South Somerset Community Infrastructure Levy Charging Schedule Examination

South Somerset District Council Hearing Statement

Issue 3 – Levy rates for other uses

July 2016

(i) Are the rates for the other uses listed in the schedule reasonable and realistic in relation to an appropriate balance between helping to fund new infrastructure and the potential impacts on economic viability?

3.1 The 2012 viability evidence [ED6] established that most forms of commercial development did not generate sufficient residual land values to accommodate contributions to infrastructure through CIL. Consequently, the Preliminary Draft Charging Schedule proposed a nil rate. There have been no changes in key inputs of sufficient magnitude since the initial evidence was prepared to result in a change to this position. Consequently, there is no evidence that commercial development can viably contribute towards infrastructure requirements.

3.2 The viability evidence [ED7 – ED9] establishes that developments of large format retail (Convenience-based Supermarkets and Superstores, and Retail Warehouse Parks (outside of defined Town Centres and Primary Shopping Areas) are viable and able to contribute a CIL of £100 per square metre.

3.3 Although the Council proposes a CIL rate on supermarkets, it should be noted that this is not expected to result in a significant source of income. The Council does not anticipate much development of this type to come forward over the medium term.

(ii) Is there sufficient evidence to demonstrate that a zero charge is appropriate in relation to all uses other than housing and retail? (Many CILs cover uses such as offices, research and development and light industry (Use Classes B1a, b and c); general industry (Use Class B2); storage and distribution education (Use Class B8); hotels and guest houses (Use Class C1). For example, is the Council confident that all the necessary increased water supply and waste water treatment capacity can be secured through S106 Agreements or other means?

3.4 The evidence base, looking back from the Preliminary Draft Charging Schedule stage through to the submission of the Draft Charging Schedule, indicates that other economic development related uses, namely: offices, research and development and light industry (Use Classes B1a, b and c); general industry (Use Class B2); storage and distribution education (Use Class B8); hotels and guest houses (Use Class C1), are not capable of tolerating a levy charge [ED6].

3.5 Over the intervening period, there have not been changes of sufficient magnitude to make these types of development viable. This is reflected by the lack of applications and/or construction of these uses in the District.

3.6 Indeed the evidence indicates that many of these Use Classes are already not viable without any notion of the imposition of a levy charge. Therefore to consider subjecting these forms of development to a levy charge would appear contrary to Paragraphs 173 to 177 of the National Planning Policy Framework (NPPF), which advocate that the levy should strike a balance between the prospect of generating funding for infrastructure and the potential threat to the ability to develop viably the sites and scale of development identified in the Council's Local Plan.

3.7 Given the objective evidence does not indicate that any balance can be struck, it would appear impossible, at this point in time, to consider imposing a levy rate without causing a severe impact on the economic viability of development across South Somerset.

3.8 In terms of the ability to deliver additional infrastructure capacity, the Council reiterates the findings of the latest Infrastructure Delivery Plan [ED11, ED12] which does not show that water supply or waste water treatment capacity represent significant infrastructural issues which would prevent development coming forward.

3.9 Localised reinforcement linked to medium to large scale development is likely to be needed, on a case by case basis, negotiated with the relevant statutory undertaker. But, the notion that infrastructure capacity cannot be delivered with and through development applications of this type is not supported by any evidence from the relevant body. Put another way, if there was a concern that critical infrastructure would be required, that would represent a potential "showstopping" issue, which would prevent development coming forward, then the Council would have expected the statutory body to have identified where, when and against what quantum of development this would be likely to occur.

3.10 On the basis that no such information or evidence has been provided through discussions with the relevant statutory body the Council is confident that any necessary local and/or minor improvements or upgrades will be delivered by the developments themselves, on-site, via accompanying Section 106 Agreements or third party agreements.

(iii) In relation to retail development, is there sufficient evidence to justify a differential rate between out-of-centre retail development (£100 per square metre for convenience-based supermarkets and retail warehouse parks, outside defined town centres and primary shopping areas), and a zero charge for all other retail development, for example in town centres, based on reasonable assumptions about development values and likely costs?

3.11 As noted above, the 2012 VS [ED6] established that the development of supermarkets and retail warehousing generates sufficient surpluses above benchmark land values to viably provide a CIL contribution of £100 per square metre, leaving a sufficient buffer to account for site-specific variations. This position was reaffirmed by the 2013 VS [ED7, ED8] and the 2015 Addendum VS [ED9].

3.12 The 2015 Addendum VS [ED9] took account of the softening of investment yields following the difficult trading conditions reported by the major supermarket operators. Despite the impact this had on capital values, the proposed CIL rate remained at a level which would not threaten the viability of this type of development.