Purbeck Community Infrastructure Levy Charging Schedule

Examination

PURBECK DISTRICT COUNCIL RESPONSE TO QUESTIONS FROM THE EXAMINER

Question 1
The Examiner has asked the following question on Development Viability Assessment
Development Viability Assessment [Doc CD33]: I am assuming that the developers' return in the Viability Assessment is 15%, which is clearly set out in relation to the non-residential uses, and in the worked example for 8 dwellings (Appendix 4); is this still the case in relation to the housing schemes analysed in section 3 of the Assessment? In which case, is this figure, which many developers would argue is too low, still appropriate nearly 3 years on from the Three Dragons Study [CD36], bearing in mind the changed state of the economy during this time? Has an allowance been made for Code for Sustainable Living?

Council's Response

The Council's CIL consultant used a profit margin of 17.5% (Development Viability Assessment, Appendix 4, Section 9). In addition the 3 Dragons Toolkit, which is adopted by the Council, makes an allowance of 6% for developer overheads which combined with the profit margin on the market element gives developer blended return of 20%. This figure has been accepted extensively at appeal and examinations of Core Strategies and local plans. It is, we believe the correct figure to reflect a changing housing market over the period of the Plan.

House prices across most of Purbeck have remained stable despite the economic recession, making Purbeck a location where schemes will continue to come forward.

The analysis assumed build costs at the current requirements (Code for Sustainable Homes Level 3). Where building standards are required to be higher than the baseline, this should, consistent with other policy development exercises, be considered in the context of changing revenues; i.e. negotiated on a scheme by scheme basis.

Question 2

The Examiner has asked the following question on the Harman Report:
Harman Report: Viability Testing Local Plans: This report seems conspicuous in its absence when it is widely accepted by both the development industry and local planning authorities as appropriate for CIL charge setting. Whilst I note that the feedback from the workshop held in January 2012 on local perceptions of land values in Purbeck was not forthcoming [CD33, paragraph 4.4], this is clearly an important consideration. The Harman Report stresses the use of locally determined threshold land values and the inclusion of a viability cushion to guard against assuming that land will come forward at the margins of viability. A concise statement is needed to address the issue of whether the residual land values, especially in table 3.3, are acceptable/unacceptable locally. What would also be key to properly understanding table 3.3 are some actual worked examples, showing the residual land values in relation to existing use values.

Council's Response

The Council's CIL consultant has a number of significant concerns with the Harman report. He considers that it is not useful step by step guide for councils for policy development and instead recommends that the Examiner should look at the Three Dragons guide completed for the South Wales authorities (Appendix 1). He regards this as the best guidance available. Whereas the Harman report is far too equivocal in the approaches it sets out. It sets too many benchmarks so that making sense of it is impractical.

Harman recommends a 'residual land value' approach. It is not at all clear whether this is a 'residual approach' or a 'land value approach'. The difference is key in understanding basic land economics. The test of viability in all respects is whether the land owners have a competitive return. The Council has set the CIL and affordable housing policies based upon providing land owners with a competitive return.

The question of an acceptable and competitive land owner return is difficult to define, particularly where contributors to a key workshop were not forthcoming with information. Much depends on the planning process itself and its impact on land owner decision making.

It is very clear however, that returns to land owners are very significant in the case of Purbeck. Taking the example of Upton at 40% affordable housing (the 'worst case' scenario) returns on green field land (a very significant proportion of supply in Purbeck) are in the region of 35 to 40 fold.

Recent research by the Department for Communities and Local Government study on The Cumulative Impact of Policy Requirements (2011) suggests land value benchmarks of £100,000 to £150,000 per gross acre (£247,000 to £370,500 per hectare).

We accept that in some instances (most notably Upton) viability will be challenging, we believe that we have set CIL at an appropriate level, taking into account the modifications that have been made.

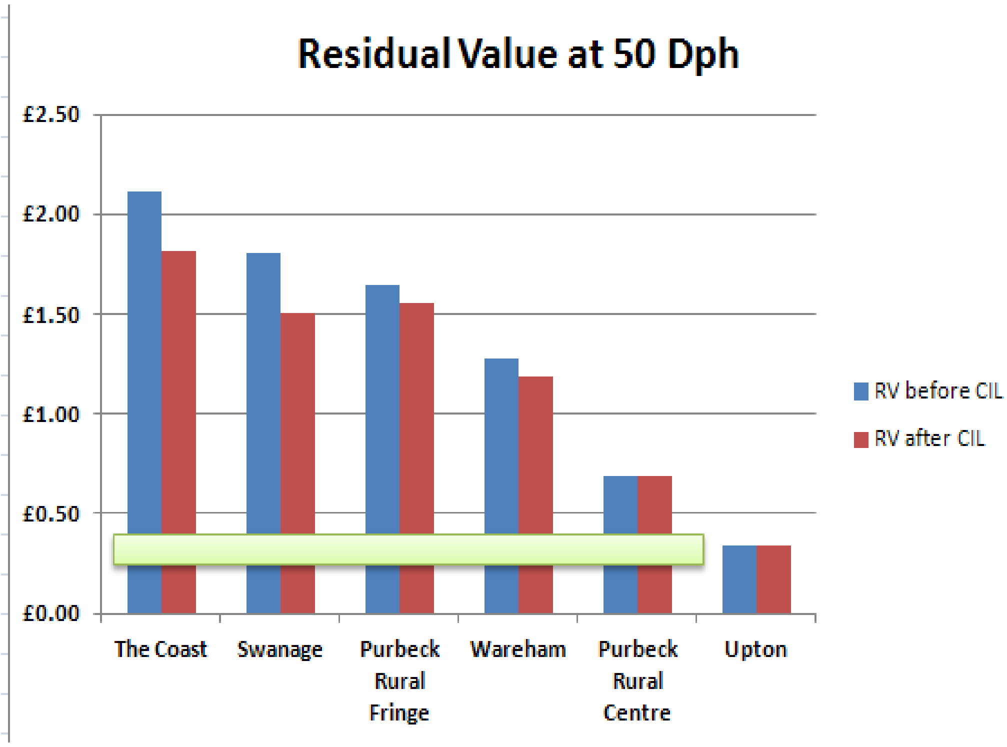
Question 3

The Examiner has asked the following question on use Classes C2 and C3. Use Classes C2 and C3 (Care Homes and Sheltered and Retirement Housing): I note that the CIL Schedule has been changed, presumably at least in part in response to a number of representations, from £180/m2 to £100/m2 in Swanage and The Coast, and from £100/m2 to £30/m2 in Wareham and the Rural Fringe. However, it is important for the Examination to have worked examples/ sensitivity tables to demonstrate the viability impact of these changed rates.

Council's Response

The Council is proposing reduced charges for Care Homes and Sheltered and Retirement Housing in response to evidence provided by McCarthy & Stone and Churchill Living following consultation on the Draft Schedule.

We present below a chart showing residual values (RVs) per hectare for the range of sub markets. The RVs reflect the affordable housing policy position; i.e. 50% in the top two markets and 40% elsewhere.



The chart makes very clear the large buffer that has been built into the CIL Charging Schedule with respect to all sub markets, but most particularly the mid to higher value ones.

There will be no CIL for this class of development in Upton and Purbeck Rural Centre, therefore the debate is only about affordable hosuing and this will be negotiated in the time honoured fashion.

The light green bar respresents a broad brush (DCLG) definition of minimum viability.

Question 4

The Examiner has asked the following question on affordable housing
Affordable housing: I note that section 4 of the Development Viability Assessment is hypothetical (Paragraph 4.11), but it is clear from the recent (April 2013) CIL Guidance (e.g. paragraph 29) that CIL rates should take into account relevant Plan policies, and in particular those for affordable housing. I would therefore be concerned if any part of the Council's case involved reducing the percentages of affordable housing from those in the relevant policy areas.

Council's Response
The Council's priority is to deliver as much affordable housing as possible and CIL levels have been set accordingly to ensure that re-negotiation of affordable housing provision is only necessary in exceptional circumstances. The CIL Charging Schedule is compliant with the latest guidance from DCLG which emphasises the importance of setting CIL in the light of other policies which may have viability impacts.

CIL can be delivered without prejudicing the affordable housing target.

The Council's CIL consultant has used hypothetical (paragraph 4.11) examples in section 4 of the report where he discusses potential trade-offs between CIL income and affordable housing. How often these examples occur in reality is almost impossible to predict since they are best guesses. However, the results that they generate will indeed replicate reality and hence the examples are valuable. The consultant also acknowledges (paragraph 4.3) that discussion of such options in the report does not mean that the Council will look at the option(s) in reality.

Generally, the Council expects that any residential developments over 2 dwellings (or sites of 0.05ha and above) will provide 40% or 50% affordable housing as set out in the Local Plan Part 1 through Section 106 agreements. Policy AH: Affordable Housing (PLP1) allows for an open book appraisal where exceptional development costs may make it difficult for the developer to meet the policy requirement due to viability issues.