Revised CIL draft charging schedule
Planning Policy
Worthing Borough Council,
Portland House,
44 Richmond Road,
Worthing,
BN11 1HS

Our Ref: 62260939

25 August 2020

Dear Sir/Madam,

Worthing Borough Council Community Infrastructure Levy Revised Draft Charging Schedule Consultation

On behalf of St Clair Developments Ltd, we submit representations to the Worthing Borough Council Community Infrastructure Levy (CIL) Draft Charging Schedule (June 2020) consultation. St Clair Developments is the owner of 19-23 South Street, Worthing, a key town centre site which until recently was occupied by Beales department store. Beales went into administration in January 2020 and was subsequently forced to close in mid-March due to the COVID-19 pandemic.

THE RETAIL MARKET

The retail market has been undergoing significant changes in recent years, with the rise of Internet shopping having a severely detrimental impact on British high streets, causing major high street stores to close down and increasing town centre vacancy rates across the country. These issues have been further compounded by the recent COVID-19 pandemic, forcing retailers to close their stores for a prolonged period of time and increasing consumers' reliance on online shopping. The long-term effects of COVID-19 are hard to predict, though there will inevitably be a serious impact on the retail sector (and we are already seeing evidence of this) given the ongoing lockdown across Britain and the social distancing measures that will remain in effect for the foreseeable future.

Local authorities must therefore take a proactive and positive approach to encouraging development within town centres to prevent former retail units for which there is no longer demand from becoming long-term vacant. The planning system should encourage a range of uses in town centres, including residential, to improve their vitality and viability, and minimise financial obligations (including the payment of CIL charges) which may render such schemes unviable.

COVID-19

We are concerned that the CIL Viability Assessment (March 2020), prepared by Dixon Searle Partnership, has not tested the viability findings in a COVID-19 environment. Given the major economic downturn the UK is currently facing, the viability of developments across the nation are under threat. As such, it is essential that any increased CIL rates are properly scrutinised and take into account the impacts of COVID-19 to prevent stalling developments unnecessarily.

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REPRESENTATIONS

FLATTED DEVELOPMENTS OF MORE THAN 10 DWELLINGS

We support the Council's approach in proposing lower CIL rates for flatted developments of more than 10 dwellings on previously developed land (PDL), however, to ensure sufficient housing is provided to meet local demand in Worthing, the Council should go further and make the CIL charge zero. This approach is supported by the CIL Viability Assessment (March 2020), prepared by Dixon Searle Partnership, paragraph 4.3.1 of which states:

> *c.* ***Flatted development borough wide (excluding sites beneath the 10-unit AH threshold i.e. those carrying no AH requirement)*** *– results analysis indicates challenging viability on the whole, and therefore in our view WBC should* ***consider setting CIL at a significantly lower (nominal) or potentially nil rate.***

The CIL Viability Assessment (March 2020) recognises that viability is challenging on the whole for flatted developments of more than 10 dwellings. The current COVID-19 pandemic will have worsened the viability position for such developments and therefore even charging the proposed lower rate of £25 per sqm could well render major flatted residential developments completely unviable, with severe impacts on Worthing's housing supply. The CIL Viability Assessment (March 2020) also recognises that reducing CIL rates for such flatted developments would benefit housing delivery (paragraph 4.2.8):

> *Within the overall balance, in viability terms a reduction in the WBC CIL charging rate applicable to flatted development at a scale exceeding the AH threshold would be a positive influence in terms of overall delivery.*

There is a significant local housing need in Worthing. Policy 7 of the Core Strategy (2011) outlines a requirement to deliver 4,000 net additional units in the Borough in the period 2006-2026, equating to an annual average rate of 200 dwellings per year. The Worthing Housing Study (2015) indicates that the Objectively Assessed Need (OAN) is actually 629 dwellings per annum – a 215% increase on the target outlined in the Core Strategy. The Adur and Worthing Strategic Housing Market Assessment (SHMA), dated May 2020, identifies that housing need in Worthing has now increased further to 880 dwellings per annum. This housing need of 880 dwellings per annum represents a 340% increase from the annual average target of 200 dwellings per year outlined in the Core Strategy. As such, the delivery of new housing in Worthing is of paramount importance, to ensure that there is sufficient supply to meet local needs.

The financial burdens of development must be minimised as much as possible in this current economic climate to prevent development from being stifled and to ensure that much needed housing in Worthing is delivered without delay.

DEVELOPMENT OF LESS THAN 10 DWELLINGS IN THE 'BUILT UP AREA BOUNDARY'

The Revised Draft Charging Schedule includes a CIL charge of £125 per sqm for developments of 10 dwellings (Class C3) or less in the 'Built Up Area Boundary', which includes Worthing town centre. The currently adopted CIL rate within the town centre (Zone 1) for Class C3 developments is £100 per sqm and the proposed new rate would therefore represent a 25% increase on this.

The CIL Viability Assessment suggests a CIL rate of circa £100 to £125 per sqm at paragraph 4.3.1:

> ***A. Beneath the current AH threshold of 10 dwellings borough-wide –*** *results analysis indicates* ***up to*** *c.* ***£100 to £125/sq. m. CIL*** *to be supportable in viability terms for all types of residential development borough-wide (all wards areas, including flats)*

Given the current economic climate, even the lower rate of £100 per sqm suggested in the CIL Viability Assessment would likely render many residential developments unviable. As previously stated, the viability evidence which supports the Draft Revised Charging Schedule does not take the current COVID-19 pandemic into account and therefore fails to recognise the impact that the current and ongoing economic downturn will have on the viability and delivery of development in Worthing. There is a significant housing need in Worthing, as detailed above, and the Council should do all it can to encourage the delivery of new homes in the local area. The proposed CIL rate of £125 per sqm for developments of less than 10 dwellings in the 'Built Up Area Boundary' could act as a deterrent to potential investors in the local area and prevent much needed housing from coming forwards. The CIL rate taken forward in the Revised Charging Schedule should therefore be significantly lower than £125 per sqm, or even nil, to reflect the uncertainty in the development sector and financial stress that businesses are under.

DISCRETIONARY CIL RELIEF

Regulation 55 of The Community Infrastructure Levy Regulations 2010 (as amended) allows local authorities to grant discretionary CIL relief in exceptional circumstances. These circumstances include where the local authority considers that CIL would have an unacceptable impact on the viability of a development.

However, Worthing Borough Council does not currently have the relevant mechanism in place to allow relief in exceptional circumstances. Given the current economic climate and the financial stress that many businesses are under, it would be prudent for the Council to introduce CIL relief for exceptional circumstances to enable key developments to come forward where they may otherwise be rendered unviable. The COVID-19 pandemic has resulted in a great deal of uncertainty for the development sector and any initiatives that can be employed to support development and encourage investment should be a priority for local authorities. The full effects of COVID are not yet known not least because the government is still supporting the economy through the furlough scheme. When that support does come to an end, many forecasters are predicting a significant increase in unemployment with major consequences for the economy. The Council therefore needs a discretionary CIL relief policy to ensure that, as far as possible, development does not stall and threaten the delivery of the Council's other policy priorities such as housing and affordable housing.

The Council would, of course, have discretion as to when exceptional circumstances are applicable and relief could be granted for part or all of the Levy.

CIL INSTALMENT POLICY

We appreciate that the Council has adopted an Instalment Policy for the payment of CIL, in accordance with Regulation 69B of The Community Infrastructure Levy Regulations 2010 (as amended). However, given the current economic climate and major financial constraints of many businesses and developers, we encourage the Council to extend the times within which the payment of CIL is required. Extending these times will help encourage more development to get underway in these challenging times, through reducing the immediate financial burden of commencing development and allowing applicants to make the CIL payments over a more manageable period.

DEVELOPMENTS WITH RETAIL AT GROUND FLOOR

Incentives should be put in place to encourage retail uses to be provided or retained at ground floor within the town centre, to help combat the challenges that British high streets have been facing in recent years. Many major high street stores have been closing down and town centre vacancy rates have been increasing across the country as a result of the rise of Internet shopping. Worthing is no exception, with Beales, which had a major town centre presence, going into administration in January 2020.

As aforementioned, these issues have been further compounded by the recent COVID-19 pandemic, forcing retailers to close their stores for a prolonged period of time and increasing consumers' reliance on online shopping. The legacy of COVID-19 in terms of its impact on the retail sector is unlikely to be fully understood for many months or even years.

Local authorities have a responsibility to try and counteract these issues and help stimulate town centre regeneration. One such way of attracting additional retail development within the town centre would be through providing CIL relief for mixed-use developments which provide or retain retail uses at ground floor level, where such provision would impact the viability of the development. We therefore suggest that the Revised Charging Schedule includes a provision to allow part or full CIL relief for mixed-use town centre developments which maintain retail uses at ground floor.

LIVE/WORK UNITS

Live/work units provide a mixture of both living accommodation and workspace within a single unit. They are occupied by a wide range of occupiers and often attract those working in media, the arts, design, fashion and tailoring, technology and other small business owners. It's a particularly important form of space for start-ups and relatively young businesses that don't have the level of resource or covenant strength to occupy dedicated business space on normal commercial time. It allows small businesses and entrepreneurs to combine their living and business premises costs.

The use of a building to form live/work units falls outside any uses defined in the Use Classes Order and is a use of its own kind being classified as a sui generis use. Worthing Borough Council does not currently charge CIL for any sui generis developments, including live/work units. The Revised Draft Charging Schedule should not introduce any CIL charges for live/work developments, as no viability testing has been undertaken on such forms of development and they are prone to being heavily incentivised in the tenants favour to attract the very start up businesses who cannot afford conventional office space. The introduction of a CIL charge for such schemes would inevitably kill the market for live work schemes and reduce further the provision of flexible space for start-up businesses with its supressing effect on the local economy. In these circumstances there is no justification for the introduction of any CIL for live/work developments.

SUMMARY

We trust that these representations will be taken into account when taking the Revised CIL Charging Schedule forward and the Council will recognise the importance of facilitating development in the current challenging economic climate and amended its draft charging schedule accordingly.

Yours faithfully

George Burgess
Senior Planner