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To Stratford on Avon District Council by Email only

7th March 2017

Dear Mr Careford,

Thank you for your note dated 23 December 2016, prepared in response to the points raised by Turley (on behalf of IM Properties Plc) at the second hearing of the examination held on 19 December 2016. I have now had an opportunity to consider the note, together with the response to it from Turley (dated February 2017). I note the comments made by both parties in respect of Points 1 – 3 in the note and have no further comments to add. However, I comment on points 4 and 5 as follows:-

Point 4: Developers' Profit Draw Down

I note that the methodology adopted in the viability appraisals for all residential site typologies apart from the GLH strategic site assumes profit is drawn down throughout the sales period. However, for the GLH site a different approach is applied and it is assumed that profit will be released at the end of the scheme. Had profit been applied throughout the sales period, consistent with the approach taken for other strategic sites, the resultant effect would be that higher interest costs would have been incurred which could affect the viability of the scheme.

Whilst I note that the Council says that it worked with the promoters of the site and that the promoters said that profit would be released at the end of the scheme, submissions contained in Turley's response suggest otherwise. I am also mindful that the approach whereby profit is drawn down throughout the sales period is most likely to be standard practice for larger, multi-phase and longer-term projects such as that envisaged at the GLH site.

Part 5: Sales Values

I acknowledge that a different approach was taken in respect of estimating sales values at GLH, as set out in the paper prepared by Pba/EPD for the second examination hearing (entitled 'Review of Residential Values, Costs and Scenario Testing' dated November 2016). Further to discussions at the first hearing, the Council agreed that sales values should be based on the largest new build schemes closest to the GLH site with a 5% discount applied. This provides a figure of £3,133 per sqm and the evidence of these schemes was provided by the Council in Appendix A of the Pba/EPD paper dated November 2016. This was discussed at the second hearing.

Whilst I note that Turley point to an error in Appendix A (the Hatfield Ettington Park figure of £ per sqm should be £3,214 rather than £3,228) the overall average figure £ per sqm is correct in Appendix A i.e. £3,298 and £3,133 with the 5% discount applied).

Turley also states that there is a further error in respect of the Hatfield Ettington Park scheme i.e. that it should be 121 sqm and not 112 sqm as recorded. I would be grateful for your response on this point.

The data in Appendix A dates from early 2015. As such, it correlates to the timescales for analysis of sales prices across the wider viability evidence base. For example, it is broadly consistent with the period used in respect of the BCIS data. I thus consider that these sales values should be used as a basis for analysis, as discussed at the second hearing, rather than new sales values referred to in your note of 23 December 2016. These newer sales values have not been put forward during the course of the examination whereas the £3,133 per sqm figure underpins the evidence base upon which the Council has relied to inform its proposed CIL rating. I have also had an opportunity to consider the Council's paper entitled 'Proposed Rate at Long Marston Airfield' dated January 2017. I have the following comments:-

Proposed Rate at the Long Marston Airfield (LMA) Site

I note that the proposed revised rate of £30 per sqm is supported and had been previously advocated by the site promoters. The rate is based on a contribution towards the Stratford Transport Package. However, it is not clear to me how the proposed new rate relates to the Council's CIL viability evidence. As discussed at the second hearing, the proposed new rate for the LMA site should be supported by the Council's viability evidence and shown to be viable.

Suggested Way Forward

In light of the above comments and in line with what was discussed at the second hearing, it would be helpful if the Council could re-run the viability appraisal sensitivity tests for the GLH site as follows:-

1. Sales values as presented in the Pba/EPD November 2016 report i.e. £3,150 less 5% discount = £1,133 per sqm (houses) and £2,250 (flats).
2. Assume profit is drawn down throughout the sales period consistent with the methodology applied to other residential site typologies.
3. If the Hatfield Ettington Park scheme is found to be 121 sqm and not 112 sqm, the appraisal should be re-run to include the amended figure.
4. Present the full updated appraisals and cash flows together with a summary of the outcomes, including any implications for the proposed CIL rate at GLH and the likely achievable buffer.

Also,

5. Provide evidence to show how the proposed CIL rate of £30 per sqm is supported by the Council's viability evidence and shown to be viable.

I would be grateful for an indication of the likely timescale for conducting the re-appraisals as outlined above. It will then be necessary to seek a response from Turley (on behalf of IM Properties Plc) and any interested parties. Depending on the outcome of the updated appraisals and response, it may be necessary to conduct another hearing to discuss any outstanding issues before I can conclude the examination. However, I shall inform you at the earliest opportunity if this is considered to be an appropriate way forward.

If you have any queries or require further clarification please contact me via the PO.

Yours sincerely

Rebecca Phillips

Examiner

CC: Turley on behalf of IM Properties Plc