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| | **South Lakeland CIL Charging Schedule Examination**<br>**SLDC Response to Examiner's Matters and Issues** |
| | **Introduction** |
| | This paper sets out the District Council's Response to the Examiner's Matters and Issues:<br>• Matter 1 – Residential Levy Rates - Issues and Questions 1.1 to 1.6<br>• Matter 2 - Retail Levy Rates - Issues and Questions 2.1 to 2.3<br>• Matter 3 – General Issues - Issues and Questions 3.1 and 3.2. |
| | **Matter 1 – Residential Levy Rates** |
| 1.1 | **Are the levy rates for new residential development in the Draft Charging Schedule justified by the viability evidence, having regard to national guidance, local economic context and infrastructure needs as identified through the South Lakeland Core Strategy, Local Plan Land Allocations Development Plan Document (DPD) and the Infrastructure Delivery Plan?** |
| | The District Council considers that the proposed residential CIL rates are fully justified in relation to each element listed above, and with particular regard to the following considerations:<br>• Viability Evidence: the levy rates are based on viability evidence set out in the South Lakeland CIL Viability Study, January 2014 (ExCIL_P3), and the subsequent CIL Viability Study Update, July 2014 (ExCIL_S4). The methodology and main assumptions in these are based on the earlier Land Allocations DPD Viability Study, April 2013 (ExCIL_SUP04). The Inspector's Report[1] of 14 November 2013 concludes the study to be "..*adequately robust in terms of evidence sources and methodology used. The judgements made appear reasonable and a reassuringly cautious approach has generally been taken*". The viability evidence and study recommendations on the levy rates for residential development are set out in chapters 4 and 5 of the CIL Viability Study Update, July 2014. Importantly, chapter 3 of the Study explains where study assumptions have been updated from the CIL Viability Study of January 2014, in response to changing economic circumstances and consultation responses from the development industry to the CIL Preliminary Draft Charging Schedule. |

1 http://applications.southlakeland.gov.uk/documentbrowser/DocumentBrowserFiles/local%20plan/land%20allocations/00%20Adoption/02%20Inspector's%20Report_14.11.13.pdf

- National Guidance: Chapter 2 of the CIL Viability Study Update, July 2014 (ExCIL_S4) demonstrates how account has been taken of National Planning Policy Framework (NPPF, April 2012), guidance in the new, Planning Practice Guidance (PPG) and the CIL Regulations. The Council considers that in taking account of the viability and other evidence and other considerations (as set out in section 5 of the Draft Charging Schedule, August 2014 (ExCIL_D1) it can demonstrate that in setting CIL rates:
  - it has struck an appropriate balance between the desirability of funding (part of) the cost of infrastructure from CIL and the potential effects of the imposition of CIL on the economic viability of development (CIL Reg. 14, as amended)
  - that the sites and scale of development in the Local Plan are not subject to such a scale of obligations and policy burdens that their ability to be developed viably is threatened.

National guidance also stresses the need for collaboration with developers, land owners and others in understanding deliverability and viability. The responses to consultation and dialogue are set out both in the CIL Viability Study Update, July 2014 (ExCIL_S4), the Preliminary Draft Charging Schedule Consultation Statement, August 2014 (ExCIL_D3) and Draft Charging Schedule Statement of Representations, November 2014 (ExCIL_S2).

The principle developers operating in Cumbria (Story Homes, Russell Armer, Applethwaite, Oakmere Homes and Holbeck Homes) have been fully engaged through the CIL setting process (and the earlier Land Allocations process) through the Cumbria House Builders Group (CHBG). In their consultation response of 29th October 2014 in relation to the Draft Charging Schedule they say (at 2.1):

> *The CHBG do not object to the proposed Rates for CIL for Residential, Croftlands Strategic Housing Site, Sheltered/Retirement Housing and Extra Care Housing. The CHBG however have concerns over the viability methodology and assumptions made and want the planning authority to be aware of their concerns in the context of any future viability discussions in relation to site specific viability and any future review of CIL rates. In this context all the issues raised in the critique of the Viability Update below are likely to be raised in the context of individual site viability discussions and may require adjustment to the authority's aspirations in relation additional cost items including, but not exclusively materials, renewable energy requirements, S106 contributions and affordable housing levels.*

This reflects the significant effort put into setting CIL by both the CHBG and the Council. The Council recognises (as set out in the viability sections of

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| | the PPG) that, when considering planning applications, it is necessary to look at the viability in greater detail than in the CIL Viability Study and that it is inevitable that different assumptions will be used to reflect the specific circumstances of each site. Likewise the Council recognises that a future review of CIL will require assumptions to be updated in the light of the prevailing economic and planning policy context.<br><br><u>Core Strategy, Land Allocations DPD and Infrastructure Delivery Plan:</u> The District Council considers that its CIL proposals, and proposed residential rates, are firmly based on an up to date Core Strategy, adopted October 2010 (ExCIL_SUP001) and Land Allocations DPD, adopted in December 2013, (ExCIL_SUP002). The Council's Infrastructure Delivery Plan (IDP), March 2013 (ExCIL_SUP003) and Land Allocations DPD Viability Study, April 2013 (ExCIL_SUP004) formed an important part of the evidence supporting the Land Allocations DPD. The IDP was subsequently updated at January 2014 (ExCIL_2014) in support of the consultation on the CIL Preliminary Draft Charging Schedule and again in August 2014 (ExCIL_S5) in support of the publication of the CIL Draft Charging Schedule.<br><br><u>Additional Comments</u>: These documents demonstrate the Council's commitment to meeting housing and affordable housing need and also its ambitions in relation to economic development The IDP is based on regular dialogue with service and infrastructure providers. The Council is committed to an annual update of the IDP with these bodies and also in dialogue with local communities. In particular the IDP reflects close working with Cumbria County Council as highway and education authority, and provides the infrastructure evidence underpinning the adopted Local Plan. The combination of an up to date Local Plan and infrastructure delivery planning has been the key to recent successful bids for infrastructure funding. The planning policy context, evidence supporting the proposed CIL rates and including Draft Infrastructure Project List, is summarised in section 4 of the Draft Charging Schedule (and accompanying Statement of Supporting Evidence, Implementation and Reg 123 List), August 2014 (ExCIL_D1). The successful Local Growth Deal funding is incorporated in the Draft Infrastructure Project List.<br><br>In taking account of available evidence, and proposed residential levy rates, the Council has adopted a cautious approach in setting CIL in recognition of:<br><br>• its wish to encourage significantly increased housing delivery.<br>• the Council's high priority to maintain its good track record in delivering 35% affordable housing in accordance with Core Strategy policy CS6.3<br>• the perceived risk of a marginal competitive disadvantage to South Lakeland's housing market, given that no neighbouring authorities are currently progressing CIL. |

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| 1.2 | **Does the approach to threshold land value in the viability evidence together with the CIL rates proposed for residential development provide a 'competitive return' for landowners and developers as required by the National Planning Policy Framework?** |
| | Threshold Land Value: Chapter 4 of the CIL Viability Study Update, July 2014 (ExCIL_S4) summarises the development of the approach to threshold residential land values. Earlier, paragraph 2.7 notes that the Viability Study was carried out under the Harman Guidance and in accordance with the RICS Guidance. In the two earlier Viability Studies the approach involved estimating the existing use value, adding 20% on all sites, plus a further £400,000/ha on greenfield sites. The issue was controversial with developers and land owners who considered that the assumed threshold land value did not really reflect the workings of the market and in some cases was below recent experience of land transaction values. Part of the response, in the CIL Viability Study Update, July 2014, in table 4.2, was to compare residual land values with a range of viability threshold figures (£300,000 to £1,000,000 per net ha) rather than a single assumed value. This demonstrates that most site typologies assessed are viable at residential values considerably in excess of the Thresholds Land Value, although certain site types (eg brownfield sites and the strategic housing site at Croftlands, South Ulverston) are shown unviable at existing use value, adding 20% plus £400,000/ha.<br><br>SLDC has researched the price paid for land by developers, using the Land Registry data. The development sites over 1 ha were identified though the development management records and then 'price paid' data looked up. This information is set out on Appendix 2 and supports the approach taken<br><br>Proposed CIL rates: Chapter 4 of the CIL Viability Study Update, July 2014 (ExCIL_S4) in table 4.3 (page 29) compares the impact of a range of potential CIL rates (zero to £60 per sq m) for residential development on the residual values of the assessed site typologies. Table 3.4 sets out the residual value assuming a rate of £60 per sq m, an affordable requirement of 35% and S.106 contributions of £2,500 per unit (market and affordable). As noted above table 4.3 then compares the resulting residual values based on these main assumptions to a range of threshold land values ranging from £300,000 to £1,000,000 per net ha. The CIL Viability Study Update concludes in para. 4.22 that "*All the greenfield sites – i.e. those sites at are required to deliver the Plan would generate a Residual Value of well in excesses of £500,000/ha and most a value in excess of £600,000/ha*". It also concludes that "*The evidence set out in this report confirms that CIL at £60/m2 is generally not going to render development unviable – although in the case of the South Ulverston site £60/m2 would not be appropriate and a* |

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| | *lower rate should be considered".*<br><br>The Study goes on to note the concern remaining within the development industry about the potential impact of CIL and the 'somewhat unusual' unusual situation in South Lakeland where land supply is controlled by relatively few land owners. In consequence the Study concludes in para 4.23 that *" Drawing on the information in Table 4.3 and on the comments of the consultees, we would suggest that, in spite of £60/m2 being well within the limits of viability that the residential rate of CIL is reduced to £50/m2".* The Council has endorsed this cautious approach to setting residential CIL rates, for the additional reasons set out in response to question 1.1 above. |
| 1.3 | **Is there adequate justification in the viability evidence to support the differentiation in the Draft Charging Schedule rates as follows:**<br><br>• **The £20/m2 rate for Croftlands Strategic Housing Site, South Ulverston;**<br>• **The £50/m2rate for sheltered/retirement housing;**<br>• **The £0/m2rate for extra care housing;**<br>• **The £0/m2 rate for agricultural workers dwellings.** |
| | The District Council considers that the CIL Viability Study Update, July 2014 (ExCIL_S4) provides adequate justification for the proposed differential rates:<br><u>The £20/m2 rate for Croftlands Strategic Housing Site, South Ulverston:</u> Table 3.4 of the Study Update clearly shows that the strategic housing site has a significantly lower residual value compared to other greenfield sites in the district. This is also clear from Table 4.3 which indicates the site is the only significant greenfield site/site type to fall below the lowest selected land threshold value of £300,000. Likewise Table 4.4 indicates that estimated CIL income from the site comprises a much greater proportion of residual site value than any other site. The site is considered to have significantly greater site service and infrastructure costs than other sites as set out in Appendix 3 (page 37) of the Land Allocations DPD Viability Study, April 2013 (ExCIL_SUP04) as updated from para 5.37 of the South Lakeland CIL Viability Study, January 2014 (ExCIL_P3), and from para. 3.37 in the CIL Viability Study Update, July 2014 (ExCIL_S4)<br><br><u>The £50/m2 rate for sheltered/retirement housing</u>: The Preliminary Draft Charging Schedule proposed a rate of £150/m2 which was reduced to £50/m2 in the published Draft Charging Schedule. The proposed reduction was based on:<br><br>• the revised assumptions for all residential development (including increased building costs) as explained in section 2 of the CIL Viability |

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| | Study Update, July 2014 (ExCIL_S4)<br>• and revised assumptions specifically in relation to sheltered/retirement housing, as set out in section 5 of the CIL Viability Study Update, July 2014 (ExCIL_S4) and in particular the inclusion of the need for the 35% affordable housing in older people housing schemes. Table 6.2 summarises the results of the revised appraisals which demonstrate that sheltered/retirement housing is viable on Greenfield sites and recommends a CIL rate of £50/m2.<br><br><u>The £0/m2rate for extra care housing:</u> The Preliminary Draft Charging Schedule proposed a rate of £150/m2 which was reduced to £0/m2 in the published Draft Charging Schedule. The proposed reduction was based on:<br><br>• the revised assumptions for all residential development (including increased building costs) as explained in section 2 of the CIL Viability Study Update, July 2014 (ExCIL_S4)<br>• and revised assumptions specifically in relation to extra care housing as set out in section 5 of the CIL Viability Study Update, July 2014 (ExCIL_S4) and in particular the inclusion of the need for the 35% affordable housing in older people housing schemes. Additional costs associated with extra care provision were also added. Table 6.2 summarises the results of the revised appraisals which demonstrate that extra care schemes are unlikely to be viable and unlikely to be able to bear the additional cost of CIL and recommends zero rate.<br><br><u>The £0/m2 rate for agricultural workers dwellings</u> The Preliminary Draft Charging Schedule did not differentiate for this type of housing. In response to a consultation response a specific rate of £0/m2 was published in the Draft Charging Schedule. The assessment of viability of agricultural workers dwellings is reviewed in section 5 of the CIL Viability Study Update, July 2014 (ExCIL_S4). Taking account of the assumed reduction in value associated with the agricultural workers condition, the revised appraisal indicates a negative residual value and the Study therefore does not recommend levying CIL on agricultural workers dwellings. |
| 1.4 | **Will the proposed residential levy rate have any effect on the delivery of affordable housing in the Charging Area? Will the revision of the National Planning Practice Guidance on 28th November 2014 in relation to planning obligations for affordable housing have any effect on viability in the Charging Area or the levy rate for residential development?** |
| | <u>Impact of CIL on Affordable Housing?</u><br>In recommending a residential levy rate of £50/m2 – as set out above -the viability evidence takes full account of the Council's adopted Core Strategy |

planning policy CS6.3 (Oct 2010, ExCIL_SUP001) which requires that 35% of housing on sites above certain size thresholds is provided as affordable (see details below – re question 1.4). In accepting the recommendations of the viability evidence, the Council took a cautious approach, in large measure because of its high priority to deliver affordable housing. The Council will continue to monitor the impact of CIL on the delivery of affordable housing.

Revision of National Planning Practice Guidance. New national planning policy has changed the way developer contributions are to be sought with respect to small-scale housing schemes. On 28th November, Housing and Planning Minister, Brandon Lewis, announced the following changes which included:

- "*Due to the disproportionate burden of developer contributions on small scale developers, for sites of 10-units or less, and which have a maximum combined gross floor space of 1,000 square metres, affordable housing and tariff style contributions should not be sought*."
- "*For designated rural areas...authorities may choose to implement a lower threshold of 5-units or less, beneath which affordable housing and tariff style contributions should not be sought. This will also apply to all residential annexes and extensions. Within these designated areas, if the 5-unit threshold is implemented then payment of affordable housing and tariff style contributions on developments of between 6 to 10 units should also be sought as a cash payment only and be commuted until after completion of units within the development.*"
- "*A financial credit, equivalent to the existing gross floorspace of any vacant buildings brought back into any lawful use or demolished for re-development, should be deducted from the calculation of any affordable housing contributions sought from relevant development schemes. This will not however apply to vacant buildings which have been abandoned*."

In South Lakeland the adopted Core Strategy (Oct 2010, ExCIL_SUP001) **Policy CS6.3 Provision of Affordable Housing** requires no less than 35% affordable dwellings to be provided:

- on schemes of 9 or more dwellings in the Principal and Key Service Centres (Kendal, Ulverston, Kirkby Lonsdale, Milnthorpe and Grange over Sands)
- on schemes of 3 or more dwellings elsewhere (including 17 Local Service Centre and smaller villages)

Core Strategy **Policy CS6.4 Rural Exceptions Policy** states that housing development outside service centres and which does not constitute 'infilling and rounding off' in small villages will only be considered where they provide 100% affordable dwellings – subject to meeting 6 criteria.

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| | In South Lakeland the designated rural areas[2] cover the whole of the district except for the Kendal, Ulverston and Grange over Sands.<br><br><u>Implications on viability in the Charging Area and the levy rate for residential development?</u><br>The Council considers the implications on viability and (potentially for) levy rates are limited for the following reasons:<br><br>o *Principal/Key Service Centres* (c 70% of land supply) – here affordable dwellings required relate only to sites of 9 or more dwellings so new national policy will only impact on sites of 9 or 10 dwellings. The same requirements and viability implications for sites of 11 or more will be unchanged. There are only two sites allocated in these settlements estimated to provide less than 11 dwellings and one of these is under construction (for 100% affordable housing in this case). Assuming the Council implements national policy, the viability of sites of 9 or 10 dwellings will improve as no affordable housing contribution would be sought until new planning guidance was put in place. On this basis it is not considered necessary or appropriate to propose changes to the levy rates.<br>o *Elsewhere - Local Service Centre and Smaller Villages*: here Core Strategy policy requires 35% affordable housing on sites of 3 or more units. As these are all within designated rural areas, new national policy will only impact on sites of 3 to 5 dwellings. Assuming the Council implements national policy, the viability of sites of 3 to 10 dwellings in these areas will improve, as no affordable housing contribution would be sought until any new local planning guidance was put in place. On this basis it is not considered necessary or appropriate to propose changes to the levy rates. |
| 1.5 | **How will the Charging Authority distinguish between sheltered/retirement housing and extra care housing in applying the residential levy rates?** |
| | The CIL Viability Study Update, July 2014 (ExCIL_S4) page 33 provides some description and definition between these two types of housing for older people, while recognising that there are a range of varying products offered by developers for both.<br>The Council will take account of the following factors in determining if a proposal is for extra care of sheltered/retirement housing:<br>• <u>Use Classes Order</u>: Sheltered/retirement is generally classed as dwelling houses under use class C3, whereas extra care housing may be classed as use class C2. |

[2] Refer to Section 157 of the Housing Act 1985 and the Housing (Right to Buy) (Designated Rural Areas and Designated Region) (England) Order 1988.

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| | • <u>Definition</u>: In general terms, sheltered/retirement housing is for those with a reasonable degree of independence with no or limited care needs, while extra care or very sheltered housing is for those more people who are frail or disabled where ongoing and regular care is required. It is therefore primarily for people aged over 55 years; or under 55 years with care and support needs which fall between traditional sheltered housing and residential care with access to a 24/7 care and support team. In cases where the definition of a proposal remains unclear, the Council will seek advice from the Council's Housing Strategy team and as necessary with Cumbria Adult Social Care. |
| 1.6 | **Overall, do the residential rates strike an appropriate balance between helping to fund the new infrastructure identified in the Infrastructure Delivery Plan to support growth and the potential effect on the economic viability of new residential development across the charging area?** |
| | The Council considers that it has struck a reasonable balance in setting residential CIL rates. Section 5 of the Draft Charging Schedule (and accompanying Statement.) August 2014 (ExCIL_D1) summarises how the Council has struck this balance, taking account of:<br><br>o the need to raise funding from CIL to help fund (part of) the cost of infrastructure to help deliver its strategic housing and economic objectives set out in the adopted Local Plan<br>o the analysis in the viability evidence which recommends rates which seek to ensure that the majority of development in the Council's Local Plan remain viable.<br><br>The introduction of CIL is intended to help facilitate more (and earlier) development and growth than would otherwise take place as a result of the additional funding from CIL for infrastructure. The Council considers that the additional funding from CIL will indeed support additional growth. The potential for CIL is already assisting in the success of recent LEP bids for highway investment in Kendal and Ulverston. And looking ahead, the Council intends to use CIL to help fund highway access to a number of key employment sites.<br><br>In addition, the Council has taken a cautious approach in accepting the recommended reduced rate of £50/m2 in view of:<br><br>o its wish to encourage and enable significantly increased housing delivery.<br>o the Council's high priority to maintaining a good track record in delivering 35% affordable housing in accordance with Core Strategy policy CS6.3<br>o the perceived risk of a marginal competitive disadvantage to South Lakeland's housing market, given that no neighbouring authorities are currently progressing CIL. |

| | **Matter 2: Retail Levy Rates** |
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| 2.1 | **Are the levy rates for supermarkets and retail warehouse development in the Draft Charging Schedule justified by the viability evidence, having regard to national guidance, local economic context and infrastructure needs as identified through the South Lakeland Core Strategy, Local Plan Land Allocations DPD and Infrastructure Delivery Plan?** |
| | <u>Viability Evidence</u>: The viability appraisal of retail development was first set out in section 4 (from para 4.5 and in the non-residential section of Appendix 1) of the South Lakeland CIL Viability Study, January 2014 (ExCIL_P3), and then updated in section 6 the CIL Viability Study Update, July 2014 (ExCIL_S4). The updated retail appraisal did not amend the assumptions in the earlier study but adds the appraisal of a smaller supermarket, in response to consultation comments from smaller (discounted) supermarket operators that these should be considered separately. Table 6.1 sets out the revised retail appraisals which indicate significant viability for each type of retail development modelled, including for smaller discount supermarkets, except for larger supermarkets on brownfield sites. As most supermarket developments are expected to come forward on greenfield sites, the study concludes that the proposed rates of CIL (£150 /m2) remain appropriate and will not threaten development.<br>It is important to note that the assumptions in the viability analysis are not challenged.<br><u>South Lakeland Core Strategy, Local Plan Land Allocations DPD and Infrastructure Delivery Plan</u>: The adopted Core Strategy (ExCIL_SUP001) policy CS7.5 sets out an enabling policy for retail development in the district. It sets out a hierarchy of town and local centres and indicates that retail and other town centre development of a scale appropriate to these roles will be supported in each Principal, Key and Local Service Centre, provided that development respects the character of the centre, including its special architectural and historic interest and assists in maintaining its existing retail function. The Land Allocations DPD (ExCIL_SUP002) for all Principal and Key service Centres, defines the boundaries of Town Centres, Primary Shopping Areas, and also Primary and Secondary Frontages. However the 'Local Plan' does not allocate sites for retail development. However CIL income from any windfall retail development would help meet wider infrastructure needs in settlements such as health (in Kendal) and strategic green infrastructure. |
| 2.2 | **Are the definitions of 'supermarket' and 'retail warehouse' in the Draft Charging Schedule sufficiently clear and justified by the viability evidence? How will the Charging Authority distinguish between the following uses/types of development in applying the** |

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| | **retail levy rate and is this justified by the viability evidence:**<br>• **Convenience and comparison retailing;**<br>• **Supermarkets and small convenience stores;**<br>• **Retail warehousing and small comparison goods stores.** |
| | The CIL Viability Study Update, July 2014 (ExCIL_S4) recommended the definition of superstores/supermarkets and retail warehouses, in the Draft Charging Schedule -<br><br>***Superstores/supermarkets*** *are shopping destinations in their own right where weekly food shopping needs are met and which can also include non-food floorspace as part of the overall mix of the unit.*<br>***Retail warehouses*** *are large stores specialising in the sale of household goods (such as carpets, furniture and electrical goods) DIY items and other ranges of goods catering for mainly car-borne customers.*<br>These were approved as modifications by the examiner to the Wycombe CIL.<br>Clarity: The Council considers that the definition is sufficiently clear so as to ensure CIL liability is attributed to supermarkets/superstores and to retail warehouses:<br><br>• **Convenience and comparison retailing** – the definition makes clear that the reference to 'supermarkets/superstores' are stores which provide weekly food (convenience) shopping, while 'retail warehouses ' are for comparison shopping for a wide range of non-food goods.<br>• **Supermarkets and small convenience stores –** the definition makes clear that 'supermarkets/superstores' are stores which provide for weekly food shopping. Smaller stores (eg at filling stations, small town centre stores provided by larger supermarket chains and Spar shops in residential neighbourhoods) are not locations which normally provide for weekly food shopping and would not be liable for CIL. Smaller discount supermarkets (such as Lidl) are stores which provide for a high proportion of weekly food shopping.<br>• **Retail warehousing and small comparison goods stores -** the definition makes clear that large store which provide for mainly car-borne customers. It is considered this provides a ready distinction with small comparison stores.<br><br>Viability: The Council considers that the definition 'supermarket' and 'retail warehouse' in the Draft Charging Schedule is sufficiently justified by the viability evidence? The CIL Viability Study Update, July 2014 (ExCIL_S4) at section 6 provides a summary of the viability appraisal of the types of stores included in the retail definition for purposes of CIL liability – supermarkets/superstores and retail warehouses. In response to representations on behalf of ALDI, the CIL Viability Study Update also |

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| | included the appraisal of smaller (discount) supermarkets. The study also includes a viability appraisal of town centre shops which indicated a negative residual value. The appraisal concludes overall that there is significant viability for each type of retail development modelled, including for smaller discount supermarkets, except for larger supermarkets on brownfield sites. As most supermarket developments are expected to come forward on greenfield sites, the study concludes that the proposed rates of CIL (£150 /m2) remain appropriate and will not threaten development. |
| 2.3 | **What role does retail development have in delivering the South Lakeland Core Strategy and Local Plan Land Allocations DPD? Overall, do the retail rates strike an appropriate balance between helping to fund the new infrastructure required and the potential effect on the economic viability of new retail development across the charging area?** |
| | Core Strategy policy CS7.5 supports retail and other town centre development of a scale appropriate to the town centre/retailing roles of each Principal, Key and Local Service Centre. The Core Strategy and Land Allocations DPD do not allocate sites for the development of supermarkets or retail warehouses but assume that the District's retail needs can be met from existing permission and known proposals.<br>Any further proposals which come forward will be assessed against national and adopted Local Plan policy.<br>Shopping patterns in South Lakeland were modelled as part of the South Lakeland Retail study. The results are appended to the study as Appendix 1. Appendix 3 Table 4 shows that Aldi captures 4.85% of main food trips and Table 5 shows that it captures 1.72% of top-up trips. Main food trips represent 70% of total expenditure (from within the study area) and top up trips represent 30% so on this basis, the bulk of the turnover of the store would appear to be represented by main shopping trips.<br><br>Whilst this store may not be typical, the results indicate in this case that a discount store has a significant main food role comparable with smaller supermarkets such as EH Booth. It is also worth noting that the survey was undertaken in November 2012 and Aldi have performed very strongly since that date. Conversely the results show that smaller stores such as Spar shops, Co-op convenience stores and Tesco Local have almost no main food shopping role. |

| | **Matter 3: General Issues** |
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| 3.1 | **Is there adequate justification in the viability evidence to support the differentiation in the Draft Charging Schedule for the Kendal and Ulverston Canal Head regeneration areas?** |
| | Ulverston Canal Head Regeneration Area: This site comprises an area identified for regeneration potential in policy LA5.4 of the Land Allocations DPD (ExCIL_SUP002) as indicated on the Ulverston East Map (map 2.3). Paragraphs 5.43 to 5.45 provide a description of the site, its existing uses and the Council's regeneration objectives. The site was initially proposed for allocation employment use but issues concerning the availability and viability of (parts of) the site for redevelopment within the plan period resulted in its designation as an opportunity area rather than as a formal site allocation for employment or mixed use.<br><br>Evidence relating to the viability of the site is set out in the Land Allocations DPD Viability Study (ExCIL_SUP004) at Appendix 3 (from page 29) and in the main document from para 10.53. It is clear the site has a range of development challenges including existing uses and buildings, road access and flood risk. Para. 10.58 concludes: " *There is uncertainty about these figures however it is clear that on purely commercial grounds, and when assessed under the Harman Guidance and as is appropriate under the NPPF that it is unlikely that the Canal Head regeneration project will come forward without substantial subsidy and external funding*".<br><br>Additional comments from HDH Planning and Development, the Councils consultants on viability, are set out at Appendix 1.<br><br>Kendal Canal Head: Policy CS2 (page 32) of the adopted Core Strategy (ExSUP_001) designates a regeneration area at the former Kendal Canal Head Area to be delivered through the preparation of an Area Action Plan (AAP). Paras 3.32 to 3.33 sets out the issues to be addressed in an AAP and included a map of the area. The subsequent Land Allocations DPD (ExCIL_SUP002) therefore does not allocate sites for development or make any other land use or policy provision within the Kendal Canal Head Area as this will be undertaken in a separate AAP or other Development Plan Document.<br>The Canal Head Area comprises in summary:<br>• The filled-in route of the former Lancaster Canal (now a cycle track) which planning policy protects for future restoration.<br>• Manufacturing and other businesses in the former canal head area<br>• The District Council's household waste collection service and a Civic Amenity Site operated by Cumbria County Council.<br>• Former playing fields, allotments and other open uses to the east of the canal corridor.<br>The route of the former canal now contains a range of underground services including a trunk sewer.<br>From 2007 to 2010 the Council worked with others to develop an Area Action Plan and the mixed use regeneration of the area. In 2007/8, the Council with British Waterways progressed an AAP to Preferred Options |

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| | stage. This was based on maximising development income from high density housing, commercial and some retail development to help meet the cost of restoring a section of the Lancaster Canal and creating a mixed use Canal Head visitor destination. The appendices to the Preferred Options report contain financial appraisals of the options considered. Later in 2009/10, Gilkes, (a manufacturing company based at Canal Head) worked with the Council and other landowners and developers to develop a plan for mixed use regeneration scheme which included a significant food retail element. A Revised Area Action Plan Preferred Options report was prepared in 2010, with accompanying financial appraisals. The documents referred to above have been added to the CIL examination library and comprise:<br>• Kendal Canal Head Area Action Plan – Preferred Options Report, April 2008<br>• Kendal Canal Head Preferred Options Report – Appendix A Detailed Financial Appraisal;<br>• Kendal Canal Head Area Action Plan – Revised Preferred Options Report, September 2010<br>• Kendal Canal Head – Development Appraisal of Gilkes Master Plan Version 5 by Ove Arup and Partners Ltd ,17 August 2010<br>• Technical Note by Arup on Financial Appraisal of Gilkes Master Plan Version 5, 16 August 2010.<br><br>Additional comments from HDH Planning and Development, the Councils consultants on viability, are set out at Appendix 1, which concludes 'that it is unlikely that the Kendal Canal Head regeneration project will come forward without substantial subsidy and external funding. It is therefore not appropriate for CIL to be applied in this area'.<br><br>In the current absence of detailed Development Plan policy for the Canal Head area and evidence of the complexity and cost of developing an appropriate mixed scheme for the redevelopment of the area, the Council considers it appropriate that all forms of development in the Canal Head Area are zero rated for CIL purposes. |
| 3.2 | **Is the future approach to the use of section 106 planning obligations as set out in the Draft Regulation 123 List clear? Does the Draft Regulation 123 list make clear which items of infrastructure CIL will contribute towards and where section 106 obligations/section 278 agreements will continue to be used? Is there any duplication between the two?** |
| | The Council considers that the draft Reg 123 list makes clear those items of infrastructure to be funded from CIL and those from S106 or S278 agreements. It is considered there is no duplication between the two. In undertaking an annual review of the Infrastructure Delivery Plan (IDP) the Council will also review any implications for the Reg 123 list. The Reg 19 (1 b) Statement of Representations, November 2014 (ExCIL_S2) Appendix 1, section 3, sets out Council officers' response to representations which related to the Reg 123 list. |

## Appendix 1

## Kendal Canal Head and Ulverston Canal Head

## Additional Viability Information

## (Simon Drummond-Hay, HDH Planning and Development)

The delivery of the Ulverston Canal Head was considered towards the end of the SLDC Land Allocations DPD Viability Study. As a result of that work it acknowledged that the delivery on the site was exceptionally challenging and it was decided to remove the allocation in the Ulverston Canal Head from the Land Allocations DPD – although a general presumption in favour of development remains.

A similar exercise was not carried out in relation the Kendal Canal Head as, unlike the Ulverston Canal Head, the Kendal Canal Head did not include any specific land allocations.

### Ulverston Canal Head

In 2005 a comprehensive master-plan plan was produced for the Ulverston Canal Head and the adjoining business park. This is somewhat historic, however in terms of what exists on the ground little has changed and the logic and vision behind the project appears to remain valid and appropriate. The overall project has significant challenges, not least in terms of land assembly and the willingness of the various owners to co-operate and bring the site forward however, quite rightly the master-plan is based around an assumption that the different element and components are unlikely to come forward in insolation and that an overall strategy is needed.

In order to provide some advice to the Council as to the deliverability of this area we updated the costs that are set out in Section 14 of the master-plan. We did this through indexing all the costs in line with the BCIS Index. This is clearly an approximate approach but one that is 'proportionate' and based on 'existing available evidence' so in line with the CIL Guidance set out in the PPG.

The master-plan did not include a business plan or an estimate of the income that may be derived from the project so we attributed the values used elsewhere in Land Allocations Viability Study to the appropriate elements to come forward. For those elements that are of limited commercial potential (the leisure and museum elements) we have assumed that external funding equal to the costs would be forthcoming. These are set out in Appendix 3 of the SLDC Land Allocations DPD Viability Study and summarised in the following table:

| **Summary of Canal Head Costs – Full Master-plan** £ | |
|---|---|
| Anticipated Income | 39,706,252 |
| | |
| Updated Construction Costs | 48,266,387 |
| Fees | 4,826,639 |
| Contingency | 2,413,319 |
| Sales | 1,389,719 |
| Developer's Profit | 9,653,277 |
| | |
| **Profit/Loss before land assembly and interest** | **-26,843,089** |

Source Master-plan and HDH

The above costs make no allowance for land assembly costs, planning costs or finance charges.

There is uncertainty about these figures however it is clear that on purely commercial grounds, and when assessed under the Harman Guidance and as is appropriate under the NPPF that it is unlikely that the Ulverston Canal Head regeneration project will come forward without substantial subsidy and external funding. It is therefore not appropriate for CIL to be applied in this area.

**Kendal Canal Head**

In 2010 Ove Arup and Partners produced a viability assessment to support the evolving Area Action Plan proposals for the area. This scheme was based around a large supermarket, a hotel and a range of other uses.

Over the whole area the appraisals indicated that if the development were to come forward as a whole the costs of the scheme were in the region of £80,396,000 and the Net Realisation was in the Region of £93,036,000 and thus generated a 'profit' of £12,639,000 or so. This equates to about £1,400,000/ha.

It is important to note that this makes no allowance for developer's profit. Should a developers profit of 20% of GDV be assumed (as used in the SLDC CIL Viability Study) the project returns a loss of just under £4,000,000 – before the acquisition of land. The site is currently in a number of different ownerships (including thriving businesses that would need to be relocated) so for the envisaged scheme to come forward the land will need to be purchased and assembled for which no cost allowance has been made.

We have considered indexing the value and cost assumptions used in the 2010 Ove Arup and Partners produced a viability assessment. We acknowledge that the results are a little over 4 years old. Over the last 4 years both values and costs have increased however the CIL Regulations are clear that existing available information should be used and the approach should be proportionate. Bearing in mind the continued uncertainties in the market the prospects of this area moving into viability are negligible – the likelihood of it being appropriate to introduce CIL in the area is even less.

Whilst there is uncertainty about these figures however it is clear that on purely commercial grounds, and when assessed under the Harman Guidance and as is appropriate under the NPPF that it is unlikely that the Kendal Canal Head regeneration project will come forward without substantial subsidy and external funding. It is therefore not appropriate for CIL to be applied in this area.

## Appendix 2 - Review of Land Values in recent Housing Schemes over 1 hectare

| Purchase Date | Planning Application Number | Name of Scheme | Total Land Price | Gross Area (Hectares) | Price per Hectare | Number of Units | Number of Affordable Units | Percentage Affordable | S106 Contribution | Known Abnormals | Comment |
|---|---|---|---|---|---|---|---|---|---|---|---|
| 02/06/2014 | 2013/0830 | Land south of **Natland Mill Beck Farm, Natland Road, Kendal** (Story Homes) | £2,180,000 | 4.63 | £471,351 | 76 | 26 *(inc 13 for affordable rent)* | 34% | circa £2,000,000 (in the form of on-site affordable housing); circa £90,000 education contribution; £33,300 off-site play; £5,000 traffic regulation order; provision of permissive footpath; provision of woodland planting scheme. | None | Greenfield / urban edge - formerly used for cattle grazing |
| 23/05/2014 & 16/09/2013. Remainder to be purchased 2015 & 2016 | 2005/0976 & 2007/1354 | **North East Sandylands, Kendal** (Russell Armer) | £650,000 (+ overage based on percentage of uplift on sale price of completed units) | 3.05 | £213,115 (+ overage) | 94 | 47 *(inc 23 for affordable rent)* | 50% | circa £1,400,000 (in the form of on-site affordable housing); £18,000 open space/play space; £25,000 off-site youth facilities; provision of surface water drainage works to adoptable standard. | High surface water drainage costs. Third party landowner control of access to site | Greenfield |
| 20/06/2012 & 01/09/2010 | 2009/0838 & 2010/1090 | **Masters Grange, Biggins Road, Kirkby Lonsdale** (Russell Armer) | £1,656,860 | 0.99 | £1,668,117 | 34 | 12 | 35% | £835,000 (in the form of on-site affordable housing); £8,000 off-site play; £3,200 open space | Unstable ground conditions meant greater excavation than initially envisaged by developer | Greenfield / urban edge |
| 08/07/2011 | 2010/1055 | **Auction Mart, Appleby Road, Kendal** (Time & Tide) | £2,100,000 | 1.86 | £1,129,032 | 94 | 47 *(all for affordable rent)* | 50% | Circa £1,500,000 (in the form of on-site affordable housing); £8,060 open space | Demolition of former auction mart buildings | Brownfield - former auction mart site |
| 15/02/2007 | 2013/0691 | **Allithwaite Rd, Grange over Sands** (Russell Armer) | £1,016,000 | 1.67 | £608,383 | 42 | 14 *(inc 7 for affordable rent)* | 33% | circa £740,000 (in the form of on-site affordable housing); £16,600 off-site play | Surface water drainage works | Greenfield / urban edge - formerly used for horse grazing |
| 15/03/2004 | 05/02/3001 | **Lund Farm, Ulverston** (Persimmon) | £2,645,000 | 4.41 | £599,412 | 116 | 25 | 22% | £1,145,494 (in the form of on-site affordable housing); £22,440.48 open space/cycleway/footpath; £3,758 open drainage ditch | | Greenfield / urban edge |
| 31/10/2001 | 05/00/2897 | **Victoria Park, Ulverston** (Persimmon) | £518,000 | 1.18 | £438,404 | 59 | 10 | 17% | £452,250 (in the form of on-site affordable housing); £5,200 play area | Demolition of former school | Brownfield - former Ulverston Victoria 'Lower School' site |
| 18/07/2000 | 05/99/2105 | **Trinkeld Avenue, Swarthmoor** (Persimmon) | £500,000 | 1.70 | £293,559 | 41 | 11 | 27% | £150,550 (in the form of on-site affordable housing); £13,880 open space | Possible third party landowner control of access to site | Greenfield / urban edge |
| 17/03/2000 | 05/99/2030 | **Birkrigg Park** (former High Carley Hospital), **Urswick**, Ulverston | £1,812,000 | 5.08 | £356,735 | 81 | 9 | 11% | £85,500 (in the form of on-site affordable housing); £8,290 open space. | Demolition of former hospital. Provision of pumping station and | Brownfield - former hospital site |

| Purchase Date | Planning Application Number | Name of Scheme | Total Land Price | Gross Area (Hectares) | Price per Hectare | Number of Units | Number of Affordable Units | Percentage Affordable | S106 Contribution | Known Abnormals | Comment |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | sewer over significant distance to link with existing network on Croftlands Estate in Ulverston | |
| | 2012/0566 | Land **West of Oxenholme Road, Kendal** (Oakmere Homes) | | | | 148 | 50 | 34% | £28,000 playground<br>£116,000 highways contribution<br>£6,600 Travel Plan | | Site not yet transacted. At appeal relating to affordable contribution, the Inspector supported a land value of £400,000 net acre |