



## **Abbey Manor Group Limited response to South Somerset District Council Community Infrastructure Levy Charging Schedule Examination Key Issues Discussion Paper**

### **Issue 1 – Is the charging schedule supported by background documents containing appropriate available evidence?**

#### ***(i) Infrastructure planning evidence***

*(a) Is the Charging Schedule justified by the **appropriate available evidence**, having regard to the CIL 2010 Regulations (as amended), CIL Guidance (2014), NPPF (the Framework), national Planning Practice Guidance (PPG), the local economic context and infrastructure needs, including in relation to the South Somerset Local Plan (LP) and the Infrastructure Delivery Plan (IDP)? Is it consistent with the advice in the Harman Report?*

#### **Response**

We have no issues with the Infrastructure identified or the way it has been identified, we believe that the proposed funding methods are optimistic given the economic climate

*(b) The main **infrastructure needs** that the Council intends to fund through the Levy are contained in the Regulation 123 List. Should this list be lengthened in response to several requests from representations?*

#### **Response**

We believe that this list should be lengthened to include school provision, as otherwise the provision lands unfairly on individual landowners and larger schemes of more than 10 units. Education is also the major beneficiary of current S.106 and if it remains to be collected via S.106 will result in the VS being flawed.

*(c) The **funding gap** for South Somerset is shown in Table 3 of the IDP Update 2015/16, which shows an indicative cumulative gap of £124.1 million, presumably over the remainder of the Local Plan period (to 2028). Would the proposed CIL charge make a significant contribution towards filling the likely funding gap? Can the Council point to other funding sources which will make good or at least significantly reduce this funding gap, for example New Homes Bonus, remaining Section 106 receipts, and any other relevant considerations?*

#### **Response**

It seems clear that the Council will need to set clear priorities for delivery in the light of restricted funding availability.

*(d) Would the proposed CIL rates result in a significantly higher **overall charge for each new house**, once account is taken of the revised approach to S106 (and S278 highways) agreements that will apply once CIL is adopted?*

#### **Response**

Yes. As identified in our original submission a large proportion of the current S.106 contributions are made up of Travel Planning and Education contributions. These are not proposed to be eliminated by the introduction of CIL, resulting in the overall request for monies being in the region of 50% more than current S.106 only approach

*(e) Do the figures demonstrate the **need to levy CIL**?*

### **Response**

No. The imposition of CIL is purely a fixed, additional cost on development, it will not save time, make decisions any more certain or add certainty to the amount being requested from developers as the major items of expenditure are proposed to be outside of CIL and will still need to be negotiated. There is no reason why the projects proposed to be funded by CIL could not be funded by pooling contributions even with that being restricted to 5 developments, thus alleviating this inflexible potential barrier to development.

### **(ii) Economic viability evidence**

*Is the **CIL Viability Study (VS)** and the **methodology** it uses, robust and suitable for the purpose of setting an effective CIL charging rate for South Somerset? In particular:*

*(a) Is the standard **residual valuation approach** used in the VS appropriate?*

### **Response**

Yes. It is an industry standard which allows comparison with assessments of individual projects

*(b) Are the **assumptions used** for the range of factors included in the VS, such as benchmark land values, building costs, Code for Sustainable Homes (or Building Regulations equivalent) and profit levels, in addition to the percentage of affordable housing (AH) provision, reasonable?*

### **Response**

The Build cost information and the value of Affordable Housing of all tenures had significantly shifted at the time the report was published, but this was not reflected in the report which was, understandably, based on historic evidence.

In the last year there have been further marked increases in costs, reductions in affordable housing values in the Social rent and Affordable rented tenures, due to rent decreases from August 2015 and HCA policy changes, the introduction of Starter Homes in May 2016 and in addition, the economic uncertainty created in June 2016.

*(c) How effectively has the VS methodology adapted itself to **'real world' conditions in South Somerset**? [For example, how effectively does it pick up on relevant local data on existing land values; likely sales prices based on a range of sites across the area; housing densities; and gross to net ratios?]*

### **Response**

The VS methodology is by necessity a sample, each site will be different and the factors such as land values, sales prices, densities and gross to net ratios will vary according to each individual site. As CIL is an inflexible charge based on historic evidence, it is important that it is not set at a level which is at the upper margins of viability to allow for these variations and the changing economic climate. i.e. most sites should remain viable regardless of CIL which we would challenge.

With regards to Retail the VS is based on sites in other locations in the south west and only tests 2 large schemes of 4,000 and 8,000 sq m. Our concern is that this is not well related to south somerset and will unfairly penalise local and district centres not in the primary shopping areas but which serve a proven need.

*(d) Is the **sampling**, both in its size and range, sufficient to ensure a robust VS? Does the VS reflect the advice of the PPG (ID 25-019-20140612) to sample on an appropriate range of sites reflecting a selection of the different types of site included in the Local Plan?*

**Response**

It is as good as any broad based sample

*(e) How realistic is the **sensitivity testing** in the VS, for example in relation to alternative AH targets and tenure splits, and higher and lower sales values and build costs?*

**Response**

In project level Viability assessment it is likely that the Affordable Housing tenure will change to a greater degree than is anticipated by the sensitivity testing

*(f) In the **changed economic circumstances** since the latest Viability Study was published in July 2015, is there now a case for extending the categories of development which are subject to CIL in South Somerset, for example in employment areas, hotels, and leisure?*

**Response**

As the changed economic circumstances have resulted in a downturn in the property market it is highly unlikely that these other forms of development will be more viable than they were previously

*(g) Is the **CIL zoning map** appropriate, or does it result in anomalies and a perception of unfairness?*

**Response**

It is appropriate as it reflects the challenging viability of bringing forward larger urban extensions but does not deflect from the ability to obtain contributions to necessary infrastructure through S.106 and S.278 agreements

**(iii) Conclusion**

- Is the draft charging schedule supported by detailed evidence of community infrastructure needs? Is the evidence which has been used to inform the charging schedule robust, proportionate and appropriate?*

**Response**

The CIL evidence should be updated to take account of the significant changes in build cost, Affordable Housing Values, Starter Homes and the reinstatement of the national policy relating to developments of 10 or less units.

**Issue 2 – Is the residential charging rate informed by and consistent with the evidence?**

*(i) Is the **rate for residential development** (£40 psm outside the Yeovil SUEs and Chard Eastern Extension Area) reasonable and realistic in relation to achieving an appropriate balance between helping to fund new infrastructure and the potential impacts on economic viability?*

### **Response**

We believe that economic viability will be adversely affected and that as a result the delivery of Affordable Housing, being the major item to be delivered by S.106 will fall.

*(ii) Is the **zero charge for the two SUEs in Yeovil and the Chard Eastern Development Area** justified? In particular, what is the justification for the reduction from £32 psm for the Keyford SUE in the earlier version of the draft CIL Charging Scheme when the proposal was for 2,500 dwellings, down to zero charge for the scheme in the adopted Local Plan of 800 dwellings? [It would appear from some representations that Keyford has few ownership, access or ground condition problems, with the implication that a positive CIL charge is reasonable.]*

### **Response**

The delivery of large greenfield developments such as these is a complicated process involving significant infrastructure costs and risk, the reduction in numbers will not have resulted in a significant reduction in the cost of the necessary infrastructure and therefore the overall viability will have been adversely impacted. There are balances to be struck between policy requirements, such as, the requirement for 40% green space in the SUE's and the additional costs which these larger developments incur without any balancing revenue improvement.

*(iii) How does the CIL rate relate to the S106 tariff based approach on **affordable housing** (AH)? If the CIL rate is higher than the existing Section 106 tariff, is this likely to reduce the yield of AH likely to come forward from new sites? If the answer is 'yes', how many AH units is the District likely to lose in a typical year? How does the CIL relate to the Local Plan AH provision? In view of the impending broadening of the definition of AH, is there a case for updating the VS to consider its impact?*

### **Response**

The imposition of CIL as a fixed cost results in there being less money available for S.106 contributions including Affordable Housing and Education. As the Education authority take a very singular approach to contributions, the only variable which can be used to balance site costs is Affordable Housing. There is no doubt that the delivery of Affordable Housing will be adversely affected. This has been proved in other authorities such as Taunton Deane and Mid Devon. Taken together with the widening of tenure of Affordable Housing through the Housing and Planning Act, the inferred imposition of a minimum level of delivery (20% starter homes) and the reduction in rents chargeable for Social and Affordable rented dwellings, the delivery of the Local Plan AH provision is at significant risk. It would be sensible for the VS to be updated in light of these changes and the current economic climate.

*(iv) Is there a case for a CIL rate for certain forms of **older peoples' housing** (e.g. Use Class C2) bearing in mind the growing importance of this sector and some evidence that viability considerations are not significantly different from mainstream housing?*

### **Response**

C2 uses are institutional rather than residential and the additional common facilities and services that these uses provide would not be comparable with mainstream residential

### Issue 3 – Levy rates for other uses

*(i) Are the **rates for the other uses** listed in the schedule reasonable and realistic in relation to an appropriate balance between helping to fund new infrastructure and the potential impacts on economic viability?*

#### Response

Yes. If a development is not viable it will not happen. Preventing development from happening will not aid infrastructure provision and will damage the economic growth.

*(ii) Is there sufficient evidence to demonstrate that a **zero charge is appropriate in relation to all uses other than housing and retail**? (Many CILs cover uses such as offices, research and development and light industry (Use Classes B1a, b and c); general industry (Use Class B2); storage and distribution education (Use Class B8); hotels and guest houses (Use Class C1). For example, is the Council confident that all the necessary increased water supply and waste water treatment capacity can be secured through S106 Agreements or other means?*

#### Response

Preventing development of employment generating uses by rendering them unviable would adversely impact the economy

*(iii) In relation to **retail development**, is there sufficient evidence to justify a differential rate between out-of-centre retail development (£100 per square metre for convenience-based supermarkets and retail warehouse parks, outside defined town centres and primary shopping areas), and a zero charge for all other retail development, for example in town centres, based on reasonable assumptions about development values and likely costs?*

#### Response

The difficulty here is not in the differential between larger developments outside of town centres and development within town centres but in the adverse impact such a charge is likely to have on local centres and district centres where these are not identified as primary shopping areas but serve a great need within the local population and are generally sustainable. The VS needs to assess the impact on smaller scale convenience stores in areas outside of town centres.

### Issue 4 Does the evidence demonstrate that the proposed charge rate would not put the overall development of the area at serious risk?

*(i) Has the **appropriate balance** been struck in the following key areas:*

- *An appropriate balance between **maximising revenue** to invest in infrastructure as against the need to minimise the impact of **development viability**; and*
- *An appropriate balance between prioritising **infrastructure funding** and **affordable housing** provision?*

#### Response

CIL is an inflexible way of obtaining funding for infrastructure. The imposition of CIL will have an adverse impact on development viability and as a result some schemes will not come forward. This has adverse impacts for the economy as a whole. On other schemes, there is no doubt that the delivery of affordable housing will be reduced. Our view is that CIL is unnecessary. The Council will need to consider this balance very carefully when deciding whether to adopt CIL

*(ii) **Development at risk:** Is it the case that only if development sales values are at the lowest end of the predicted spectrum would the development in some parts of the District be at risk?*

**Response**

No. For other reasons already stated the imposition of CIL at the current proposed rate will impact on the viability of all schemes. In areas where the development sales values are lower on average, this will result in all development being unviable. These average lower development sales values tend to be in the more urban areas, where the Planning Authority wishes to encourage development.

**Issue 5 – Other matters**

*(i) What criteria will the Council use to determine whether **exceptional circumstances** are appropriate?*

**Response.**

If the Council adopt CIL they should also adopt an exceptional circumstances policy to allow them to respond in a timely manner. The policy should be flexible enough to allow development to come forward when CIL would otherwise render it unviable, such a policy need not provide a total exemption from CIL but a reduction based on affordability.

However if as a result of the imposition of CIL, the viability of most schemes will be challenged why not stick with the current, flexible S.106 regime.

*(ii) What criteria should be included within a policy covering **instalment rates**?*

**Response**

As new developments do not generate income until they are completed, the ability to ensure that development is not overburdened at the commencement of development and that the point of payment is close to the point of realisation of value is important.

Negative front end cashflow limits market participation by some developers due to funding constraints, which further affects the margins demanded by residual participants. This adversely impacts the local economy as those squeezed out tend to be smaller more local businesses, more likely to employ local labour and expertise.

*(iii) Is the proportion of CIL expenditure **allocated to the Parish Councils** at the appropriate level, bearing in mind the corporate and spatial priorities of the Council?*

**Response**

The minimum allocation to Parish Councils is 15% and 25% where a neighbourhood plan is in place. As the items which are proposed to be funded by CIL are generally of a strategic nature it is appropriate to ensure that the majority of the levy goes to those priorities.

*(iv) In terms of the overall costs of the scheme, broadly what would be the **impact of CIL** in percentage terms for the various land uses?*

**Response**

For Residential development the proposed CIL charge would be approximately 2.5 - 3% of the total costs of the scheme. The emphasis is on total cost not just build costs.

*(v) What is the rationale behind sticking to the **S106 method for providing the necessary infrastructure for the major expansion areas** in the District? Is there not a danger that the limitations of S 106 funding for multiple developments in the major residential expansion areas will restrict the potential for funding for necessary infrastructure?*

### **Response**

The VS has concluded that to charge CIL on the SUE's would result in them being unviable. This is due to the large scale of infrastructure which those sites must provide in order to make them acceptable in planning terms and which they will therefore deliver by way of S.106.

The use of S.106 is limited by pooling of contributions and the fact that S.106 obligations must be necessary to make the development acceptable in planning terms, directly related to the development and fairly and reasonably related in scale and kind to the development.

In the case of the two Yeovil SUE's a single planning application has been made for each SUE, therefore pooling is not an issue.

The necessary infrastructure for the SUE's is to be provided by the developer by way of a S.106 agreement. This infrastructure will include highways improvements in the locality, surface water drainage, Foul sewerage capacity, water and Electricity supplies, sites for schools, community facilities and open space and sports and leisure facilities, all items which appear within the IDP. It could be argued that to impose CIL as well would be double dipping.