall TCN concept in phases, including a core retail element;
 - Option 3 – A new scheme in Town Centre East;
 - Option 4 – A new scheme in Town Centre West; and
 - Option 5 – An Asset management and piecemeal approach to town centre development.
- 5.2 To inform and guide this analysis we have given due consideration to a number of criteria which stem from our understanding of the Council's ongoing priorities and objectives for the town centre, but also take into account a range of other factors, including planning, market and deliverability considerations. The criteria used to analyse the options are as follows:
- a. **Step Change** - The ability of the option to deliver the desired positive step change in the town centre and raise the profile of Crawley as a major sub-regional centre;
 - b. **Environment** - The extent to which the option will deliver major improvements to the quality of the town centre environment;
 - c. **Retail** - How effective the option would be at enhancing the quality and quantity of the town centre's retail offer, and claw back trade;
 - d. **Other Land Uses** - How well the option responded to the Council's other aspirations for the town centre, for example the delivery of new housing ;
 - e. **Planning Policy** - How divorced the option was from the most recent proposals and what implications this has in planning policy terms.
 - f. **Delivery and Viability** - Whether the scheme represents a potentially viable and deliverable alternative, and how long it would potentially take to achieve implementation.
- 5.3 Each option has been assessed independently using a 'red, amber, green system' to determine its effectiveness at responding to individual criteria. Detailed

commentary is provided in the right hand side of the assessment tables with a summary of the respective strengths, weaknesses and suitability of the option provided thereafter. It should be noted that the following analysis has been undertaken without the benefit of masterplanned schemes for each alternative option. We have therefore applied high level planning and development principles and assumptions to inform our analysis.

Option 1 – Progress with TCN in its current format

- 5.4 This option involves the pursuit of TCN in accordance with the scheme design prepared in partnership with Grosvenor, and reflected in the adopted Crawley Borough Core Strategy (2007) and Town Centre North SPD (2009). Implementation of TCN in its current format would result in the comprehensive delivery of circa 62,000 sq m of retail floorspace net, alongside 26 new A3 units, a cinema, a new Town Hall, 760 town centre dwellings and 3125 car parking spaces.
- 5.5 The site required to deliver this scheme is depicted in Figure 5.1 below, and reflects the red line site boundary shown in the Core Strategy Proposals map.

5.6 An analysis of how this option responds to the key development and planning considerations is provided in Table 5.1 below:

Table 5.1: Option 1 Analysis

Consideration	Yes/No/ Maybe	Comment
Step Change	Y	If implemented as envisaged by the Core Strategy and TCN SPD, the resultant scheme would deliver the desired step change and successfully elevate Crawley's profile as a major sub-regional centre.
Environment	Y	This option would substantially improve the quality of the environment through the comprehensive regeneration of the town centre's northern quadrant, and flow on benefits to the rest of the town centre via strong direct pedestrian links.
Retail Quality	Y	This option would result in a major uplift in the quantity and quality of the town centre's retail offer, including a new department store and prime retail strip. Strong links to the existing Primary Shopping Area would also support an enhanced retail network.
Retail Capacity	N	Based on the findings of our Retail Capacity and Impact Study (2010) there would not be sufficient capacity to support a scheme of this size until circa 2026. Delivery prior to this date would adversely impact the town centre's existing shopping facilities as well as other centres in the catchment area.
Other land uses	Y	Implementation of this option would provide a new Town Hall, PCT facility, A3 uses, cinema and circa 800 new town centre dwellings.
Policy	Y	The scheme design would be consistent with the Core Strategy and TCN SPD and would therefore not require any change or update to the LDF.
Viability	N	Grosvenor has stated that the TCN scheme in its current format is not viable given the current economic and development climate, and this is unlikely to change in the foreseeable future. DTZ agrees.
Delivery	N	Delivery is intrinsically linked to viability in this instance.

5.7 A summary of the strengths and weaknesses of Option 1 is provided below:

Strengths

- Delivers step change
- Improves the physical and retail environment

Weaknesses

- Scheme is unviable and undeliverable in current format – both now, & for the foreseeable future

- Provides other land uses
- Consistent with adopted plan policy
- Exceeds forecast retail capacity

5.8 **Synopsis:** A scheme of the magnitude originally envisaged for Crawley Town Centre would provide the desired step change to the town centre's environment and retail landscape, and would effectively elevate Crawley's profile as a major sub-regional centre. Whilst this is the case, the onset of the economic downturn has stifled expenditure growth and reduced future retail capacity which, in parallel with a down turn in the property market, has seen the development industry adopt a more cautious approach to town centre schemes. With this in mind, whilst such a scheme would achieve the Council's aspirations and objectives for the town centre, we consider it unlikely that the development industry would be willing to take on board the associated costs and risk required to deliver a scheme of this size and nature – but most fundamentally, it is now unviable for the current & foreseeable future.

Option 2 – Develop the overall TCN concept in phases, including a core retail element

5.9 This option involves the continued pursuit of Town Centre North, albeit with the core retail element in a different and most likely smaller format than that which was originally conceived in partnership with Grosvenor. This approach would require significant re-design and value-engineering of the current TCN proposal to develop a concept that more effectively responds to current and future market conditions, whilst maintaining a focus on achieving a high quality development outcome that delivers on the town centre's retail led step change aspiration.

5.10 Under this option, the initial elements would remain in the same general location as the most recent TCN proposals, and would be supported by the same key planning and development principles. As part of a value engineering exercise, elements of the present TCN scheme considered non-essential, or with a poor cost-benefit relationship would be removed from the retail-led scheme. In reality this would likely result in a 'de-coupling' of the scheme's retail and residential components, which would then be delivered in separate phases. Such an approach would still support the town centre's regeneration vision, but importantly would help produce a more viable and deliverable retail element of the overall TCN concept with a greater chance of early delivery and success under current market constraints. The Council would need to ensure that appropriate Section 106 contributions are made by each phase in order to deliver any required public realm enhancements that are not delivered within the phases themselves.

5.11 The possible site area required for this concept is broadly indicated in Figure 5.2 below, with an analysis of how this option responds to key development and planning considerations provided in Table 5.2.

Figure 5.2: Option 2 Plan – Core Retail element of the overall revised TCN concept

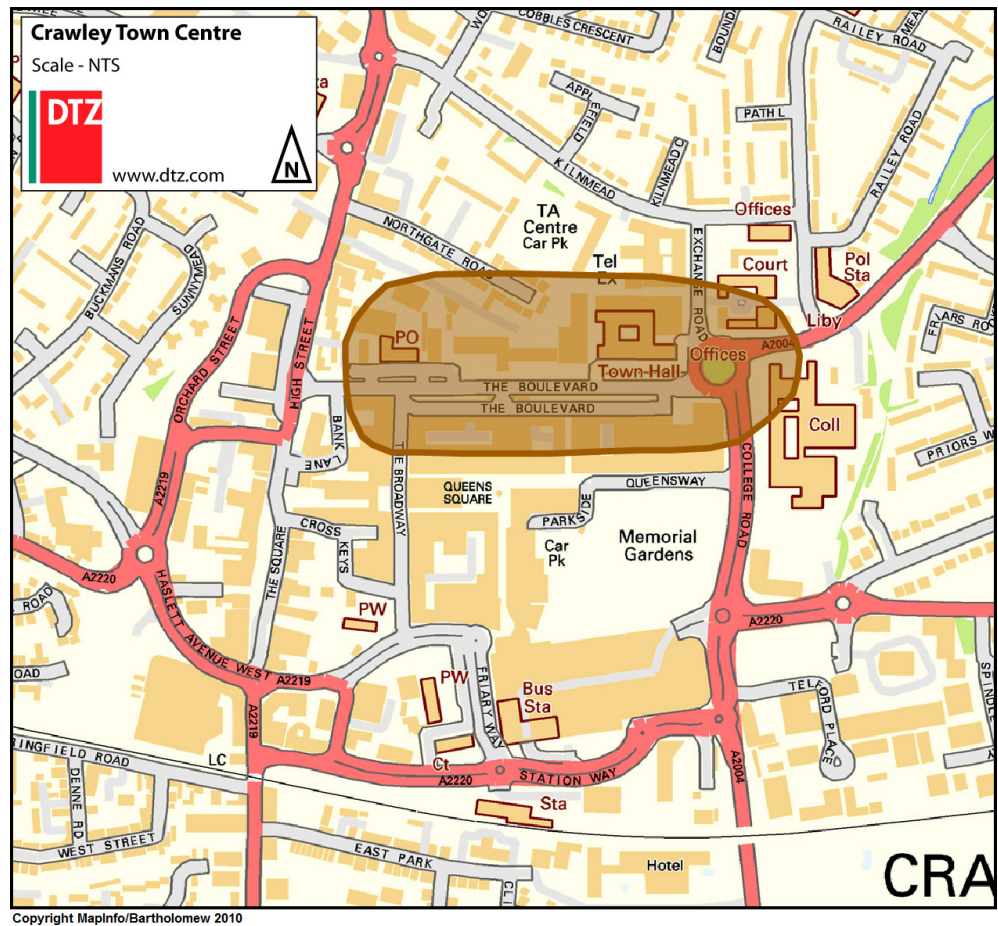


Table 5.2: Option 2 Analysis

Consideration	Yes/ No/ May be	Comment
Step Change	Y	It is considered that a high quality retail element of the overall revised TCN concept, located in the northern quadrant with strong links to the existing Primary Shopping Area (PSA) and of a scale consistent with forecast retail capacity, would deliver the desired step change to the town centre and subsequently elevate Crawley's profile as a major sub-regional centre. It could still support a major department store.
Environment	Y	A retail element of this scale and in this location would provide a significant improvement in the quality of the town centre, and if designed correctly with effective links to the existing PSA

		would deliver a range of benefits to the rest of the town centre.
Retail Quality	Y	An initial retail element incorporating the quantum of retail proposed would provide a substantial improvement in both the quantity and quality of the town centre's retail offer, including a new department store anchor and prime retailing. If designed correctly this element would also enhance the town centre retail network.
Retail Capacity	Y	Based on the findings of our Retail Capacity and Impact Study there would be sufficient capacity to support a step change element comprising 50,400 sq m net by 2021 with it being implemented and operational by 2018 (see timescales in section 11 below) plus 2-3 years for scheme to reach trading maturity is considered to be a realistic target.
Other land uses	M	Through a re-design and 'value engineering' exercise of the current TCN scheme, it is likely that some aspects considered to be a 'cost' will be removed from the core retail element. This may include land uses such as housing, office floorspace, a new Town Hall and the proposed PCT. Whilst this is the case it would still be possible to deliver some of these as part of the wider TCN allocation through phased development.
Policy	M	Planning policy would need to be reviewed to determine the extent of the update required. Core Strategy Policy TC1 requires ' <i>an appropriate range and quantity of high quality offices (including a new Town Hall), about 800 residential units, and a range of leisure, community and other use.</i> ' and is supported by a Supplementary Planning Document providing more detailed guidance. A core retail element of the overall revised TCN concept is unlikely to provide all these land uses but would remain consistent 'in principle' with adopted policy. It would however still be possible to deliver other components of the site allocation (i.e. housing, offices etc) as separate proposals, which in concert with the main retail scheme would help achieve the Council's aspirations for the TCN allocation. With this in mind Option 2 does not represent a substantial deviation from current policy.
Viability	M	An approach focussing on a smaller core retail

		<p>element allows the potential to retain a number of value generating components of the current TCN scheme whilst derisking and scaling back the largest element of the TCN allocation to a deliverable scale to improve viability and to reflect the more limited development market. The degree of scaling back will need to be part of a more detailed value engineering and prioritisation exercise. Our high level analysis to date has indicated a viable scheme can be delivered, albeit subject to a number of key assumptions.</p>
Delivery	M	<p>A more focussed and viable retail element of the overall revised TCN concept will inherently be more deliverable, however there will still be a number of risks to overcome such as land assembly, prelets and obtaining development finance for a major development scheme. Whilst the majority of major town/city centre development schemes have been stalled for some time, those where aspirations have been re-aligned to the market and focussed on sectors which are seeing growth have started to improve in viability and developers are willing to progress.</p>

5.12 A summary of the strengths and weaknesses of this option is provided below:

Strengths	Weaknesses
<ul style="list-style-type: none"> • Delivers retail led step change • Improves the physical and retail environment • Consistent with identified capacity • Provides other land uses (albeit through separate proposals) • Consistent with principles of adopted plan policy • Better responds to current market challenges 	<ul style="list-style-type: none"> • Requires update in plan policy • Other land uses such as residential may be delivered later as and when they are financially viable.

5.13 **Synopsis:** We consider that a phased development of the TCN area with at its heart a 'smaller' (albeit still very significant) retail element, delivering new retail floorspace in line with our capacity forecasts (i.e. 50,400 sq m net by 2021) has the potential to deliver the Council's objectives. We consider the proposed core retail

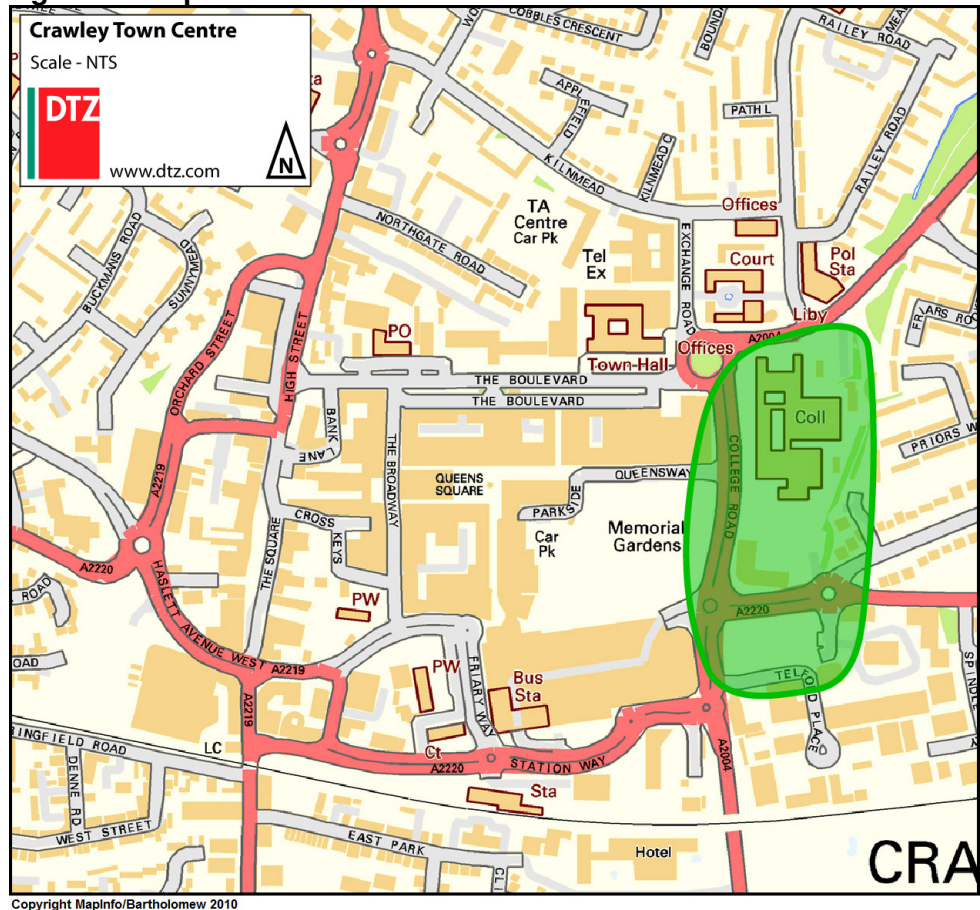
element of the overall revised TCN concept would be sufficient to deliver a step change and raise Crawley Town Centre's profile as a major sub-regional centre. A retail element of this magnitude would be department store anchored and would provide a substantial uplift in both the quantity and quality of Crawley's retail offer. The site's proximity also supports strong links to the existing primary shopping area and if designed correctly, would deliver major improvements to the physical environment through direct intervention and wider town centre regenerative benefits.

- 5.14 Through the 'value engineering' exercise it is likely that the current comprehensive scheme would be segmented into various phases and uses, for example de-coupling of the retail and residential components. Whilst this is the case it would still be possible to deliver these as separate but linked phases, which when combined together would deliver the TCN allocation.
- 5.15 Importantly through this comprehensive 'value engineering' process the resultant retail element of the overall revised TCN concept would represent more viable and deliverable opportunities for the development market, all of which will support the site's delivery sooner rather than later.
- 5.16 In planning policy terms, the proposed core retail element of the overall revised TCN concept, would not strictly comply with the adopted Core Strategy and Town Centre North SPD. Importantly, however, it would be consistent with the planning and development principles which underpin these documents, as well as the Council's evidence base which has informed the decision to allocate this area as the most appropriate location for a comprehensive retail-led town centre expansion. With this in mind we consider that pursuit of this approach would require less significant alterations to current planning policy. Indeed, Policy TC1 would only need to be slightly varied while the TCN SPD would require a more comprehensive review.

Option 3 – Town Centre East

- 5.17 Option 3 involves delivering a new town centre scheme in the town centre's east, on land broadly framed by Northgate Avenue to the north and Telford Place to the south, linking in with the town centre via The Boulevard, Queensway and County Mall. The possible site area required for this option is broadly indicated in Figure 5.3 below.

Figure 5.3: Option 3 Plan – Town Centre East



- 5.18 Pursuit of this option would require the conception of an entirely new scheme, underpinned by extensive new background, technical and evidential analysis to understand the intricacies and challenges of such an approach, and also to develop an appreciation of the potential effects (positive and negative) on delivering a major extension to the town centre in this location.

- 5.19 An analysis of how this option responds to key development and planning considerations is provided in Table 5.3 below:

Table 5.3: Option 3 Analysis

Consideration	Yes/No/ Maybe	Comment
Step Change	M	A scheme of a scale consistent with forecast retail capacity has the potential to deliver a step change to the town centre. However the site is divorced from the existing town centre core which would therefore severely limit the scheme's ability to provide a significant uplift to the wider town centre.
Environment	M	Much of the site is already characterised by a good quality environment including the new library and college buildings. A scheme in this location would be harmful to the existing environmental character of this area but would improve the retail environment within its site boundaries. Whilst this is the case it would struggle to positively uplift the wider town centre environment given the site's physical separation and lack of strong direct links with the existing primary shopping area.
Retail Quality	M	A scheme incorporating the quantum of retail proposed would most likely include a department store anchor and provide a substantial improvement in the quantity and quality of the town centre's retail offer. The site's poor relationship with the existing retail network would mean that this may come at the expense of the existing retail area.
Retail Capacity	Y	Based on the findings of our Retail Capacity and Impact Study there would be sufficient capacity to support a scheme comprising circa 50,000 sq m net by 2021 on the proviso that this scheme was capable of delivering the necessary step change to justify its size. Assuming 2-3 years for a scheme of this size to reach trading maturity, a scheme being implemented and operational by 2019-2020 (allowing additional time for relevant amendments to planning policy) is considered to be a realistic target.
Other Land Uses	M	This option is likely to provide other alternative land uses including A3 uses and possibly some residential. Other land uses would need to be delivered elsewhere in the town centre through independent developments.
Policy	N	Plan Policy would need to be fundamentally changed. The Core Strategy and TCN SPD would need to be re drafted, and supported by new and revised evidence base to justify a new site

		allocation. Potential for challenges through this process given the change would undermine all the previous work gone into preparing the current proposals.
Viability	N	Scheme viability in this location would represent a number of challenges. Firstly, we doubt key retailers would commit to a scheme so divorced from the town centre. Secondly, pulling the pedestrian footfall to the east over College Road will affect value aspirations. Addressing the College Road / Haslett Avenue East Road network could increase infrastructure costs significantly. Identifying and delivering an alternative site for the Central Sussex College and the Library would be significant in addition to the loss of a significant town centre located catchment base from the location.
Delivery	N	Delivery in this location would present a number of risks in terms of timescales and phasing of vacant possession, addressing highways issues and challenges to change policy.

5.20 A summary of the strengths and weaknesses of this option is provided below:

Strengths

- Improved retail offer
- Consistent with forecast retail capacity

Weaknesses

- Scheme would most likely be unviable and undeliverable
- Complex and expensive site assembly
- Risk that a scheme in this location would not achieve step change
- Likely to adversely impact existing primary shopping area
- Unlikely to deliver wider town centre improvements
- Inconsistent with adopted plan policy
- Other land uses won't be delivered until later in plan period
- Potential loss of quality new library and college buildings

5.21 Synopsis: A new scheme to the town centre's east, delivering new retail floorspace in line with capacity forecasts (i.e. 50,400 sq m net by 2021) could increase the quantity and quality of Crawley's retail offer. The site's location on the eastern side of College Road however means that it is divorced from the existing town centre

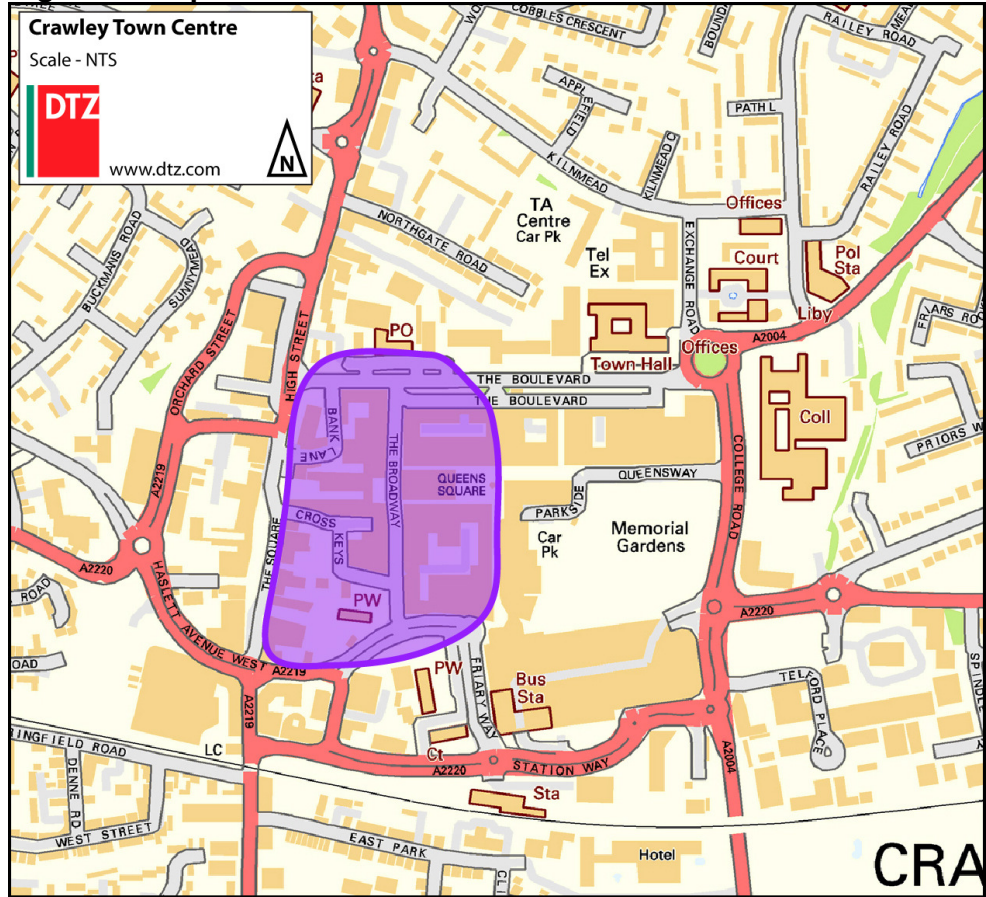
core and this would significantly limit the scheme's ability to successfully integrate with the established retail network and deliver wider regenerative benefits to the town centre. Moreover, we doubt key retailers would commit to it.

- 5.22 In plan policy terms, this option contradicts the policies of the adopted Core Strategy and Town Centre North SPD, and is entirely inconsistent with the underlining planning principles and evidence base that have informed the Council's decision making to date. Pursuit of this option would therefore require a comprehensive review of the LDF, which in itself has the potential to undermine any future application on the basis that the current TCN site is a more sequentially preferable and appropriate alternative for a comprehensive retail-led town centre expansion.
- 5.23 From a viability and deliverability viewpoint land assembly will be extremely expensive and complex, and the success of retail in this location will be dependent on a significant change in the retailing dynamics of the town centre to pull footfall to the east. Retail values in this location are untested and attracting occupiers to the location will be difficult as it is detached from the retailing core of the Town Centre Area. Even if College Road could theoretically be redirected to the rear of the site to make way for more direct and unencumbered pedestrian access, this would be at substantial expense to the scheme and be likely to render such a proposal unviable.
- 5.24 With these points in mind we remain unconvinced that a scheme in this location would achieve the desired step change for the town centre.

Option 4 – Town Centre West

- 5.25 Option 4 is to deliver a new town centre scheme to the west of the Primary Shopping Area, on land broadly framed by High Street to the west, Haslett Avenue West to the south, The Boulevard to the north, and linking directly with the Martletts and Queens Square. The possible site area required for this option is broadly indicated in Figure 5.4 below.

Figure 5.4: Option 4 Plan – Town Centre West



- 5.26 As the case with Option 3, this option would also require conception of an entirely new scheme, underpinned by extensive background, technical and evidential analysis to understand the intricacies and challenges of such an approach, and also to develop an appreciation of the potential effects (positive and negative) on delivering such a major extension to the town centre in this location.
- 5.27 An analysis of how Option 4 responds to key development and planning considerations is provided in Table 5.4 below:

Table 5.4: Option 4 Analysis

Consideration	Yes/No/ Maybe	Comment
Step Change	M	The size of the scheme capable of being delivered in this location is somewhat limited by the extent and availability of land between High Street and the existing Primary Shopping Area, and is also constrained by the town centre's High Street Conservation Area. While a scheme in this location would undoubtedly deliver a major improvement to the town centre it is questionable whether this would be significant enough to achieve the desired step change and raise Crawley's profile to that of the major sub-regional centre.
Environment	M	A scheme in this location could link in well with the existing Primary Shopping Area, could significantly enhance the environment in this area, and provide a much needed lift to the town centre . The magnitude of the positive benefits to the town centre's wider environment would however be limited by the amount of land available for such a scheme in this location.
Retail Quality and Quantity	M	This option would provide an improvement in both the quantity and quality of the town centre's retail offer and could link in well with the existing PSA. The area's spatial constraints and existing retail function would however limit the amount of new retail floorspace able to be achieved under this option, and it is questionable as to whether there would be sufficient space to deliver a department anchor store in this location.
Retail Capacity	M	Assuming this approach would struggle to achieve the desired step change, based on our Scenario 1 findings of our Retail Capacity and Impact Study (2010) there would only be sufficient capacity to support a scheme comprising circa 27,200 sq m net by 2021, rising to 38,500 sq m net by 2026.
Other Land Uses	N	Given the spatial constraints associated with this option, we consider there is limited capacity to provide other town centre uses alongside new retail floorspace. Other uses would therefore need to be delivered independently through separate development proposals.
Policy	N	Area is within Primary Shopping Area. However, planning policy for TCN would need to be fundamentally changed. Core Strategy town centre polices and the TCN SPD would need to be re

		written, and supported by new and revised evidence base to support a new site allocation. Potential for challenges throughout this process given this change would undermine all the previous extensive work undertaken in preparing the current proposals.
Viability	M	Viability in this location is likely to be challenged by complex land assembly and highways issues. Replacing existing primary retail with retail is likely to be expensive and is typically not common practice due to the implications of this on viability resulting from high land assembly costs. The area's spatial constraints and existing retail function would limit the amount of new retail floorspace able to be achieved under this option which could impact heavily upon the viability. Should the delivery of a department anchor store in this location not be possible in spatial terms, rents on the enabling shop units would be adversely affected due to the removal of the 'critical anchor'.
Delivery	M	Deliverability and phasing in this location will present a challenge in terms of gaining vacant possession and timings

5.28 A summary of the strengths and weaknesses of this option is provided below:

Strengths	Weaknesses
<ul style="list-style-type: none"> • Improved retail offer and retail circuit • Improved quality of environment • Within Primary Shopping Area 	<ul style="list-style-type: none"> • Unlikely to achieve step change • Scheme unlikely to be viable or deliverable • Lower retail capacity given non step change scheme • Limited ability to deliver wider town centre improvements (e.g. environmental) • Complex site assembly • Inconsistent with adopted plan policy • Other land uses won't be delivered until later in plan period

5.29 Synopsis: Under this option a new scheme would effectively integrate with the existing Primary Shopping Area, enhance the town centre's physical environment and increase the quantity and quality of Crawley's retail offer. The size of the scheme and its ability to deliver wider regenerative benefits and achieve a step change would however be somewhat limited by land availability and spatial

constraints, the site's existing retail uses, its partial inclusion in the conservation area and potential loss of listed buildings.

- 5.30 In plan policy terms, although this site is within the Primary Shopping Area, this option contradicts the adopted Core Strategy Policy TC1 and Town Centre North SPD, and is inconsistent with the underlining planning principles and evidence base that have informed the Council's decision making to date. Pursuit of this option would therefore require a comprehensive review of the LDF, which in itself has the potential to undermine any future application given the Council has previously demonstrated that TCN is the most appropriate location for a major retail-led expansion.
- 5.31 From a viability and deliverability point of view, land within this area would be difficult and extremely costly to acquire given its existing primary and secondary retail functions and complex land ownership characteristics.
- 5.32 The cost of acquiring existing primary shop units on The Martlets, for example, at market value, demolishing the units and then rebuilding new primary shop units is likely to be significant. The revenue generated therefore is unlikely to be greater than the costs which would therefore make the scheme unviable.
- 5.33 Should a town centre west scheme seek to avoid assembling the primary retail areas within the purple line shown on Figure 5.4 in order to improve this position the benefits of retail links identified with this option above will be lost and therefore a satisfactory option is unlikely to be realised in this location. We feel that a developer would struggle to secure pre-lets (hence successfully de-risk) on a scheme with compromised connections to the existing Primary Shopping Area.
- 5.34 Any spatial limitation reducing the overall retail area and possibly resulting in the risk of insufficient space for a department store would impact heavily on the lettable and rental values achievable on the supporting shop units.

Option 5 – Piecemeal and Asset Management Approach

- 5.35 Option 5 is to pursue the future regeneration and improvement of the town centre through a number of smaller piecemeal developments (including refurbishing the existing County Mall), as opposed to promoting a comprehensive retail-led town centre expansion which may still allow smaller scale developments to take place in the shorter term.
- 5.36 This option would require a change in strategy for rejuvenating the town centre, involving the delivery of a series of strategic town centre sites as opposed to a single major town centre expansion. Together these sites would contribute to improving the town centre's retail offer, enhancing the physical environment, and raising Crawley's overall profile to that of a vibrant sub-regional town centre.
- 5.37 As there is no definitive site under this option, the areas for improvement would need to be identified through a comprehensive town centre review to establish the most appropriate locations for direct intervention.

Table 5.5: Option 5 Analysis – Piecemeal and Asset Management Approach

Consideration	Yes/No/ Maybe	Comment
Step Change	N	We consider that this option would unlikely to be capable of delivering the desired step change, and similarly would be ineffective in raising Crawley's profile as a major sub-regional centre. A genuine step change will only be capable via a comprehensive approach which substantially alters the town centre's urban fabric and retail offer. Under this approach, Individual development proposals would be delivered 'as and when' with no real strong linkages or co-ordination.
Environment	N	This approach would deliver environmental enhancements in select town centre locations immediately adjacent to identified sites. Under this option it would be vitally important to maximise S106 contributions, particularly towards public realm enhancements. Even in the event this could be achieved we remain unconvinced that a series of smaller disparate proposals would be effective at providing the desired step change in the town centre's physical environment.
Retail Quality and Quantity	N	The disparate nature of development proposals under this option would make it more difficult to cross-subsidise the delivery of a new department store. With this in mind and given the lack of a comprehensive approach, we consider that this

		would significantly limit the ability of this option to provide the major improvement in the quality and quantity of the town centre's retail offer.
Retail Capacity	Y	Assuming that this approach would struggle to achieve the desired step change, based on our Scenario 1 findings of our Retail Capacity and Impact Study (2010), there would only be sufficient capacity to support a scheme comprising circa 27,200 sq m net by 2021, rising to 38,500 sq m net by 2026.
Other Land Uses	N	The piecemeal approach adopted under this option would be unlikely to be able to support the delivery of significant new housing and other town centre facilities. The Council would therefore need to pursue the delivery of other land uses independently in the town centre.
Policy	N	Planning Policy would need to be changed as the promotion of disparate sites within the town centre would undermine the Core Strategy Policies and TCN SPD.
Viability	Y	Viability of individual sites would be dependent on site specific factors. Smaller schemes are more likely to secure funding and pose less of a risk than major town centre schemes. Most smaller town centre schemes going forward at present are very much dependant on a pre-let being secured for all commercial property sectors with very little speculative development occurring. Retail schemes depend heavily on location with standard shop units only likely to be developed around existing anchored prime retail areas. Demand from key retailers may be lacking due to deficiency of critical mass required to create a step change in the centre.
Delivery	Y	Delivery will be dependent on site specifics. A piecemeal approach will ensure the market place only delivers sites which are viable. Therefore on more challenging or even marginal sites there may be little activity for a while.

5.38 A summary of the strengths and weaknesses of this option is provided below:

Strengths

- Smaller scale schemes likely to be viable and deliverable
- Could improve specific areas of the town centre
- May come forward earlier

Weaknesses

- Won't achieve step change therefore likely to hinder the demand from some key retailers
- Reduced retail capacity on the basis of a 'non-step' change scheme
- Won't deliver major improvements to retail offer
- Limited ability to deliver wider town centre improvements (e.g. environmental)
- Inconsistent with adopted plan policy
- Other land uses unlikely to be delivered until later in plan period

5.39 Synopsis: Under this option selecting the 'right' sites for promotion would be vital to delivering maximum change to the centre. Sites would need to be considered on the basis of their potential to maximise regenerative benefits, and proposals for these sites would need to be designed so they are complementary, as opposed to disparate schemes directly competing and undermining one other.

5.40 This approach would be consistent with the planning strategy set out in the Town Centre Wide SPD which guides and co-ordinates future development proposals for opportunity sites outside Town Centre North.

5.41 Even if the above could be achieved this option would not deliver the desired step change, both in terms of the town centre's retail offer and physical environment. A series of individual proposals delivered by unrelated third parties would not be able to deliver a new department store, nor substantive new retail, nor would they be capable of generating the levels of profit required to fund substantial improvements to the town centre's physical environment, as would be the case with a major retail led town centre scheme.

5.42 On its own, this option does not represent a viable alternative if the Council's main priority is to deliver a step change and raise Crawley's profile as 'the' major sub-regional centre within its catchment. Given the Council's clear desire however to see change in the town centre sooner rather than later, it may be possible to pursue a select few sites in the interim while plans are progressed for the town centre's more comprehensive expansion. We discuss this further in section 7 of this report.

Other Alternative Options

- 5.43 In addition to the above primary options for delivering new development in the town centre, we consider there are a number of other alternative 'lesser' options available to the Council.
- 5.44 The first is to undertake a major extension of County Mall shopping centre. As the main shopping centre, such a development would represent a natural extension of the existing Primary Shopping Area. An initial review of the site suggests County Mall is somewhat restricted in terms of opportunities to extend, and this would potentially have major implications on the quantum of new retail floorspace deliverable by such a development. The concept of a more limited County Mall extension is discussed in further detail in section 7 of this report.
- 5.45 The second alternative is to undertake a new town centre scheme using land predominantly within The Boulevard. Prima facie this option appears to represent a viable alternative. However, more in depth consideration indicates that such an approach would still incur the assembly costs for land south of the Boulevard without realising the benefits of higher quality development and an associated uplift in values. The new prime retail is likely to achieve the highest rents in terms of zone A by being positioned within a comprehensive major new retail scheme with new prime retail facing new prime retail and not facing the existing poor quality secondary retail units located on the south side of the Boulevard. Given this area is an untested retail location, we also feel that a developer would struggle to secure pre-lets on a scheme with compromised connections to the existing Primary Shopping Area.
- 5.46 In contrast to all the previously mentioned options and alternatives, the Council could adopt a more reactive approach to the town centre's regeneration by waiting for proposals to come forward from developers and assessing each scheme independently on its merits. This approach would, in theory, be less resource intensive and would essentially be letting the market determine where and when new development should take place. However, such an approach would have substantial risks as without an up to date Development Plan and town centre strategy, the Council may be bombarded by proposals for 'out-of-centre' development seeking to capitalise on identified retail capacity and a lack of clear direction for the town centre. Reacting to such proposals would be very resource intensive – negating any perceived benefit from that aspect. If permitted, out of centre retailing would take up any available retail capacity for many years, precluding any later improvements in the town centre.
- 5.47 Within the current market developers are most likely to develop commercial schemes only when they have pre-lets secured. There is a strong market in Crawley for foodstore development, given the current lack of presence of some of the key operators in Crawley, and the highly profitable nature of this particular use. A number of hotel operators are active with nationwide requirements which has encouraged developer interest in this sector. Retail schemes depend heavily on location and the development of standard shop units is most likely to be developed

around existing anchored prime retail areas with pre-lets in place as opposed to speculatively in secondary locations.

Conclusion

- 5.48 Within this section we have analysed a series of alternative options for delivering a new retail development in Crawley town centre, ranging from continuing with the current TCN scheme, to delivering a new scheme elsewhere in the town centre, to adopting a more piecemeal asset management approach to the town centre's regeneration.
- 5.49 Through analysis of these options in line with stated criteria we consider Option 2, a phased approach to delivering the overall TCN concept with a core retail element represents the most appropriate and viable strategy available to the Council for pursuing its aspirations for Crawley town centre. The rationale for this decision is outlined below.
- A core retail element of the overall revised TCN concept is consistent with our retail capacity forecasts and delivered in the town centre's northern quadrant but is still capable of achieving the desired step change and raising Crawley's profile as the major sub-regional centre south of London that competes more effectively with competing town centres such as Croydon and Brighton by extending its catchment and clawing back trade.
 - A well designed retail element in this location will be more effective at linking in with the PSA, and by virtue of this fact, is best positioned to deliver major improvements to the town centre's physical environment through direct intervention and wider regenerative benefits.
 - A retail element of the magnitude proposed would be department store anchored and provide a substantial uplift in both the quality and quantity of Crawley's retail offer. If designed correctly the scheme would also be more effective at 'linking in' with the existing town core to create an enhanced and expanded retail circuit.
 - Out of all the alternative TCN options, this approach is the most consistent with the planning and development principles that underpin the adopted Core Strategy and Town Centre North SPD. Updating plan policy to reflect Option 2 would be a less complex and time consuming process, should be less contentious, and be the most defensible out of the alternative options.
 - By undertaking a value engineering exercise, it should be possible to produce a viable core retail element of the overall revised TCN concept with a reasonable and realistic chance of delivery during the plan period. This could also involve relocation of the Town Hall and potential delivery of other town centre uses and facilities.

5.50 While Option 2 is the preferred approach for delivering a major retail led expansion of the town centre, we recognise that this approach will not provide the major improvements to the town centre until 2016 at best. In light of the Council's desire to see more immediate change, it is clear that an interim strategy needs to be developed that will help improve the town centre in the short term. With this in mind, we consider that selective implementation of Option 5 would assist with improving the town centre while the longer term strategy under Option 2 is pursued. Indeed, the redevelopment and refurbishment of smaller strategic town centre sites would help enhance the quality of the town centre in key locations, and through associated S106 contributions the Council will also be able to deliver necessary public realm improvements which enhance the town centre environment. Importantly, such an approach would also ensure the existing town centre is in a healthy position to compete and integrate with the new town centre scheme once delivered.

6. Building blocks to a revised TCN Retail Core

- 6.1 In this section we have developed an initial series of building blocks based on the Council's retail development aspirations, within the context of the changing development and retail markets and Crawley's up to date retail capacity predictions. We set out below a series of core building blocks to base our initial viability assessment on to help to guide the Council towards a deliverable scheme.

Department Store

- 6.2 The John Lewis Partnership (JLP) still has a requirement for Crawley town centre. JLP acknowledge that the market place is changing and the development pipeline is contracting, and have therefore been forward thinking in delivering new formats such as John Lewis At Home, a format showcasing high value homeware and electrical goods.
- 6.3 JLP acknowledge that their competitors have higher coverage in the UK and that there are growth opportunities for their business in smaller-format stores, giving their customers convenient access to their stores. The challenge for JLP will be in delivering new stores within the existing development pipeline. We believe JLP's Crawley requirement might now be a circa 17,000 sq m store which would still be a full range store.
- 6.4 It is important to consider that Crawley could be an attractive proposition for other department store chains who could successfully anchor a major retail scheme. There are significant risks associated with a scheme being entirely dependent on one particular department store chain such as JLP because this strategy would place considerable strength in the hands of that chain during lease negotiation. Furthermore, should the chain's Business Plan be amended so that they need to withdraw from an opportunity in Crawley for any reason, this could jeopardise the entire development.
- 6.5 House of Fraser, for example, is revisiting its requirements going forward, and typically take up to 14,000 sq m. Any scheme with their inclusion would be more fashion oriented than 'mass market', as would be the focus with a JLP anchor.
- 6.6 Marks and Spencer could potentially be another anchor, with a requirement of up to 14,000 sq m. However, they are currently trading from within the town but would benefit from being in a larger, better configured modern unit which would allow them to showcase their full line.
- 6.7 A smaller 14,000-18,600 sq m department store would assist viability of a major retail led proposal, but a developer would need to work with operators to demonstrate that it is a viable proposition. At this stage, DTZ's view is that a 18,600 sq m department store is a realistic building block to appraise as a base case scenario. Department Store operators, including JLP, are currently looking at smaller footprint stores and are becoming more flexible in their requirements.

Clearly as discussions with operators develop and soft market testing is undertaken, this figure will need to be updated as appropriate.

- 6.8 The alternative department store chains to JLP outlined above could still deliver a genuine step change to Crawley's retail offer and could still support the enabling shop units subject to a detailed retailer market assessment.
- 6.9 DTZ strongly recommends that at this early high level stage the Council remains open-minded and flexible on the selection of an appropriate anchor department store operator to avoid the associated risks, particularly the weak negotiation position, that would result from relying on one specific department store chain. We anticipate the retail landscape over the medium term to remain dynamic and highly flexible and consider there is the potential for new department stores chains, particularly from those already well established overseas, to enter the UK market.

Variety Store

- 6.10 Although Grosvenor's TCN schemes incorporated a variety store/second anchor, we believe that this is not an essential core building block of a revised major retail led scheme in Crawley due to the overall reduction in scale of the scheme as well as the ability to use alternative anchors – Medium Shop Units (MSU's). At this stage, the analysis has developed a set of core building blocks to test, without producing detailed masterplan solutions. However, we believe that the principle of using a significantly higher ratio of MSU floorspace to standard SU floorspace (see MSU and SU building blocks below) for a major retail led scheme in Crawley should be explored. This concept will need to be developed in further detail during the masterplanning stage.

Medium Shop Units (MSUs)

- 6.11 Current activity in the leasing market shows an increasing number of retailers demanding larger units of this type. DTZ has recognised, from other major town centre schemes we are advising on across the country, that developers are now responding to this demand. There is currently a trend that developers are adjusting their town centre retail schemes to meet demand for these larger retail units whilst also distributing these units as appropriate to support their anchor strategy.
- 6.12 We consider a key building block therefore to be the provision of more MSU floorspace in relation to standard shop units, to satisfy the predicted future demand and requirements of retailers. In addition, this helps to anchor the scheme appropriately. It is for these reasons that we recommend the inclusion of 6 MSUs totalling 15,330 sq m in our 'concept'. Although this is lower, in terms of MSU floorspace, to the 2008 Grosvenor scheme, it is a greater proportion of floorspace in relation to the amount of standard shops units proposed.

Shop Units (SUs)

- 6.13 The focus on mid range fashion to complement a department store is a sector which is currently under-represented within Crawley. A number of retailers within this retail sector have ambitious expansion plans. Brands such as Hollister and G star Raw, for example, have requirements for units of 550-1,100 sq m across the UK generally within retail centres that focus on mid range fashion. It is brands such as these that could be attracted to Crawley should a major retail led scheme be delivered that targets mid range fashion to complement a department store. Clearly the retail focus will ultimately be steered by the selected department store chain to some degree.
- 6.14 We suggest the total area of A1 units should be reduced by about a third from the Grosvenor 2008 proposal to reflect the general reduction in retailer demand resulting from the economic downturn and the need for developers to reduce risk and scale of town centre schemes in order to secure financing. However, this reduced space would, combined with the MSU's, be able to support a quality department store anchor.

A3 Restaurants

- 6.15 Linked with the leisure and the wider development is the food and drink offer. This sector is still growing, especially in the mid market area where operators such as Jamie's Italian, Busaba and Yoo Sushi are still seeking space and will complement a focus on middle range fashion and leisure mix.
- 6.16 In comparison to the Grosvenor scheme we have reduced the overall floorspace of A3 units to 5,575 sq m in line with the general reduction in scale of the combined building blocks outlined above.
- 6.17 We recognise that the reduced amount of A3 space will need to support the same amount of cinema floorspace as that proposed by Grosvenor but have remained cautious so as not to dilute the value derived and reduce risk of an oversupply.

Cinema

- 6.18 Cinema operators have also witnessed their pipeline dwindle, and as such are being more competitive in the level of rent they are willing to pay to secure space in a scheme. The main reason behind this is that private equity owners behind the operators are generally taking a longer term view and are keen to see their businesses grow and introduce new technologies and formats, for example in the cinema industry, 3D screens and sound and premium cinemas. We have maintained the cinema element therefore at 4,180 sq m. However, the inclusion of a cinema is not definitive but now more likely as a building block in schemes of this nature. The presence of a cinema increases the dwell time and improves the evening economy to encourage a robust town centre. There are currently a number of cinema operators in the market who would, in principle, be interested in Crawley.

Shop Mobility

- 6.19 The assumption that a 120 sq m shop mobility unit will be incorporated is based on a 25% reduction in line with the general reduction in scale of the combined building blocks outlined above in comparison to the Grosvenor 2008 proposals.

Management Suite

- 6.20 The assumption that a 185 sq m management suite will still be incorporated is based on a 25% reduction in line with the general reduction in scale of the combined building blocks outlined above in comparison to the Grosvenor 2008 proposals.

Car Parking spaces

- 6.21 From current experience many town centre retail led schemes are under commercial pressure from retailers to achieve higher parking ratios. This issue will need to be considered in the core building blocks for the Crawley town centre scheme and could be linked to a revised parking strategy for the wider town centre.
- 6.22 Opportunities should be considered to focus the parking in areas convenient to shoppers which potentially may allow for the redevelopment of underperforming surface car parks in public ownership for high value uses whilst maintaining the town centre ratio overall. We have not carried out an assessment of the location or performance of public sector owned car parks within Crawley, however this could be an initiative carried out by the Council at a later stage if deemed appropriate.
- 6.23 At this stage we have proposed 1,800 car parking spaces which would represent a parking ratio above that of the Council's current maximum parking standard. This represents 1 car parking space per 34.4 sq m gross internal of retail and leisure floorspace, a 23% lower ratio than the 2008 Grosvenor TCN scheme proposals which had 1 car parking space per 44.6 sq m gross internal of retail and leisure floorspace.

Town Hall

- 6.24 As demonstrated in Section 5 of this report, we believe that Option 2 (a reduced core retail element within the TCN concept) represents the most appropriate and viable location for a major town centre retail led scheme. The existing Town Hall location is clearly a strategic site and therefore we have included the re-provision of a new Town Hall within our base case scenario. In line with the Council's review of key requirements for a new Town Hall, carried out in July 2008, we have incorporated a 7,900 sq m building with 150 car parking spaces - a key building block for the base case scenario. Our viability work has run a series of sensitivity analyses; one of which looked at the implications of Town Hall re-provision off site.

Residential units

- 6.25 The aspiration for residential use within or close to the scheme, should be maintained to enhance the vitality and deliver new products to the Town Centre. However, although land assembly strategies should be reviewed in conjunction with the retail scheme, this element is most likely to be delivered as later phases when the market starts to recover and town centre sales values and volume of sales both start to increase which is expected to meaningfully progress from 2012/14 onwards. Currently, the market for town centre flats is subdued, with developers resistant to start new high density schemes and little grant funding available.
- 6.26 The principle of residential above retail can be difficult to achieve, particularly on complex large scale town centre developments due to a number of factors, such as increased construction costs involved due to requirements for a transfer slab, the service/management issues, the impact on the attractiveness of retail investment

due to reduced flexibility and the current reduced viability of the retail and residential elements.

- 6.27 A major town centre retail scheme therefore that decouples construction of these elements but has them incorporated within the wider mix of uses as later phases on adjoining sites is expected to significantly improve the deliverability of the main retail led element of the scheme.
- 6.28 The issues outlined above are strongly related to developers needing to de-risk proposals in order to make them more deliverable. As a result of buyers having more restricted access to mortgage products since the credit crunch, particularly for first time buyers, the market for town centre flats has fallen significantly impacting heavily on the viability of residential developments. In turn, any residential development within a major retail led mixed use scheme in Crawley is highly likely to put a significant strain on its overall viability within the current market. Therefore the trend of de-coupling residential from retail uses provides flexibility and allows proposals to move forward in this difficult market.
- 6.29 De-coupling residential from retail (yet still incorporating residential within the wider mix of uses as later phases on adjoining sites) therefore is likely to improve both the viability and the deliverability of a major mixed use retail scheme in Crawley. It will be important that later phases on adjoining sites allow for residential to be delivered independently, once the market is more favourable, yet still fully integrated from a design and planning perspective to achieve the mixed use aspirations and improve the longer term vibrancy of the town centre.
- 6.30 Timing of future phases of residential development is highly dependent upon future market movements and the availability/accessibility of buyers of residential units to mortgages. We are reluctant to place timescales on these factors improving due to the high level of uncertainty which would undermine any forecasts.

Offices

- 6.31 Our discussions with local office agents has indicated that there is an over-supply of office accommodation in Crawley and surrounding areas at present - even well located, Grade A buildings.
- 6.32 The Pinnacle for example, is a new office development prominently located opposite Crawley Railway station, which has been available for two and half years despite the rent being discounted to £18.50 per sq ft (£200 per sq m) from its original aspirations of £23.50 per sq ft (£253 per sq m). In the town centre rents as low as £5.00 per sq ft (£54 per sq m) are being offered for the most basic accommodation.
- 6.33 On the basis of the current over-supply of office space in Crawley, we feel that this use would be detrimental to the viability of a major retail led scheme and is likely to be a cost burden, substantially reducing the deliverability of the retail aspirations.

- 6.34 We note that, although the TCN SPD cites employment and office use as a land use to be included within the scheme, the document does clearly emphasise that it will be unnecessary to require in-situ replacement within TCN of all the office floorspace that will be lost as a result of the development.
- 6.35 We feel that as a result of the lack of value generation likely to be received from any commercial office development, it is likely to make a step-changing town retail led scheme unviable. The absence of commercial office space therefore could potentially be substantially justified in planning terms. The replacement of the Town Hall is a separate issue.
- 6.36 Based on the above analysis, we outline below the possible elements to a revised core retail element of the overall TCN concept.

Summary of Proposed Core Building Blocks

Unit type	No.	Total Floorspace Area (sq m)	Change from Grosvenor 2008 TCN scheme
Department Store	1	18,581	-24%
Variety Store	0	0	-100%
A1 Shop Units	65	18,116	-37%
A1 MSUs	6	15,329	-12%
A3 Restaurants	15	5,574	-67%
Cinema	1	4,181	+3%
Shop Mobility	1	116	-27%
Management Suite	1	186	-26%
Town Hall	1	7,900	+1%
Car Parking spaces	1,800		-42%
PCT	None		
Total		69,982	-38%

7. Interim Town Centre Strategy

- 7.1 Once delivered TCN, if designed appropriately, will achieve the desired step change and act as the catalyst for the town centre's wider regeneration. This step change is however unlikely to be delivered until at least 2017, as set out in section 10 below, given the current economic climate and time required preparing and implementing a new scheme.
- 7.2 There is a strong, understandable local desire to see change in the town centre sooner rather than later. This is particularly the case given delays to the current TCN scheme. To maintain the town centre's vitality and viability and give a positive message to the local community it is therefore important that an interim strategy is produced in the mean time that will help deliver change over the short-medium term.
- 7.3 Equally important is the need to achieve a step change which will help elevate Crawley's status as the major sub-regional centre south of London. The interim strategy will therefore need to focus on delivering tangible positive improvements to the town centre in the short to medium term, whilst not jeopardising the future delivery and viability of a revised major retail-led scheme north of the town centre.
- 7.4 With this in mind, we consider the interim strategy should focus on delivering quick wins aimed at improving the quality, image and perception of the town centre, and which provide a platform for TCN proposals to come forward at a later stage.
- 7.5 We set out below a suggested interim strategy for Crawley Town Centre.

Sussex House Site - Phase One TCN

- 7.6 We are of the opinion that permitting the redevelopment of the Sussex House site as a first phase of TCN would not necessarily result in the Council losing control of the appropriate redevelopment of the SPD area. The Sussex House site can be delivered prior to the rest of the scheme and is identified as the first phase of TCN. In considering any proposals for this site, however, it is vital that any scheme achieves the necessary scale and mix of development so that it makes a positive contribution to the delivery of TCN as envisaged in the SPD, and that it doesn't prejudice the delivery of later phases of TCN. It is important that the scheme makes appropriate S106 contributions to the wider scheme with the main focus being on the creation of a high quality link along The Boulevard connecting the site and the existing town centre core. It is also critical that the wider highway issues are considered.
- 7.7 Sussex House could be a good "early win" against a backdrop of a delayed TCN scheme. On the other hand, if this scheme was to be implemented by a third party, the pump priming land value that a foodstore can bring to complex development schemes such as TCN, would most likely not be available for TCN in the future.

- 7.8 It is considered that the Sussex House foodstore based scheme is not directly in competition with the core retail led TCN scheme (which is to be a high quality comparison based “step change” sub-regional scheme), although conditions would be required limiting the range of goods to primarily convenience based.

Telford Place

- 7.9 Telford Place has a small foodstore consented as part of a mixed use scheme and interest has been expressed in the provision of a larger foodstore. We have assumed that this would mean at least an additional 1,000 sq m to the 893 sq m net sales space already granted for a foodstore.
- 7.10 Whilst the principle of a food store is reflected in development plan policy, it is arguable that the SPD and Development Brief did not envisage a store of the size an operator might now want. The site is in the town centre, but in PPS4 terms at best edge of centre - arguably it would act as out of centre. The impact of the scale of the proposed store on the proposals in the SPD and Development Brief, and the overall town centre regeneration strategy and TCN, would need to be carefully considered in assessing the application.
- 7.11 Like Sussex House a scheme at Telford Place could be seen as a good “early win” for the town centre. Taking into account existing commitments, there is very little forecast capacity for convenience goods going forward to 2016. It is therefore important that the Council seeks to prioritise proposals which most meet planning policy and regeneration objectives and strongly resist those that do not. In this regard, we consider there is no compelling planning or regeneration arguments for consenting convenience schemes on sites outside the town centre.

County Mall Extension and/or refurbishment

- 7.12 County Mall is the town centre’s existing main retail centre and the only enclosed mall in the town centre at present. Originally constructed in 1992 it is now becoming dated and in need of improvement to maintain its ongoing competitiveness, vitality and viability.
- 7.13 Any extension of the mall which increases capacity will consume additional expenditure and erode available comparison retail capacity for any future TCN scheme. This is a grey area as there is no definitive quantum which can be demonstrated as being the ‘tipping point’ for having an impact. A balance will therefore need to be struck between allowing County Mall to extend and improve itself, without compromising the delivery and viability of a new step change scheme. Internal reconfiguration of units is likely to be satisfactory as this would theoretically not result in a major increase in overall net sales area although the nature of the new units created should be carefully considered in terms of the impact on TCN. A major extension would have to be considered more cautiously as this would have greater potential to harm the future delivery of TCN.

Public Realm Improvements

- 7.14 DTZ recommends that a public realm strategy should be developed for the town centre, identifying key priorities for improvements and providing a delivery and implementation programme to guide future works. The strategy should focus on existing prime shopping areas but also look to improve secondary areas where possible. Funding for any public realm improvements could potentially be drawn from the above interim strategy projects through Section 106. A public realm strategy could be used as a tool to both quantify and justify these Section 106 payments.
- 7.15 In summary, there are 3 current retail opportunities in the Town Centre; Sussex House, Telford Place and County Mall. These proposals could bring a number of relatively quick improvements to the retail offer in Crawley town centre in the interim period ahead of the delivery of a revised TCN scheme and bring Section 106 payments to the Council which could be used to help realise the longer term step change objective of the town centre. However, the type and scale of the proposals will need to be carefully assessed through the planning process to ensure they do not present any major issues that could jeopardise a major retail led development.

8. Concept Scheme Viability Analysis

- 8.1 DTZ has undertaken a high level appraisal based on the revised core building blocks identified in Section 6. This assessment has undertaken a residual valuation and cashflow of the revised concept based on the more deliverable “2010 world” revised building blocks in order to identify key areas of improvement, and has undertaken sensitivity analyses.
- 8.2 DTZ’s initial viability analysis on the revised concept indicates that this could be viable. However, clearly any scheme’s viability – and hence ultimate development, will be based on a whole range of factors, not least what the Council and its Public Sector Partners require from it – not just financially, but ‘physically’, as well.

9. Delivery

Delivery Structure

- 9.1 The fundamental market changes over the last 3 years have forced the development industry to consider different approaches to delivering major town centre schemes. In contrast to the pre-downturn era, in general developers are no longer prepared to take up all the upfront risk.
- 9.2 Although we believe that the core building blocks for a major retail led development in Crawley, outlined in section 6 of this report, are now at a more deliverable level, we are also of the view that the Council should still consider innovative ways of working with developers to enable the project to move forward and gain as many public benefits from the scheme as possible.
- 9.3 Considering the current context of public sector finances, there is a parallel pressure on the UK Government and the Council for a reduction in spending and the private sector to lead on redevelopment. Finding some middle ground between developers and the public sector will be crucial to optimise the delivery of public benefits to Crawley town centre.
- 9.4 Currently many developers are struggling to find funding due to the high level of risk perceived by banks and their reluctance to lend. A key risk for the core retail element of the project moving forward is that, although we believe it is now of a deliverable scale and could achieve funding, it is possible that funding may still be expensive. The more finance costs can be reduced, the greater the likelihood that the scheme can be viable.
- 9.5 In terms of 'grant' funding, we consider that the following sources could assist in improving the viability of the core scheme, increasing opportunities for more public benefits being delivered, as well as supporting the potential delivery of the later residential phases:

Type of funding	Sources
Grant	<ul style="list-style-type: none"> ▪ Crawley Borough Council ▪ HCA
Business rates	<ul style="list-style-type: none"> ▪ Local Authority Business Growth Incentive ▪ Business Rate Supplement
Borrowing	<ul style="list-style-type: none"> ▪ Prudential borrowing ▪ Bonds ▪ Tax Incremental Financing (TIFs)
Planning gain	<ul style="list-style-type: none"> ▪ Section 106 ▪ Community Infrastructure Levy (CIL)
Asset values	<ul style="list-style-type: none"> ▪ Land in public sector ownership
Private sector investment	<ul style="list-style-type: none"> ▪ Institutional Private Rental Sector ▪ Development Partner(s) with Equity/Financial Institutional Investors

9.6 DTZ's view is that the Council should initially form a view on the desired output and direction in which they wish to take the TCN proposals. The Council should only review in detail the various delivery mechanisms once a clear position has been agreed on the final outputs.

9.7 At the appropriate time and once final outputs have been agreed, we recommend that:

- Business cases for funding are drawn up for specific projects within the scheme (covering public sector elements such as public realm improvements) to allow applications to be made for grant
- The potential for business rate-related funding and borrowing is tested by the Council
- Section 106 policy is implemented and a view is taken from within the Council regarding whether to implement a CIL. As mentioned within the Interim Strategy above, DTZ recommends that a public realm strategy should be developed for the town centre, identifying key priorities for improvements and providing a delivery and implementation programme to guide future works. A public realm strategy could be used as a tool to quantify and justify these section 106 payments
- The Public Sector partners identify land that can be used to support regeneration and how the value can be used in exchange for an equity stake and/or delivery of a new Town Hall facility and/or future income streams (i.e. Ground Rent)

- A marketing and awareness raising process should be undertaken, led by the Council, to raise private sector interest in investing in the area.

Funding Mechanisms

- 9.8 Following the economic downturn and the withdrawal of private sector funding Central and Local government organisations have been looking to use publicly owned assets to leverage in private funding. Various models have been developed such as LABV's whereby Councils provide land in return for developers providing finance and development management skills, with both parties sharing in the long-term profits.
- 9.9 We summarise a few of the key alternative Public Private delivery mechanisms currently being considered by Local Authorities across the UK below.

Local Asset Backed Vehicles (LABVs)

- 9.10 The general principle of LABVs is that a local authority selects a private sector partner(s), (in the form of, for example, an investor, a developer or a hybrid of both) through a competitive procurement process. The local authority place assets (land and possibly cash funding) into the vehicle which is matched by private partner equity/subordinated debt. Further assets can be transferred in over time. There is an agreed shared control between the parties (i.e. 50:50) and it can be held off balance sheet. Partnerships can generally last up to 30 years on average.
- 9.11 The private sector partner in a LABV (or member of its group) provides estate management/development management services to the Public Private Partnership (PPP) pursuant to a service level agreement and in consideration of a fee. The partners work up a business strategy for the LABV (influenced by aims of the local authority) and will deliver to an agreed programme and business plan.
- 9.12 The local authority and its partner benefit from any sale proceeds/income following development and sale.
- 9.13 A LABV can be used to create 'development platforms' by taking an area in need of regeneration and taking steps to allow the regeneration project to occur.
- 9.14 Depending on the composition of the scheme, there is the potential for co-investment in the vehicle by other public bodies with vested interests such as the HCA.

Tax Increment Financing (TIFs)

- 9.15 The Local Government Resource Review (launched in Jan 2011) will consider options to take TIFs forward through legislation.
- 9.16 The financing model initially developed in the USA allows infrastructure investment to be financed by the increased property taxes that they generate.
- 9.17 Typically, local government bonds secured on the expected new tax revenue generated from a development - such as business rates from occupiers - would be issued to pay for the infrastructure.
- 9.18 A major drawback is that investors have to be found who are willing to fund upfront infrastructure costs, which will then be serviced by uncertain tax revenue. This is because tax revenue is expected to come from future occupiers of the development once constructed.
- 9.19 When considering the use of TIFs it must be noted that that legislation in the UK is not yet in place to formally bring TIFs forward.

Prudential Funding

- 9.20 Prudential powers mean that a council can raise funds, provided it has made a sound business case for borrowing, with strict conditions applying to how and when the money is paid back. They came into effect at the beginning of the 2004 financial year as part of the Local Government Act 2003 and allow councils to borrow without the consent of central government. Future council revenue streams are used as security for loans – many councils are very wary of putting such loan repayment fees onto the Council Tax.
- 9.21 The affordable borrowing limit is a statutory limit and should not be breached. Councils must maintain their external borrowing and other long-term liabilities well within this limit. The Limit is set on the estimate of the most likely, prudent but not worst case scenario for total external debt gross of investments with, in addition, sufficient flex to accommodate unusual cash movements.
- 9.22 Interest rates on the loans are generally reasonable because Local Authorities have good credit ratings, with councils able to borrow either from the Public Works Loan Board or directly from the market if they can get a better rate.
- 9.23 Some commentators believe that it cannot be assumed to be a permanent part of the capital funding system as it could be undermined by the government exercising its reserve powers to halt local authority borrowing for 'national economic reasons'.
- 9.24 Decisions on the cash resources that the Council could commit to the vehicle, e.g. through Prudential Borrowing, will need to be made in the context of the Council's corporate finance strategy for the next ten years. The Council's policy is to remain debt free other than the housing debt that it is likely to assume in 2012 under

current Government proposals. The Council has already committed to use capital reserves to support the delivery of Town Centre North. It is almost certain that this would be less expensive than prudential borrowing.

- 9.25 The recent Comprehensive Spending Review and resulting cut in expenditure has focused Government's strategy firmly on reducing the national deficit and as such the public sector finds itself in a position of having to do more with less.

Planning Issues

- 9.26 The policy context for the development of TCN is clearly set out in the Core Strategy. Policy TC1 identifies TCN for a major mixed-use, retail-led development in the region of 50,000 sq m net gain of comparison floorspace, an appropriate range and quantity of high quality offices (including a new Town Hall), about 800 residential units, and a range of leisure, community and other uses.
- 9.27 However, it must be open to the Council to determine a planning application for a core retail element which would form part of the overall revised TCN concept within this policy context. When the Council considers any smaller application, it can take economic and viability circumstances into account as material considerations. If it is persuaded that such material considerations outweigh the full provisions of policy then it would be appropriate for them to grant planning permission.
- 9.28 It could be argued that the Sussex House site is the first phase of the development with the main retail element becoming phase 2. Housing to the north could be a separate phase. This would also fit with the policy context.
- 9.29 The Council could pursue a parallel strategy by reviewing the relevant policy so that it becomes adopted before planning permission is granted. Granting permission and reviewing policy need not be mutually exclusive – the Council could review the policy taking into account changing circumstances and/or granting a permission in broad compliance with the existing policy but taking into account material circumstances prevailing at the time of the decision.
- 9.30 We emphasise that at this stage DTZ are strongly of the opinion that the Borough Council, West Sussex County Council and the HCA need to initially decide on clear goals in relation to their aspirations for the town centre. These include "planning" aspirations but also financial and land ownership issues. Once clear goals have been established, the Council can return to the question of the most suitable delivery mechanism.

10. Key conclusions and next steps

- 10.1 DTZ's updated retail capacity analysis supports the Council's continued desire to allocate part of Crawley town centre for a major retail led expansion of its comparison shopping offer.
- 10.2 The 'building blocks' to the creation of a viable and deliverable retail led town centre scheme have fundamentally changed since the onset of the 'credit crunch', and we consider Grosvenor's previous scheme, submitted to the Council in 2008, to be unviable and undeliverable in the current and foreseeable marketplace. The Council will need to restructure its approach to reflect these revised market conditions, and requirements, to facilitate the delivery of the desired step change in the town centre.
- 10.3 Whilst the Council needs to respect the requirements of section 10.3 above, if it moves forward on this basis, we are confident that a successful project can be created, and then delivered. Not all town and city centres in the country are in this position – for a number, there is now no realistic likelihood of scheme progression for the foreseeable future.
- 10.4 Having analysed all options for the retail led expansion of Crawley Town Centre, we consider the Council should continue to focus this on the Town Centre North policy area. However, in doing so, the Council will need to recognise that the overall redevelopment of this area will most likely occur on a phased basis and with different developers taking forward different elements. This should not be seen as a 'negative' - just the commercial reality of the revised marketplace – and equally, does not mean the overall redevelopment will be 'poorer' than that originally envisaged. However, to ensure that the Council ultimately achieves the right overall redevelopment, it will be fundamental that the Council has a proactive involvement throughout the development process. Two particular aspects which will be crucial are:
 - An overall revised masterplan for the entire area, which ensures that each element is complementary, and appropriately linked – both to each other, and the wider town centre.
 - An overall delivery structure, to ensure each element contributes appropriately to the financial and physical delivery of the whole.

- 10.5 Ongoing retail demand for Crawley is significant. Moreover, Crawley has a real opportunity to become the pre-eminent retail location for the area immediately South of London, but only provided that it now moves redevelopment proposals forward proactively, and on the right basis.
- 10.6 Whilst the revised retail element of TCN will need to reduce to reflect revised market factors, our proposed new concept for this element still has the ability to create the desired retail step change.
- 10.7 There are various existing retail proposals in the town centre; at its edge, and out of town. We have outlined an approach that we consider would provide the best interim position to sustain the town centre, whilst in parallel giving most comfort that the medium to long term delivery of the retail step change is not impaired. Indeed, this can be assisted.
- 10.8 What the Council wants from the TCN area – both in terms of revised policy requirements, and financially, for its associated property and occupational needs – will have a significant impact on whether a revised project will ultimately be viable and deliverable. The same applies for the Council's two key Public Sector Partners – the HCA and the County Council. Clarity on these base 'inputs and outputs' at the earliest point is necessary.
- 10.9 A variety of delivery structures are open to the Council. None is a panacea by itself. Some - such as LABV's – have potentially serious negative impacts. All should be considered only once the Council and its Public sector partners have confirmed their position related to 11.9 above. These structures should help deliver the project – not drive it.
- 10.10 An overall, updated marketing strategy for Crawley Town Centre, agreed by all key stakeholders, is an important parallel activity to the above.