

Matter 7 – Fostering Vitality

Question 2

“The affordable retail units in Policy CF2 intended to ensure the continued supply of small units more likely to be occupied by start up, independent or specialist traders, managed under the Council’s neighbourhood shopping policy. If implemented, would this lead to adverse effects on retail occupation making its objective in affective and undeliverable?”

Answer: Yes

Reason:

1. The reference to the possibility of affordable retail units dates back to a report of the Commission on Retail Conservation to the Royal Borough of Kensington and Chelsea dated May 2007. This report is clearly out of date and pre-dates the extreme economic downturn in the economy that is currently experienced today and is likely to be felt throughout the business community for the short to medium future.
2. The report states that:

“Local authorities were missing a trick on Section 106 Agreements...One landlord suggested that if a major retailer wanted to move into an area, their presence would be offset by a levy that could underwrite independent retailers in side streets. This could operate like affordable housing through a central fund.”(Page 44).
3. This approach and attitude needs to be considered carefully in the context of the economic climate at the time the comments were made which was, in hindsight, at the height of the property market.
4. The approach therefore relies on a situation where there is such substantial demand from retailers that the consequential rents are able to support the subsidy of other retail floorspace.

5. Clearly since May 2007, demand has dramatically decreased along with rents. In addition, the Borough now faces significant and, as yet, unquantified competition and trade draw from the new Westfield Shopping Centre.
6. The consequence of all of this is that any retailer now needs significant encouragement both through reduced rents and subsidised fit-out costs to commit to short to medium term leases. The premiums have therefore dramatically reduced since May 2007 and indeed, we would question they were significant enough even at this time to support such a policy approach.
7. The implication of such a policy at this time, in a fragile investment market, where confidence in property, and in particular the retail sector, is low, would be to discourage significant investment in retail development. This would clearly be contrary to the objective of the Royal Borough.
8. Put simply, the introduction of such a policy would dramatically discourage investment in large scale retail development in the Borough as it simply represents a further area of risk for a property use where there is already substantial concern in terms of its investment value.
9. The evidence base that the Council rely on is substantially out of date and indeed, appears to be based on anecdotal comments and suggestions in any case. We therefore do not consider the policy to be justified and importantly we do not consider it to be effective in delivering the Councils objectives.
10. Importantly, we note that the only other evidence related to the retail policy (The Retail and Leisure Needs Study Dated July 2008) is not only more recent but makes no reference to the need for a policy requirement for affordable shops.

Suggested amendment to Policy CF2:

11. Delete Criterion C.
12. Retain first two sentences of paragraph 31.3.18 only and delete the remainder of the paragraph.

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