

Written Statement To SCDC CIL Draft Charging Schedule Examination

- 1) I write as a long term resident of Suffolk and as Director of a young Company involved in the delivery of small scale development in the County. My background is of 20 years in the property industry with experience in both the private and public sector.

- 2) I feel passionately about this wonderful County and want to see it thrive. The evidence and analysis in this statement is scoped to relate specifically to small residential developments only. I am referring to small developments as those of 10 units and under in line with Central Government thinking. This arises following the Ministerial Statement of 28th November 2014 (The Ministerial Statement).

- 3) I believe The Ministerial Statement is material to the CIL Examination process and requires a fundamental revisit of the viability analysis supporting the Draft Charging Schedule (DCS). Also I believe the Peter Brett response to Initial Examiner Questions 12th Jan 2015 (PBA Response) contains significant errors and flaws and I will set out below how these should be amended alongside evidence as to why they should be amended.

- 4) Friends tell me what a great place Suffolk is - and they're right. If we don't get the Draft Charging Schedule right for small developments it will be to the detriment of this wonderful County – both in terms of the Economy and of the Built Environment; so please, lets get it right.

Small Schemes – Why Is This Sector Important?

- 5) Small developments are an important part of both plan delivery and of the make-up, style and “grain” of Suffolk residential development. Small developers using a local supply chain for both consultancy and construction support the economic development of an area. The importance of small developments in local communities is huge and often include individually designed high quality homes. Suffolk would be a massively different place, to its detriment, if at a strategic level we stifle the delivery of small developments in order to focus on numbers purely in large and strategic schemes. The DCS as drafted will stifle delivery of small schemes and as such is prejudiced towards this important sector.

6) In Suffolk Coastal we have an historic under delivery of housing numbers causing us to now rely heavily on windfall sites. Many of these windfall sites will be small schemes and their delivery should be promoted through financial unbundling in line with Central Government thinking. Current proposals have the opposite effect and will stifle supply of small developments, which in turn has a disproportionately large effect on the overall plan delivery in Suffolk Coastal.

PBA Response to Initial Examiner Questions : Question 5 – Ministerial Written Statement

7) I won't repeat my belief that the Ministerial Written Statement is of such material significance to CIL Examination that it requires a fundamental revisit – because it appears we are beyond that now.

8) The viability analysis of 10 and 11 unit schemes in appendix B of the PBA Response is both flawed in concept and inaccurate in detail and I set out below the reasons why.

Viability Analysis

EVIDENCE: CIL GUIDANCE

9) *Paragraph 21 (differential rates) provides that “Charging schedules with differential rates should not have a disproportionate impact on particular sectors or specialist forms of development.”*

10) *Paragraph 19 adds “Charging authorities that decide to set differential rates may need to undertake more fine-grained sampling, on a higher proportion of total sites, to help them to estimate the boundaries for their differential rates. Fine-grained sampling is also likely to be necessary where they wish to differentiate between categories or scales of intended use.”*

11) The “Broad Brush” viability analysis used to set differential rates for small schemes is contrary to Guidance and is causing a disproportionate impact on small developments.

12) With the Summary Overage Tables based on residual valuations there will always be opportunities to disagree on minor details and just to be clear I am not proposing that at all.

13) There are, importantly, 3 fundamental issues with the viability analysis in the PBA response and these are: Site Area/Density, Small Scheme Build Costs and Benchmark Land Values.

Site Area/Density

The Common Sense Approach

14) Standard density used on a pro rata basis is not realistic baseline data for a small development. Small developments suffer from an exponential relationship between site area and boundary length (ie small sites have proportionally more boundary) and this problem is magnified with irregularly shaped sites typical of small developments. The space requirement of small schemes regarding access/infrastructure/turning will be greater and requirements of design and landscaping and constraints on scale and massing, particularly in conservation areas further compound the problem.

15) The site area for a single dwelling used in the viability analysis is 285m² or equivalent to a site approximately 12metres by 24metres and availability of such small sites are the exception rather than the rule. Irregular boundaries and other issues already mentioned require that non standard densities should be used for small schemes.

The Evidence Based Approach

EVIDENCE: SCDC SHLAA March 31st 2014

(Publicly available document not attached here for brevity but copy available on request)

16) From page 3 SHLAA:

Site Size

*The PPG5 states that the assessment should normally consider all sites capable of delivering five or more dwellings, but that alternative site size thresholds can also be considered where appropriate. **In this assessment, sites of less than 0.25 hectares were removed from the detailed assessment of sites without planning permission (Appendix C), because such sites would be unlikely to yield five dwellings or more, due to the densities which are normally achieved in the district.***

17) If 0.25 Ha is unlikely to yield 5 units then a density of 20 per Ha is not achievable on small schemes. If we then make an assumption that 0.3Ha could yield 5 units this gives us a density of 16.6 Later in the SHLAA it refers to Key service centres having a density of 18 per Ha. 18 per Ha is a regular plot size of 555m². This is equivalent to a plot size of 15x37 metres.

18) On SHLAA evidence a density of 18 per Ha. should be used for small scheme rather than a standard density of 35 DPH. This has been reflected in the Viability Analysis in Appendix A and the

Summary Overage tables.

Small Scheme Build Cost

19) The BCIS figures used are not relevant to small developments which can not benefit from large scheme economies of scale. This has a huge effect on the viability analysis and should be changed to reflect scheme size.

20) A relevant figure for small scheme Build Costs is £1150 per sq. metre and this has been reflected in the viability analysis.

Benchmark Land Value

The Common Sense Approach

21) The industry rule of thumb is that site value is roughly one third of Gross Development Value. This industry standard is coming under pressure from policy contributions and will vary from site to site, however it is a valid ready reckoner.

22) Looking at the Summary Tables above paragraph 5.1.5 in the PBA Response shows that per sq. m Benchmark Land Values for Low, Medium and High value are £159, £317 and £397 respectively.

23) We need to compare those against per sq.m GDV in the residual valuations in the sum of £2,050, £2,350 and £2,600 respectively.

24) This gives us site values as a percentage of GDV as 7.75%, 13.5% and 15.2% respectively. In general terms these are all low, by a factor of at least 2. These benchmark values don't pass the common sense test.

Evidence Based Approach

EVIDENCE: DCLG Land Value Estimates for Policy Appraisal February 2015

(Publicly available document not attached here for brevity but copy available on request)

Ref: ISBN 978-1-4098-4508-9

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/407155/February_2015_Land_value_publication_FINAL.pdf

- 25) This DCLG Document confirms a land value of £1,330,000 per Ha for Suffolk Coastal. Affordable Housing is excluded from the values stated, therefore these numbers are relevant for the 10 unit viability examples. We should take this average as the mid value and apply similar sized bands to the existing benchmark values either above or below £1,330,000 for Low and High Benchmark Values.
- 26) This gives us Benchmark Values per Ha of £830,000 (Low), £1,330,000 (Mid) and £1,580,000 (High).
- 27) If we apply the achievable density of 18DPH and 90sq.m dwellings then this gives per sq. m Benchmark Land Values of £512 (Low), £820 (Mid) and £975 (High).
- 28) Using the rule of thumb as above gives a percentage of GDV for land as 24.9%, 34.8% and 37.5% respectively. These figures pass the common sense test.
- 29) The revised Benchmark Land Values and Density of dwelling per hectare for small schemes have been used in the Summary Overage Tables overleaf.

Summary

30) Viability Appraisals supporting the Summary Overage Tables below have been included in Appendix A.

31) These Appraisals take the form of the PBA Response appendix B Appraisals, however have been changed to reflect the stated residual valuation model used (para 3.1.1 of the PBA Response).

32) For consistency the PBA Response Viability Appraisal numbers have been used and areas which could be subject to minor tweaks have been left unchanged. Through the Viability Analysis and the carry forward values to the Summary table below, the only changes made are to Density, Small Scheme Build Cost and Benchmark Land Value for the reasons explained above.

Suffolk Coastal Low Value Area 10 and 11 Unit Schemes

(Including Allowance for Code for Sustainable Homes Level 4 & Ministerial Statement Revisions)

			Total Floor Space per sq.m	CIL Chargeable Floor Space per sq.m	Residual Land Value After Policy Contributions (b/f)		DCLG Feb 2015 based Benchmark Suffolk Coastal		Overage	
	No of Dwellings	Density	Floor Space	Floor Space	Per Ha	Per sq.m	Per Ha	Per sq.m	Per Ha	Per sq.m
Suffolk Coastal Low Value										
	10	SHLAA	900	900	-£1,501	-£1	£830,000	£512	-£831,501	-£513
	11	Standard	990	660	£703,374	£223	£830,000	£263	-£126,626	-£40

Suffolk Coastal Mid Value Area 10 and 11 Unit Schemes

(Including Allowance for Code for Sustainable Homes Level 4 & Ministerial Statement Revisions)

			Total Floor Space per sq.m	CIL Chargeable Floor Space per sq.m	Residual Land Value After Policy Contributions (b/f)		DCLG Feb 2015 based Benchmark Suffolk Coastal		Overage	
	No of Dwellings	Density	Floor Space	Floor Space	Per Ha	Per sq.m	Per Ha	Per sq.m	Per Ha	Per sq.m
Suffolk Coastal Mid Value										
	10	SHLAA	900	900	£329,222	£203	£1,330,000	£820	-£1,000,778	-£617
	11	Standard	990	660	£1,292,102	£410	£1,330,000	£422	-£37,898	-£12

Suffolk Coastal High Value Area 10 and 11 Unit Schemes

(Including Allowance for Code for Sustainable Homes Level 4 & Ministerial Statement Revisions)

			Total Floor Space per sq.m	CIL Chargeable Floor Space per sq.m	Residual Land Value After Policy Contributions (b/f)		DCLG Feb 2015 based Benchmark Suffolk Coastal		Overage	
	No of Dwellings	Density	Floor Space	Floor Space	Per Ha	Per sq.m	Per Ha	Per sq.m	Per Ha	Per sq.m
Suffolk Coastal High Value										
	10	SHLAA	900	900	£604,811	£373	£1,580,000	£975	-£975,189	-£602
	11	Standard	990	660	£1,775,453	£564	£1,580,000	£502	£195,453	£62

33) The Summary Overage Tables above show that there is not an overage to provide for CIL on small developments.

34) These Viability Appraisals are based on assumptions and the viability of individual schemes must be considered on a case-by-case basis, however, the picture from above is quite clear and happily it is in line with Central Government thinking.

35) If SCDC goes ahead with setting a CIL rate then it should be BOTH informed by the above Viability Appraisals AND it should be in line with Central Government thinking. On the basis of the evidence available the CIL rate for small schemes should be set at zero.

Jonathan Woodruff

Director

Geo Estates Ltd

6th March 2015

APPENDIX A

Viability Analysis

10 and 11 unit schemes

Low, Mid and High Value

Suffolk Coastal – Low Value

10 Unit Scheme

Development Value

	No of units	Size sq.m	total sq.m	£/sq.m	Total Value
Private Units	10	90	900	2050	£1,845,000
Social Rent	0	0	0	823	£0
Affordable Rent	0	0	0	1293	£0
Intermediate	0	0	0	1528	£0

(GDV) VALUE OF COMPLETED DEVELOPMENT SCHEME

£1,845,000

Development Cost

Site Acquisition	SEE BELOW				
Site Value	SEE BELOW				
Build Costs	<i>(units as above)</i>		total sq.m	£/sq.m	Build Cost
Private Units			900	1150	1035000
Social Rent			0	1150	0
Affordable Rent			0	1150	0
Intermediate			0	1150	0
			Build Cost		£1,035,000
Additional Build Costs					
Plot External	15% Build Costs				£155,250
Code for Sustainable Homes	£2,004 per unit				£20,040
Professional Fees	8% Total Build Costs				£96,823
Contingency	5% Total Build Costs				£60,515
Developer Contributions					
S106	£1,000 per unit				£10,000
CIL	£0 per sq.m				£0
Sale Costs					
Legals	£500 per unit				£5,000
Sales agents fees	1.25%				£23,063
Marketing costs	£1,000 per unit				£10,000
Developers Profit					
Based on percentage of GDV					
Private	20.00%				£369,000
Affordable	6.00%				£0
Finance					
APR	7.00%	PCM	0.565%		£61,185

LESS DEVELOPMENT COSTS, PROFIT and POLICY COSTS

£1,845,875

EQUALS REMAINDER FOR LAND

-£875

Less Purchaser Costs

4.75%

-£42

SITE VALUE

-£834

Residual Land Value per Hectare (Carry Forward to Summary)

Site Value	-£834		
Units	10		Carry Forward to Summary
Site Value per plot	-£83		
SHLAA Density per Hectare	18		
		Residual Land Value per Hectare after Policy Contributions	-£1,501

Suffolk Coastal – Low Value

Using SCDC/PBA Figures

11 Unit Scheme

Development Value

	No of units	Size sq.m	total sq.m	£/sq.m	Total Value
Private Units	7.33	90	660	£2,050	£1,352,385
Social Rent	0	0		£718	£0
Affordable Rent	2.93	90	264	£1,128	£297,454
Intermediate	0.73	90	66	£1,333	£87,578

(GDV) VALUE OF COMPLETED DEVELOPMENT SCHEME

£1,737,417

Development Cost

Site Acquisition	SEE BELOW				
Site Value	SEE BELOW				
Build Costs	<i>(units as above)</i>		total sq.m	£/sq.m	Build Cost
Private Units			660	861	£568,002
Social Rent				861	£
Affordable Rent			264	861	£227,046
Intermediate			66	861	£56,568
			Build Cost		£851,615
Additional Build Costs					
Plot External	15% Build Costs				£127,742
Code for Sustainable Homes	£2,004 per unit				£22,044
Professional Fees	8% Total Build Costs				£80,112
Contingency	5% Total Build Costs				£50,070
Developer Contributions					
S106	£1,000 per unit				£11,000
CIL	£0 per sq.m				£0
Sale Costs					
Legals	£500 per unit				£5,500
Sales agents fees	1.25%				£16,905
Marketing costs	£1,000 per unit				£7,330
Developers Profit					
Based on percentage of GDV					
Private		20.00%			£270,477
Affordable		6.00%			£23,102
Finance	APR	PCM			
	7.00%	0.565%			£44,208

LESS DEVELOPMENT COSTS, PROFIT and POLICY COSTS

£1,510,105

EQUALS REMAINDER FOR LAND

£221,311

Less Purchaser Costs

2.75%

£6,251

SITE VALUE

£221,060

Residual Land Value per Hectare (Carry Forward to Summary)

Site Value	£221,060		
Units	11		
Site Value per plot	£20,096		
Standard Density	35		
		Residual Land Value per Hectare after Policy Contributions	£703,374

Carry Forward to Summary

Suffolk Coastal – Mid Value

10 Unit Scheme

Development Value

	No of units	Size sq.m	total sq.m	£/sq.m	Total Value
Private Units	10	90	900	2350	£2,115,000
Social Rent	0	0	0	823	£0
Affordable Rent	0	0	0	1293	£0
Intermediate	0	0	0	1528	£0

(GDV) VALUE OF COMPLETED DEVELOPMENT SCHEME

£2,115,000

Development Cost

Site Acquisition	SEE BELOW				
Site Value	SEE BELOW				
Build Costs	<i>(units as above)</i>		total sq.m	£/sq.m	Build Cost
Private Units			900	1150	1035000
Social Rent			0	1150	0
Affordable Rent			0	1150	0
Intermediate			0	1150	0
				Build Cost	£1,035,000
Additional Build Costs					
Plot External	15% Build Costs				£155,250
Code for Sustainable Homes	£2,004 per unit				£20,040
Professional Fees		8% Total Build Costs			£96,823
Contingency		5% Total Build Costs			£60,515
Developer Contributions					
S106	£1,000 per unit				£10,000
CIL	£0 per sq.m				£0
Sale Costs					
Legals	£500 per unit				£5,000
Sales agents fees	1.25%				£26,438
Marketing costs	£1,000 per unit				£10,000
Developers Profit					
Based on percentage of GDV					
Private		20.00%			£423,000
Affordable		6.00%			£0
Finance					
	APR	PCM			
	7.00%	0.565%			£78,875

LESS DEVELOPMENT COSTS, PROFIT and POLICY COSTS

£1,920,940

EQUALS REMAINDER FOR LAND

£182,901

Less Purchaser Costs

5.75%

£11,158

SITE VALUE

£182,901

Residual Land Value per Hectare (Carry Forward to Summary)

Site Value	£182,901		
Units	10		
Site Value per plot	£18,290		
SHLAA Density per Hectare	18		
		Residual Land Value per Hectare after Policy Contributions	£329,222

Carry Forward to Summary

Suffolk Coastal – Mid Value

Using SCDC/PBA Figures

11 Unit Scheme

Development Value

	No of units	Size sq.m	total sq.m	£/sq.m	Total Value
Private Units	7.33	90	660	£2,350	£1,550,295
Social Rent	0	0		£823	£0
Affordable Rent	2.93	90	264	£1,293	£340,964
Intermediate	0.73	90	66	£1,528	£100,390

(GDV) VALUE OF COMPLETED DEVELOPMENT SCHEME

£1,991,649

Development Cost

Site Acquisition	SEE BELOW				
Site Value	SEE BELOW				
Build Costs	<i>(units as above)</i>		total sq.m	£/sq.m	Build Cost
Private Units			660	861	£568,002
Social Rent				861	£
Affordable Rent			264	861	£227,046
Intermediate			66	861	<u>£56,568</u>
			Build Cost		£851,615
Additional Build Costs					
Plot External	15% Build Costs				£127,742
Code for Sustainable Homes	£2,004 per unit				£22,044
Professional Fees	8% Total Build Costs				£80,112
Contingency	5% Total Build Costs				£50,070
Developer Contributions					
S106	£1,000 per unit				£11,000
CIL	£0 per sq.m				£0
Sale Costs					
Legals	£500 per unit				£5,500
Sales agents fees	1.25%				£19,379
Marketing costs	£1,000 per unit				£7,330
Developers Profit					
Based on percentage of GDV					
Private		20.00%			£310,059
Affordable		6.00%			£26,481
Finance					
APR	7.00%	PCM			
		0.565%			<u>£53,976</u>

LESS DEVELOPMENT COSTS, PROFIT and POLICY COSTS

£1,565,308

EQUALS REMAINDER FOR LAND

£426,340

Less Purchaser Costs 4.75%

£20,251

SITE VALUE

£406,089

Residual Land Value per Hectare (Carry Forward to Summary)

Site Value	£406,089		
Units	11		
Site Value per plot	£36,917		
Standard Density	35		
		Residual Land Value per Hectare after Policy Contributions	£1,292,102

Suffolk Coastal – High Value

10 Unit Scheme

Development Value

	No of units	Size sq.m	total sq.m	£/sq.m	Total Value
Private Units	10	90	900	2600	£2,340,000
Social Rent	0	0	0	823	£0
Affordable Rent	0	0	0	1293	£0
Intermediate	0	0	0	1528	£0

(GDV) VALUE OF COMPLETED DEVELOPMENT SCHEME

£2,340,000

Development Cost

Site Acquisition	SEE BELOW				
Site Value	SEE BELOW				
Build Costs	<i>(units as above)</i>		total sq.m	£/sq.m	Build Cost
Private Units			900	1150	1035000
Social Rent			0	1150	0
Affordable Rent			0	1150	0
Intermediate			0	1150	0
			Build Cost		£1,035,000
Additional Build Costs					
Plot External	15% Build Costs				£155,250
Code for Sustainable Homes	£2,004 per unit				£20,040
Professional Fees	8% Total Build Costs				£96,823
Contingency	5% Total Build Costs				£60,515
Developer Contributions					
S106	£1,000 per unit				£10,000
CIL	£0 per sq.m				£0
Sale Costs					
Legals	£500 per unit				£5,000
Sales agents fees	1.25%				£29,250
Marketing costs	£1,000 per unit				£10,000
Developers Profit					
Based on percentage of GDV					
Private	20.00%				£468,000
Affordable	6.00%				£0
Finance					
APR	7.00%	PCM			
		0.565%			£93,617

LESS DEVELOPMENT COSTS, PROFIT and POLICY COSTS

£1,983,495

EQUALS REMAINDER FOR LAND

£356,505

Less Purchaser Costs

5.75%

£20,499

SITE VALUE

£336,006

Residual Land Value per Hectare (Carry Forward to Summary)

Site Value	£336,006		
Units	10		Carry Forward to Summary
Site Value per plot	£33,601	Residual Land Value per Hectare after Policy Contributions	£604,811
SHLAA Density per Hectare	18		

Suffolk Coastal – High Value

Using SCDC/PBA Figures

11 Unit Scheme

Development Value

	No of units	Size sq.m	total sq.m	£/sq.m	Total Value
Private Units	7.33	90	660	£2,600	£1,715,220
Social Rent	0	0		£823	£0
Affordable Rent	2.93	90	264	£1,430	£377,091
Intermediate	0.73	90	66	£1,690	£111,033

(GDV) VALUE OF COMPLETED DEVELOPMENT SCHEME

£2,203,344

Development Cost

Site Acquisition	SEE BELOW				
Site Value	SEE BELOW				
Build Costs	<i>(units as above)</i>		total sq.m	£/sq.m	Build Cost
Private Units			660	861	£568,002
Social Rent				861	£
Affordable Rent			264	861	£227,046
Intermediate			66	861	£56,568
				Build Cost	£851,615
Additional Build Costs					
Plot External	15% Build Costs				£127,742
Code for Sustainable Homes	£2,004 per unit				£22,044
Professional Fees	8% Total Build Costs				£80,112
Contingency	5% Total Build Costs				£50,070
Developer Contributions					
S106	£1,000 per unit				£11,000
CIL	£0 per sq.m				£0
Sale Costs					
Legals	£500 per unit				£5,500
Sales agents fees	1.25%				£21,440
Marketing costs	£1,000 per unit				£7,330
Developers Profit					
Based on percentage of GDV					
Private		20.00%			£343,044
Affordable		6.00%			£29,287
Finance					
	APR	PCM			
	7.00%	0.565%			£62,117

LESS DEVELOPMENT COSTS, PROFIT and POLICY COSTS

£1,611,302

EQUALS REMAINDER FOR LAND

£592,042

Less Purchaser Costs

5.75%

£34,042

SITE VALUE

£557,999

Residual Land Value per Hectare (Carry Forward to Summary)

Site Value	£557,999		
Units	11		
Site Value per plot	£50,727		
Standard Density	35		
		Residual Land Value per Hectare after Policy Contributions	£1,775,453

Carry Forward to Summary

