

**Canal Corridor North  
31 October 2017**

**Report of Chief Executive**

**PURPOSE OF REPORT**

To update Council on the current position of the Canal Corridor North (CCN) project and gain Council's direction on future steps of the regeneration scheme.

**This report is a public version of a more detailed report. Paragraphs 3-9 of the detailed report, and all the appendices, are exempt from publication by virtue of paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972; those paragraphs and appendices have been removed in this public version. The recommendations in both versions of the report are the same.**

**RECOMMENDATIONS:**

- (1) That Council notes the current position regarding the Canal Corridor North scheme.**
- (2) That Council considers the information contained within the report and appendices and indicates whether:**
  - it continues to support the scheme's overall concept as representing an appropriate development solution for the site, in the light of current policies and priorities for the future growth of the district as a whole;**
  - in principle it agrees to the financial 'asks' from key partners as set out in section 4 of the report; and alongside these**
  - in principle it is prepared to invest (in equity and/or loan capital terms) in the overall scheme, to help achieve an affordable and financially sustainable outcome from the City Council's perspective.**
- (3) That subject to (2) above and in the event that Council supports the outline scheme proposals:**
  - a) Officers be authorised to negotiate further with British Land and the University of Lancaster, and other relevant key partners, to inform detailed development of the scheme's concepts, layout and design and in particular:**

- to identify the optimum solution regarding the development boundary for the scheme, and the extent to which the Council's assets are included;
  - to identify the most cost-effective car parking design solution to meet expected capacity needs and to improve financial viability from the Council's perspective, in context of wider car parking and transport strategy;
  - to identify the most appropriate arts hub offer, design solution and operating model with the aim of the facility as a whole being financially viable (i.e. to negate the need for ongoing revenue support in the medium to longer term), in context of the wider cultural offer in the district;
  - to develop any further capital financing options (based on PWLB borrowing) to enable the Council to take a longer term stake in the car park and/or the arts hub, if appropriate in support of the above; and
  - to develop the most appropriate governance structures for delivering the project, whilst protecting the Council's interests.
- b) Officers be authorised also to pursue other relevant external funding streams such as Arts Council England.
- c) The Canal Corridor Reserve be used for the commissioning of ongoing external professional support to advance negotiations.
- d) Officers report back on the outcome of the above work with a view to presenting Heads of Terms for Council's consideration as soon as practicable, allowing for appropriate due diligence to be completed.
- (4) That subject to (2) above, in the event that Council does not support the outline scheme as set out in the report, it provides appropriate feedback to share with key partners (British Land and the University of Lancaster), and instructs Officers accordingly regarding alternative proposals for the site.

## 1 INTRODUCTION

- 1.1 At its meeting on 15 June 2016 Council considered an update report on the Canal Corridor North (CCN) project (minute 23 refers).
- 1.2 Much work has been undertaken since June 2016 and this report provides an overview of the current position.
- 1.3 Over the last twelve months, discussions over the regeneration of this substantial land area in Lancaster city centre have continued. Revised proposals are well advanced which if agreed and implemented would see Lancaster become much more of a premium destination. This would be achieved by the creation of a high quality retail and food and drink offer, on-site parking provision and complemented by a landmark arts hub building. This will bring to life a relatively dormant area of the city, enhance the strength of the local economy and create a high end platform for a range of arts and culture offerings within the city.
- 1.4 Being able to work with a leading investor such as British Land along with Lancaster University creates a strong and effective partnership and presents a real opportunity to demonstrate how the Council can play key role in significantly improving the prosperity of and prospects for the City and wider District.
- 1.5 The detail of the proposals is set out extensively in the following sections of the report and the proposition to Members at this time is, essentially, to confirm whether we should take further steps in progressing the scheme. This is not in any sense a final commitment but it is vital that there is clarity whether to take these further steps so that further negotiation and due diligence work can proceed.
- 1.6 The key principles to be confirmed are in relation to the Council investing in the retail offer which will pay a return, and the Council taking a leading role in the provision of parking and the creation of an arts hub. Further work would then ensue to ensure the facilities are fit for purpose but as cost effective as possible and risks are minimised. If suitable terms can be agreed and members support the proposals the beneficial outcomes for the city could be considerable.
- 1.7 This report is therefore another important stepping stone for progressing tri-partite discussions and associated negotiations. A legal commitment to delivery of the scheme is not yet being sought, however. In essence the decisions now needed from Council centre on:
  - whether it considers that the potential economic, regeneration and cultural benefits and opportunities to be gained from the scheme’s overall concept are in the best interests of the district; and
  - whether in principle the Council has the commercial/investment appetite to advance the project further, recognising the risks and potential rewards attached and the likely implications for the Council as a whole and its many competing demands and aspirations.

## 2 OVERVIEW AND RATIONALE FOR CANAL CORRIDOR REDEVELOPMENT

- 2.1 Over the last year or so representatives from British Land (BL) and Lancaster University (LU) have presented their latest scheme ideas. The key elements of the scheme provide for:
- a retail/food and beverage development with some 250,000 sq ft of high street comparison retail floorspace and 70,000 sq ft of food and drink retail incorporating one anchor (high street comparison retail) store;
  - an 82 bedroom hotel;
  - a new student village of around 1,000 units of student accommodation;
  - an underground car park with 786 spaces; and
  - a new “arts hub” building which could house the Dukes, Ludus dance and other arts organisations.
- 2.2 An outline of the scheme is attached at **Appendix A** in the exempt report.
- 2.3 The development of Canal Corridor North and the Arts Hub are important elements of an overall approach to position Lancaster as a key economic growth area for Lancashire and South Cumbria, and as a northerly part of the asset base for the Northern Powerhouse.
- 2.4 Lancaster district is recognised by the Lancashire Enterprise Partnership (LEP) as an area that is extremely well positioned for economic growth. The Bay Gateway has opened up a new growth corridor from the M6 to the Port of Heysham. Access to the district’s coastal towns is hugely improved, leading to increased investor interest and growing international trade opportunities. Lancaster University is pivotal in the development of a number of key sectors including health innovation, energy, digital and creative industries. The visitor economy is growing year on year, supported by a unique but, as yet, relatively undeveloped, cultural and heritage offer that can set the district apart from many places.
- 2.5 To meet the needs of businesses and their supply chains, the district will need to develop, retain and attract the skills needed for the future. As well as a strong education sector, quality of life, place offer and local services will need to be compelling. In some respects, Lancaster has strong attributes that allow it to compete as a business and workforce location but, in respect of its retail, food and drink and cultural offer, the current mix clearly does not meet expectations for an important sub regional city and its surrounding area.
- 2.6 Canal Corridor North provides a once in a generation opportunity for a transformational change for Lancaster in terms of its overall offer and its ability to support the development of Lancaster University and the important links between city and campus.
- 2.7 The need for a significant improvement in Lancaster’s city centre offer also responds to worrying trends found in the evidence supporting successive local plans for the district. In the most recent evidence prepared by White Young Green in 2015, the district had lost market share from 31% to 29% since 2006. The City Centre had seen the highest decline from 19% down to 15%. Clothing and footwear sectors had been found to be particularly poor. Spending leakage outside the district from those who would expect to use Lancaster as their primary centre was 65%.
- 2.8 To halt the decline and reverse it with realistic expectations (given the extensive

changes in retailing), investment in both quality as well as quantity needs to take place. A realistic objective would be to aim to increase the district's market share to 35% (from 29%) and reduce leakage outside the district to 60% (from 65%). It is considered that the Canal Corridor scheme would be well matched to achieving that ambition and halting the decline of Lancaster as a sub-regional centre. It would also encourage greater use of the city by a natural catchment that currently goes elsewhere.

- 2.9 There are other critically important economic and regeneration reasons why the City Council should intervene to address the City Centre's viability. These are associated with its vital role in place making and generating economic growth. The Local Plan's evidence base shows an urgent need to halt the decline of the working age population, to encourage young households to remain in the district, and to retain graduates from the universities. The quality and extent of facilities in the City Centre are key factors which influence locational decisions and at present Lancaster is perceived as having not changed and providing a poor city centre experience. As such, it does little to reverse the trends that are expected to cause future harm to the economy, and the sustainability of the district.
- 2.10 The City Council is also ambitious to significantly improve the cultural and heritage offer of the city and district. This is evidenced by the recent decision of Council to give notice to take back the Museums operation and review its museums offer. The Canal Corridor North scheme has changed significantly in recent times from being predominantly retail-led to a mixed use, providing a greater balance between retail/food and beverage and arts /cultural uses.
- 2.11 In line with a number of updated and modernised schemes, the British Land proposals now major on generating greater dwell time within a historic city centre environment and canal side development. This is something that Historic England advice advocates, to give advantage to the historic centres of the country. A vibrant and more diverse City Centre provides a great enabler and cultivator for the projected growth in the digital and cultural sectors in the city, as well as its ability to increase visitor numbers, the University's predicted growth in students and attract new workers to the area.
- 2.12 The scheme also proposes significant heritage led regeneration in the most underused and unattractive part of the historic core. Whilst now fully covered by Conservation Area status, the area to be developed contains many heritage assets in poor condition and presents the historic environs of the canal and northern entrance into the city centre with an extremely poor sense of place and a feel of dereliction. Whilst the 2010 Secretary of State's decision on an earlier scheme criticised the nature of design and attention to heritage assets, there was no doubt that it was right to pursue heritage regeneration in this location.

## RELATIONSHIP TO POLICY FRAMEWORK

The Canal Corridor North proposals fit strongly with the Council's existing priority for Sustainable Economic Growth.

Regarding the planning policy position for the Canal Corridor North site, this has remained consistent for at least the last ten years.

The Lancaster District Core Strategy 2008 identified the site as the district's key retail development opportunity to comply with Policy ER4 "Town Centres and Shopping" and ER5 "New Retail Development". These policies were taken forward and further developed in the adopted Development Management DPD (see policies DM1 and DM12).

Policy SG6 of the emerging "Strategic Policies and Land Allocations DPD" identifies the Canal Corridor North site for comprehensive redevelopment for retail and leisure uses. The draft DPD will be reported to Council in December 2017 for approval to publish in the New Year.

The policy position has also consistently highlighted to key issues that any future planning application will need to address. In addition to need issues, these include how the development integrates with and impacts upon the existing city centre, how the site's heritage assets are affected and the need for high quality design and materials.

Any detailed future examination of the new proposals will also need to be tested against the benchmark set by the Secretary of State's decision on the Centros proposals in 2010 although much work has already been carried out on design and heritage matters by British Land to address these.

## CONCLUSION OF IMPACT ASSESSMENT

(including Diversity, Human Rights, Community Safety, Sustainability etc.)

There are no specific issues to highlight at this stage. Detailed design of any scheme would consider sustainability and community safety, as examples.

## BACKGROUND PAPERS

None

### Contact Officers:

**Susan Parsonage**  
Telephone: 01524 582011  
E-mail: [sparsonage@lancaster.gov.uk](mailto:sparsonage@lancaster.gov.uk)

**Nadine Muschamp**  
Telephone: 01524 582117  
E-mail: [nmuschamp@lancaster.gov.uk](mailto:nmuschamp@lancaster.gov.uk)

**David Lawson**  
Telephone: 01524 582331  
E-mail: [dlawson@lancaster.gov.uk](mailto:dlawson@lancaster.gov.uk)