

The approach to the Community Infrastructure Levy (CIL) in the area covered by the Chichester Local Plan

To be submitted together with the CIL Draft Charging Schedule for examination
September 2014

Purpose of this paper



This paper shows & explains how the Council's proposed CIL rates will contribute towards the implementation of the new Local Plan & support the development of the area.

It also demonstrates that the proposed CIL rates will not threaten the ability to develop viably the sites & the scale of development identified in the new Local Plan.

In particular, this paper shows:

- How the CIL will have a positive economic effect on local development & growth across the new Local Plan area;
- That the anticipated growth & development will require significant investment in supporting infrastructure that is already at capacity;
- That the proposed CIL rates are informed by & consistent with the evidence on economic viability; &
- That the proposed CIL rates strike an appropriate balance between the desirability of funding infrastructure from the levy & the potential effects of the imposition of CIL on the economic viability of development across the new Local Plan area.

The new Local Plan's main themes



Plan coverage of Chichester District (excluding the South Downs National Park) for the period to 2029.

Local Plan provision to deliver **6,973** homes between 2012-2029, equating to approx **410** homes each year. This is significantly higher than the delivery rate over the past decade. Of this total, 3,550 homes are to be delivered at strategic development locations as follows:

- **Shopwyke – 500 homes**
- **West of Chichester City – 1,000 homes within the plan period, but ultimately 1,600 homes**
- **Westhampnett/North East Chichester – 500 homes**
- **Tangmere – 1,000 homes**
- **Southbourne - 300 homes**
- **Selsey – 150 homes**
- **East Wittering/Bracklesham – 100 homes**

A further 775 homes are proposed for the smaller settlements. The remaining housing provision comprises existing planning permissions & an allowance for small windfall sites of less than 6 homes.

The Local Plan's Spatial Strategy



The Local Plan's Spatial Strategy:

- Conserve & enhance the environmental quality & heritage of the area, particularly assets of national & international importance by steering development away from them & towards locations that have the widest access to employment opportunities & community facilities, or where development can contribute to addressing an under-provision of such facilities;
- Focussing the majority of development in the east-west corridor between Southbourne & Tangmere; & around Chichester city.
- Strategic development locations at Tangmere, Shopwyke, Westhampnett and West of Chichester will be masterplanned to offer a range of new facilities, green infrastructure & transport improvements for existing communities, the city & Plan area as a whole.
- More limited development in the Manhood Peninsula in view of significant transport & flood risk constraints to address local needs & assist regeneration.
- Elsewhere, development will be restricted to small-scale housing & employment to protect & enhance local services & facilities, directed towards the larger & more sustainable villages. Neighbourhood plans prepared at parish level will provide the main mechanism for identifying sites & bringing forward local facilities.

The Chichester District CIL will have a positive economic effect on local development & growth across the new Local Plan area



Delivering the new Local Plan

- Large mixed use strategic development sites will deliver just over half of the housing required (3,550 homes).
- The remaining homes and employment will be delivered via smaller Parish Housing sites (775 homes). Sites for these will be identified through Neighbourhood Plans or a sites allocation DPD.
- 2,967 homes will be delivered by 2019 including strategic allocations at Southbourne, Selsey, East Wittering & Bracklesham, & Shopwyke. 3,859 homes are to be delivered after 2019 as these are reliant on an upgrade to the Tangmere Wastewater treatment works.

Significant Investment in supporting infrastructure will be required to accommodate growth



Infrastructure planning – appropriate available evidence

Infrastructure Delivery Plan (IDP), October 2013: produced in consultation with the infrastructure & service providers in the Plan area; analyses & assesses

- The existing infrastructure provision
- The current shortfall
- Planned provision
- Future needs & demands to support new development & growing population

➡ Shows existing infrastructure is already at capacity

➡ Shows considerable need for new/upgraded wastewater treatment & sewerage infrastructure; pressure on transport infrastructure; pressure on educational facilities; demand for community & leisure facilities & green infrastructure.

➡ Shows an infrastructure funding gap of at least £52 million, which CIL could go some way towards funding, along with other funding sources.

CIL enables us to respond effectively to cumulative impacts of development

Infrastructure costs



Infrastructure Category	Draft Total Cost
Transport	£19,975,000
Education	£46,200,000
Health	£3,800,000
Social Infrastructure	Unknown at present
Green Infrastructure	Unknown at present
Habitats Regulations Mitigation	£442,900
Public Services	Unknown at present
Utility Services	Unknown at present
Draft Infrastructure Total	£70,417,900
Less existing S106 funding available	£5,682,409
Less anticipated S106 funding (estimate)	£13,455,276
Less other known funding	Unknown at present
Draft gap in infrastructure funding before CIL	£51,280,215

Infrastructure costs



➡ Wastewater, Transport, Education & Health infrastructure are already stretched or at capacity & are the most expensive items of infrastructure to fund.

- Please note that Wastewater Treatment Work upgrades will be paid for by the water companies (funded from water rates), although the connecting pipework will be paid for by developers.
- Transport improvements required to alleviate congestion in & around Chichester city & the Manhood Peninsula, including measures to promote modal switch to improve road capacity.
- Education infrastructure is needed for primary school provision particularly in the East-West corridor & around Chichester city.
- New Health provision particularly in & around Chichester city & in the East-West corridor.

Viability Analysis & Consultation has been undertaken



The Council's approach to CIL **follows government regulations & guidance**. Peter Brett Associates were commissioned by the Council to provide guidance on:

- **The recommended level of affordable housing to inform planning policy**
- **The maximum level of CIL, & the recommended level of CIL**
- **The cumulative viability implication of these & other policy costs**

These assessments were based on robust & credible assumptions.

As part of this work they considered the viability of residential, offices, industrial & warehousing, care homes, retail (convenience & comparison), purpose built student accommodation, public service buildings & community facilities. In addition they refreshed their study using the best available information to undertake more detailed work on the viability of **strategic sites** & updated their original work in line with current costs & revised regulations.

Development critical to the delivery of the Local Plan



The types of development which are likely to account for the largest quantum of development, and hence critical to the delivery of the Local Plan, comprise:

- Residential
- Offices
- Industrial & Warehousing
- Retail
- Public services & community facilities

Charging Zones

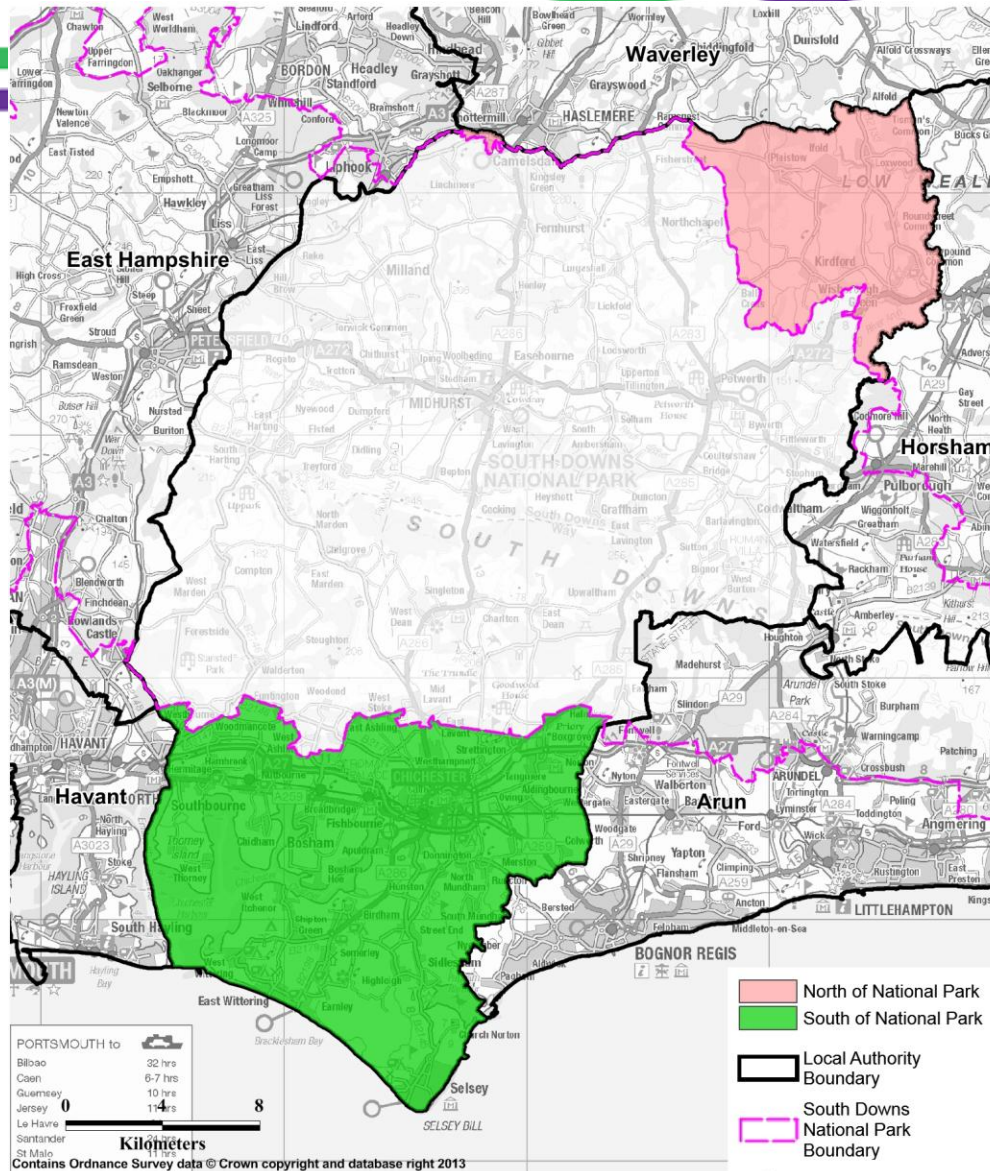


The Council has accepted the Consultants' recommendations in relation to adopting a simple approach with **two residential charging zones** across the new Local Plan area. For commercial uses there is only one zone - the Local Plan area.

The Consultants' tested affordable housing contributions at both 40% & 30%.

➡ **30% affordable housing** was recommended in order to enable sufficient surplus to introduce the CIL as a mechanism to make a reasonable contribution towards the cost of infrastructure required to support growth.

Charging Zone boundaries



Proposed CIL charges



As a result of consultation representations received on the Preliminary Draft Charging Schedule consultation (17 March to 23 April 2014), the Council asked PBA to undertake further viability work taking into account information provided by respondents. As a result the Council is **reducing** the rate of levy proposed for purpose built student housing from £60m² to £30m²

All other charges remain as originally proposed:

- Residential (South of the District) * £120m²
- Residential (North of the District)* £200m²
- Retail (wholly or mainly convenience) £125m²
- Retail (wholly or mainly comparison) £20m²
- Industrial (B1b, B1c, B2, B8) £0m²
- Standard Charge (applies to all development not separately defined) £0m²

* With the exception of residential institutions

Infrastructure which could be funded from CIL



The Council's draft Regulation 123 list will help fund the following types of infrastructure:

Transport:

- Improvements to the local road network other than site-specific requirements
- Measures in connection with 'smarter choices' to secure changed travel behaviours & promote the use of more sustainable modes of transport other than site-specific requirements
- Provision of public transport infrastructure other than site-specific requirements
- Provision of pedestrian infrastructure other than site-specific requirements
- Provision of cycle infrastructure other than site-specific infrastructure

Infrastructure which could be funded from CIL



Education:

- Provision for which the local education authority has a statutory responsibility (primary schools, secondary schools, & sixth form & special educational needs with the exception of primary school provision on the Strategic Development Location at West of Chichester & Tangmere.
- Early Years & Childcare provision
- Youth provision

Health:

- Community healthcare/Primary care facilities/improvements

Infrastructure which could be funded from CIL



Social Infrastructure:

- Community facilities other than site-specific requirements
- Built Sport & Leisure Facilities other than site-specific requirements
- General improvements to street-scene & built environment
- Libraries

Green Infrastructure:

- Green Infrastructure (including landscaping, planting & woodland creation & improvements & upgrades to Public Rights of Way) other than site-specific requirements
- Public Open Space other than site-specific requirements
- Biodiversity measures/initiatives other than site-specific requirements
- Provision of allotments other than site-specific requirements

Infrastructure which could be funded from CIL



Public Services

- Police & emergency services (fire & rescue & ambulance facilities other than site specific measures).

CIL rates set significantly below the theoretical maximum



Development Type	PDCS (£m ²)	DCS (£m ²)		Theoretical max viable CIL (£m ²)	CIL as % of theoretical max CIL	CIL as % of sale value (£m ²)
Residential Development South of District (Houses)	£120	£120	Most viable scenario (4 houses)	£208	58%	3.6%
			Least viable scenario (100 houses)	£163	74%	3.6%
Residential Development South of District (Flats)	£120	£120	Most viable scenario (4 flats)	£225	53%	3.3%
			Least viable scenario (24 flats)	£199	60%	3.3%
Residential Development North of District (Houses)	£200	£200	Most viable scenario (4 houses)	£459	44%	4.8%
			Least viable scenario (100 houses)	£412	49%	4.8%
Residential Development North of District (Flats)	£200	£200	Most viable scenario (4 flats)	£771	26%	4.3%
			Least viable scenario (24 flats)	£751	27%	4.3%

CIL rates set significantly below the theoretical maximum




Development type	PDCS (£m ²)	DCS (£m ²)		Theoretical max viable CIL (£m ²)	CIL as % of theoretical max CIL	CIL as % of sale value (£m ²)
Industrial	£0	£0		- £107	n/a	n/a
Offices	£0	£0		- £217	n/a	n/a
Retail (wholly or mainly convenient)	£125	£125		£195	64%	2.45%
Retail (wholly or mainly comparison) (in town)	£20	£20		£66	30%	0.55%
Retail (wholly or mainly comparison) (edge of town in retail park)	£20	£20		£120	17%	0.55%
Purpose Built Student Housing	£60	£30	Reduced as a result of evidence supplied by representor	£100	30%	1%
Care Homes				£17	n/a	n/a
Public Services & Community facilities				n/a	n/a	n/a
Standard Charge (all devt not separately defined)				n/a	n/a	n/a




Based on robust viability testing



- All new Local Plan policy costs have been taken into account.
- Residual land value determined using approach adopted by RICS & Harman:
Value of completed scheme minus development costs, planning obligations and developers profit (20%) equals residual land value
- The residual land value has been **compared** with the 'land cost' (the minimum value the landowner would be prepared to sell).
-  CIL charges in the DCS have been set for development types where the residual land value is above the threshold level (based on net developable areas, assuming sites are fully serviced without the benefit of planning permission, but with an assumption that permission is likely to be granted).
- The viability testing includes a number of assumptions summarised from page 20 of the revised viability report August 2014.
- Local agents, land owners & developers were interviewed & their experience in the local area was built into the viability assumptions.

Based on robust viability testing



- Viability based on **30% affordable housing policy** in new Local Plan. This differs from 40% affordable housing currently being sought. The reduction has been made to justify the proposed CIL charges to enable development to make a reasonable contribution towards the cost of infrastructure to support growth.
- Revised viability testing considered **Strategic Development Locations** for finer-grained testing at West of Chichester; Tangmere; Shopwyke; & Westhampnett. This assumed a higher figure for servicing and planning obligations.  **The findings confirm that these would remain viable after the CIL charges are applied.**
- The Local Plan area is extremely attractive to developers, particularly for residential development. There is evidence that house prices were robust even during recession & that they have **increased by around 3%** since the initial viability testing was undertaken (The Land Registry House Price Index, July 2014) therefore the Council is confident that CIL will not prejudice development being brought forward.

Bringing it all together – accommodating growth across the Plan area, infrastructure funding gap, viable CIL rates



Growth & development across the plan area

Cumulative impacts of development

Emerging higher levels of housing growth

Increasing pressure on existing infrastructure that is already at capacity

→ Proposed CIL rates are informed by & consistent with evidence on economic viability

→ Affordable Housing reduced from 40% to 30%

→ CIL is a modest contribution towards overall infrastructure costs

Total estimated infrastructure costs for 15 years = at least £70,417,900
Existing and anticipated S106 = £19,137,685
Estimated CIL yield from residential for 15 years = £32,843,400
Estimated funding gap for 15 years = at least £18,436,815

Conclusion – CIL will help to deliver the Local Plan



- The DCS strikes an **appropriate** balance between:
 - The desirability of funding infrastructure from CIL (in whole or in part), &
 - The potential effects (taken as a whole) of the imposition of CIL on the economic viability of development across the Local Plan area.
- The independent viability assessment demonstrates that there will be no harmful economic effect of imposing the levy
- CIL will have a **positive economic effect** on development across the Plan area
- CIL will **provide for necessary infrastructure** (that is already at capacity) to support development & growth in the area
- CIL will enable the Council to **deal with cumulative impacts** of development
- CIL provides only a **modest contribution** towards the overall infrastructure needs



CIL will not threaten the delivery of the Local Plan