

## Worthing Borough Council Community Infrastructure Levy – Examination

### Responses to Examiner's Initial Questions

#### Introduction

On 19<sup>th</sup> June Worthing Borough Council submitted its CIL Draft Charging Schedule for Examination. Following consideration of the evidence submitted and the representations which were received in response to the consultation the Inspector has submitted a number of initial questions (in **bold**). The Council's response to these questions is set out below.

#### Question 1

**I note that the October 2013 NCS Viability Assessment assumes a 50% share to the landowner of the uplift in land value whereas the December 2012 Assessment assumed a 60% share – the 60% share explained (in para 3.23 of the 2012 Assessment) to be necessary “in order for sites to be released”. What is the evidence supporting this change in approach and, in broad terms, what effect has the change had on the levels of CIL shown to be viable?**

#### Response

The methodology employed in the appraisals uses uplift in value between existing use value and value with planning permission to determine the land value allowance that reflected a 'reasonable return to the landowner' as required by the NPPF and best practice guidance. In the original methodology it was considered that landowners would feel that they should obtain a greater share of the uplift than the Local Authority in order to release sites (rather than potentially wait for a change in policy). As such, a 60:40 split was adopted in favour of the landowner.

Helpfully this issue was considered in some detail by the Inspector in the Shinfield Appeal Decision (Wokingham DC, APP/X0360/A/12/2179141) in January 2013. The case revolved around the level of affordable housing and developer contributions that could be reasonably required. In turn, the decision hinged on the land value allowed to the applicant as a 'reasonable return' to incentivise release of the site. The Inspector held that the appropriate approach to establishing the benchmark or threshold land value would be to split the uplift in value resulting from planning permission for the alternative use (50:50 between landowner and the community). As such, in subsequent appraisals the Council's consultants adopted this approach and it is noted this has since been accepted in other cases (eg Preston City Council APP/N2345/A/13/2200445).

In reducing the land value allowance to the landowner the viability margin beyond reasonable return to the landowner and developer has necessarily increased along with the potential to charge CIL.

## **Question 2**

**I note that the December 2012 NCS Viability Assessment included “residential – residential” appraisals. Why were these not repeated in the October 2013 Assessment? Is it likely, as is contended by some representations, that a significant proportion of new residential development will involve the redevelopment of existing residential land?**

### **Response**

The residential – residential category in the original assessments was something of a misnomer. It was intended to reflect a ‘full residential market value’ test with no benchmarking or attempt to establish a threshold value that reflected a reasonable return to the landowner. The test assumed full market price paid for land which may, in terms of the NPPF and best practice outlined in the Harman Report represent a figure way in excess of ‘a reasonable return to the landowner’. The test was really being used as a sense check in anticipation that most viability results would be negative (this test has been more properly renamed ‘market comparable’ in the methodology now employed).

When a new development tax like CIL is introduced it will not be reflected in market land prices until some time after adoption. Therefore, if full market value of residential land is used as the benchmark allowance it is highly unlikely that CIL would be viable to introduce anywhere in the UK – as land prices inevitably take up the slack between development cost (including existing Local Authority policy allowances prior to CIL) and sales values.

Given the very tightly drawn boundary around Worthing and the lack of available land for development it is inevitable that there will be many competing demands placed on land that may be available. The Council would agree that some of these development opportunities would involve the redevelopment of existing residential land and there have been a number of examples of this occurring in recent years with redevelopment intensifying the residential use of individual sites. However, this is not to say that this represents the only, or most significant, form of development opportunity in the town.

As is clearly shown in the Core Strategy, the key sites for residential development in the Borough are either greenfield (West Durrington) or the redevelopment of sites that are currently in non-residential use (e.g. a swimming pool, car parks (x3), a bus depot, a gas holder, offices and land in use for education).

Furthermore, given changes to the planning system and the overarching housing need it is expected that a full review of the Core Strategy will be undertaken in the coming years. Consideration will therefore need to be given to opportunities for further development in the borough. Work currently being undertaken to review the

Council's Strategic Housing Land Availability Assessment (SHLAA) does not indicate that the redevelopment of existing residential land will make a significant contribution to meeting the housing needs of the Borough. Therefore, given the lack of development opportunities within the current built-up area boundary careful consideration will need to be given to the potential of greenfield sites to accommodate further growth.

### **Question 3**

**Para 8.22 of the October 2013 Assessment indicates that the majority of development in the Borough is likely to take place on brownfield sites and I note that the brownfield appraisals assume the land to be currently industrial. Given Policy 4 of the Core Strategy (which seeks to resist loss of land used/last used for employment purposes) is it realistic that the majority of brownfield residential development will be on industrial land?**

### **Response**

The industrial land value ascribed to the brownfield viability tests is not meant to imply that all residential development will necessarily emerge from industrial land. The value ascribed to existing use for the purpose of benchmarking in brownfield development situations use a low value brownfield use (e.g. industrial value) on the assumption that alternative use of land usually occurs where there is some economic reason to alter existing use (from a low value to a higher one). It is unlikely that new residential development will emerge from good quality existing residential land. It is more likely to emerge from derelict or low value alternative use sites, or perhaps sites where densities can be improved by apartment development.

It is acknowledged that industrial value will not be appropriate to cover every scenario as an existing use land value. However, since we adopt 50% of the uplift in value to add to existing use it is considered that this will not result in a radically different benchmark value than if low grade residential value plus say a 10% incentive premium was used as an alternative benchmark methodology (as suggested as a legitimate alternative approach by the Harman report).

Policy 4 of the Core Strategy does seek to safeguard existing employment areas, particularly the listed industrial estates, business parks and key office locations. Outside of these areas there is a general presumption for the protection of employment land unless it can be satisfactorily demonstrated that the site is genuinely redundant or that an alternative use would more suitable. Whilst there has indeed been some employment land lost to residential uses in recent years this does not represent the most significant type of new housing land. Furthermore, as explained in the response to question 2 above, industrial land will not be a very significant component of land to be used for future housing development.

Areas of Change that were identified in the Core Strategy and that were in employment use were selected following careful assessment. In some cases a decision was made that their release for a mix of uses (including housing and employment) would provide a viable solution whilst also helping to meet wider objectives.

#### **Question 4**

**Para 8.18 of the NCS Assessment (October 2013) quotes the 2013 CIL Guidance. However, it appears that the quotation comes from the 2010 Guidance and, as far as I am aware, the last two sentences of the quote did not appear in subsequent versions of the guidance. I'd be grateful for the Council's comment on the General Conclusions section of the Assessment (paras 8.16 – 8.24) in the light of this.**

#### **Response**

It is acknowledged that the wording in the guidance was altered in later versions and the statement at paragraph 8.18 of the NCS report is in error. Nevertheless the overall position of Worthing BC in setting the rates proposed is not altered by this (see answer to 5 below).

#### **Question 5**

**Para 8.24 of the NCS Assessment (October 2013) acknowledges that a £100 CIL rate could potentially threaten the viability of some residential development in the low value areas but argues that because 75-80% of new residential development is envisaged to take place in the medium and high value areas of the Borough the CIL rate would be unlikely to threaten the delivery of residential development as a whole over the plan period. Is there evidence to support the 75-80% figure? Moreover, does this approach accord with the 2014 CIL Guidance (now incorporated in DCLG's Planning Practice Guidance (PPG)) that charging authorities should set a rate which does not threaten the ability to develop viably the sites and scales of development identified in the relevant plan?**

#### **Response**

The figure of 75-80% of development envisaged to take place in the medium and high value areas of the Borough was an approximate estimate made at the time that the Viability Assessment was being prepared. This estimate used housing land supply data and other housing projections available at that time. It is now more relevant to update this for the purposes of this Examination. The work set out below illustrates that whilst the calculation continues to provide a reasonable estimate of future housing delivery, the level of housing delivered in the medium and high value areas is actually likely to be higher than the previous estimate.

The latest published housing land supply data for Worthing Borough Council is set out within the Annual Monitoring Report 2012/13. A table setting out sites with extant planning permission (6+ units) considered deliverable between 2013-18 is attached as Appendix 1. A new column has been added to this table to show the relevant value areas as illustrated within the Viability Assessment (CD02-7). The table demonstrates that of the 1,529 dwellings with permission a total of 289 dwellings (19%) are located within low value areas with the remainder 1,240 (81%) being located within the medium and high value areas. It is accepted that, given that

these sites already have permission they will not be charged CIL. However, the data does provide a clear indication of trends and the areas of the Borough where development is most likely. It was some of this base data (prior to planning permission being granted) that informed the previous estimate of 75-80%.

Looking beyond those sites with permission, the table in Appendix 2 (also copied from the 2012-13 AMR) lists the key residential sites identified in the Strategic Housing Land Availability Assessment (SHLAA). This shows that all of the development opportunities listed are located within high and medium value wards and that none are located in the low value areas. This list includes 7 of the Council's Areas of Change which are the key development areas identified in the Core Strategy where change is expected and will be promoted over the plan period.

It should be noted that the Council is currently undertaking a full review of its SHLAA and a number of new potential sites have been identified, some of which lie within low value areas. Whilst the SHLAA report has yet to be published it is clear that these sites, and the level of development that they may deliver, will not alter the projection that more than 80% of new residential development is likely to be located within medium and high value wards.

Given that the relatively low levels of development likely to come forward in low value areas the Council is of the view that CIL rates set within the Draft Charging Schedule are appropriate and are at a level that will help to deliver, rather than impact negatively on, the strategic objectives set out in the Core Strategy. This approach accords with CIL Guidance, now enshrined in the Planning Practice Guidance, which states:

*A charging authority should be able to explain how their proposed levy rate or rates will contribute towards the implementation of the relevant Plan (the Local Plan in England, Local Development Plan in Wales, and the London Plan in London), and support development across their area. Charging authorities will need to summarise their economic viability evidence. This evidence should be presented in a document (separate from the charging schedule) that shows the potential effects of the proposed levy rate or rates on the economic viability of development across the authority's area.*

## **Question 6**

**CD03/4 helpfully sets out the funding collected through planning obligations although it appears not to include affordable housing. Are you able to provide information on the total number of affordable homes secured through planning obligations in recent years (I don't necessarily need site-by-site information) and a broad indication of how this figure compares with the adopted affordable housing percentage requirements.**

## **Response**

The table below sets out the permissions approved in Worthing for schemes of 15+ dwellings since 2011 (the year that the Core Strategy was adopted). The threshold

of 15 units has been used as this is the point that Core Strategy Policy CS10 requires 30% on site provision of affordable housing. As is shown on the table, the Council has, on average, accepted a level of 25% affordable housing provision compared to the requirement of 30%. The level of provision for each site permitted has been determined using evidence of viability and / or consideration of the wider community benefits and the delivery of identified strategic objectives. This flexible approach can help to ensure that schemes that will contribute towards the delivery of housing and regeneration objectives continue to come forward.

<b>Ref</b>	<b>Total dwellings approved</b>	<b>Affordable housing approved</b>	<b>Affordable Housing as % of total</b>
11/275/OUT	700	210	30%
AWDM/363/11*	265	53	20%
AWDM/365/11*	36	0	0%
AWDM/521/12	117	17	14%
AWDM/680/11	29	11	38%
AWDM/55/13	38	9	24%
<b>TOTAL</b>	<b>1,185</b>	<b>300</b>	<b>25%</b>

\* Note – these two applications are linked.

## APPENDIX 1

### Sites with Extant Planning Permission (6+ units) Considered Deliverable 2013-18

App No.	Address	Demolitions	Capacity (Gross)	Commenced?	CIL VA Value Areas	Previous / Existing Use
<b>Broadwater</b>						
10/0025	80 & 80A Dominion Road	1	7	No	Low	Optician and residential
<b>Castle Ward</b>						
0136/11	R/O 18-28 Strand Parade	0	9	No	Low	Yard / Parking area
0363/11	Worthing 6 <sup>th</sup> Form College, Bolsover Rd	0	265	No	Low	Education
<b>Central Ward</b>						
08/0107	37-39 Chesswood Road (and 09/447)	2	9	Yes (in part)	Medium	Residential (backland)
09/0511	18 Warwick Street	0	6	No	Medium	Offices
09/1067	7 The Steyne	1	12	No	Medium	Offices
10/0553	Builder Centre Park Road	0	14	No	Medium	Builder centre (Commercial)
10/0867	25A Chapel Road	0	7	No	Medium	Offices
<b>Durrington Ward</b>						
11/0275	West Durrington (CS1)	0	700	No	Medium	Greenfield
07/0794	Highdown School Durrington Lane	0	10	Yes	Medium	Education
0521/12	Northbrook College, Littlehampton Road	0	117		Medium	Education
<b>Goring Ward</b>						
0680/11	Goods Yard, Goring Street	0	29	No	High	Goods Yard (Commercial)
<b>Heene Ward</b>						
03/0842	84-92 Heene Road	2	23	Yes	Medium	Former bank / residential
10/0858	31 Shelley Road	1	7	No	Medium	Residential
07/0135	43 Wordsworth Road	0	16	Yes	Medium	Residential
09/0346	9 Mill Road	1	9	No	Medium	Residential
10/0753	6-8 Mill Road	0	14	No	Medium	Care Home
10/0287	The Beach Hotel 123 Marine Parade	0	49	No	Medium	Hotel
10/1069	Sussex Nursing Home 12 Queens Road	0	8	Yes	Medium	Nursing Home
0509/11	Mayfair Hotel 11-12 Heene Terrace	0	11	Yes	Medium	Hotel
1089/12	Ashmount Care Home, 10 Southey Road	0	29	No	Medium	Care Home
<b>Marine Ward</b>						
06/1121	Eirene Road / Sea Place	3	81	Yes	High	Mixed use – yacht club, parking
10/0148	62-66 Goring Road	0	6	Yes	High	Offices
09/0266	42, 43 & 44 West Parade	3	13	Yes	High	Residential
<b>Offington Ward</b>						
0365/11	The Warren, Hill Barn Lane	0	36	Yes	High	Office HQ
<b>Salvington Ward</b>						
09/0732	12 Littlehampton Road	0	22	No	High	Residential
09/0951	42 Salvington Road	1	7	No	High	Residential
<b>Selden Ward</b>						
10/0630	28 Selden Road	0	8	No	Low	Residential
<b>Tarring Ward</b>						
10/0429	13-25 St Dunstan Road	1	7	Yes	Medium	Commercial
09/1055	17-19 Parkfield Rd	0	14	No	Medium	Residential
<b>Total</b>		<b>16</b>	<b>1,545</b>			
<b>Net Total 2013-2018</b>			<b>1,529</b>			

## APPENDIX 2

### Strategic Housing Land Availability Assessment Review - as at 1/4/13

Site	Site Capacity (net)	Time Frame (years)			CIL VA		Current Use
		0-5	6 -10	11-15	Ward	Value Areas	
The Aquarena (AOC 1)	85	25	60	-	Central	Medium	Former swimming pool
Bus Depot, Library Place (AOC2)	42	20	22	-	Central	Medium	Bus depot
Grafton site (AOC3)	100	50	50	-	Central	Medium	Multi-storey car park, open space, bowling ally
Union Place (AOC4)	195	-	35	160	Central	Medium	Surface car park (plus individual commercial / residential units and Guildbourne Shopping Centre)
Former Police Station (AOC4)	55	-	55	-	Central	Medium	Former police station (now vacant)
Teville Gate (AOC5)	260	260	-	-	Central	Medium	Mixed use site inc. multi-storey car park , retail units and derelict buildings
Gas Holder, Lyndhurst Rd (AOC7)	85	25	60	-	Central	Medium	Redundant gas holder and depot buildings
Martletts Way (AOC8)	42	20	22	-	Goring	High	Vacant site formerly used as gas holder, sewage treatment works and open land.
Storage Yard, Hill Barn Lane	0	0	-	-	Offington	High	Storage yard
Water Pumping Station Hill Barn Ln	7	-	7	-	Offington	High	Former Water pumping station
MGM House	7	-	7	-	Heene	Medium	Offices
2 Hastings Road	6	6	-	-	Marine	High	Residential
S/O Stoke Abbott Road	20	20	-	-	Central	Medium	Surface car park
Sandell House Car Park, Railway Approach	10	10	-	-	Central	Medium	Car park
43 Wenban Road	6	6	-	-	Central	Medium	Residential
W/O Fulbeck Avenue	0	-	-	-	Northbrook	Medium	Vacant land - greenfield
<b>Total</b>	<b>920</b>	<b>442</b>	<b>318</b>	<b>160</b>			