

CIL Additional Viability Site Testing Comments and Officer Responses
12th January 2014

Organisation	Comments	Purbeck District Council Officer Response
Natural England Central & Local	Neither the central or local office have any comments on the viability testing.	Other comments on the Regulation 123 list are non-duly made.
Environment Agency	Have no comments on the viability testing.	
SW HARP (Housing Association Registered Providers) Planning Consortium	Support the Council's 3D toolkit as a method of opening up the viability process to developers and interested person. Suggest use toolkit when negotiating S106 agreements, with developers providing evidence of costs and the Council auditing them, to avoid reliance on full viability assessments except in the most appropriate cases.	The toolkit is available for anyone to use on the Council's website. If anyone wishes to question contributions through S106 or CIL, they will need to commission the District Valuation Office as an independent body. The Council will not seek to challenge the view of the District Valuer.
	Policy D – retention of affordable housing at the policy requirement should take precedence over delivering on design requirements.	When determining planning applications, the Council negotiation will need to balance all the needs to ensure a site still comes forward.
	Policy PH – the additional viability paper suggests these requirements will be met in a variety of ways. SWHARP have concerns that this will be double funding.	Funding this in different ways on different sites will not result in double funding. If a developer were to provide nitrate mitigation in the form of, eg planting trees on arable, and we then used any CIL monies that they provided on further nitrate mitigation that would be double funding but we will have processes and systems in place to ensure this does not happen and monitoring reports will be published annually to show this hasn't happened.
	Acknowledge the need to negotiate affordable housing on re-development sites but suggest other site specifics and alternative tenure and type be considered before reducing affordable	The Council's adopted affordable housing policy (Policy AH) already makes an allowance for negotiations where viability is questioned.

	housing provision.	
	SWHARP acknowledges that based on the viability evidence the Council has chosen a CIL rate which strikes an appropriate balance, with the exception of re-development sites. The Council should closely monitor the delivery of affordable housing on the redevelopment sites(3.9%).	The Council publishes housing monitoring reports annually, which will monitor this.
Wyatt Homes	Q1 Do you agree with this assessment? NO Q2 Do you agree that sufficient sites will come forward to meet the Council's housing target? NO	The respondent has repeated his earlier concerns about the approach and has not made any comment on the specific appraisals. He fails to set out any reasons as to whether the specific sites are viable or not, even if he were to use a different approach. Again developers have shown themselves to be unwilling to share specific land valuations. His answers to Q1 and 2 are not supported by useful evidence to help the Council or the examiner resolve this. We can't understand why, as evidence, he hasn't applied his valuation methodology to at least one of the examples. This will have informed his view as to whether the site is viable or not. Instead he has critiqued the methodology which has not taken us further forward than where we were at the hearing.
	The methodology is flawed:	Wyatt Homes have not added anything to their comments made at the examination. Advice has been sought from the Council's consultant, Andrew Golland Associates, and he has confirmed what has already been stated at EiP, i.e. that the toolkit utilised by the Council and its consultants has been used extensively across England and Wales and is accepted at appeal and Core Strategy examinations. The model is robust and has been subject to several independent and high level reviews.

	<p>(i) Land finance & cashflow</p>	<p>The Council acknowledges it did not include any land finance or income streams information in the toolkit calculations. The phasing of construction and pattern of borrowing is going to be down to each developer and the circumstances at the time, and it is not possible to predict this.</p> <p>Also, unfortunately prior to finalising the appraisals of the sites, the consultant was unavailable to advise on land finance, so instead of using potentially inaccurate information it was left blank.</p> <p>Recently 7% land finance has been applied to the additional sites (Appendix A). The figures attached represent a worst case scenario of borrowing all the money. The residual value in all cases exceeds £500,000 per hectare suggested by the agents for developers at the EIP. Not surprisingly, including land finance reduces the difference between existing use value and residual values. The redevelopment sites where a dwelling has to be demolished will continue to struggle to provide affordable housing at policy levels and the Council will need to negotiate affordable housing on these sites. The reduction in the difference between existing use value and residual value for other sites is not significant enough to influence whether a site would come forward.</p> <p>AGA state that the key variable in a cash flow is not finance, but the performance of the housing market over time. Where prices are rising, which is the case in Purbeck, a cash flow is likely to show improved viability over a static model. AGA have tested this in the case of the Worgret Road site, which does indeed show better viability with cash flow including a more explicit calculation of financing (Appendix B).</p> <p>AGA argues that a static, 'look at all variables now', approach is</p>
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	<p>(ii) No taking account of abnormal costs, including SANGs</p> <p>(iii) No costs for bank arrangement fees or legal fees associated with sales</p>	<p>a more accurate way of assessing viability than cash flow where the key variable of house prices has to be forecast if true viability is to be estimated. AGA states that the Council have adopted a correct and robust approach.</p> <p>The council has not accounted for abnormal costs because (a) we didn't know them and (b) it is pointless to assess them on one site as each site differs. Instead our approach is that they should be taken out of the landowner profit, which we have proven there is plenty of. SANGs would also come out of this.</p> <p>These are included in the professional and finance fees in the toolkit.</p>
	<p>Benchmarking – it is unclear as to whether benchmarking is on gross or net acreage, and application of agricultural value to SANGs inappropriate.</p>	<p>There are no new comments from Wyatt Homes. All the points were discussed at the examination.</p> <p>The benchmark is calculated on net area (ie excludes SANGs). SANGS in Purbeck will not be on 3rd party land (as set out in PLP1) so the value is agricultural. This is not naïve, as suggested by Wyatt Homes representative, but based on a specific local approach of ensuring SANGs are provided by the same landowner. This has been achieved at Worgret Road, Wareham where the landowner has also retained ownership of the site but agreed to manage it in a way to allow open access. The going rate of £500,000 per hectare was proposed by another agent and supported by the Wyatt Homes representative at the examination hearing.</p>

	Landowner return & Shinfield decision	AGA and the Council is concerned about the apparent confusion between residual value and residual land value. AGA, the Council's viability consultant, has advised that the Shinfield decision is based an EUV Plus approach where the uplift is shared between a local authority and a landowner, which is contrary to the RICS approach. The Shinfield decision is only one case which is under scrutiny currently. AGA believes that whether the Shinfield decision becomes instrumental in case law or not, that Purbeck District Council policy will be deliverable.
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