

**Shepway District Council
Community Infrastructure Levy Examination**

Matters, Issues & Questions

Council response to:

MATTER C: Residential Developments

Issue 1: Residential Levy Rates

- a) Are the 4 local levy rates for residential development (A, B, C & D) justified by appropriate available evidence?
- b) Are the boundaries for the four zones (A, B, C & D) justified by appropriate available evidence?
- c) Is there a case for any different rates and/or different boundaries between zones, and if so, why and where?
- d) Overall do the proposed residential rates and boundaries strike an appropriate balance between helping to fund new infrastructure and the potential effects on economic viability?

Questions to the Council

- i. Please provide a statement setting out your responses to the questions above.
- ii. Does the charging area merit the pattern of residential charging zones proposed which does have a higher than typical level of complexity?
- iii. There are individual geographical areas where high charge and low charge or zero rated zones are closely adjoining one another and the rationale for the proposed zone boundary is not immediately clear from the physical condition of development on the ground. These include:
 - In Appendix 1, the boundary between zones B (£50 / sq. m) and D (£125 / sq. m) to the north west of Hawkinge; and
 - In Appendices 1 and 2, the boundary between zones A (£0 / sq. m) in the Folkestone Inset and and D (£125 / sq. m) to the north and west of the Eurotunnel terminal.

Please set out the justification for these small area differences.

- iv. Is there a clear basis for the application of Appendix 2 Folkestone Inset Zone A (£0 / sq. m) to residential areas in the historic town centre?

Council Response

Question (i): 'a' to 'd'

(a & b) The Council confirms that it considers the proposed charging rates for residential development and their application with reference to the proposed zones A to D to be justified by appropriate available evidence provided by the viability assessment as viewed alongside the local characteristics and associated with the Local Plan context.

(b) Owing to the way it operates as a fixed charge, assessed via and to address district and Local Plan wide, rather than specific scheme reactive level considerations, the Council acknowledges that almost inevitably there will be some imperfections involved in implementing a CIL. Overview type judgements have to be made. However, the Council has undertaken a rigorous approach to testing and reviewing the realistic charging scope across the district through close working with the viability consultants and is not aware of any compelling evidence that is available in respect of an alternative view of appropriate charging rates and / or zones.

(c) The Council acknowledges that it would always be possible to arrive at varying zone boundary positions compared with those it proposes; and the same applied to any alternative boundary positions. Where possible notable physical features are selected, also broadly but appropriately reflecting the values and varying viability patterns that are considered to be relevant. This is as evidenced through the viability research but was also explored and tested through discussions with Council officers using their local knowledge and feel for this. In this way the proposals were arrived at through a combination of detailed research and rigorous independent testing, which were subsequently consulted on.

Whilst it would be highly unusual to receive no representations, overall and so far as is likely to be practically possible the Council considers that the level of objection received to the approach was relatively low and in general the earlier consultations showed, in the Council's view, an endorsement of the overall approach rather than a need to fundamentally revisit the rates and their zone boundaries. Accordingly, the Council does not consider there to be a significant or evidenced case for an alternative approach.

(d) On making its overview of how the viability findings and recommendations should inform the approach, rather than exactly direct it, the Council considers that it has struck an appropriate balance between the key objectives of (again, so far as it is possible to influence via a CIL) supporting local growth whilst also ensuring so far as possible that developments are not subject to too great a fixed cost. This fits with responding above all to the characteristics of and planning policies relevant to supporting and guiding the housing and other development growth in this particular authority area. As has been found through the viability assessment, which it is considered suitably reflects the nature of the district, there are a number of different and generally distinct circumstances for the CIL approach to respond to and support.

Question (ii)

In working with a wide range of potential charging authorities covering highly varied local characteristics, and in respect of the clarity of expectations that a CIL seeks achieve, SDC's consultants approach in each assessment has consistently been to start from basic the premise of: "will a single rate or very simple approach be workable – could that be set-up here?" Following on from that, the approach develops such that the aim remains to always

avoid over-complication as far as possible in a particular authority area circumstances. So the approach has been built-up from exploring the simplest possibilities considered realistic and appropriate, again with ongoing officers' "on the ground" experience and input continually fed-in and used to question the approach. This approach was used throughout the development of proposals. DSP is also involved with SDC in the (usually confidential) site-specific level review of viability assessments that are submitted to SDC when a planning applicant makes a case that viability is under pressure, for example so that they consider the full affordable housing policy cannot be met by their scheme. This local experience all feeds into the development of the CIL approach, in terms of background knowledge.

To date, DSP has found that it has been possible to recommend a single charging rate only in a very small number of circumstances that it has dealt with on viability. Two or more rates, and so a level of differentiation has been found to be a more regular outcome and the Council considers this is a reflection of the outcomes across the country too.

There are important drivers to a necessarily differential approach to CIL charge setting in Shepway, as has been recognised and explored through the viability assessment; and which themes are also considered to be reflected through the Council's wider evidence base. The evidence, including the research components of it, have been set out in detail but in high level terms the values available to support development viability vary significantly across the district, and will impact on a wide range of site and scheme types. As a key example of this, in addition to the contrasts with and differences seen outside the main urban area of Folkestone, within the town itself there are very significant variations in the values that are such a key ingredient of development viability. The town contains values amongst both the highest and lowest seen in the district. Higher values are also seen within Hythe and the northern rural AONB areas of the district with amongst the lowest values seen in parts of Folkestone and Lydd. A range of values is seen in other areas of the district as described in more detail within the viability reporting. Overall, the variations are very significant and require a bespoke response that includes more differentiation than we tend to see being necessary in other areas.

The viability assessment found that (for example noted in the main assessment report Executive Summary at 5 i to iii):

'This need not produce a complex schedule of proposed rates for the PDCS but it is recommended that 4 CIL charging rate zones will be required respecting the viability evidence as follows. For ease of reference each of these set of characteristics is lettered (A to D):

- a. Folkestone (lower end values) & Lydd area (viability scope – A);*
- b. Romney Marsh (rural and coastal) and north Folkestone fringe / Hawkinge (B);*
- c. West of Folkestone (Sandgate) and Hythe (C);*
- d. North Downs rural area settlements (D)'*

A level of differentiation has also been found necessary to accommodate the varying strength of viability seen in relation to a range of commercial and non-residential development types. Whilst adjustments were made to this in respect of Folkestone town centre retail, owing to Plan relevance in combination with the viability findings (including of the supplementary work) as above, in DSP's experience the proposed approach to CIL charging for non-residential is not too complex in the circumstances either. The findings are considered to be reasonably typical, with certain types of retail supporting the only current

clear scope for CIL charging but with variation often needed for key town centre areas and especially so where the local economics do not support particularly strong rents and values.

Question (iii)

The boundaries for proposed CIL charging rates and zones for residential development for the district as a whole as per the map at appendix 1, are based on an amalgamation of parish and town council administrative areas. When assessing the findings of the CIL and Whole Plan Economic Viability assessment in respect of land and sales values, it was found that for the most part, settlement, land and sales value characteristics within the proposed zones corresponded to these administrative areas, and the district's natural topography (e.g. – zone D largely comprises the North Downs AONB; zones A & B out with Folkestone, comprises Romney Marsh).

The Folkestone Town inset map boundary corresponds to the Folkestone Town Council boundary. The inset map boundaries and zones are based on the findings of the Viability Study and discussions between the Council and Dixon Searle. They reflect the nature of the town's residential land, property markets and sales values, as considered by the Viability Study, and the town's natural and urban topography, which can mean that poorer quality housing areas are within a stone's throw of higher value areas. For example:

- Zone A embraces Folkestone East, the Harbour area and the main retail area of the town centre. Parts of Cheriton are also in zone A. These areas are characterised by traditional Victorian and Edwardian residential terraces, poorer quality housing stock, and smaller brown field development sites (out with the Folkestone Harbour and Shorncliffe Garrison strategic sites).
- Zone B embraces higher quality residential areas in central west Folkestone, the Radnor Park area, Broadmead Village, Moorhall, and Wear Bay areas of the town. This provides a mix of cliff top, sea view and suburban locations for Victorian and Edwardian tenements, higher quality terraces, and semi-detached and detached houses. Development sites tend to be a mix of small to medium sized brown field sites.
- Zone C embraces the highest quality residential locations in the town, and includes much of the west end. The Shorncliffe Garrison strategic site is in zone C, but its historic military use and situation on a prominent rise, means that it is clearly distinct from that part of Zone C bordering the sea and the main retail area. The northern boundary of zone C is formed by a railway line.

In response to the specific bullet points:

First bullet query: It was considered that the values attributable to any relevant development in the immediate environs of Hawkinge would bear more relation to the prevailing values for the existing settlement rather than those more typically relevant within the rural area and smaller settlements within that (as represented by Zone D). For this reason the boundary has not been “drawn” tightly around Hawkinge, but instead is based on the Hawkinge Town Council boundary. As an example of how this could impact and the relevance of the differentiation, the Viability Study found that prevailing housing values as observed in Densole were found likely to be notably higher than Hawkinge.

Second bullet query: Given the location of the Eurotunnel terminal and the topography, this boundary position is considered to better reflect the extent of the Folkestone urban area as defined by the Folkestone Town Council administrative boundary and the change between

that and the typically significantly higher value rural area to the north. The Council does not consider it likely that any significant amount of CIL relevant development would occur between the proposed zone boundary and the north side of the Eurotunnel terminal area. In that sense it is arguably not critical where that boundary is placed in terms of CIL principles and specific effects, however in the unlikely event of CIL charging relevant proposals coming forward there, it is considered that the particular development economics would most likely be reflective of the area to the south rather than of any smaller settlement or replacement dwelling based development in the open countryside and rural area to the north, which is formed of the North Downs AONB.

Question (iv)

The historic town centre of Appendix 2 Zone A, embraces Folkestone East, the Harbour area and the main retail area of the town centre. The CIL and Whole Plan Economic Viability Assessment identified this part of the town as being characterised by lower residential land and sales values. Developments in this area would therefore not be able to accommodate a CIL charge without there being an adverse impact on viability and deliverability.

At a smaller geographic scale, the historic core of the town centre focuses on the Bayle, where resale values for residential properties can be similar to those found in zone B. There are however, no notable development opportunities in the area, with most developments consisting of refurbishments and conversions. It is therefore considered by the Council and Dixon Searle that there is a clear basis for this part of Folkestone to be categorised as Zone A for residential developments.