



Community Infrastructure Levy (CIL) SDC Response to Examiner's Further Questions April 2017

On 7th March 2017 the Council received a letter from Examiner Rebecca Phillips seeking further clarification in respect of the proposed CIL rates at Gaydon Lighthorne Heath (GLH) and Long Marston Airfield (LMA) strategic sites, including re-running the viability appraisal for GLH. This note sets out the Council's response, based on work undertaken on behalf of the Council by its consultants, PBA and EPD-Parkwood.

The re-run viability appraisal for GLH is attached. In respect of the Examiners points, the Council makes the following points:

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).

The PBA/EPD November 2016 report applied values at i.e. £3,298 (not £3,150 as noted in the Examiner's letter) less 5% discount = £3,133 (not £1,133 as noted in the Examiner's letter) 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.

The updated appraisal for GLH accompanying this note includes an adjusted cash flow with profit drawn down throughout the sales period on the GLH site.

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.

PBA/EPD have obtained the planning application for 'The Hatfield' unit at Ettington Park, which reports that the unit is 1,300 sq ft, which rounded up is 121 sqm. This differs from the breakdown of floor space obtained from the marketing report. The 121 sqm has been applied to the table of values in the PBA/EPD November 2016 report that was used to inform sales values for GLH. With this revision the average sales value figure would be £3,285 less 5% discount = £3,121 per sqm (houses). The updated appraisal for GLH accompanying this note uses this amended value.

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.

The full updated appraisal and cash flow for GLH which accompanies this note, is based on the above assumptions, shows that the potential viability headroom would be -£19 per sqm. Consequently,

based on the Examiner's suggested changes in points 1 to 4 above, PBA/EPD recommend a CIL rate for the GLH site of £0 per sqm.

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.

PBA re-ran the viability at the LMA site based on the revised sales values and revised S106 requirement costs, which was included as part of the Council's response to the second Hearing at the request of the Examiner in December 2016. This recommended a rate of £0 per sqm.

The Council considered that higher sales values were likely to be achieved at LMA owing to the fact it was being brought forward as a Garden Village led by an upmarket (as opposed to a volume) housebuilder. Whilst it was accepted that a rate of £75 per sqm was not achievable, it was felt that a rate of £30 per sqm, as supported by the site promoters, was achievable. In support of its approach, the Council noted the Planning Practice Guidance¹ which states that *"a charging authority's proposed rate or rates should be reasonable, given the available evidence, but there is no requirement for a proposed rate to exactly mirror the evidence. For example, this might not be appropriate if the evidence pointed to setting a charge right at the margins of viability. There is room for some pragmatism."*

The context has also changed somewhat since the examination hearings in respect of the position regarding the s106 planning obligations and the expectation of delivery on these two sites. Agreement for LMA Phase 1 has now been achieved and the planning decision issued 28 February 2017. Significant progress has also been made with both components of the GLH site, and completion of the accompanying agreements is expected by end of April 2017.

In light of the above, the results of the revised viability analysis for GLH, and the apparent dismissal by the Examiner of the arguments for a £30 per sqm rate at LMA, the Council considers it is now appropriate to propose a CIL rate of £0 at both GLH and LMA strategic sites.

¹Paragraph: 019Reference ID: 25-019-20140612