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Thomas Bathurst/GBR
001

On behalf of my client St. Modwen Developments Limited, I am pleased to submit the attached comments form in respect of the CIL Submission Charging Schedule Consultation.

Please can you confirm receipt of these representations.

Kind regards,

Tom

Tom Bathurst BSc (Hons) MSc MRICS

Senior Surveyor

Residential - Midlands - Land Agency, Valuation & Consultancy

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DTZ and Cushman & Wakefield have now merged

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Regulated by RICS

Community Infrastructure Levy
Submission Charging Schedule
Comment Form

The Community Infrastructure Levy (CIL) - Submission Charging Schedule Consultation is available at www.stratford.gov.uk/CIL2015

Please use the form to make comments on any part of the consultation document.

Please read the consultation document carefully before commenting on this form.

You can respond to this consultation electronically via the above web address.

Please complete this form using black ink. If you require more space please continue on a separate sheet.

Put your contact details in the box(es) below – please use BLOCK CAPITALS

Person(s) or Organisation Submitting Comments		**Agent (if applicable)**	
Name		Name	TOM BATHURST MRICS
Organisation (if applicable)	ST MODWEN DEVELOPMENTS LTD	Organisation	CUSHMAN & WAKEFIELD (previously DTZ)
Address	c/o Agent	Address	NO. 1 COLMORE SQUARE BIRMINGHAM B4 6AJ
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If you are using an Agent, future correspondence will be sent to them unless informed otherwise.

Please note that responses cannot be treated as confidential.

Date	12/11/2015

Forms should be returned by **5.00pm** on **Friday 13 November 2015**

By email to planning.policy@stratford-dc.gov.uk or,
post to FREEPOST RSLH – ZYKJ – TYAZ, Stratford on Avon DC, PO BOX 5341, Stratford upon Avon, CV37 1LE

Please note that your response will be published on the District Council's website. However, this will exclude the postal address, telephone number and email address of individual respondents. The details of respondents will only be retained by the District Council for the purposes of Core Strategy/CIL preparation and consultation and will not be used for any other purpose.

Please note that only the CIL Submission Charging Schedule itself will be submitted to an independent examiner following this consultation.

Notification of subsequent stages of the Community Infrastructure Levy (CIL) Please specify if you wish to be notified of any of the following:		
Submission of the CIL Submission Charging Schedule for independent examination	Yes ☑	No ☐
Publication of the recommendations of the person appointed to carry out an independent examination of the Submission Charging Schedule	Yes ☑	No ☐
Adoption of the Community Infrastructure Levy	Yes ☑	No ☐

Please make comments on the CIL Submission Charging Schedule consultation document below stating (if applicable) which section you are commenting on:

STRATFORD UPON AVON DISTRICT COUNCIL
COMMUNITY INFRASTRUCTURE LEVY – SUBMISSION CHARGING SCHEDULE

Cushman & Wakefield (C&W), previously known as DTZ, is instructed by St Modwen Developments Limited to submit comments to the Stratford upon Avon District Council CIL Submission Charging Schedule. The comments are purely based on C&W's experience in the residential and commercial market within the West Midlands and Stratford-upon-Avon District. C&W (as DTZ) previously submitted comments in October 2014 in relation to the previous draft CIL Charging Schedule. As such, some of our comments in these representations mirror our views that have previously been stated on behalf of our comments.

Summary

Our client **does not** agree with the proposal to introduce a CIL tariff of £150 per sq m on development within the Central part of the District, including our client's landholding at Meon Vale. C&W consider the viability evidence underpinning the proposed charging level to be unreliable due to:

- Unrealistic site value thresholds
- Unrealistic affordable housing values
- Unrealistic build cost assumptions
- Unrealistic developer's profit assumptions
- A substantial underestimate of the abnormal costs associated with bringing sites forward for development; particularly previously developed sites.
- No evidence of sensitivity testing key variables in arriving at the maximum CIL tariff
- Lack of Sample Appraisals.

The section below outlines the context to our client's concerns before outlining the evidence which supports this representation.

Context

Our client is concerned that the introduction of a CIL tariff in Stratford District could undermine the prospects for delivery of a significant number of development sites across Stratford District and thereby resulting in the development needs of the District not being met and the objectives of the Stratford Core Strategy not being realised. Following the Core Strategy Examination earlier this year and the Interim Inspector's Report in March, the Core Strategy places an increased emphasis on the redevelopment of previously developed sites in meeting the development requirements for the Plan period. However, there is no recognition of the additional costs of bringing previously developed sites forward for development apart from Long Marston Airfield.

The approach undertaken by PBA assumes a very best case scenario in arriving at the CIL Submission Charging Schedule. This does not take into account that certain sites, particularly strategic sites such as Meon Vale, require substantial investment in infrastructure and enabling works and, consequently, their viability is highly sensitive to small variations in costs.

Meon Vale Site

The proposals by St Modwen for Meon Vale seek to create a vibrant new, self-contained, mixed-use development with an extension of Greenway from Stratford upon Avon through the site. Meon Vale already benefits from:

- Leisure centre, football and cricket pitches, public open space, allotments and public access to woodland
- Village hall and convenience store
- 800,000 sq ft of retained employment space
- Planning permission for 1,050 homes of which 284 are already under construction by Persimmon as part of its joint venture with St. Modwen and St Modwen Homes are commencing construction of a further 82 homes
- Planning permission for primary school
- Planning permission for holiday accommodation

In April 2015 planning permission was granted for a further 550 homes, including 35% affordable houses, taking the total number of homes consented on site to 1,050. A one form entry primary school and relocation of the Leisure accommodation to the western side of the site formed part of this latest planning permission. An additional 800 homes are now being actively promoted by St Modwen at the Meon Vale site through the Core Strategy.

Summary of the CIL Submission Charging Schedule

The CIL Submission Charging Schedule (SCS) for the Community Infrastructure Levy (CIL) was published for consultation in October 2015. The following CIL rates were proposed for new residential development in the district:

• General (with exceptions below)	£150 per sq m
• At Gaydon/Lighthorne Heath new settlement	£110 per sq m
• At Long Marston Airfield	£75 per sq m
• At Canal Quarter Regeneration Zone	£85 per sq m
• Small Sites (10 and under units)	£75 per sq m

The CIL Submission Charging Schedule is underpinned by an Economic Viability Study which was carried out by Peter Brett Associates (PBA) and published in a report dated September 2015.

The latest Economic Viability Study prepared by Peter Brett Associates (PBA) in September 2015 has concluded that a charge of £150 per sq m is set for the Central District, including the Meon Vale site. The imposition of this CIL tariff at £150 per sq m will undermine the efficient delivery of housing within the site.

Review of PDA Viability Assumptions

C&W have assessed the residual land value, which is an accepted methodology and one which is used by house builders when they bid for sites. The rationale behind the methodology has been well documented including the Royal Institution of Chartered Surveyors' Professional Guidance entitled 'Financial Viability in Planning'. Within this RICS document the methodology is considered as follows:

"The residual appraisal methodology for financial viability testing is normally used, where either the level of return or site value can be an input and a consequential output (either a residual land value or return respectively) can be compared to a benchmark, having regard to the market in order to assess the impact of planning obligations or policy implications on viability".

The residual appraisal has been prepared using proprietary software, commonly used by Chartered Surveyors and Valuers, known as Argus Developer. The software models the cashflow of the scheme based upon assumptions which form the appraisal inputs.

This approach models the costs and revenues associated with the delivery of development over the development period in a cash flow to provide a true reflection of the burden of costs throughout delivery of the scheme.

We believe that this is the most appropriate method as it mirrors the form of appraisal which is considered by developers when the viability of proposed developments is being tested.

The land value is the output of the appraisal. The output, Residual Land Value (RLV) needs to meet the informed landowner's expectations of site value whilst delivering a competitive return to the developer in order to remain viable. This accords with NPPF para 173 and in our appraisal we have adopted methodology which is not only in line with the RICS Guidance but also accepted in a range of S78 appeals and S106 BA applications including Land at the Manor, Shinfield, Reading (Appeal ref: APP/TO355/A/08 12073713).

We therefore challenge the PBA's appraisal assumptions below:-

1. Market Overview

The slowdown in the residential property market in 2008 and 2009 impacted significantly on the development market with the majority of house-builders placing existing schemes on hold and postponing the commencement of any new development. The combined effect of a decrease in the value of existing land holdings and the cash flow issues presented by lower than expected unit sales meant that many house-builders found themselves in an extremely perilous position.

However, since the beginning of 2011 there has been a marked improvement in conditions and sentiment in the market which is evidenced by plc house builders who have restructured their bank debt, recapitalised through rights issues and recruited new land managers. House builders are now tasked to actively acquire residential development opportunities, subject to securing planning on appropriately designed housing schemes.

The outlook for the next 6 to 12 months is positive with house-builders interested in acquiring land in established residential locations to build low density family housing.

Over the last 12 to 18 months land values in strong residential locations such as Stratford Upon Avon have significantly outperformed secondary locations within the Greater West Midlands area. It is evident there is a two tier land market and the gap is widening between the prime residential locations and secondary/tertiary residential locations in terms of land values.

Development sites in high socially economic dependent areas with limited house price growth will continue to underperform due to the slow pace of house sales and the restricted ability of potential owner occupiers to obtain mortgages. It is expected that this current trend will continue for the foreseeable future until lending restrictions have been lifted.

The pace of sales have been supported by the Government's Help to Buy initiative which allows purchasers to acquire new build properties with a 5% deposit with 20% being obtained on an interest free loan for a period of 5 years. The Help to Buy initiative is having a strong influence on the pace of house sales and consequently delivering a greater volume of houses and higher land values.

In poorer residential locations, our projections suggest that there will be a continued underperformance over the next 5 years until there is better mortgage availability in the sub-prime market which will fuel the sales demand and values in these areas.

The future performance of land value growth over the next 3 to 5 years will be affected by build cost inflation and the changing regulations with regard to the sustainable homes agenda which will continue to have an impact upon land value growth.

Therefore, C&W do not agree with PBA's typology assumption splitting the District into three distinct areas; Central, West and East. There is a wide range of values within each of these three locations which cannot be benchmarked as simply as PBA suggests. Furthermore, the value typologies are considered at the top of the value range and do not reflect the average values for the area. C&W challenge PBA's house sale value Assumptions and simplistic typology Approach.

2. Private Sales Values

PBA have identified four ranges of sales values which they have applied to their updated appraisals. We display these values as follows:-

Value Area	House	Flats
West	£2,850	£2,200
East	£3,050	£2,300
Central	£3,450	£2,400
Gaydon/Lighthorne Heath	£3,150	£2,300

Source: PBA research

The Gaydon/Lighthorne Heath (GLH) sales value is an addition to the range since the last Economic Viability Study published by PBA in 2014. PBA cite the reason for the additional GLH sales value as being because "the type of development proposed and the location are not reflective of it's value area".

For the same reason, C&W propose that a new sales value should be included for new residential development at Meon Vale and Long Marston Airfield. We display recently achieved sales prices and floor areas for properties at the Meon Vale development in the table below:

Address	Description	Area (Sq M)	Area (Sq Ft)	Date Sold	Sold Price	£ per sq m	£ per sq ft
7 Ravelin Close, Meon Vale CV37 8WN	Detached house	101	1,087	Jun-15	£260,995	£2,584	£240
15 Sapper Close, Meon Vale CV37 8WU	Detached house	173	1,862	Jun-15	£494,995	£2,862	£266
6 Ravelin Close, Meon Vale CV37 8WU	Detached house	91	980	Jun-15	£249,000	£2,735	£254
23 Abney Road, Meon Vale CV37 8WJ	Terraced house	73	786	May-15	£199,995	£2,739	£254
4 Ravelin Close, Meon Vale CV37 8WN	Semi-detached house	60	646	May-15	£184,995	£3,082	£286
9 Ravelin Close, Meon Vale CV37 8WN	Semi-detached house	111	1,195	Apr-15	£247,995	£2,234	£208
				Average	**£272,996**	**£2,706**	**£251**

It can be clearly seen from the above average sales value achieved of £2,706 per sq m (£251 psf) that sales values from new residential properties in the Long Marston area are **not** in accordance with the house and flat values cited by for PBA in the Central region within which Meon Vale lies. As such, C&W propose that the house sales value for Meon Vale & Long Marston Airfield for viability testing purposes should be set as follows:

- Meon Vale & Long Marston Airfield - £2,750 per sq m (£255 psf).

C&W are challenging PBA's sale value assumptions as the sales values are at the upper end of the value range on a price per square metre analysis basis for houses. The average value per square metre for houses will need to be adjusted downwards to reflect the sales evidence with the region.

3. Affordable Housing Values

PBA have appraised the viability on variable levels of affordable housing which will then be transferred to a registered provider (RP) at the following discount to Market Value (MV) rates:

- Social rented - 45%
- Affordable rent - 55%
- Intermediate - 65%

We summarise an article from Social Housing's website below (www.socialhousing.co.uk) published on 8 July 2015 that gives an overview of recent changes to the affordable housing market:

RPs will have to cut social housing rents by 1 per cent each year for the next four years from April 2016 in a move by the government to help reduce the country's housing benefit bill. The cut will apply to all social housing rents, including affordable and social rents.

The government said the change means a 12 per cent reduction in average rents by 2020/21. The change to the rent formula is set to raise serious questions over HA cashflows; the reconfiguration of business plans; the impact on credit profiles; the ability and appetite of RPs to raise finance and meet existing commitments; and their plans to build new homes. It will require each HA to assess their cost base and decipher potential cuts, or cessation of certain activities, which could mean pulling back on development programmes.

There will be a particular focus on how boards will identify and manage the impacts of the rent change, and other welfare reform impacts. It will mean RPs revisiting business plan forecasts that they have recently prepared for the regulator.

The Office for Budget Responsibility has suggested that around 14,000 fewer 'affordable homes' will be built as a result to the change in the rent regime. It said the 1 per cent annual rent reductions in the social rented sector for four years from April 2016 will directly reduce social landlords' rental income, and therefore their financing for, and returns to, investing in new housebuilding.

Due to the proposed effect of the changes outlined above, we are aware from our knowledge of the affordable housing development sector that offers from RPs for new-build social and affordable rented properties are being drastically reduced to reflect the diminished income stream attainable over the next 4-5 years. As such, we propose that the following discounts to MV should be applied for affordable housing to effectively reflect the reduced viability of delivering new affordable housing units:

- Social rented - 35%
- Affordable rent - 45%
- Intermediate - 65%

4. Threshold Land Values

The threshold land value for which landowners will release land for development is a central issue when considering development viability.

Market Value as defined in VPS 4 1.2 of the RICS Valuation – Professional Standards 2014 UK Edition ("the Red Book") and applying the conceptual framework which is set out in IVS Framework paragraphs 30-34. Under VPS 4.1.2.1, the term "Market Value" means "The estimated amount for which an asset or liability should exchange on the *valuation date* between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion"

The definition of *market value* defined in the RICS Valuation – Professional Standards 2014 UK Edition is as follows:-

"the estimated amount" refers to a price expressed in terms of money payable for the asset in an arm's length market transaction. *Market value* is the most probable price reasonably obtainable in the market on the *valuation date* in keeping with the *market value* definition. It is the best price reasonably obtainable by the seller and the most advantageous price reasonably obtainable by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, special considerations or concessions granted by anyone associated with the sale, or any element of *special value*;

The concept of *market value* presumes a price negotiated in an open and competitive market where the participants are acting freely. The market for an asset could be an international market or a local market. The market could consist of numerous buyers and sellers, or could be one characterised by a limited number of market participants. The market in which the asset is exposed for sale is the one in which the asset being exchanged is normally exchanged.

The *market value* of an asset will reflect its highest and best use. The highest and best use is the use of an asset that maximises its potential and that is possible, legally permissible and financially feasible. The highest and best use may be for continuation of an asset's existing use or for some alternative use. This is determined by the use that a market participant would have in mind for the asset when formulating the price that it would be willing to bid.

The highest and best use of an asset valued on a stand-alone basis may be different from its *highest and best use* as part of a group, when its contribution to the overall value of the group must be considered.

In order to arrive at the threshold land value an appropriate discount should be applied from the market value of the site with the benefit of planning permission. This discount from Market Value should reflect the cost and risk in securing an implementable planning permission.

This discount should consider the Threshold Land Value is based on a premium over current use values and credible alternative use values.

The residual land valuation model tests the viability against the purchase price or threshold value. The value used has to be a legitimate benchmark including premium to release the site. If the residual land value is below this benchmark without the inclusions of any substantial planning gain/commuted sums, it demonstrates that such items cannot be justified.

To arrive at an appropriate land value, it is important to compare current residential land transactions which have been derived from a combination of C&W land sale evidence or evidence obtained from other sources.

- **Oakley Grove, Harbury Lane, Leamington Spa** – AC Lloyd acquired 5.26 net hectares (13 net acres) of land with planning permission for 200 dwellings (including 40% affordable) in December 2014 for a net price per acre of £1,125,000; equating to £75,000 per plot (finalised details awaited)
- **Warwick Gates, Gallagher Way, Warwick** – David Wilson Homes acquired 6.08 net hectares (15.03 net acres) of land with planning permission for 220 dwellings (including 40% affordable) in March 2014 for a net price per acre of £1,147,705; equating to £78,409 per plot.
- **Mallory Grange, Tachbrook Road, Bishop's Tachbrook** – Persimmon Homes acquired 7.37 net hectares (18.21 net acres) of land with planning permission for 280 dwellings (including 40% affordable) in May 2014 for a net price per acre of £1,161,450; equating to £75,535 per plot.
- **The Fairways, Fieldgate Lane, Whitnash, Leamington Spa** – Bovis Homes acquired 3.24 net hectares (8.03 net acres) of land with planning permission for 113 dwellings (including 40% affordable) in December 2013 for a net price per acre of £1,028,543; equating to £73,097 per plot.
- **Wellesbourne, Warwickshire** – Persimmon Homes acquired 7.28 hectares (18 acres) of land with planning permission in November 2012 at price equating to £2,841,650 per hectare (£1.15 million per acre) gross (i.e. excluding abnormal development costs and S106 contributions) but inclusive of 35% affordable housing.
- **Bishop's Itchington, near Gaydon, Warwickshire** - Persimmon Homes acquired a 5 acre Brownfield site for £3 million equating to £1,482,600 per hectare (£600,000 per acre) net/£2,347,450 per hectare (£950,000 per acre) gross (i.e. excluding abnormal development costs and S106 contributions) but inclusive of 35% affordable housing.
- **Miles Stone Road, Stratford** – Persimmon Homes acquired 9 acres of land for £6.5 million equating to £1,784,000 per hectare (£722,000 per acre) net/£3,088,750 per hectare (£1,250,000 per acre) gross (i.e. excluding abnormal development costs and S106 contributions) but inclusive of 35% affordable housing.
- **Hagley Mews, Highfield Road, Edgbaston - E**xtended to approximately 0.70 hectares (1.743 acres), sold unconditionally to Taylor Wimpey for circa £2 million which equates to approximately £2,841,650 per hectare (£1,150,000 per acre) net.

Prime brownfield employment land is currently achieving circa £400,000 per acre (circa £988,400 per hectare) with poorer located employment sites achieving lower values. Applying £1.11 million per hectare (£450,000 per acre) is appropriate to reflect a reasonable land owner's return to bring a brownfield site forward for residential redevelopment. This uplift reflects the landowners' cost in securing an alternative planning permission over the land. Any less of a financial return/uplift in value would not be considered commercially acceptable as the landowner would be unwilling to promote land through the planning process at their cost and risk for residential redevelopment.

The same principle is true with regard to agricultural land/strategic greenfield land. In C&W's experience, strategic greenfield sites will not be promoted through the planning process by landowner without a reasonable landowners return. Therefore, C&W do not agree with PBA's strategic greenfield benchmark values as this will impact the delivery of housing.

In addition, the above land evidence demonstrates an appropriate discount from the wide variety of residential land transactions (with planning) to underpin our threshold land value assumptions.

PBA have confirmed that they accept that the Assumptions on benchmark land values can only be broad approximations and is subject to a wider margin of uncertainty. We also note from PBA's latest Economic Viability Study that they have considered in more detail the potential for different land values across the District rather than relying on average District-wide figures.

PBA have proposed the following benchmark land values, revised from their previous Economic Viability Study:

Sub location	Type of land	£ value per net hectare
Central	Small Brownfield	£1,350,000
	Small Greenfield	£1,230,000
	Brownfield	£990,000
West	Small Brownfield	£1,000,000
	Small Greenfield	£910,000
	Brownfield	£740,000
East	Small Brownfield	£1,220,000
	Small Greenfield	£1,110,000
	Brownfield	£900,000
Strategic and large sites		£640,000

Source: PBA research

C&W welcome the revision of the land value of strategic and large sites from £600,000 to £640,000 per net hectare, however as noted in our previous representations on the Draft Charging Schedule in 2014, we consider that £680,000 per net hectare (£275,000 per acre) is a more appropriate figure and greater reflects minimum land values found in option and promotion agreements for strategic and large sites.

Without the increase of PBA's benchmark strategic and large sites land value to £680,000 per net hectare, land may not come forward for residential redevelopment due to the high existing use value/benchmark value for the area and the reasonable return required by a willing landowner. The uplift in value needs to compensate the landowner for the risk and costs in terms of securing an alternative planning permission for residential development.

It is important to acknowledge that each site's circumstances are different, and that if the development requirements of the Core Strategy are to be delivered then we consider that a benchmark figure of £680,000 per net hectare is a more appropriate figure to set.

Once again, we note that PBA's Economic Viability Study is very limited in respect of actual transactional evidence to support the proposed site value thresholds and appears to rely on discussions with developers/agents. In view of the critical importance of this element of the work to determining a CIL tariff we strongly urge the Council to review this aspect of the evidence to ensure that it provides an appropriate benchmark that reflects the return that a land owner would require in order to release their land.

5. Build Costs

C&W accept that PBA's build cost Assumptions have been assessed utilising the BCIS Build Cost data which are approximations to represent the average over a range of scheme types.

However, C&W disagree with PBA using BCIS Build Cost data that is stated in their Economic Viability Study to date from the fourth quarter of 2014. This data is now a year out of date and does not reflect the high level of build cost inflation that has been seen in many parts of the UK across the past 12 months. We display in the table below some examples of the increase in the BCIS Build Cost Index using mean prices:

Development Type	Q4 2014 Cost per sq m	Q4 2015 Cost per sq m	% difference
Housing, Mixed Developments	£1,002	£1,060	+5.79%
Estate Housing (General)	£968	£1,024	+5.78%
Flats (apartments) (General)	£1,170	£1,238	+5.81%
		Average	**5.79%**

As can be seen in the table above, there has been a not insignificant increase in the BCIS Build Cost Index for new residential development in Stratford District across the past year.

We detail below the BCIS Mean Tender Price Index for residential build costs dated 31 October 2015 and rebased for the Stratford on Avon District:

Description: Rate per m2 gross internal floor area for the building Cost including prelims.
Last updated: 31-Oct-2015 12:20
> Rebased to Stratford-on-Avon (100; sample 23)

Maximum age of results: Default period

Building function (Maximum age of projects)	£/m² gross internal floor area						Sample
	Mean	Lowest	Lower quartiles	Median	Upper quartiles	Highest	
New build							
Housing, mixed developments (15)	1,060	513	907	1,031	1,174	2,303	961
Estate housing							
Generally (15)	1,024	498	875	998	1,132	2,118	1759
Single storey (15)	1,123	595	963	1,088	1,287	1,929	285
2-storey (15)	1,003	498	869	981	1,100	2,018	1342
3-storey (15)	1,021	661	834	973	1,147	2,118	131
4-storey or above (25)	1,483	1,131	-	1,342	-	1,976	3
Estate housing detached (15)	1,094	804	913	1,124	1,236	1,402	16
Estate housing semi detached							
Generally (15)	1,021	526	884	997	1,120	1,929	401
Single storey (15)	1,174	705	990	1,154	1,337	1,929	65
2-storey (15)	994	526	880	979	1,093	1,766	317
3-storey (15)	962	710	789	949	1,036	1,519	19
Estate housing terraced							
Generally (15)	1,041	512	872	1,003	1,154	2,118	387
Single storey (15)	1,111	674	914	1,020	1,330	1,725	54
2-storey (15)	1,031	512	872	1,002	1,149	2,018	276
3-storey (15)	1,026	671	832	972	1,083	2,118	57
Flats (apartments)							
Generally (15)	1,238	604	1,026	1,186	1,409	4,374	793
1-2 storey (15)	1,157	695	997	1,124	1,287	2,232	188
3-5 storey (15)	1,218	604	1,024	1,177	1,394	2,459	528
6+ storey (15)	1,590	904	1,268	1,535	1,689	4,374	73

C&W once again challenges PBA's Assumptions on apartment development costs equating to £1,083 per sq m (£101 per sq ft) for both small house builders and large house builders. It is not appropriate for apartment costs for large and small house builders to have the same cost allowances. There needs to be a different cost allowance for small house builders as they will construct apartments at a higher price when compared to larger house builders who have the ability to procure construction works cheaper.

We propose that house builders' standard build costs on apartments are increased to £1,238 per sq m (£115 per sq ft) which reflects the most recent BCIS mean price for apartments, with an increase to £1,409 per sq m (£131 per sq ft) for smaller house builders who will construct apartments at a higher price.

PBA have made the following Assumptions on Build Costs for houses:-

- Houses (small house builders) - £1,360 per sq m (£126 per sq ft)
- Houses (general estate – large house builders) - £958 per sq m (£89 per sq ft)

PBA have applied two different build cost rates to reflect the size of developer. This suggests C&W's approach above to apply a higher build cost on apartment schemes for smaller house builders, would be more appropriate.

In line with our recommendations regarding apartment build cost prices above, we recommend that these rates be adjusted to reflect the most recent BCIS Tender Price Index data from October 2015 shown above:

- Houses (general estate) - £1,024 per sq m (£95 per sq ft)

7. **External Works**

PBA have assumed 10% of the build costs to cover external works. C&W expect construction costs for external works including tertiary roads to equate to circa £80 per sq m (£7.50 per sq ft) and service connections equating to £43 per sq m (£4.00 per sq ft). This represents an External Cost allowance of 12% to 13% of the overall build costs which C&W consider is appropriate.

C&W's external allowances are in line with cost appraisals received from disposing various large development sites within the West Midlands region to National PLC House Builders. C&W consider the costs adopted to be reasonable and PBA's Assumptions to be too low. Evidence to substantiate this can be provided if required.

8. **Typologies**

Residential

Whilst C&W acknowledges that PBA have included numerous site typologies within the viability testing, we do not consider that any of these effectively match sites such as Meon Vale which are providing 500+ units on brownfield sites in the Central Area. The closest typologies are Central Large Brownfield (120 units) and Central Urban Extension (500 units). However, neither of these effectively reflect the challenges of bringing forward a large standalone residential-led mixed use community that could potentially accommodate over 1,850 residential dwellings on previously developed land. As such, C&W would recommend that PBA include a new typology for 'Large Rural Brownfield Sites' in their viability testing. This would correspond with the four sites noted in emerging Core Strategy AS 11 which would appropriately be reflected in a new typology. With the increased importance placed on redeveloping brownfield land in the emerging Core Strategy, and the quantum of housing that is to be delivered from such, makes it entirely sensible to have a typology that evaluates accurately the level of CIL that can be viably delivered from this typology.

Retail

We are concerned that the submission charging schedule fails to differential between large retail schemes and those of 1,000 sq m (gross) or smaller (as defined in Core Strategy Policy CS.22). The scale and purpose of the retail provision within sites such as Meon Vale is entirely focussed on local scale provision and is an important element of the long term sustainability of these communities. It is noteworthy that the PBA report (para 7.4.14) draws a distinction between retail provision at the strategic allocation at Gaydon Lighthorne Heath and other out of centre locations. Indeed, it notes that combined residual values result in marginal viability and recommends a zero or low levy be applied.

We consider that any future retail development at Meon Vale requires the same distinction as the strategic allocation at GLH. Furthermore, we consider that a zero levy should be applied to retail development on these sites. This would be entirely consistent with guidance that clearly advises that CIL rates should not be set at a level where viability is marginal.

9. **Developers' Profit**

Developers' profit has increased from what we would have expected in the market at the height prior to the credit turmoil which commenced in Autumn 2007.

From DTZ's extensive discussions with developers, house builders and HCA etc, it is evident that the profit margins sought for potential developments have increased by approximately 5%.

DTZ undertake considerable numbers of development appraisals for bank development funding and in that role we asked a major bank still lending into the sector to confirm their current stance. They responded *"anything that we look at over £2,500,000 has always historically needed to have a minimum 25% profit on cost margin for residential."* This translates to a profit on GDV at circa 20%.

In light of the above, we have applied developers' profit at 20% on GDV for the private dwellings on the affordable units. PBA have applied 20% profit on GDV on the private units and 6% on the affordable units to reflect the reduced risk. However, in light of the uncertainty around securing RP interest following the reductions to housing benefit of 1% p.a. across the next 4 years, and that the policy requirement is for 35% of all dwellings to be affordable, we consider that it is entirely appropriate to apply a **minimum** blended 20% profit allowance for both private and affordable units. Indeed, certain national housebuilders require a minimum of a blended 21%-22% allowance to reflect not only the risk of securing interest for the affordable units, but also to reflect potential build cost inflation across the lifecycle of a particular development scheme.

To reiterate this point, in the appeal decision for Land at Badnell's Pit, Spoore Merry Yard, Blackamoor Lane, Maidenhead, Berkshire, SL6 8RH file reference APP/TO355/A/08 12073713 (appeal decision date 8 January 2013) relating to a residential development - the inspector commented *"There is a degree of disagreement as to what is an acceptable commercial profit, which might imply some more money could be made available; indeed sufficient to meet the shortfall in monies needed to satisfy the council's expectation. However, acceptable profit margins are for the developer to decide; it is not for the LPA to decide what is profitable or not. The question is, whether what is offered is sufficient?"*

10. S106 costs, site opening up and abnormal costs

We consider that the Council's CIL evidence substantially underestimates the likely scale of abnormal costs associated with developing schemes within the District. For large sites with more than 500 units a sum of £18,000 per unit is allowed for to cover S106, site opening and abnormal costs. In our experience such costs can substantially exceed this allowance. The Viability Testing of Local Plans (Local Housing Delivery Group 2012) suggest a range of £17,000 to £23,000 per plot as an appropriate range for site opening up costs for strategic sites, added to which we would expect there to be an allowance for abnormal costs. Following our comments in Section 8 of these representations regarding a new typology for Large Rural Brownfield Sites, we consider that it is likely that as both larger and brownfield sites generally incur higher abnormal costs, a lower CIL rate should be set for Large Rural Brownfield Sites to accommodate this.

11. CIL Payments

We welcome the proposal to introduce phased payments linked to applications on strategic sites and also the opportunity to agree an individual instalment profile to align with developer's cash-flows.

We once again seek clarification on the Council's definition of strategic sites which are capable of delivering phased CIL payments. C&W propose that the definition of strategic sites should be set at 100 dwellings or more. A development comprising 100 dwellings or more has the ability of being phased by a developer.

12. PBA Sample Appraisals

PBA's previous Economic Viability Study dated June 2014 that was published to support the Council's previous Draft Charging Schedule contained a number at Sample Appraisals within the Appendices to demonstrate the effects of the various assumptions that were made at the time. The latest Economic Viability Study by PBA does not contain any Sample Appraisals. Given that a number of assumptions and values have altered since the last publication, we consider that a further set of updated Sample Appraisals should be made available and consulted upon to allow the assumption changes to be scrutinised effectively.

Sensitivity analysis

The Council's CIL viability evidence document correctly outlines a range of assumptions for many of the key appraisal variables recognising the inherent uncertainty and margin of risk for a high level development appraisal exercise of this type. However there appears to be no sensitivity analysis carried out to examine the effect of changes in key variables.

The importance of sensitivity analysis is set out clearly in the RICS guidance document *Financial Viability in Planning* (2012 – page 13): "It is strongly recommended that financial appraisals are sensitivity tested as a minimum, and with more complex schemes further scenario/simulation analysis should also be undertaken. This is to ensure that a sound judgment can be formulated on viability."

We consider there is a need for sensitivity testing to examine the effect of changes in the variables that have been used. We also consider that the Council should interpret the maximum CIL threshold as deriving from the worst case sensitivities in order to minimise the risk that CIL could undermine the delivery of development, particularly given the increased emphasis now placed on the role of brownfield sites in meeting the District's development requirement.

CIL R123 List

C&W recommend that on the CIL R123 List the following wording needs to be added after the Stratford Transport Package reference – ***"unless a scheme, or part of a scheme is required as site specific mitigation, in which case is could be included as part of a S106 agreement"***

Conclusion

In conclusion, we highlight the importance of ensuring that the viability and delivery of sites across the District is not put at risk.

In reviewing the draft evidence base, it is considered that there are a number of limitations in the viability analysis that have led to the proposal to introduce a tariff of £150 per sq m. We consider that correcting these assumptions should lead the Council to the conclusion that if Stratford District Council is to introduce CIL and meet the District's development requirements as proposed in the emerging Core Strategy, the appropriate general tariff should be reduced given the scale of other costs that sites will typically incur in delivery.

C&W propose that applicants should have the ability to run viability appraisals on sites that have exceptional circumstances in order to reduce the amount of CIL.

As a general point, C&W would like to comment that a 4 week consultation period has not given sufficient time to fully consider all of the evidence and that C&W would anticipate providing further evidence at the CIL Examination. However, We are happy to engage with the Council in providing the necessary evidence to support a review of the viability evidence as required.

C&W consider that CIL should not impede the efficient and effective delivery of new homes in the SDC area, by imposing levels of CIL that could reasonably be expected to be lower for some categories of sites – like LRBS. It is not that the CIL levels proposed make a site like Meon Vale unviable – clearly not, and St Modwen are of the firm positon that their site is and remains viable. However, it is the imposition of high CIL values that have the potential to slow down the rate of delivery on sites where there are already significant on site enabling works costs to be taken account of. The SDC CS has already been found once (in the Interim Conclusions of the Inspector) to be found lacking in terms of having not identified enough housing and in having inflexible headroom. It is this very point that has seen a persistent under delivery of homes in the District and one that may perpetuate if CIL levels are maintained as per the consultation document. C&W do not consider that the proposed CIL rates have taken account of the relationship between the rates being triggered, and the delivery of homes on a given site, going forwards.

Para 49 of the Inspector's decision notice for the Cattle Market site in Stratford (Appeal Reference: APP/J3720/A/13/2205108) refers to viability taking account of the 'whole costs of delivering' – i.e. enabling works and development costs, and C&W do not consider that the CIL Consultation currently does this effectively for the typologies of site that will come forward through the CS process. Para 47 of that decision notes that planning obligations were entered into on either side of the economic downturn (2007 and 2010). The paragraph acknowledges that '*these did not prevent the implementation of the planning permission*' [the Inspector is referring to previously granted consents on the same site], ***but*** *they* *<u>could significantly delay further building out of the schemes.</u>*

Similarly to CIL, the Cattle Market scheme was burdened with excessive S106 obligations that go to the heart of the scale of delivery, as the Appeal Decision notes at para. 54:

'Although requested planning obligations may not cause the appeal scheme to become unviable, they could result in a failure to deliver the scale of development sought by the LP, and in this respect, would not be fairly and reasonably related in scale and kind to the development.

St Modwen have made significant representations to the Core Strategy Examination process, and continue to pursue their role in those proceedings. Their site at Meon Vale benefits from extant consents for up to 1050 dwellings as part of a mixed use development, that has been acknowledged as being a sustainable location and development by the Secretary of State in his 2014 decision, when determining the merits of an adjacent site App/H1840/A/13/2202364. Meon Vale is plainly a sustainable site, and future development of this LRBS is encouraged in the Proposed Modifications within the CS. Para.173 of the Framework is clear that pursuing sustainable development requires careful attention to viability and costs in decision making, and it is within this context and the spirit of seeking to ensure the SDC CS provides a scale of housing that will be deliverable, that these representations are made.

Do you wish to express an interest to participate in the Examination?	
Yes, I wish to participate at the oral Examination	☑
No, I do not wish to participate at the oral Examination	☐

Declaration			
I understand that all representations submitted will be made available for public inspection and will be identifiable to my name and organisation (if applicable).			
Signature:	[redacted]	Date:	12/11/15.