

MID DEVON LOCAL PLAN REVIEW 2013 – 2033

Proposed Submission (incorporating proposed modifications) Examination

Inspector: Paul Griffiths BSc (Hons) BArch IHBC

Hearing 1: Tuesday 26th & Wednesday 27th September 2017

Matters and Issues: Policy J27

Statement of Mid Devon District Council

ISSUE 7 **If the OSV is necessary to enable or make viable the tourist and leisure elements of the proposal, where is the evidence that an OSV (or retail allocation) of the scale proposed, with its attendant effects, is necessary?**

- 7.1 Mid Devon would not wish to see an unrestricted retail allocation at J27. The retail OSV is included to ensure a viable allocation is put forward and because OSV's are tightly controlled in the way they are operate. There is in qualitative terms a need for a sizeable OSV in Devon. J27 is ideally positioned for such a facility in conjunction with other tourist and leisure attractions.
- 7.2 Experience has shown elsewhere that significant tourism projects often have to rely on significant financial aid to bring them forward. Surf Snowdonia was grant aided by £4,000,000 from the Welsh Office, a similar surf scheme in Gloucester has not come forward.
- 7.3 The Eden project in Cornwall a 'landmark' project of the South West received millions in grant funding from Europe and the UK .Eden employs some 400 people has attracted 18 million visitors and contributed £1.7 billion to the local economy.. Eden now has planning permission for a 109 bedroomed hotel and offers a very wide range of shopping merchandise. <http://www.edenproject.com/eden-story/about-us/our-funding>.
- 7.4 Brighton i360 most of the funding came from central Government's Public Works Loan Board. Brighton & Hove City Council earns around £1m a year from brokering that loan, plus additional income from business rates and ticket sales? The council uses the £1.8m profits from these payments to regenerate the seafront: <http://britishairwaysi360.com/latest-news/blog/first-birthday-wed-like-say-big-thank-you%c2%9d-city-customers/#&panel1-13>
- 7.5 The London Eye, the wheel, operated by the London Eye Company, cost £70m. The figures show that the attraction made an operating profit of £5.46m in the first 10 months it was open, but interest charges on loans supplied by British Airways and Tussauds Attractions

sent the operation to a pre-tax loss of £8m for the year. The London Eye borrowed £68.5m from British Airways and £6.9m from Tussauds and employs 207 people (Article dated 2001) <http://www.telegraph.co.uk/finance/2717120/London-Eye-is-turning-at-a-loss.html>

7.6 Funding grants and loans of this nature are not always readily available to deliver significant tourist attractions. In the case of the J27 allocation the OSV is seen as a key element not only to provide both funding and revenue support, but to provide a unique leisure and tourist attraction. The OSV has a natural synergy with the other attractions in the policy, shopping being a key tourist and leisure activity accounting for a significant proportion of visitor spend in the Devon tourist economy. The provision of the OSV will ensure the delivery of the tourism attractions and support their on-going provision and development. The retail evidence demonstrates a retail need for the OSV retail floor space and demonstrates it will not have a significant impact on other local centres. The J27 allocation will provide a unique visitor attraction which will cater for a wide variety of age groups, an all year round attraction, which will be attractive to visit in all weathers, It's gateway strategic location will ensure its commercial attractiveness to the industry.

7.7 Planning Guidance sets out that *“while the content of Local Plans will vary depending on the nature of the area and issues to be addressed they should concentrate on the critical issues facing the area, including its development needs, and the strategy and opportunities for addressing them, paying careful attention to both **deliverability and viability**.*

Where sites are proposed for allocation, sufficient detail should be given to provide clarity to developers, local communities and other interests about the nature and scale of development (addressing the ‘what, where, when and how’ questions).”

Paragraph: 010 Reference ID: 12-010-20140306 Revision date: 06 03 2014

7.8 Mid Devon is keen to ensure the tourism, leisure and retail facility at J27, in accordance with Planning Guidance, is viable and deliverable. The OSV element of the attraction ensures that is the case. The Outlet Village is financially linked to the other proposals at J27, because it cross-subsidises the financing of the other tourist attractions. In effect the OSV is proposed as complementary development that makes the whole facility deliverable, viable and uniquely attractive.

7.9 Evidence from other projects demonstrates that such ambitious projects can often rely heavily on grant funding in order to be developed and sustained. Such funding is not always readily available and Mid Devon seeks to ensure the J27 scheme is delivered well within the plan period.

7.10 Lichfield's said in their 2nd report that only a brief review of the development and revenue costs had been put forward at that time which suggested some degree of cross subsidy may be required. Estimates of build costs and completed value had been provided to demonstrate a profit or loss for each element of the development. This information suggested the tourist related elements and the hotel make a loss and that loss was offset by profit generated by the OSV.

- 7.11 Lichfield's said more detailed evidence was needed to clearly demonstrate the OSV and (employment land now removed) should be permitted as enabling development or that the scale of development proposed was the minimum required to cross subsidise the proposed tourist attraction. The necessary and compelling evidence required, would need a full open book financial appraisals that clearly shows the tourist attraction is unviable without the quantum of proposed additional development.
- 7.12 A full financial viability assessment which had been carried out by GL Hearn was submitted to the Council in August 2016 by scheme promoters. Like many site viability appraisals this was treated confidentially at the time, but was available for Council Members to inspect and consider, when they determined to allocate the land at J27 at the meetings in September/November 2017. The Committee report stated *"The promoters have provided further detailed viability evidence which is considered to demonstrate the interdependency of the tourism, leisure and retail elements"*.
- 7.13 The Council have had that viability evidence independently reviewed by Savills.
- 7.14 Savills analysis concludes:

"Taking account of the above cost inputs in the development appraisal from GL Hearn and our review of the numbers, Savills are satisfied that the key development costs into the appraisals are reasonable and in line with industry standards."

With regard specifically to the OSV:

5.1.3. Zone 3 - Designer Outlet Centre

This zone is to include a large Designer Outlet Unit as well as approximately 20,000 sq ft of cafes and restaurants.

5.1.3.1. Designer Outlet Units

GL Hearn have provided a number of examples by way of approximate turnover figures for comparable outlet centres ranging from £350 psf up to £2,500 psf.

It is understood that the proposed scheme would be at the upper end of the designer outlet centre market, comparable to Gun Wharf Quays in Portsmouth. This generates a turnover of £600 psf. GL Hearn have assumed that a lower rate between £400 and 450 psf is more likely initially at the new centre, and have then applied a blended rate of £43 psf across the whole outlet store capitalised at a NIY of 6%

Savills would comment that whilst the proposed scheme is targeting the higher end of the Designer Outlet Centre models, it will take a reasonable time to make progress with this and build up the retail and customer base to achieve the turnovers seen at some of the comparable established designer outlets. As such a lower rate of turnover would appear to be a reasonable position to have assumed, and it is likely that as an investment opportunity it would actually achieve in the region of £35 psf. We have applied a two year rent free period and capitalised this income at a rate of 5.5%, which generated a capital value of

£85,761,367. This is significantly lower than the figures applied by GL Hearn, however we feel that it is more appropriate for such a significant proposal in the location.

It is also important to stress that the inputs of these figures are very sensitive to the capital values that could be achieved, and in turn very sensitive to the viability of the proposed scheme as a whole. For the proposal to be viable and successful, it hinges on the value and success of the Designer Outlet Centre.

- 7.15 It is clear from the viability appraisal review by Savills that an OSV of the scale proposed, with its attendant effects, is necessary if the tourism and leisure allocation as whole is to be viable and delivered, within the plan period.
- 7.16 There was a suggestion in in the second Lichfield report based on very limited viability information that an OSV 40% smaller might be sufficient. Clearly, in the light of the more detailed viability evidence a reduction in scale would not deliver the required development, the necessary viability, or the type of facility that is required to make the J27 tourism, leisure and retail development uniquely attractive.
- 7.17 An OSV 40% smaller than that proposed would only deliver around 50 units and would not achieve the scale or the quality that is sought at J27. It would not deliver the tourist or leisure elements that are sought. The evidence from Savills clearly *states for the proposal (as a whole) to be viable and successful, it hinges on the value and success of the Designer Outlet Centre.*

Appendix 1

Examples of Typical OSV's - Retailers

	<u>Type 4 - Smaller Centres</u>	<u>Type 3 - Medium Centres</u>	<u>Type 2 –Higher End Centres</u>	<u>Type 1 - Top Range</u>
1	Asda	Antler	Adidas	Alexander McQueen
2	Atlantis	Asics	All Bar One	AllSaints
3	Bags	Bedeck	AllSaints	Anne Fontaine
4	Beauty outlet	Bench	Animal	Annoushka
5	Boutico	Cadbury Factory Outlet	Antler	Anya Hindmarch
6	Cadbury	Calvin Klein Jeans	Armani Outlet	Armani
7	Card Factory	Calvin Klein Underwear	Asics	Balenciaga
8	Claire`s	Chapelle Jewellery	Aspex	Bally
9	Costa	Chester Barrie	Azzurro	Barbour
10	Cotton Traders	Clarks	Bedeck	Baume & Mercier
11	Denby	Cotton Traders	Bella Italia	Belstaff
12	Double Two	Crew Clothing	Bench	Bonpoint
13	EWM	Denby Outlet	Bose	BOSS
14	GAP outlet	Fat Face	Boss	Bottega Veneta
15	Gift company	Gap Outlet	Brasserie Blanc	Brooks Brothers
16	Grape Tree	Rugby Megastore	Cadbury	Brunello Cucinelli
17	Holland and Barrett	H. Samuel	Café Rouge	Burberry
18	Klass	Hallmark	Calvin Klein Underwear	Calvin Klein
19	Mountain Warehouse	Hawes & Curtis	Carluccio's	Cath Kidston
20	M&S outlet	Holland & Barrett	Cath Kidston	Céline
21	Nike	Home and Cook	Chiquito	CH Carolina Herrera
22	Pavers	Jaeger	Christy	Charles Tyrwhitt
23	Pondom home interiors	Klass	Clarks Outlet	Chloé
24	Poundland	L.K.Bennett	Coach	Church's
25	ProCook	Le Creuset	Coast	Clarks
26	Rectella	Levis	Costa Coffee	Coach
27	Roman	Lindt	Crabtree & Evelyn	Coccinelle
28	Saltrock	M&S Outlet	Crew Clothing Company	Corum
29	Suit Direct	Mountain Warehouse	Denby	David Clulow Sunglasses
30	Cornish Bakery	Musto	Diesel	Diesel
31	TheWorks.co.uk	Next Clearance	Dr. Martens	Dior
32	Trespass	Next Home Clearance	Ernest Jones	Dior Homme
33	Urban	Nike Factory Store	Fossil	DKNY
34	Yeomans	Onitsuka Tiger	Frankie & Benny's	Dolce & Gabbana
35		Original Penguin	Fred Perry	dunhill
36		Osprey London	French Connection	DVF
37		Paul Costelloe	Gant	Ermenegildo Zegna
38		Pavers Shoes	Gap Outlet	FALKE
39		Phase Eight	Giraffe	Fendi
40		ProCook	Guess	Folli Follie
41		Quba & Co	Hackett	Fossil
42		Regatta	HMV	Fred Perry
43		Roman Originals	Hobbs	Furla

44		Skechers	L'Occitane	Georg Jensen
45		Suit Direct	Lacoste Outlet	Gina
46		Ted Baker	Las Iguanas	Givenchy
47		The Fragrance Shop	Le Creuset	Gucci
48		The Gift Company	Levi's	Hackett
49		The Gym	Links of London	Hearts on Fire
50		The North Face	Loch Fyne	Hour Passion
51		The Works	Lulu Guinness	Hunter
52		Trespass	Marks and Spencer Outlet	ilovegorgeous
53		Trickers	Michael Kors	Jack Wills
54		White Stuff	Mint Velvet	Jaeger
55			Molton Brown	Jimmy Choo
56			Moss Bros	Juicy Couture
57			Musto	K.I.D.S
58			Nando's	Karen Millen
59			Nike Factory Store	kate spade new york
60			O'Neill	KENZO
61			Oakley	Kipling
62			Oliver Sweeney	Kurt Geiger
63			Onboard	L.K.Bennett
64			Original Penguin	Lacoste
65			Osprey London	Lalique
66			Patisserie Valerie	L'Atelier
67			Paul Smith	Le Creuset
68			Pearl Izumi	Levi's®
69			Phase Eight	Linda Farrow
70			Polo Ralph Lauren	Links of London
71			Radley	L'Occitane en Provence
72			Reiss	Loewe
73			Strada	Longchamp
74			Superdry	Loro Piana
75			Swarovski	Marc Jacobs
76			Ted Baker	Marni
77			The Body Shop	Max Mara
78			The Cosmetics Company	MCM
79			The North Face	Michael Kors
80			The Perfume Shop	Missoni
81			The White Company	Molton Brown
82			Tiger Tiger	Moncler
83			Timberland	Montblanc
84			Tommy Hilfiger	Mulberry
85			Trade Secret	N.Peal
86			UGG Australia	New Balance
87			Under Armour	Oscar de la Renta
88			Vans	Pandora
89			Villeroy & Boch	Paul Smith
90			Watch Station International	Penhaligon's
91			Weird Fish	Polo Ralph Lauren Children
92			White Stuff	Polo Ralph Lauren Men
93				Polo Ralph Lauren Women
94				Prada

95				Radley
96				Ralph Lauren Home
97				Reiss
98				Roberto Cavalli
99				Rotary
100				Rupert Sanderson
101				Saint Laurent Paris
102				Salvatore Ferragamo
103				Samsonite
104				Sandro
105				Savoy Tailors Guild
106				Sergio Rossi
107				Smythson
108				Stella McCartney
109				Superdry
110				Swarovski
111				Tag Heuer
112				Ted Baker
113				Temperley London
114				The Cosmetics Company Store
115				The Kooples
116				The White Company
117				Theo Fennell
118				Thomas Pink
119				Timberland
120				Tod's
121				Tolkowsky
122				Tommy Hilfiger
123				Tory Burch
124				True Religion
125				Tumi
126				UGG
127				Valentino
128				Versace
129				Vilebrequin
130				Vivienne Westwood