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**SOUTH DOWNS NATIONAL PARK AUTHORITY**

**COMMUNITY INFRASTRUCTURE LEVY**

**CHARGING SCHEDULE EXAMINATION**

**Response to the Inspector’s Questions**

**Issue 1 – Retail Levy Rates**

**May 2016**

**(a) Is the local levy rate for large format new retail floorspace justified by appropriate available evidence, having regard to national guidance, local economic context and infrastructure needs, including in relation to the various adopted and emerging planning policies across the National Park?**

**Introduction**

1. Yes, the appropriate available evidence for the CIL rates relates to:
* Economic viability
* Infrastructure needs, and
* Up to date planning policies
1. The economic viability evidence relied upon to inform and support the proposed CIL charging approach for retail development uses is set out within the same comprehensive assessment as per the residential rates, and is included within the following submission documents:

CIL.06 Viability Assessment: Community Infrastructure Levy & Affordable Housing, Final Report, together with its Appendices 1-IV. January 2014. Dixon Searle LLP

CIL.07 Viability Review Update: Final Report, together with Appendices I – III. December 2015. Dixon Searle LLP

1. The infrastructure needs (as set out in CIL05, CIL05a and its update) have already been described in some detail in the SDNPA’s statement on residential rates and so are not repeated here.
2. As also set out in the residential statement, the most up to date adopted planning policies across the National Park are set out in Joint Core Strategies which were put in place since the National Park was established in 2010, covering Lewes, East Hampshire, Wealden, Winchester, and Worthing, These, together with earlier Core Strategies and Local Plans, will be replaced by the South Downs National Park Local Plan which has reached Preferred Options stage and which is currently proposed for adoption in autumn 2017, although its timetable is under review. In addition there are several ‘made’ Neighbourhood Plans which form part of the Development Plan. The most significant of these for retail development is the Petersfield NP.

**Economic Viability**

# Dixon Searle Partnership (DSP) found that the viability of a range of commercial / non-residential development types representative of potential scheme types in the Park area was found to be highly variable overall. Only certain types of retail development (referring to any larger format stores, envisaged in the local context primarily as potential town based supermarket or retail warehousing development) are considered capable of reliably supporting meaningful CIL contributions at the current time without development viability often being unduly compromised.

# The approach to finding the right balance locally is further informed by the plan relevance and incidence of the various types of retail development in the context of the SDNPA’s development and economic strategy priorities. Retail development at a significant scale is not an emerging Plan theme. Rather, the aims will be associated with supporting and boosting existing centres, the rural and food based economy and diversity, small scale retail associated with visitor activities, etc. Those are the forms of retail, most typically in small units, that will be aligned to the SDNPA’s and the Local Plan aims and objectives.

# As in the case of residential development in the SDNP, DSP’s viability findings show that in this context there is both a need for and scope to support a differential approach to the key variations in the nature of any retail development that comes forward during the life of the first CIL charging schedule. The key finding of the viability assessment work on retail is that a significantly lower rate would be appropriate in viability terms for smaller shops development; at a minimal or, at a recommended nil rate (£0/sq. m) if the progression of any new small shop unit or extension proposals is considered important to the Plan overall.

1. DSP observed that, although larger format retail unit development (larger supermarkets, superstores and retail warehousing) is not specifically envisaged in the National Park at the present time and is unlikely to come forward in significant quantities, it could occur through market forces. The only potential for development of this nature to occur was considered to be supermarket development in the main settlements (primarily looking at Lewes, Petersfield andMidhurst), but noting also that the main centres are thought to be generally well provided for at present, so that even this seems unlikely to occur in any significant way in the short term. In viability terms, these forms of development would not support the levels of CIL that have been identified for such developments in some locations, owing to the lower development values here than in more significant shopping locations. They are considered generally able to support CIL charging rates approximately equivalent to the lower to mid-level parameters that were recommended as appropriate for residential development in the 2014 assessment. The selected charging rate of £120/sq. m has therefore been suitably informed by the viability evidence. In DSP’s view, such a CIL rate applied to these larger forms of retail development, reflecting their viability where pursued, could not be considered prejudicial to the overall emerging Plan delivery.

# The Viability update report (December 2015) found that the context overview undertaken for the 2014 report remains applicable at this latest point of review, as do the viability findings viewed in that context.

**Planning Policy**

1. The coverage of adopted joint core strategies and the arguments for basing CIL largely on the emerging South Downs Local Plan have already been dealt with in the residential statement. The most relevant Local Plan polices to discussions on the retail CIL rate rates are: SD29: Town and Village Centres; SD32: Shoreham Cement Works; SD34: North Street Quarter and adjacent Eastgate area, Lewes; and SD 51: Shops outside Centres.
2. Policy SD29 states that proposals for town centre development will be permitted where they promote and protect the retail hierarchy set out. Retail uses will be supported providing they are compatible with the size, scale and historic nature of the centres. Retail impact assessments will be required for schemes over 750 sq. m. in market towns (Lewes, Petersfield, Midhurst and Petworth), over 500 sq. m. in Liss and over 150 sq. m. elsewhere (including farm shops and garden centres).
3. Looking at potential unit size, the viability assessment on retail, consistent with similar work found to be robust elsewhere, suggests the potential for a floor area threshold to act as an additional layer, adding clarity related to the proposed differentiation between smaller and larger retail developments. Consistent with the viability work and findings, it is noted that the above emerging Local Plan policy thresholds are all significantly beneath the much higher alternative floor area based switch-point (2,500 sq. m) proposed through a representation (Callstone (re Shoreham Cement Works)) as an alternative to the DSP recommended use of the Sunday Trading provisions based floor area. The emerging Local Plan policy approach is consistent with the likelihood of any supermarket and retail warehousing developments being relatively small, and the SDNPA maintains that this comes together appropriately with the viability evidence – informing and supporting the selected approach. Although the reasoning for an alternative retail threshold (for use in CIL charging differentiation) is not evidenced anyway, in any event the national level retail impact assessment threshold is not considered directly relevant to the local approach here.
4. Both the Lewes and East Hants Joint Core Strategies (JCS) recognise some limited potential for more retail floorspace in Lewes and Petersfield town centres. A site is also proposed for a supermarket in Midhurst. Preferred Strategy Policy SD 34, based on the Lewes JCS (Spatial Policy 3), provides for a limited amount of shopping together with the redevelopment or relocation of the existing supermarket on the site. Policy SD32 on Shoreham Cement Works permits appropriate leisure and tourism uses, potentially including small retail elements associated with those uses, but not large format retailing.
5. The Petersfield Neighbourhood Plan was made on 21 January 2016 and includes a policy placing a presumption in favour of shops of an appropriate size in the town centre, allocating sites in the town centre for retail and limiting shops outside the town centre to small scale convenience shops (A1) with a maximum floor space of 280 sq. m. in appropriate locations to meet the daily shopping needs.
6. Preferred Option Policy SD51 states that small convenience stores with a net sales area of less than 150 sq. m. will be permitted outside centres and places strict criteria on farm shops and garden centres. These include exploring the re-use of existing buildings which generally would also reduce their CIL liability and aid viability compared with that related to the investment level typically required in a new-build facility.
7. Overall, large format retailing is not crucial to the strategy for growth in the National Park, whereas the significantly more difficult development viability outcomes associated with any new provision smaller shops (to support the social and economic well-being of the community in line with the statutory duty) need to be reflected within the Authority’s CIL set up. This is relevant context for the application of the CIL principles locally. Moreover, it seems unlikely more than one or two, if any, larger sites will emerge that will meet the landscape-led objectives of the Local Plan, the great weight to be attached to landscape and scenic beauty, the presumption against major development in national parks (except in exceptional circumstances and in the public interest) and the first statutory purpose of national parks.

 **(b) Overall, does (the rate) strike an appropriate balance between helping to fund new infrastructure and the potential effects on economic viability?**

1. Yes, the SDNPA considers that overall an appropriate balance between funding infrastructure and economic viability has been struck. Informed by and reflecting the local area characteristics, this must be set also in the light of national planning policy and the statutory purposes of national parks; as viewed also through the planning policies that are being developed to update the existing policy sets.
2. In arriving at an appropriate balance between infrastructure needs and viability, the relatively small CIL funding yield that would arise from applying a meaningful positive charging rate to a potential range of small scale retail provision is not considered sufficient to outweigh the potential additional pressure on viability (and therefore on delivery) of small shops provision as part of the Park’s objectives related to factors such as those noted at para. 6 above.
3. Given the planning approach noted, it may be that a scarcity of appropriate sites would command a premium price for any available and suitable for larger scale retail development. This could create pressure on viability. On the other hand, the relatively sparse population density within the Park and the availability of a variety of shopping destinations with such stores on the coastal belt to the south, to the north and to the west of the Park area is thought to limit demand and capacity for new provision within the Park itself. There are many competing retail offers in terms of larger retail centres and outlets just a short travelling distance from most areas within the Park, that play a very different role from the retail offer generally found within it.
4. In common with its approach to proposed CIL charging for residential development, the SDNPA has not set a CIL rate which is significantly higher than the tone of charging rates that have been set out for locations nearby but beyond the SDNP boundary, but which in any event does not (as do some others) apply to small shops development. Examples of adjacent adopted rates are:
* Chichester - £125/ sq. m. for convenience, £20/ sq. m. for comparison shopping.
* East Hampshire - £100/sq. m. for all retail (outside Whitehill / Bordon)
* Lewes - £100/ sq. m. for all retail.
* Wealden - £100/ sq. m. for convenience, £20/ sq. m. for comparison shopping
* Winchester - £120 for convenience stores, supermarkets and retail warehouses in Winchester City and market towns/ rural areas.
1. Again, the appropriateness of the balance that has been struck by the SDNPA’s proposals is further demonstrated by the very limited number and scope of objections to the proposed CIL charging rates put forward for retail in the Draft Charging Schedule.
2. The SDNPA’s brief response to the representations is given in the Statement of Representations (CIL 03). With regard to the representation from Notcutts Ltd in relation to garden centres, DSP has commented (in the 2015 viability update) that its intention was for such developments not to be within the scope of the ‘large format retail’ definition and suggests the possibility of a minor wording amendment to that effect. However, it might be argued that, in the event that a retail store was proposed that was not sufficiently tied down by condition or section 106 agreement to be the type of garden centre described in Policy SD51 4 a)-c) then its characteristics would be such as to make it analogous to a retail warehouse and therefore able to bear CIL in the same way. On this point the SDNPA therefore considers that the charging schedule as submitted does not impact, as an unintended consequence, particular types of retail outlet but that, appropriately, it would affect those outside the noted criteria.