

Additional Viability Testing for Community Infrastructure Levy Charging Schedule (CIL)

Addendum 14th November 2013

After commencing consultation on the worked examples, the Council has spotted some errors requiring explanation.

The Council's affordable housing policy has a threshold of 2 net dwellings on site. Four of the sites tested (1,3,9 and 11) had existing dwellings on before development. When carrying out the original tests on these sites we omitted to credit the sites with 1 dwelling before calculating the amount of affordable housing required to meet the policy requirement. We have re-tested these sites, crediting the sites with 1 market dwelling and re-calculating the CIL contribution. This has resulted in a slight increase in residual value for each site, as they would provide less affordable housing.

There is a drop in CIL from site 3 (Gilbert Road, Swanage) after crediting the site with an existing dwelling and adjusting flat sizes to match those listed in the assumptions. Whilst we had detail of flat sizes, it was not possible to predict which would have been affordable so we opted to use default flat sizes.

Please also note that Development Costs includes the CIL and affordable housing provision despite them being listed separately in the individual table for each site.

The amended results are set out below, with the original figures in brackets below each of the amended calculations:

Site Details							Assessment Findings		Surplus above benchmark (£ million per Ha)	
Site Ref	Sub Market	Scheme	No of dwellings	Affordable Housing%	Existing Use	CIL for site (rounded)	Residual Value for site	Residual Value per Ha (£ million)	Agricultural rate (£0.02m per Ha)	'Going Rate' (£0.5m per Ha)
1	The Coast	Poultry Farm, Harmans Cross	3	50% on 2	Agricultural	£3,000	£289,000 (£176,500)	£0.67 (£0.41)	££0.65 (£0.39)	£0.17 (-£0.09)
3	Swanage	Gilbert Road, Swanage	8	50%	Brownfield	£16,000 (£41,000)]	£239,000 (£139,000)	£3.10 (£1.80)	£3.08 (£1.78)	£2.60 (£1.30)
9	Rural Centre	Dorchester Road, Wool	4	40%	House and Garden	£9,000 (£8,000)	£113,000 (£53,400)	£0.95 (£0.38)	£0.93 (£0.36)	£0.45 (-£0.12)
11	Upton	Blandford Road, Upton	9	40%	House and garden	£7,000 (£6,000)	£190,000 (£187,200)	£1.46 (£1.44)	£1.44 (£1.42)	£0.96 (£0.94)

The increases in residual value per site are significant but do not alter our original conclusion that the residual value is not higher than the existing use value, and it is likely that the Council would have to re-negotiate the affordable housing provision to ensure site viability. Against the benchmarks on a per hectare basis though, the increases are significant with the 'going rate' benchmark now exceeded for all sites.

Sites:

Site 1: Poultry Farm, Harmans Cross

Site Ref	Sub Market	No of dwellings	Affordable Housing %	Existing Use	Residual Value for site	Residual Value per Ha (£ million)	CIL for site	Agricultural rate (£0.02m per Ha)	'Going Rate' (£0.5m per Ha)
1	The Coast	3	50% on 2 dwellings	Agricultural	£289,000	£0.67	£3,000	£0.65	0.17

Description: Demolish existing dwelling on poultry farm and erect 3 three bed detached dwellings (brownfield). Planning Permission: 6/2012/0253. Site Area: 0.43ha.

The examiner has asked for the following specifics for each site:	Amount	Notes
Existing use value (EUV)	£300,000	Estimated average value of existing 2 bed detached dwelling
Site acquisition costs	Unknown	
Development costs, including build costs, infrastructure costs, abnormal costs, sales and marketing costs and legal/planning fees. (Includes CIL charge and Cost of Policy AH through S106)	£528,000	Standard assumptions with no abnormal costs identified
CIL charge	£3,000	£180 per sqm minus existing credit. CIL as a proportion of development costs = 1%
Cost of Policy AH through S106	£121,000	50% affordable housing
Cost of other policy requirements e.g. other S 106, CSH Level 3	£0	Policy DH: N/A as not a settlement extension
	£0	Policy PH: N/A – Site not in Poole Harbour catchment
	£0	Policy D: N/A as scheme under 10 dwellings
Profit margin, as a % of the gross development value	17.5%	
Viability cushion - £0.5M per hectare 'Going Rate'	34% above	£0.17M above the 'going rate' of £0.5M
Residual value minus cost of other policy requirements	£289,000	Which is £11,000 below EUV

Commentary: When the Council granted planning permission for this scheme no affordable housing was required. Under the current policy the developer will have to provide 50% affordable housing on 2 dwellings. The landowner return is £289,000. This is lower than the existing use value of a dwelling, but the scheme is 34% above the benchmark for the 'going rate'. In this scenario, the Council would re-negotiate the affordable housing proportion to ensure a competitive return for the landowner. CIL only accounts for 0.58% of development costs.

Site 3: Gilbert Road, Swanage

Site Ref	Sub Market	No of dwellings	Affordable Housing %	Existing Use	Residual Value for site	Residual Value per Ha (£ million)	CIL for site	Agricultural rate (£0.02m per Ha)	'Going Rate' (£0.5m per Ha)
3	Swanage	8	50% on 7 dwellings	Brownfield	£239,000	£3.1M	£16,000	£3.08	£2.6

Description: 8 flats replacing 1 detached dwelling (brownfield). Planning Permission: 6/2012/0712. Site Area: 0.077ha.

The examiner has asked for the following specifics for each site:	Amount	Notes
Existing use value (EUV)	£502,000	Average value of existing 5 bed detached dwelling
Site acquisition costs	Unknown	
Development costs, including build costs, infrastructure costs, abnormal costs, sales and marketing costs and legal/planning fees. (Includes CIL charge and Cost of Policy AH through S106)	£1,038,000	Standard assumptions with no abnormal costs identified
CIL charge	£16,000	£180 per sqm minus existing credit. CIL as a proportion of development costs = 1.54%
Cost of Policy AH through s106	£377,000	50% affordable housing
Cost of other policy requirements e.g. other S 106, CSH Level 3	£0	Policy DH: N/A as not a settlement extension
	£0	Policy PH: N/A – Site not in Poole Harbour catchment
	£0	Policy D: N/A as scheme under 10 dwellings
Profit margin, as a % of the gross development value	17.5%	
Viability cushion - £0.5M per hectare 'Going Rate'	520% higher	£2.60M over the 'going rate' of £0.5M
Residual value minus cost of other policy requirements	£239,000	Which is £263,000 below EUV

Commentary: When the Council granted planning permission for this scheme no affordable housing was required. Under the current policy the developer will have to provide 50% affordable housing on 7 dwellings. The landowner return is £239,000. Although the residual value per hectare is 520% higher than the 'going rate' benchmark, the return to the landowner for the specific site is not enough to cover the cost of the existing dwelling. In this instance the Council would re-negotiate the affordable housing provision to ensure that the site comes forward.

Site 9: Dorchester Road, Wool

Site Ref	Sub Market	No of dwellings	Affordable Housing %	Existing Use	Residual Value for site	Residual Value per Ha (£ million)	CIL for site	Agricultural rate (£0.02m per Ha)	'Going Rate' (£0.5m per Ha)
9	Rural Centre	4	40% on 3 dwellings	House and Garden	£113,000	£0.95	£8,000	£0.93	£0.45

Description: 4 detached dwellings replacing a single detached dwelling and neighbours garden (mix of brownfield/greenfield). Planning Permission: 6/2011/0068. Site Area: 0.14ha

The examiner has asked for the following specifics for each site:	Amount	Notes
Existing use value	£200,000 minimum	Average value of existing 2 bed dwelling. Not known whether loss of garden reduced sales value of existing property
Site acquisition costs	Unknown	
Development costs, including build costs, infrastructure costs, abnormal costs, sales and marketing costs and legal/planning fees. (Includes CIL charge and Cost of Policy AH through S106)	£646,000	Standard assumptions with no abnormal costs identified
Cost of Policy AH through S106	£146,000	40% affordable housing
CIL charge	£8,000	£30 per sqm minus existing credit CIL as a proportion of development costs = 1.24%
Cost of other policy requirements e.g. other S 106, CSH Level 3	£0	Policy DH: N/A as not a settlement extension
	£0	Policy PH: N/A as not a settlement extension
	£0	Policy D: N/A as scheme under 10 dwellings
Profit margin, as a % of the gross development value	17.5%	
Viability cushion - £0.5M per hectare 'Going Rate'	90% higher	£0.45M over the 'going rate' of £0.5M
Residual value minus cost of other policy requirements	£113,000	Which is £7,000 below EUV with cost of garden loss to be included

Commentary: When the Council granted planning permission for this scheme no affordable housing was required. Under the current policy the developer will have to provide 40% affordable housing on 3 dwellings. Although the residual value per hectare is 90% higher than the 'going rate' benchmark, The landowner return is £113,000 which will probably not to cover the cost of the existing dwelling. In this instance the Council would have to re-negotiate the affordable housing provision.

Site 11: Blandford Road, Upton

Site Ref	Sub Market	No of dwellings	Affordable Housing %	Existing Use	Residual Value for site	Residual Value per Ha (£ million)	CIL for site	Agricultural rate (£0.02m per Ha)	'Going Rate' (£0.5m per Ha)
11	Upton	9	40% on 8 dwellings	House and garden	£190,000	£1.46	£6,000	£1.44	£0.96

Description: 9 x 2 bed houses replacing single detached dwelling and part of neighbours garden (brownfield). Planning Permission: 6/2011/0766. Site Area: 0.13ha

The examiner has asked for the following specifics for each site:	Amount	Notes
Existing use value	£222,000 minimum	Average value of existing 3 bed dwelling. Not known whether loss of garden reduced sales value of existing property.
Site acquisition costs	Unknown	
Development costs, including build costs, infrastructure costs, abnormal costs, sales and marketing costs and legal/planning fees. (Includes CIL charge and Cost of Policy AH through S106)	£1,035,000	Standard assumptions with no abnormal costs identified
Cost of Policy AH through S106	£307,000	40% affordable housing
CIL charge	£6,000	£30 per sqm minus existing credit CIL as a proportion of development costs = 0.58%
Cost of other policy requirements e.g. other S 106, CSH Level 3	£0	Policy DH: N/A as not a settlement extension
	£0	Policy PH: N/A as not a settlement extension
	£0	Policy D: N/A as scheme under 10 dwellings
Profit margin, as a % of the gross development value	17.5%	
Viability cushion - £0.5M per hectare 'Going Rate'	192% above	£0.96M over the 'going rate' of £0.5M
Residual value minus cost of other policy requirements	£190,000	Which is £32,000 below EUV with cost of loss of garden to be added.

Commentary: When the Council granted planning permission for this scheme no affordable housing was required. Under the current policy the developer will have to provide 40% affordable housing on 2 dwellings. The landowner return is estimated at £190,000 which may not be enough uplift above the high existing use value of the dwelling. This scheme is in the lower value submarket with a £30 CIL rate and CIL only accounts for less than 1% of development costs, due to the credit from the existing dwelling.