Suffolk Coastal District Council CIL Examination

Main Issues & Questions for the Examination

Contents

Introduction

This statement is submitted by Savills (UK) Limited in respect of the Suffolk Coastal District Council ("SCDC") Community Infrastructure Levy ("CIL") Examination, on behalf of the following (in alphabetical order):

i. Bloor Homes;
ii. Gladman Developments;
iii. Hopkins Homes
iv. Persimmon Homes; and
v. Taylor Wimpey Homes.

Hereafter referred to as the 'Consortium'.

The purpose of this statement is to set out our responses to the specific questions set out in the Examiner's Main Issues and Questions document[1]. It is intended to supplement the comments previously submitted to SCDC and does not reiterate our representations submitted to the Draft Charging Schedule (DCS) consultation[2].

Our clients' particular comments relate to the proposed rates for residential development.

[1] January 2015

[2] Savills representation on behalf of a Housebuilder Consortium, November 2014

Issue 1 – Legal and Preliminary Matters

a) Does the Charging Schedule comply with the procedural requirements of the 2008 Planning Act and the 2010 Regulations as amended?

The Consortium believes that SCDC's proposed DCS does comply with the procedural requirements of the 2008 Planning Act and the 2010 CIL Regulations (as amended). However, the Consortium has fundamental concerns in regards to the formulation of the proposed Charging Schedule, including the evidence base used to calculate the proposed rates.

At Examination, SCDC will be required to demonstrate that the DCS is supported by background documents containing "*appropriate available evidence*" and that the proposed rates are '*informed by and consistent with, the evidence on economic viability*'[3]. It is therefore essential that the viability appraisals are fit for purpose and strike an appropriate balance.

b) Should the introduction of the Charging Schedule be delayed until the production of Suffolk Coastal District Council's Site Allocations Development Plan Document and/or a further review of the Council's Core Strategy?

One of the Consortium's primary concerns in respect of the proposed CIL rates is the fact that SCDC do not have an adopted Site Allocations Development Plan Document (DPD). This is concerning for the following reasons:

- **Reflective Viability Testing** - It is incredibly difficult to assess whether the viability testing is reflective of the sites likely to come forward and if the proposed CIL rates will have an adverse effect on their viability;

- **Impact on Delivery of Housing** - As highlighted in our previous representation[4], SCDC has a historic under delivery of housing and does not have an identified housing land supply for the plan period. It is therefore of paramount importance that the proposed CIL rates do not adversely impact the viability of development sites in the area;

- **Generic Testing** - The proposed rates have been formulated based on a number of sites that are assumed will come forward over the plan period, alongside a number of generic development site scenarios. The Consortium are concerned that the rates have not necessarily been tested on sites that are proven to be deliverable, having regard to the definition set out at Paragraph 47 of the NPPF[5].

[3] Paragraph 038, Reference ID 25-038-20140612, CIL Guidance (revision date 12th June 2014), accessed 9th February 2015

[4] Paragraphs 3.1 – 3.5, Savills representation on behalf of a Housebuilder Consortium to the SCDC DCS consultation, November 2014

[5] See paragraphs 4.29 – 4.31, Savills representation on behalf of a Housebuilder Consortium to the SCDC DCS consultation, November 2014

Within our DCS representation, we have subsequently advised that a wider range of generic sites are tested to ensure that all scales of potential development sites are viable in light of the proposed rates. In addition, we have highlighted the importance of including a substantial buffer from the maximum CIL rates (to reflect the uncertainty over the sites coming forward and historic under delivery) to ensure that CIL is not set at the margins of viability.

The Consortium therefore recommends that the Charging Schedule consultation is delayed until the Council produces a Site Allocations DPD.

c) The Charging Schedule was published prior to publication of the Ministerial Written Statement on 28th November 2014 which states that affordable housing should not be sought on sites of 10 or less units. What are the implications of the Ministerial Statement for the Charging Schedule and the accompanying evidence base, including the Viability Assessment?

The Written Statement[6] published by the Minister of State for Housing and Planning at the end of last year outlines new measures that the Coalition Government are implementing to support small scale developers. It proposes that on development sites with a maximum of 1,000 sq m combined gross floor space **and** 10 units or less, affordable housing and tariff style contributions should not be sought.

The potential changes to the thresholds would directly affect the viability of a development and the capacity for a site to pay CIL. SCDC have recognised the potential changes to the thresholds and have subsequently revised their CIL viability appraisals (PBA, January 2015)[7]. The Consortium welcomes this additional viability testing, but is concerned that SCDC have not revised their Charging Schedule in light of the results. The Consortium would therefore challenge SCDC's decision to retain a higher CIL rate on sites with 1-5 units in low and mid value areas, as this does not reflect the revised affordable housing thresholds.

[6] HCWS50, 28th November 2014

[7] Report Addendum: Viability Update on Revised Affordable Housing Thresholds, Peter Brett Associates, January 2015

Issue 2 – Is the Charging Schedule supported by appropriate available evidence?

b) Have the residential viability assumptions relating to the Code for Sustainable Homes (as set out in Table 5.1 of the Viability Study May 2014) been incorporated into the development appraisals in Appendix A of the Study? If not, what implications does this have for the evidence base and the Charging Schedules?

The Consortium is pleased to note that SCDC have revised their viability appraisals to reflect the additional cost of achieving Code Level 4 of the Code for Sustainable Homes. However, the Consortium is concerned that the results of this testing have not been reflected in the proposed CIL rates.

Table 1 – Comparison of Residential Viability Testing Results

Development Type	No. of Dwellings	Value Area	CIL Rate (DCS) £psm	Overage		Viability Buffer		
				Viability Study (May 14) £psm	Viability Study (Jan 15) £psm	PBA VS (May 14) %	PBA VS (Jan 15) %	% Difference
Houses	1	Low	£70	£206	£183	66%	62%	↓ 4%
	5		£70	£172	£149	59%	53%	↓ 6%
	10		£50	£128	£95	61%	47%	↓ 14%
	25		£50	£136	£102	63%	51%	↓ 12%
	50		£50	£123	£90	59%	44%	↓ 15%
Flats	3		£50	-£82	-£99	0%	0%	-
	25		£50	-£361	-£388	0%	0%	-
	50		£50	-£446	-£472	0%	0%	-
Houses	1	Mid	£115	£279	£256	59%	55%	↓ 4%
	5		£115	£236	£213	51%	46%	↓ 15%
	10		£90	£180	£147	50%	39%	↓ 11%
	25		£90	£194	£160	54%	44%	↓ 10%
	50		£90	£171	£138	47%	35%	↓ 12%
Flats	3		£90	£9	-£9	0%	0%	-
	25		£90	-£266	-£292	0%	0%	-
	50		£90	-£370	-£395	0%	0%	-
Houses	1	High	£150	£312	£289	52%	48%	↓ 4%
	5		£150	£263	£240	43%	38%	↓ 5%
	10		£150	£303	£270	50%	44%	↓ 6%
	25		£150	£321	£287	53%	48%	↓ 5%
	50		£150	£291	£258	48%	42%	↓ 6%
Flats	3		£150	£117	£100	0%	0%	-
	25		£150	-£137	-£163	0%	0%	-
	50		£150	-£258	-£283	0%	0%	-

Source: Savills, PBA

The table above clearly demonstrates that the additional cost associated with achieving Code Level 4 has a negative impact on the maximum CIL rates that can be supported; which in turn has the effect of reducing the viability buffer. Whilst we acknowledge that the above analysis illustrates that a viability buffer is still in place, we disagree with PBA's comment that *"there is still adequate viability evidence to support the proposed Suffolk Coastal CIL charges, whilst also allowing for an appropriate viability buffer."8*; as this is looking at the impact of changing one input in isolation. **It does not therefore consider the cumulative impact of the points raised above**.

As previously discussed, given the uncertainty over the nature of sites coming forward in Suffolk Coastal (and in the absence of a Site Allocations DPD), it is essential that a higher viability buffer (minimum 40%) is included to ensure that site specific factors will not prevent sites from coming forward. We are therefore particularly concerned to note that a separate CIL rate for flatted developments has not been proposed as the CIL rates are shown to be unviable across all market values.

c) Overall, have reasonable assumptions been made in relation to factors affecting viability of development and up to date evidence used?

The Consortium has previously raised their concern[9] over the assumptions used and relied upon within PBA's viability appraisals, in support of the proposed CIL rates. We are therefore disappointed to note that the viability testing assumptions have not been adjusted in light of our recommendations.

At present, we therefore do not believe that appropriate assumptions and evidence have been adopted by the Council in formulating their proposed CIL rates. We would subsequently ask that our previous comments be taken in to account to ensure that the true costs of development are modelled; as failure to do so will result in housing delivery being compromised in Suffolk Coastal.

d) Should abnormal costs be included in the viability assessment?

In our DCS representation[10], we highlighted that the "abnormals" allowance in the Viability Study (5% of build costs for archaeological and ecological works) was too low. It should also be highlighted that as the "abnormals" allowance is directly linked to build costs, an incorrect base build cost (see paragraphs 4.14 – 4.19 of our DCS representation) risks compounding the issue and results in a further underestimation of the true costs of development.

[8] Paragraph 1.1.7, Response to Initial Examiners Questions to the Council, January 2015

[9] Part 1, Section 4, November 2014 (pages 18-23)

[10] Paragraph 4.5, November 2014, page 19

Our experience of development sites within Suffolk Coastal has highlighted that additional costs relating to items such as non-standard foundations (piling) and flood mitigation procedures (SUDs), must be allowed for within residual land value calculations. We would therefore stress the importance of including an allowance for "abnormals" within the viability testing, as failure to do so is over-estimating the capacity of sites to support a CIL rate in the area.

The following table highlights information provided by the Consortium in relation to abnormals costs per unit that they have experienced on sites within Suffolk Coastal. Due to the sensitivities surrounding this information we have only included the location of the site.

Table 2 – Evidence of Abnormals Cost per Unit in Suffolk Coastal District

Development Site	Abnormals Cost/ Unit	Comments
Saxmundham	£16,492	• 20% of the site required piling • Upgrade to social specification
Ipswich	£74,522	• Upgrade to external elevations
Kirton	£22,037	• 100% of the site required piling • Upgrade to social specification
Trimley St Martin	£26,572	• Upgrade to social specification
Average	**£34,906/ unit**	

Source: Consortium Data

In light of the evidence provided in Table 2, it is clear that abnormal costs **should** be included within the viability assessments. The Consortium also has concerns that the allowance of 5% of build cost for abnormals is vastly under estimating the true costs for these works.

We would therefore recommend that revised viability testing is undertaken, including an additional allowance for "abnormal" costs.

Issue 3 – Are the proposed charging rates informed by and consistent with the evidence?

a) Are the proposed charging rates for residential development justified by the evidence and reasonable?

For the reasons discussed above, the Consortium does **not** believe that the proposed CIL rates for residential development are justified.

The Consortium acknowledges that additional viability testing has been undertaken ahead of the Examination[11] to address the Code for Sustainable Homes query and the impact of the recent Ministerial Statement. However, the comments set out above (previously raised in our DCS representations) highlight a number of additional points that have not been taken in to account and collectively will have a significant impact on the viability of development sites.

The Consortium therefore remains concerned that a number of the assumptions used within PBA's appraisals are incorrect and that the supporting viability evidence is overestimating the capacity for sites to pay for CIL. Until these issues are addressed, and reflected in the viability testing, there is subsequently a risk that the proposed CIL rates will threaten the delivery of sites in the District.

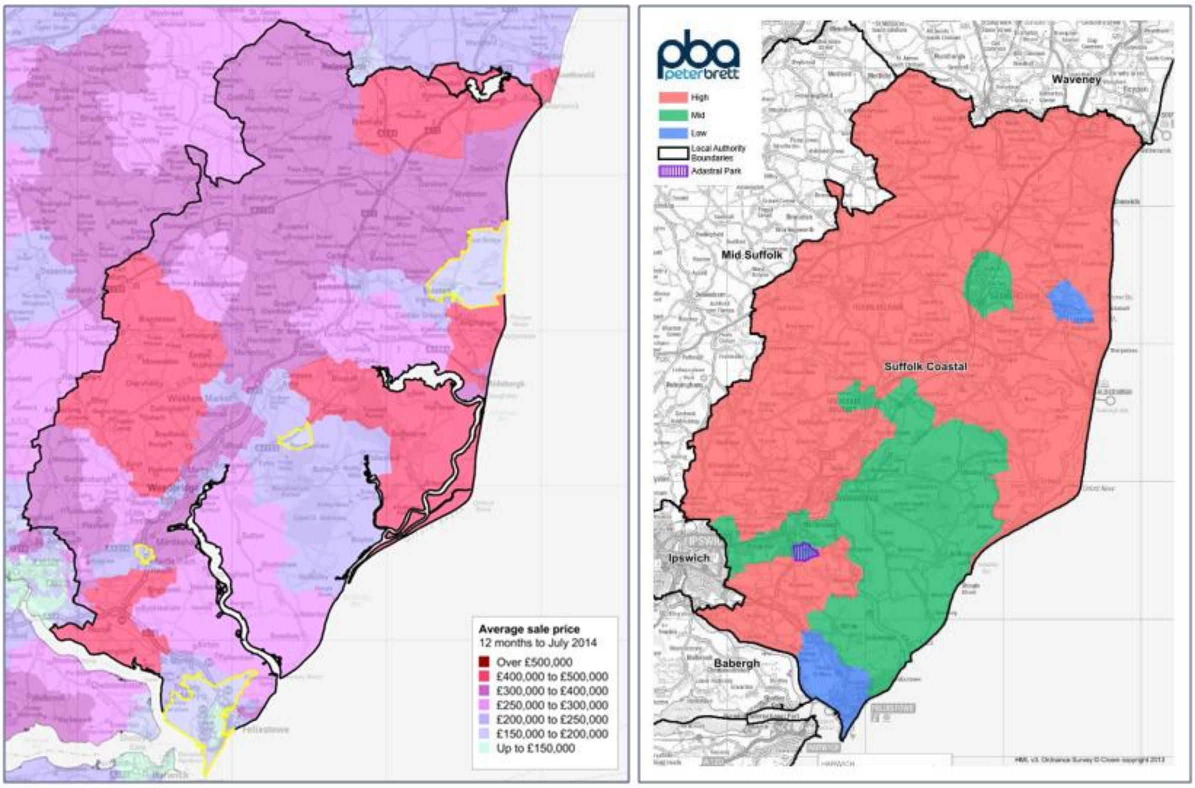
b) Are the boundaries of the geographical areas (low, medium and high) and site size thresholds for proposed differential residential charging rates, soundly based on development viability evidence?

Paragraph 5.11 – 5.13 in our DCS[12] representation, highlights the Consortium's concern that the boundaries of the geographical areas for the proposed differential residential charging rates are incorrect. **Figure 2** (reproduced overleaf) compares Savills House Price map utilising data from Land Registry, with SCDC's proposed charging boundaries, which shows that some of the lowest sales value areas in the District are included within the 'high' and 'mid' CIL charging zones.

[11] Response to Initial Examiner Questions to Council, PBA, January 2015

[12] Ibid, Savills, November 2014

Figure 2 – Comparison of Average House Price Map produced by PBA and Savills



The Consortium acknowledges that a site's viability and therefore capacity to pay for CIL is dependent on a number of factors, including the sales and land values achievable in that area. It is therefore fundamental that the charging boundaries reflect these factors to prevent the risk of rendering sites in lower value areas unviable.

In light of the Ministerial Statement[13], it is unclear why there are higher rates for site sizes of 5 units or less, compared to sites of 6-10 units. The proposed rates are approximately 20% - 30% higher for the low and mid value areas for sites of 1-5 units. The proposed rates therefore impose a significantly higher risk on the delivery of smaller windfall development sites within the District. The Core Strategy identifies a total of 850 units (11% of future supply) to be delivered through windfall over the plan period 2010-2027 (50 units/ year). The Consortium would therefore invite SCDC to look at revising not only their proposed rates, and geographical boundaries, but also the proposed site size thresholds for the differential rates.

[13] Ibid, November 2014

Issue 4 – Does the evidence demonstrate that the proposed charging rates would not put the overall development of the area at serious risk?

a) What effect will the residential charging rates have on the delivery of planned housing provision in the district?

In the absence of a Site Allocations DPD and an identified five year land supply (in accordance with paragraph 47 of the NPPF), it is difficult to accurately assess the impact that CIL will have on housing delivery in the District. It is therefore fundamental that the proposed CIL rates do not risk the delivery of development sites and housing supply across the District.

In our DCS representation[14], we therefore highlighted the need for SCDC to test a wider range of generic developments to ensure that all future supply scenarios are tested and found to be viable with the proposed CIL rates. If the CIL rates are set too highly, this significantly risks the delivery of housing sites and the ability to achieve policy compliance including affordable housing across the District.

We do not therefore believe that the evidence submitted by SCDC demonstrates that the proposed CIL rates will not put the overall development of the area at serious risk.

[14] Ibid, November 2014