

**Chichester District Council
Community Infrastructure Levy
Examination**

Written Statement

Martin Grant Homes

May 2015

Turley

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Date

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1. Introduction

- 1.1 This Written Statement is submitted on behalf of the Martin Grant Homes ('MGH'). It has been prepared by Turley Economics.

Purpose of this Document

- 1.2 MGH has made representations to the publication for consultation of the following Chichester District Council ('CDC') Community Infrastructure Levy ('CIL') documents:

- CDC CIL Preliminary Draft Charging Schedule ('PDCS'); and
- DCD CIL Draft Charging Schedule ('DCS').

- 1.3 This Written Statement represents the response of MGH to the Examiner's Main Issues and Questions for the Examination document ('MIQs').

Document Structure

- 1.4 This document is structured as follows:

- Chapter 1: Introduction
- Chapter 2: Response to MIQs

2. Response to MIQs

- 2.1 This sets out the responses of MGH to the MIQs document published by the Examiner. The responses are set out under the relevant issue / question.

Residential Rates

Viability Study Assumptions

Question 1: Is the CIL viability study (CIL-02) submitted by the Council in support of the Draft Charging Schedule appropriate, particularly with regard to its assumptions for sales values, benchmark land values, build costs, residual S106 costs, professional fees, contingency, developers profit, stamp duty and abnormal development costs for residential development?

- 2.2 MGH remains concerned with the depth and accuracy of the evidence base (CIL-02) to underpin the DCS. Specific issues are set out under the following sub-headings.

Sales Values

- 2.3 MGH remains of the view that it is opaque as to how the residential sales values of £3,300 /sqm and £3,600 /sqm for houses and flats in the South of the NP 'zone' and £4,120 / sqm and £4,635 / sqm for houses and flats in the North of the NP 'zone' have been derived in Table 6-2 on page 24.
- 2.4 The mapping and tabulation of Land Registry data for re-sale and new-build dwellings across pages 33-37 forms a starting point to demonstrate market differentiation. Consequently, Figure 7-4 on page 37 clearly demonstrates that market performance varies considerably across the district. Moreover, this also clearly evidences marked differences in pricing within the South of the NP 'zone'.
- 2.5 On pages 40-41 reference is made to a number of new build developments, but the information is extremely limited in its detail. The information is based purely upon asking prices for a handful of units, with no assessment of actual transactions, which can be subject to discounting or incentives.
- 2.6 There is no schedule of units that allows for a reliable or comprehensive analysis of new build development on a £/sqm basis across the district. Certainly it is unclear as to the process for simply attributing the value evidence to two single £/sqm rates (houses and flats) and the attributing of a single rate to the South of the NP 'zone'. Even based on the information in CIL-02, this appears a gross over-simplification.
- 2.7 Turley has run a market assessment on several new build developments across the South of the NP 'zone' in order to further examine the market performance differentiation across this area. This utilises information from Land Registry transactions cross referenced with site layout plans and EPC data recording unit sizes.
- 2.8 Analysis of the recent development at Longmeadows, Main Road, Birdham by Bellway Homes demonstrates that transactions during 2013 and 2014 averaged £2,965 /sqm.

This is 10% below the rate set within CIL-02 for houses in the South of the NP 'zone'. This evidence is presented in Figure 1.1 of Appendix 1.

- 2.9 Further south, a second development at Pebble Reach, Bracklesham Bay, Chichester developed by Miller Homes demonstrates that average asking prices across a variety of unit types and sizes are circa £3,000 /sqm before any incentives or discounting in this location. This evidence is presented in Figure 1.2 of Appendix 1.
- 2.10 This evidence clearly demonstrates that the use of a rate of £3,300 /sqm across the entirety of the South of the NP 'zone' is a misrepresentation and overestimation of the residential development market in this location. It points towards the necessity for a further split in zoning within the South of the NP 'zone'.
- 2.11 The concurrent impact is that there is a risk that the affordable housing transfer values, which are represented as a percentage of open market values, are also inflated by some 10% for developments delivering across the South of the NP 'zone'.

Benchmark Land Values

- 2.12 MGH remains concerned about the absence of evidence within CIL-02 to justify the benchmark land values utilised within the viability appraisals. It is unclear whether transactional evidence has been utilised as is recommended within PPG. No evidence of transactions is presented within CIL-02.

Build Costs

- 2.13 Table 6-3 on page 26 of CIL-02 confirms that the source of residential build costs is RICS BCIS at May (Quarter 2) 2014 and adjusted for West Sussex.
- 2.14 In order to examine whether the available evidence supports the utilised rates of £938 /sqm for houses and £1,168 /sqm for flats, Turley has run a check on the BCIS residential build costs as at Quarter 2 2014. This is presented at Appendix 2.
- 2.15 The BCIS evidence indicates that both the mean and median costs for the categories new build housing (mixed developments) and estate housing (generally) are substantially higher than the rates utilised in Table 6-3 on CIL-02.
- 2.16 The mean average prices as set out in our BCIS review are as follows:
- Housing (mixed developments): £1,106 /sqm
 - Estate housing (generally): £1,070 /sqm
 - Flats (apartments) generally: £1,282 /sqm
- 2.17 Consequently, RICS BCIS confirms that build costs at Quarter 2 2014 were actually 10% - 15% higher than the costs utilised in the viability assessment as set out in Table 6-3 on CIL-02.
- 2.18 It is requested that this error is resolved via re-running of the appraisals with the corrected build costs to examine the impact on the scale of potential CIL overage.

Residual S106 Costs

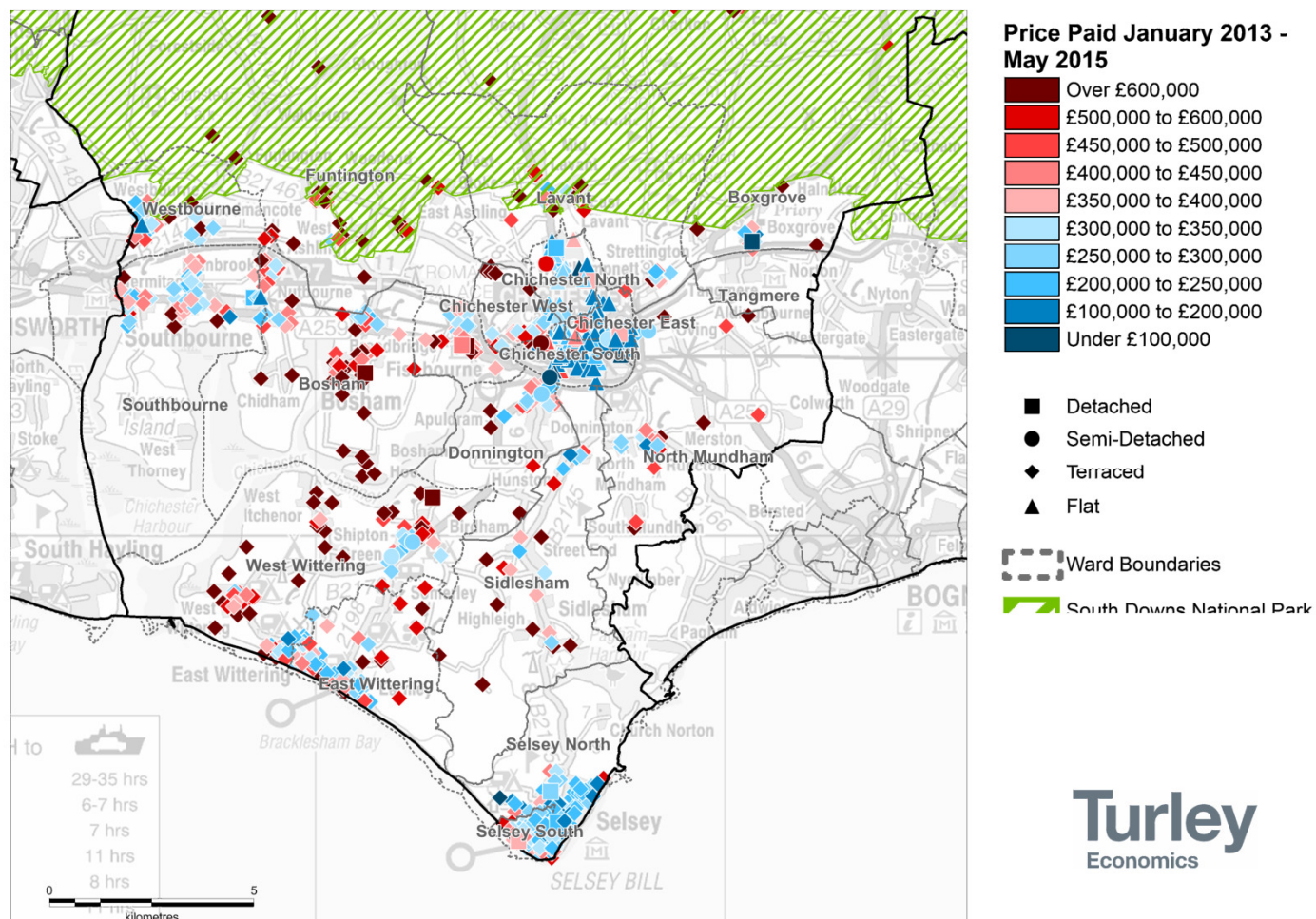
- 2.19 CIL-02 includes a residual S106 cost allowance of £1,000 / unit. It is cited that this is based on dialogue with the Council and information on previous S106 agreements. It is, however, difficult to discern whether this is an accurate representation of the residual costs following implementation of the CIL regime.
- 2.20 Consideration of both the draft Regulation 123 List within the DCS (CIL-01) and Monies received from planning obligations (CIL-14) does not clarify this situation.
- 2.21 MGH would request that clarification is provided.

Charging Zones and Rates

Question 4: Does the available evidence on residential sales values support the need for more than one charging zone in the south of the district? If so where would the boundaries be drawn and would such an approach comply with the regulations and guidance on setting differential rates?

- 2.22 MGH is of the view that the available evidence does support the need for more than one charging zone in the south of the district.
- 2.23 The evidence presented within Figure 7-4 of CIL-02 demonstrates that the market is clearly differentiated across the south of the district. Turley has also run analysis of new build transactions from January 2013 – May 2015 using Land Registry data.
- 2.24 This is presented in Figure 1.1 overleaf.
- 2.25 Figure 1.1 demonstrates that there appears to be a substantial premium attached to new build development within the Chichester Harbour AONB – notably in locations of West Wittering, Itchenor and West Itchenor, Bosham and Bosham Hoe.
- 2.26 Although not specifically following ward boundaries, as per the basis for the zoning in the CIL DCS, the areas cited above record new build transaction values far higher than the remaining settlements.
- 2.27 The market evidence presented by Turley in response to Question 1 demonstrates that this is clearly the case. As a result, MGH is concerned that the higher value locations are skewing upwards the proposed CIL rate across the south of the district. The rate proposed is considered more likely to be appropriate for development within the settlements of the Chichester Harbour AONB (also taking in the West Wittering settlement in its entirety), but appears to overstate the value and viability of sites elsewhere across the south of the district. The CIL rate will therefore have a punitive effect on such development.
- 2.28 Consequently, it is recommended that viability assessment sensitivity testing with reduced sales values of £3,000 / sqm is undertaken to reflect the market within the area outside the Chichester Harbour AONB.
- 2.29 A suggested 'Zone 2' boundary, for the proposed division of the south of the district into two charging zones, has been included at Appendix 3 for consideration.

Figure 1.1 South of Chichester District – New Build Residential Transactions: January 2013 – May 2015



Question 5: Does the difference in sales and land values between the north and the south of the district support the differential between the rates of £120psm for the south of the district and £200psm for the north?

- 2.30 MGH agrees that a higher rate is appropriate for the north of the district than in the south of the district. The available evidence supports this.
- 2.31 However, MGH has already set out its concerns regarding the single £120 / sqm rate in the South of the NP 'zone'. It is MGH's view that this zone should be subdivided into two zones as recommended in response to question 4:
- 'Zone 2' will cover the Chichester Harbour AONB and West Wittering and is considered reflective of the £120 /sqm rate currently proposed in the CIL DCS.
 - The remaining South of the NP 'zone' will effectively become 'Zone 3'. This area should be re-appraised for CIL through viability testing with lower sales values (e.g. £3,000 /sqm), which more closely reflects the market.
- 2.32 The proposed 'Zone 2' is set out in Appendix 3.
- 2.33 Notwithstanding the reference to CIL rates above, the rates proposed should be subject to further appraisal and sensitivity testing given the stated concerns with regards to the sales values, build costs and land values evidence base.

Buffer

Question 7: Do the rates of £120psm and £200psm allow a sufficient buffer to absorb abnormal development costs and fluctuations in the housing market?

- 2.34 MGH remains concerned that the approach to setting a buffer remains unclear. A buffer of a minimum of 30% back from the theoretical maximum CIL contribution should be introduced across all zones. This is good practice in order to protect the viability of marginal sites, and has been generally accepted at CIL Examinations nationally.

General Issues

Reg 123 List and S106 contributions

Question 12: Does the draft Reg 123 list at Annexe B to the Draft Charging Schedule provide sufficient clarity on future infrastructure to be funded by CIL or secured through S106/S278 agreements to avoid 'double-dipping'?

- 2.35 MGH continues to have concerns regarding the clarity in the Regulation 123 List.

Question 13: Does the Reg 123 list comply with national policy in the Planning Practice Guidance in regard to the relationship between CIL and S106/S278 agreements?

- 2.1 MGH continues to have concerns regarding the clarity in the Regulation 123 List.

Appendix 1: New Build Analysis

Table 1.1 Development: Longmeadows, Main Road, Birdham – Bellway Homes

Date Sold	House No.	Road	Locality	Postcode	H .Type	Sold Price	Plot No	Beds	Sqm	£/Sq m
27/03/2014	1	OLD COMMON CLOSE	BIRDHAM	PO20 7SE	Semi-detached	£294,000	Plot 1	3 bed	98	£3,000
27/06/2014	2	OLD COMMON CLOSE	BIRDHAM	PO20 7SE	Semi-detached	£270,000	Plot 2	3 bed	88	£3,068
24/02/2014	4	OLD COMMON CLOSE	BIRDHAM	PO20 7SE	Terraced	£299,995	Plot 4	4 bed	99	£3,030
29/11/2013	5	OLD COMMON CLOSE	BIRDHAM	PO20 7SE	Terraced	£285,000	Plot 5	4 bed	99	£2,879
27/06/2014	6	OLD COMMON CLOSE	BIRDHAM	PO20 7SE	Terraced	£290,000	Plot 6	4 bed	99	£2,929
02/12/2013	7	OLD COMMON CLOSE	BIRDHAM	PO20 7SE	Detached	£499,995	Plot 7	4 bed	160	£3,125
05/03/2014	8	OLD COMMON CLOSE	BIRDHAM	PO20 7SE	Semi-detached	£475,300	Plot 8	4 bed	160	£2,971
01/11/2013	9	OLD COMMON CLOSE	BIRDHAM	PO20 7SE	Detached	£480,000	Plot 9	4 bed	158	£3,038
23/05/2014	10	OLD COMMON CLOSE	BIRDHAM	PO20 7SE	Detached	£480,000	Plot 10	4 bed	157	£3,057
03/09/2013	11	OLD COMMON CLOSE	BIRDHAM	PO20 7SE	Detached	£490,000	Plot 11	4 bed	168	£2,917
28/06/2013	12	OLD COMMON CLOSE	BIRDHAM	PO20 7SE	Terraced	£221,000	Plot 15	3 bed	63	£3,508
10/01/2014	14	OLD COMMON CLOSE	BIRDHAM	PO20 7SE	Terraced	£267,500	Plot 14	3 bed	87	£3,075
11/07/2013	15	OLD COMMON CLOSE	BIRDHAM	PO20 7SE	Terraced	£287,750			87	£3,307
11/04/2014	17	OLD COMMON CLOSE	BIRDHAM	PO20 7SE	Terraced	£267,000	Plot 16	3 bed	94	£2,840
27/06/2014	18	OLD COMMON CLOSE	BIRDHAM	PO20 7SE	Terraced	£250,000	Plot 17	3 bed	94	£2,660
28/04/2014	19	OLD COMMON CLOSE	BIRDHAM	PO20 7SE	Terraced	£205,000	Plot 18	3 bed	94	£2,181
11/04/2014	20	OLD COMMON CLOSE	BIRDHAM	PO20 7SE	Terraced	£264,995	Plot 19	3 bed	94	£2,819
Average										£2,965

Table 1.2 Development: Pebble Reach, Bracklesham Bay, Chichester, PO20 8 – Miller Homes

Plot Number	House Type	Accommodation Type	Sq.m	Asking Price	Plot Status	£ / Sqm
Plot 11	The Chichester	4 bed detached	132.3	£389,950	Available	£2,947.60
Plot 15	The Arundel	5 bed detached	171.1	£469,950	Sold	£2,746.20
Plot 49	The Wittering	3 bed bungalow	106.3	£360,000	Sold	£3,387.25
Plot 2	The Wittering	3 bed bungalow	106.3	£359,500	Sold	£3,382.54
	The Selsey	2 bed semi-detached	67.3	£215,000	Sold	£3,196.47
	The Bosham	1 bed semi-detached	59.7	-	Reserved	
Plot 24 + 25 + 26	The Westhamphnett	4 bed detached	130.1	£395,000	-	£3,036.96
Plot 10	The Pagham	3 bed detached	109.8	£324,950	Available	£2,959.17
Plot 16	The Pagham	3 bed mews-terrace	109.8	£322,950	Available	£2,940.95
Plot 17 + 18	The Pagham	3 bed mews-terrace	109.8	£311,950	Available	£2,840.78
Plot 12	The Chichester	4 bed detached	132.3	£392,950	Available	£2,970.28
				Average (including bungalows)		£3,040.82
				Average (excluding bungalows)		£2,954.80

Appendix 2: BCIS Build Costs

£/m2 study

Description: Rate per m2 gross internal floor area for the building Cost including prelims.

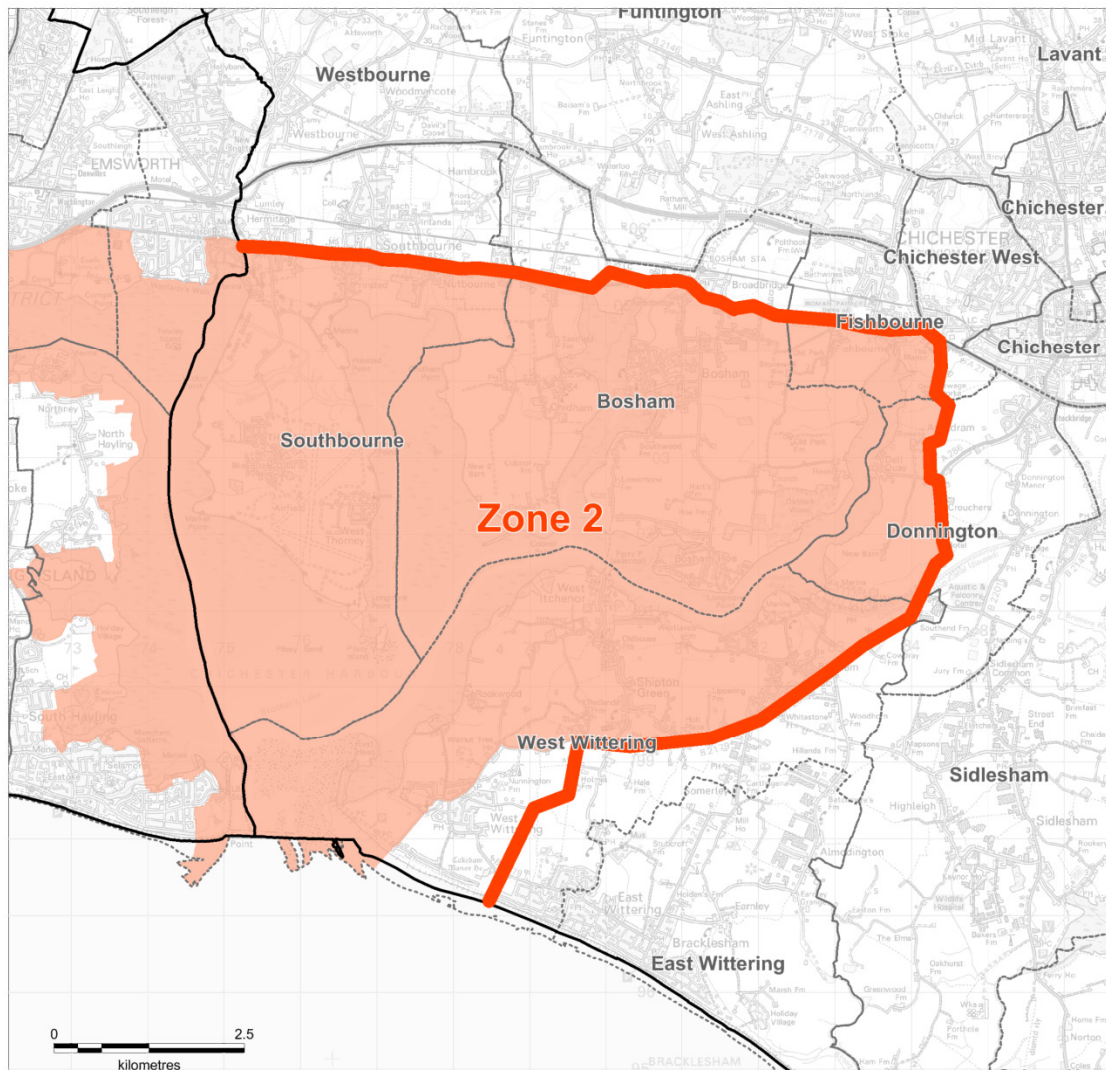
Last updated: 16-May-2015 12:20

🔄 Rebased to 2Q 2014 (256; sample 27) and West Sussex

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)	1,106	543	948	1,076	1,234	2,389	954
Estate housing							
Generally (15)	1,070	530	919	1,045	1,184	2,176	1753
Single storey (15)	1,176	630	1,013	1,140	1,334	2,023	286
2-storey (15)	1,048	530	911	1,029	1,155	2,072	1334
3-storey (15)	1,066	689	876	1,009	1,181	2,176	132
4-storey or above (25)	1,515	1,152	-	1,371	-	2,022	3
Estate housing detached (15)	1,149	827	960	1,178	1,295	1,483	16
Estate housing semi detached							
Generally (15)	1,070	552	932	1,048	1,179	2,023	398
Single storey (15)	1,229	738	1,037	1,223	1,393	2,023	64
2-storey (15)	1,042	552	929	1,031	1,148	1,824	315
3-storey (15)	1,000	743	821	979	1,088	1,561	19
Estate housing terraced							
Generally (15)	1,089	542	910	1,052	1,219	2,176	389
Single storey (15)	1,162	710	964	1,069	1,378	1,856	56
2-storey (15)	1,077	542	912	1,052	1,200	2,072	275
3-storey (15)	1,073	689	875	1,006	1,135	2,176	58
Flats (apartments)							
Generally (15)	1,282	638	1,068	1,232	1,455	3,406	795
1-2 storey (15)	1,212	715	1,048	1,174	1,350	2,336	191
3-5 storey (15)	1,263	638	1,066	1,223	1,448	2,525	528
6+ storey (15)	1,603	948	1,300	1,567	1,737	3,406	72


Appendix 3: Proposed Two Zone Approach in South of the District



Proposed Charging Zone Boundary

 Proposed Zone 2 Boundary

 Area of Outstanding Natural Beauty

 Ward Boundaries

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