
THE OVAL

**Responsible Cabinet Member - Councillor John Williams, Economy
Councillor Chris McEwan, Efficiency and Resources Portfolio**

**Responsible Director - Richard Alty, Assistant Chief Executive (Regeneration)
Paul Wildsmith, Director of Corporate Services**

SUMMARY REPORT

Purpose of the Report

1. The purpose of this report is:
 - (a) To inform Members of the impact of the credit crunch on the Commercial Street Shopping Centre development (also known as The Oval).
 - (b) To seek agreement in principle to reflecting the Developer's latest scheme proposals in the Development Agreement.
 - (c) To reaffirm the Council's willingness, in principle, to make a compulsory purchase order in support of this scheme, if necessary.

Summary

2. The Council's preferred developer, Cobalt Estates (Darlington) Ltd, exchanged contacts with the Council in respect of the Development and Lease Agreement in 2005. The developer has been working to satisfy the pre-conditions, but funding the scheme in the credit crunch was not viable and the scheme, that was due to start in 2008, did not proceed.
3. The developer has been looking at the scheme proposals from a commercial point of view and remodelled the original scheme to reduce the scale and costs of development, but to retain a scheme in line with the original brief for the scheme issued by the Council and to retain as many features of the original scheme (i.e. when Cobalt were selected as preferred developer) as possible. Sketches of the revised scheme are in **Appendix 1**. The drawings are illustrative of work in progress and not finalised.
4. The terms of the Development and Lease Agreement will need to be reviewed to reflect the changes in the scheme.
5. At the meeting of Cabinet in October 2004, it was agreed that in principle, and subject to the necessary legal requirements being met and the action being funded by a developer, the Council support the use of compulsory purchase powers to achieve such a development. It

is recommended that the Council continue to support, in principle, the use of compulsory purchase powers for the revised scheme.

6. The scheme still meets the Council's objectives and aspirations for the site, as set out in the Town Centre Development Strategy in 2002, the Commercial Street Planning and Highways Requirements Statement in 2004, and the Local Development Framework Core Strategy in 2010. It contributes to the Perfectly Placed priority in One Darlington: Perfectly Placed.

Recommendation

7. It is recommended that:-
 - (a) The proposed changes to the scheme are supported and accepted in principle, subject to planning permission being obtained.
 - (b) In principle, and subject to the necessary legal requirements being met and to the action being funded by the developer, the Council use its compulsory purchase powers to achieve The Oval development.

Reasons

8. The recommendations are supported by the following reasons: -
 - (a) To achieve the development set out in the Council's Town Centre Development Strategy, the Planning Requirements Statement for the site and the Local Development Framework.
 - (b) To benefit the economic well being of the Borough.
 - (c) To further the aims of One Darlington: Perfectly Placed.

Richard Alty
Assistant Chief Executive (Regeneration)

Paul Wildsmith
Director of Corporate Services

Background Papers

Darlington Town Centre Development Strategy
Commercial Street Site Planning and Highways Requirements Statement (2004)

Jenny Dixon: Extension 2478
PB

S17 Crime and Disorder	The design of the centre has taken into account implications for crime and disorder
Health and Well Being	There are no issues relating to health and well-being which this report needs to address
Sustainability	The design of the shopping centre has taken such issues
Diversity	There are no diversity issues
Wards Affected	Central Ward
Groups Affected	Not applicable
Budget and Policy Framework	This report does not represent a change to the budget and policy framework
Key Decision	This is a key decision
Urgent Decision	This is not an urgent decision
One Darlington: Perfectly Placed	The development of the shopping centre would attract significant investment to Darlington and prosperity for the town centre, together with new jobs, in line with the Perfectly Placed priority.
Efficiency	Not applicable.

MAIN REPORT

Previous Scheme

9. The principal objective for the Commercial Street shopping centre scheme has always been to provide larger shop units than are available elsewhere in Darlington, in order to meet the demand from retailers who would like to be in the town centre but can not find units of sufficient size to meet their needs. Attracting such (mainly fashion) retailers to Darlington would help to bring to the town centre trade, which is being lost from Darlington's catchment area. This gain in shoppers coming to Darlington town centre is intended to strengthen the town centre as a whole. It is important that the new centre is large enough to achieve this objective (but not so large as to undermine other parts of the town centre). Unless the town centre continues to adapt, to meet modern retailing and shopper needs, it risks decline as competing centres improve.
10. The previous scheme was put together and proposed to the Council in 2005 when the property market was at an all time high, and continuing economic stability and growth were anticipated. That scheme, which has planning permission, was ambitious, with shops trading from a two-level mall, a department store, a winter garden, and a multi-screen cinema with associated restaurants on the site of the Commercial Street car parks. A multi-storey car park on the site of the Kendrew Street car parks was to be linked to the shopping centre by a footbridge over St Augustine's Way. The car park was to be cloaked with housing on the elevation fronting North Lodge Park.

Context and Reasons for Change

11. As the credit crunch and recession took hold of the economy, the previous scheme became not viable: in essence, the value which the market would have placed upon the scheme on its completion would have been less than the cost to the developer of construction. In addition, obtaining funding to develop schemes of this type became very difficult due to the credit crunch.
12. Funders' views of shopping centre developments have improved a little in recent months, to the extent that a revised scheme is now potentially viable. However, the anticipated outlook for the economy is less stable than was anticipated in 2005, and therefore funders expect different financial parameters in the scheme to reflect the fact that there is more risk to the developers and the funders than there was perceived to be in 2005.
13. The demand from retailers to occupy units in the scheme has remained throughout, and is still there today, so the original rationale and objective for the scheme remains. However, the most recent update of the Town Centre Health Check has indicated a slightly reduced need for town centre floor space, and so a reduction in the size of the scheme would be appropriate to ensure the town centre remains balanced.
14. However, the viability of cinema development has changed dramatically as a result of the credit crunch and recession. In addition, the demand for restaurants associated with cinemas is less than in 2005. As a result, no scheme involving these leisure elements would now be viable. These elements were not in any case stipulated by the core brief for the site,

but at the time were considered desirable from the planning perspective', might be more accurate.

Proposed Scheme

15. The revised scheme is smaller, two storeys in height with car parking above the shopping centre and principally a fashion retail development. The original scheme incorporated leisure uses, multi-storey car park on Kendrew Street and bridge link, and these have now been excluded. Consequently the shopping centre has reduced in size from 300,000 sq ft to 135,000 sq ft (see Appendix 1 for scheme details). Most of this reduction is due to the removal of the leisure and restaurant elements. It has an estimated 21 shop units and continues to be anchored by an 80,000 sq ft department store. There would be a single level covered mall, linking from the corner of the Queen Street mall to St Augustine's Way. The retail content of the scheme still reflects the original objectives for the scheme, and its size is more appropriate for the current expectations of the economy. The physical scale of the development should also fit more easily into the predominant architectural scale of Darlington. The key architectural features of the original scheme have been retained, included an attractive glazed elevation to St Augustine's Way and a winter garden on the corner near the Northgate roundabout.
16. There would no longer be development on the Kendrew Street car park sites. The Council would therefore retain ownership and control of the Kendrew St car parks and they would be excluded from the Development Agreement.
17. The proposed car park on top of the shopping centre has 500 spaces, and the developer is offering to make improvements to the Kendrew Street car parks. This creates a total of around 700 spaces and is approximately a net increase in spaces of 200 from the current number of spaces in Commercial Street and Kendrew Street car parks.
18. The developer is proposing to upgrade the subway under St Augustine's Way and to provide an at-grade Toucan crossing over St Augustine's Way to improve both connectivity between the site, the Kendrew Street car parks and the area to the north of the ring road and also for cyclists. The provision of bus stops on St Augustine's Way is also being considered, as before.
19. An initial planning assessment has been carried out, and officers consider that the revised scheme is consistent both with the Council's Planning and Highways Requirements statement for the site and with the emerging Local Development Framework Core Strategy published this year. Detailed design of the revised scheme is yet to be carried out and a new planning permission would be required. A 500 space multi-storey car park operated on a short-stay basis would be sufficient to serve the development. However detailed plans showing the proposed access arrangements to the car park and its internal layout, to show how the car park will work, will be required through the normal planning process channels. As part of the planning application process detailed consideration would need to be given to design, materials, transport, highways and other matters.
20. The initial design concept of the revised scheme is considered to be likely to be acceptable by planning and highways officers and of a more appropriate scale for the town, subject to details of the design being worked up and assessed. Initial sketches are included in Appendix 1. The materials and design would continue to be of the highest quality and

design, and would connect into the Queen's Street Centre. It is envisaged the refurbishment of Queen's Street would be undertaken co-terminously with the development of The Oval, so that from the public's perspective, both shopping centres would complement each other, benefit from increased footfall and be viewed as a single integrated centre.

21. Since there is not yet a fully worked up detailed design, it is proposed that the Council would retain the right, as land-owner, to approve the design, in addition to and separately from the Council's role as local planning authority.
22. This is still an ambitious scheme, offering significant investment, which would be of substantial benefit in enhancing what Darlington town centre offers and strengthening the economy of the town centre. To ensure that the town centre continues to be balanced, pursuing the counter-balancing development on the Feethams/Beaumont Street sites remains important.

Outstanding Issues and Timetable

23. There is significant investment and commitment needed by the developer. The following matters still need to be resolved before it would be certain that the development would go ahead:
 - (a) Acquisition of the Queen Street Shopping Centre by the developer, or agreement that the development can link into it;
 - (b) Acquisition by the developer of the remaining land not currently owned by the Council required for the development;
 - (c) Agreement with retailers to lease a proportion of the shop units;
 - (d) Obtaining funding for the construction of the scheme.
24. If the development proceeds, it is intended work on the site would start early in 2012 with completion in time for a Christmas opening in 2013. A new planning application would be submitted in 2011.

Compulsory Purchase

25. The developer needs to acquire land not currently owned by the Council for site assembly purposes. At the meeting of Cabinet on the 19 October 2004 (Min C210/Oct 04), Members agreed that, in principle, and subject to the necessary legal requirements being met and to the action being funded by the developer, the Council use its compulsory purchase powers to achieve such a development. Cabinet agreed this in principle before the previous scheme for The Oval was selected, to set a context for the selection of a developer, and the need to acquire the third party interests remains. This might include purchasing some or all of the interests held by the Queen's Street shopping centre.

Financial Issues

26. The financial implications of the development have been revised to reflect the current and expected future economic context. Full details of the financial implications are in a separate report in Part 3 of the agenda (which is not for publication due to commercial confidentiality).

Outcome of Consultation

27. The revised scheme proposals have just been received and no public consultations have taken place. However, the scheme is consistent with the policies of the Local Development Core Strategy (and the previous Town Centre Development Strategy), both of which were generally supported in public consultations. Full public consultations would take place on a new planning application.