



## **Purbeck Community Infrastructure Levy Charging Schedule**

### **Examination**

#### **Statement on behalf of Purbeck District Council**

**Hearing date: Tuesday 8 October 2013 – 11:30am**

#### **Issue 2 – Residential Levy Rate**

- 2.1 Are the rates for residential development reasonable and realistic in relation to an appropriate balance between helping to fund new infrastructure and the potential effects on economic viability?
- 2.2 If this is the case, how does the CIL rate relate to the S106 tariff based approach on affordable housing? If the CIL rate is higher than the existing S106 tariff, would this reduce the yield of affordable housing likely to come forward from new sites? If the answer is 'yes', how many affordable housing units is the District likely to lose in a typical year?
- 2.3 Has the impact of S 106 contributions, including those for affordable housing, been properly taken into account?

## Introduction

1. This statement considers all the issues within Matter 2

## Statements of Common Ground

2. No Statements of Common Ground have been submitted in relation to this Matter.

## Council Response

3. Each issue raised by the Examiner is considered in turn below:

2.1 Are the rates for residential development reasonable and realistic in relation to an appropriate balance between helping to fund new infrastructure and the potential effects on economic viability?

4. As set in our response to Matter 1.2, CIL income falls short of what is required to meet the gap in infrastructure funding, and is the minimum amount required to meet the essential mitigation requirements that will enable the plan to be delivered, i.e. heathland and transport mitigation. This is very much in line, we believe, with the situation in other local authority areas.
5. The Infrastructure Plan sets out a total known requirement of £30.5M. Ideally, the Council would meet this entire infrastructure from other funding mechanisms; however there is approximately a £25.5M shortfall. CIL is only expected to contribute to around £6.1M to this shortfall (22%). This means the Council has to prioritise infrastructure spending. Importantly, this CIL will satisfy the essential infrastructure requirement of providing heathland mitigation (to enable housing development to take place) and a proportion of transport infrastructure requirements. The Council will have to work with service providers to find alternative ways of funding the other essential infrastructure including transport and education.
6. The Council's affordable housing viability studies and the CIL viability study have now been undertaken. House prices in Purbeck have remained stable across most of the District over the last 5 years. Similarly there is less than a 1% vacancy rates for retail units in Wareham and Swanage town centres. These trends are unlikely to change during the plan period. There are no signs that the UK economic recession has had a negative impact on the majority of land values in Purbeck.
7. The Council's CIL expert Andrew Golland Associates considers the CIL rates viable over the Plan period. To increase the rates could lead to viability concerns for developments. Therefore the Council is of the view that it has set the right balance of charges to development to help meet priority infrastructure requirements.
8. The Council recognises that current viability in the Upton and Purbeck Rural Centre submarkets is tighter than elsewhere in the District and that is why the Council recommended lowering the CIL rate to £30 for residential development in the Statement of Modifications (SD06).

9. The Council should achieve its affordable housing targets. However, because viability cannot be set alone by looking at residual values (and existing use value will be a factor), the deliverability of CIL and affordable housing cannot be defined precisely.
10. The rates for Care Homes (C2) and sheltered and residential homes (C3) were reduced following representations around additional build costs and extended build out periods by providers of such dwellings. We have listened carefully to the concerns of developers in this area.

2.2 If this is the case, how does the CIL rate relate to the S106 tariff based approach on affordable housing? If the CIL rate is higher than the existing S106 tariff, would this reduce the yield of affordable housing likely to come forward from new sites? If the answer is 'yes', how many affordable housing units is the District likely to lose in a typical year?

11. CIL may replace S106 contributions on some sites, but not affordable housing, which will continue to be levied through S106. In following the findings of the CIL Viability study, the Council has set CIL at a level that should deliver CIL and affordable housing. No affordable units will be lost.
12. At the PLP1 examination the Council argued that the affordable housing targets and CIL could be achievable. Recently, an application for the first PLP1 housing allocation at Worgret Road, Wareham has been approved for 153 dwellings of which 76 are affordable and a commuted sum for half a dwelling will also be provided (50% affordable). The anticipated S106 contributions (excluding affordable housing) is around £1.2M and includes play and recreation, a Purbeck Transportation Strategy contribution, other transport contributions to connect the development with existing footpath and upgrade it, and Poole Harbour mitigation. In addition the development is expected to fund a gateway feature and a 12.75ha Site of Alternative Natural Greenspace, which is subject to a separate planning application. Interestingly, the developer chose not to wait until CIL was in place before submitting the application. CIL for the scheme assuming an average of 80sqm dwellings would be much lower than the S106 at just over £600k, in addition to the SANG and affordable housing. This shows that CIL the Council's approach to CIL is proportionate and deliverable.
13. The table below demonstrates how the proposed CIL levy; based on an 80sqm 3 bed semi-detached house will vary from the current S106 contributions (excluding affordable housing):

Housing sub markets	Current S106 requirement	Future CIL charge	Difference
Purbeck Centre / Upton	£8,475	£2,400	-£6,075
Wareham / Purbeck Rural Fringe	£8,475	£8,000	-£475
Swanage / Coast	£8,475	£14,400	+£7,035

14. There are only two submarkets where CIL will be higher than the current S106 arrangements (excluding affordable housing). Whilst there is an increase under CIL in Swanage and the Coast sub-markets, this should not impact upon delivery as there are significant buffers with high residual values.

15. For example, as set out in the table in para 4.15 of the Community Infrastructure Levy and Development Viability Assessment report (CD33), the residual value per hectare for an 8 unit scheme in Swanage is £1.35M and in the Coast £1.68M, before CIL. As demonstrated in Matter 1.2, CIL accounts for 18% in Swanage or 15% in the Coast of the residual value. (About £240,000 for a hectare). Therefore the residual values after affordable housing and CIL have been taken off in the Swanage submarket would be £1.1M and the Coast submarket £1.4M. These are very high residual values, on top of 50% affordable housing and CIL and therefore should not lead to any loss of affordable housing units.

2.3	Has the impact of S 106 contributions, including those for affordable housing, been properly taken into account?
-----	--

16. The residual values, which informed the rate setting, in the Community Infrastructure Levy and Development Viability Assessment report (CD33), were calculated taking into account affordable housing of 40% and 50%.

17. These are the only S106 requirements on CIL liable developments. In some instances, in particular settlement extensions the Council may also require the developer to provide SANGs through S106. The delivery of SANGs on specific sites would be clearly set out through a plan led approach worked up with the developer through development briefs.

**Suggested changes for the Examiner to consider**

18. None